

CHAPTER 11

Tax Deducted at Source (TDS)

Deduction at Source & Advance Payment [Sec 190]

- Any person income of the Previous Year is assessed to tax during the next AY. [Income earned during PY 2023-24 will be assessed to tax in AY 2024-25 i.e. 1.4.2024-31.3.2025]
- However, Tax on such Income is taken from the assessee in the PY itself in following ways:
- TDS:** In case of some income, tax is deducted at source by the payer at the specified rate.
 - TCS:** In some cases, tax is collected at source by the seller from buyer.
 - Advance Tax:** Sometimes assessee is under obligation to pay Advance Tax.
 - Tax paid by the employer u/s 192(1A) on Non-monetary perquisites provided to the EE.
- TDS / TCS or paid as advance tax in PY itself are known as **pre-paid taxes**. Such prepaid taxes are deducted from the total tax due from the assessee.
- Self-Assessment Tax u/s 140A: At the time of filing ROI, Assessee has to pay Self-Assessment Tax u/s 140A, after deducting (adjusting) TDS, TCS, Advance Tax & Tax paid u/s 192(1A).
- TDS on the amount paid / payable **without including GST component**.
- Whether **Surcharge and Cess** shall be added to TDS rate or not??
- In case of resident payee: - Generally not be added except TDS u/s 192 on salary.
- In case of Non-resident payee: - TDS rate shall be increased by Surcharge and Cess.

Salary [Sec 192]

Nature of Payment: - Salary (Taxable Salaries only)

Deductor: - Employer (Any Person)

Payee: - Employee having taxable salary. (R/NR)

Exemption Limit: - Basic Exemption Limit (₹ 2,50,000). (even if EE does not have PAN).

Rate of TDS: - Tax should be deducted @ Slab Rate.

Inclusion of Incomes & Losses from other heads.

On application by the employee, Employer shall consider

Deductions u/s 80C - 80U.

Income from All Heads (Considering any TDS/TCS on such income) &



Only Loss u/h House Property.



Employer may himself pay tax on whole/part of Non-Monetary Perquisites to the government in lieu of TDS from the salary of the employee. Tax borne by employer will be treated as TDS. Such amount not allowed to employer as deduction u/s 40(a)(v) & exempt in hands of employee's u/s 10(10CC).



Relief u/s 89(1): - shall be considered while calculating TDS (if available).

When a person is employed by one or more employers during FY?



In such case, tax will be deducted by the employer separately.



However, employee will have choice to choose one employer & give details (in Form No. 12B) of other employment to the chosen employer.



The chosen employer will deduct the balance tax on Aggregate Salary.

Ex: Salary in 1st company = 10L & salary in 2nd company = 20L (Total salary received 30L).

Now; Employee will have to choose any one employer & give details about other employment.

Suppose he chooses Company 1 & gives details regarding his salary in Company 2 to Company

1. Now Company 1 will deduct only balance amount of tax on Total Income & not the tax calculated on ₹ 20 Lacs. (i) Tax on Total Income (₹ 30 Lacs) = ₹ 7,25,000; (ii) Tax on 10 Lacs deducted by Company 2 = ₹ 1,25,000; (iii) Company 1 will deduct only ₹ 6,00,000 [₹ 7,25,000 - ₹ 1,25,000].

Premature (Taxable) Withdrawals from Employees' PF [Sec 192A]

Deductor: - Trustees of the payment of Employees' PF Scheme, 1952. [Trustee of RPF]

Payee: - Employee (R/NR)

Eligible Payment for TDS



Taxable Premature Withdrawal of Accumulated balance from RPF.

[If period of continuous service < 5 years] Refer Salary Chapter.

Rate of TDS

10%. (If PAN is not provided to the Deductor, then TDS @ MMR).

No TDS: - If Aggregate Payment less than ₹ 50,000.

TDS required to be deducted at the time of payment.

Interest on Securities [Sec 193]**Deductor:** - Any person paying Interest on securities. (Debenture / Bond)**Payee:** - Resident Non-corporate Assessee/Domestic company.**Rate:** - 10 %.**Time of Deduction:** - At the time of credit or payment, whichever is earlier.**No TDS:** - Any amount of interest payable on:

✚ **Debentures of Public Company**, To Resident Individual/HUF, by A/c Payee Cheque + Total interest in FY upto Rs. 5,000.

✚ Payable to **LIC/GIC/Any Insurance** company on any securities owned by it.

✚ 54EC Capital Gains Bonds: **Power** Finance Corp. Ltd. & Indian **Railway** Finance Corp Ltd Bonds.

✚ 7-year National Savings Certificates (IV Issue);

✚ National Development Bond/Notified Debentures by CG;

✚ Securities of CG/SG [Except where Interest payable during the FY on 8% saving (taxable) bonds, 2003 or 7.75% Savings (Taxable) Bonds, 2018 exceed ₹ 10,000 then TDS.]

✚ ~~Listed Securities held in DEMAT form.~~

With effect from PY 2023-24, TDS shall be deducted in case of interest on listed securities even if such securities are held in dematerialized form.

✚ To business trust by a SPV (special purpose vehicle) on any security.

Dividend [Sec 194]**Deductor:** - Domestic Company**Payee:** - Resident Shareholders**Rate:** - 10%**Exemption:** - Any Mode except cash upto ₹ 5,000

NO TDS if dividend paid to LIC, GIC,
Other Insurance Co., SPV to Business Trust.

Dividend [Sec 194K]**Deductor:** - UTI / Mutual Fund Co.**Payee:** - Resident Unitholders**Rate:** - 10%**Exemption:** - Any Mode upto ₹ 5,000

NO TDS if Paid to Other MF Co. /
UTI.

Interest other than Interest on Securities [Sec 194A]**Deductor**

(a) All Person (other than Individual/ HUF) &

(b) Individual/HUF [if Last year T/o > 1 Cr for business & G/R > 50L for profession]

Payee: - Resident Person.

Rate: - 10%

Time of Deduction: - At the time of credit or payment, whichever is earlier.

Exemption

Aggregate Interest paid or credited **upto ₹ 5,000**

Aggregate Interest paid by Bank/Co-operative Society/Post offices on

(a) Time deposits (FD/RD) with bank/co-operative banks

(b) Deposits with post office under notified schemes

upto ₹ 40,000 **

**** For 'Resident Senior Citizen' - Exemption Limit is ₹ 50,000.**

TDS not applicable in case of interest on "Mahila Samman Savings Certificate, 2023".

Point to be noted:

-  Exemption Limit of ₹ 40,000/₹ 50,000 shall be computed with reference to each Branch. But if CBS is adopted, limit of ₹ 40,000/₹ 50,000 shall be computed with reference to Whole bank (All branches) & not with reference to Individual Branch.
- NO TDS** even if amount paid for following payments exceeds ₹ 5,000:
1. In case of Senior Citizens if the aggregate amount of **interest does not exceed ₹ 50,000.**
 2. Interest on loans given **to Banks/Fin. Institutions/LIC/UTI/Insurance company.**
 3. Interest paid by **Firm to partners.**
 4. Interest paid by a **Co-operative society to its member** or to **any other co-operative society;** Co-operative society being bank to Co-operative society.
[However, Co-operative Banks → Members; TDS provisions will be applicable if interest credited/paid is > 40,000]
 5. Interest paid on **Refund of Tax** by Government.
 6. Interest paid by Primary Agricultural Credit society or a Primary Credit society or a co-operative Land Mortgage bank or Co-operative Land Development Bank for deposits with them.
 7. Interest paid to National Skill Development Fund / Housing & Urban development corporation (NBFC not covered in this point)

8. Interest on compensation awarded by Motor Accidents Claims Tribunal & paid by Insurance company → NO TDS on **CREDIT** of any Intt. & NO TDS ON PAYMENT ≤ ₹ 50,000 in a FY.
9. Interest on Zero Coupon Bonds.
10. Interest on saving bank account.

Winning from Lottery Etc. & Horse Race [Sec 194B & 194BB]

194B: - TDS on winnings from Lottery, Crossword Puzzles etc.

194BB: - TDS on winnings from Horse Race.

Rate of TDS 30% Exemption Limit Total Winning upto ₹ 10,000.

Lottery in Kind: - Winner shall pay tax first & then lottery amount can be claimed.

The person who is paying winning amt such person shall deduct tax @30% on winning before set-off of losses.

Winning From Online Games [Sec 194BA]

Deductor: - Any person

Payee: - Any person (R/NR)

Rate of TDS: - 30%

Time of Deduction: - TDS needs to deducted at the end of the financial year. Also, at the time of such withdrawal on net winning. In addition, tax would also be deducted on the remaining amount of net winning in the user account as computed in prescribed manner at the end of the FY.

Clarification on Section 194BA: - In order to remove difficulty in deducting TDS for insignificant withdrawal, it is clarified that tax may not be deducted on withdrawal on satisfaction of all of the following conditions: -

- (i) Net winnings amount withdrawn does not exceed ` 100 in a month;
- (ii) tax not deducted on account of this concession is deducted at a time when the net winnings comprised in withdrawal exceeds ` 100 in the same month or subsequent month or if there is no such withdrawal, at the end of the FY; and
- (iii) the deductor undertakes responsibility of paying the difference if the balance in the user account at the time of tax deduction u/s 194BA is not sufficient to discharge the tax deduction liability calculated.

Net winnings during the previous year = $(A+D)-(B+C)$

A= Aggregate **amount withdrawn** from the user account during the financial year;

B= Aggregate amount of **non-taxable deposit made** in the user account during FY.

C= Opening balance of the user account at the beginning of the financial year
(Excluding Incentive/Bonus Which is Non-Withdrawable)

D= Closing balance of the user account at the end of the financial year
(Excluding Incentive/Bonus Which is Non-Withdrawable)

Ex.

Mr. Lalu Yadav is online fantasy for game. He is having user account with Dream11.

Opening balance as on 01/04/23: ₹ 80,000

Amount deposited during PY 23-24 in user account: ₹ 1,65,000

Amount withdraw during PY 23-24 from user account: ₹ 2,55,000

Closing balance as on 31/03/24: ₹ 68,000

in this case for the purpose of sec. 115BBJ taxable new winning is

$(2,55,000+68,000) - (1,65,000+80,000)$: 78,000 taxable @30%.

Payments to Resident Contractor & Sub-Contractor [Sec 194C]

Deductor

Individual/HUF/AOP/BOI (if Last year T/o > 1 Cr for business & G/R > 50L for profession.)

All Person (other than Individual/ HUF/AOP/BOI)

Rate (if paid to)

If paid to Individual/HUF: TDS @ 1%

If paid to others: TDS @ 2%

Tax should be deducted on

(a) Invoice Value **excluding value of material** (if value of material is shown separately in Invoice)

(b) Whole of Invoice Value (if Not Shown separately in the Invoice)

Work Include / Nature of Payment

Works Contract including Supply for Labour. (Not for Contract of SALE).

Advertisement

Broadcasting & Telecasting (including production of programmes)

	Catering Services
	Transportation of Goods & Passengers by any mode (other than by RAILWAYS)
	Manufacturing or supplying a product according as per the requirement or Specification of customer using materials purchased from the customer.
	Work Exclude
	Manufacturing or supplying a product as per specification of customer using material purchased from any person, other than customer or its associates.
	Any other sum covered U/s 194J.
	No TDS
(a)	Contract of Personal nature for Individual/HUF.
(b)	Single payment to a person upto ₹ 30,000 during a FY &
(c)	Aggregate payment to a person during a year upto ₹ 1,00,000.
(d)	Payment to Contractor in a business of leasing/hiring goods carriages not owning more than 10 trucks at any time & who furnishes PAN to payer - 194C(6).
	<u>Points to Remember:</u>
1.	Section 194C will apply only to 'Works Contracts' & 'Labour Contracts' & will not cover contracts for Sale.
2.	For Cold storage charges TDS will deduct u/s 194C as a contract charges even if refrigerator facility provided along with storage facility (194-I Not Applicable)
3.	In case of payment by broadcaster / TV channels to production house for production of content / programme & the content is produced as per specifications given by the broadcaster/telecaster & the copyright of the content/programme also gets transferred to the broadcaster/telecaster, such contract covered under 194C & subject to TDS. But if broadcaster/telecaster acquires only broadcasting/telecasting right of the content already produced by production house, there is no contract so not liable to TDS u/s 194C.
	Insurance Commission [Sec 194D]
	Deductor: - Any person paying commission for soliciting or procuring insurance business
	Recipient: - A Resident person
	Rate: - 5% of net income. (10% if payee is Domestic Company)

Exemption: - Insurance Commission $\leq$ ₹ 15,000 during a FY to a person on aggregate basis.

Also applicable for commission paid on renewal or revival of policies of insurance.

Payment of Maturity Amount of Life Insurance Policy [Sec 194DA]

Deductor: - Insurance Companies

Payee: - A resident person

Rate: - @ 5% on Income [Total Sum Received - Insurance Premium paid] / 2% w.e.f 01/Oct./ 2024.

Deduction: - TDS only at the time of payment.

Exemption: less than ₹ 1,00,000 (on Aggregate basis to a person in a FY).

Note: - 10(10D) Taxable = if LIP maturity amount taxable in case of KIP or ULIP taken on or after 01/02/2021 & premium paid more than 2.5L in a year or LIP taken on or after 01/04/2023 & premium paid more than 5L in a year or premium more than limit of 10%, 15%, 20% of policy value prescribed u/s 80C.

NR Sportsmen/ Entertainer/ Sports Association [Sec 194E]

Payee

NR Sportsman/Athlete/Sports Association/Entertainer [Foreign Citizen]

Eligible Payment

Participation in any game or sport in india.

Advertisements

Contributing any sports related articles in newspaper, magazine, or journal.

Rate: - 20.8 % [20 % + 4% Health & Education Cess since paid to NR].

Payment of Deposits Under National Saving Scheme [Sec 194EE]

Rate: - 10%

Exemption: - Aggregate Payment $<$ ₹ 2,500 (on aggregate basis to a person in a FY)

Deductor: - Any Person (Post office).

Payee: - Any person.

Payment

Payment (Principal + Interest) out of national saving scheme, 1987.

Note: If payment is made to legal heirs of a deceased depositor, NO Tax shall be deducted.

Payment on Repurchase of Units by Mutual Fund/UTI [Sec 194F].**Rate:** - 20%.**Deductor:** - Mutual fund/UTI**Payee:** - Unit holders of MF/UTI u/s 80CCB.**Payment:** - Payment on account of repurchase of units referred in Section 80CCB.**Commission On Sale of Lottery [Sec 194G]****Deductor:** - Any person paying commission on sale of lottery tickets.**Payee:** - Any person. (R / NR)**Rate:** - 5% / 2% w.e.f 01/ Oct./ 2024.**Exemption:** - Commission $\leq$ ₹ 15000**Note:** If an authorised lottery ticket agent purchases tickets in bulk at a discount from SG & sells the same at a price of his choice, Section 194G is not applicable.**Commission/Brokerage [Sec 194H]****Deductor**

- (a) All Person (other than Individual/ HUF) &
- (b) Individual/HUF (if Last year T/o > 1 Cr for business & G/R > 50L for profession)

Rate: - 5 % / 2% w.e.f 01/ Oct./ 2024.**Exemption:** - Aggregate Commission $\leq$ ₹ 15,000 to a person during FY.**No TDS**

- (i) Insurance Commission.
- (ii) Commission to Stock broker.
- (iii) Commission by BSNL/MTNL to their Public Call Office (PCO) franchisees.

Note: This section is not applicable to professional services.**Rent [Sec 194I]****Deductor**

- (a) All person (other than Individual/ HUF) &
- (b) Individual/HUF (if Last year T/o > 1 Cr for business & G/R > 50L for profession).

Payee: - Resident person only**Payment:** - Rent of L & B (including factory building), P & M, F & F, Equipment.

	Rate
	P&M, Equipments - 2%
	L&B, F&F, others - 10% [Excluding GST & Municipal Taxes]
	No TDS
(a)	Aggregate of Rent paid/credited upto ₹ 2,40,000 during a FY to a person. (for each co-owner in case of co-owned property)
(b)	Rent paid to GOVERNMENT/REIT.
(c)	For Refundable Deposits. (Non-Refundable Deposit shall attract TDS)
	Note: - <u>Subject to TDS following cases</u>
	Arrears of rent received, Advance rent, Warehousing charges
	<u>Circular No. 21/2017</u> : - Passenger Service Fees paid by Airline's company to airport operator is not treated as rent so TDS not applicable u/s 194-I.
	<u>CBDT circular</u> : - Lumpsum lease premium or onetime upfront lease charges which are not adjustable against periodic rent, not subject to 194-I Hence NO TDS.
	Ownership of the above mentioned assets not necessary.
	Transfer of Immovable Property (Other Than Rural Agricultural Land) [Sec 194IA]
	Deductor
	Any person (Buyer) paying consideration (other than person referred u/s 194LA)
	Payee: - Resident Person (seller)
	Rate
	1% of Consideration or SDV (Higher) [20% if no PAN is furnished by the payee]
	Purchaser is not required to obtain TAN as per section 203A.
	No TDS
	Consideration & SDV less than ₹ 50 lacs.
	The limit of 50 Lakh has to be taken individually for each Immovable Property.
	"Where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property. [w.e.f. 1/10/24]"

Note: Transfer of immovable property (other than rural agricultural land)

Note: TDS on Compulsory Acquisition of Immovable Property is covered u/s 194LA, Sec194-IA do not get attracted in that case.

Ex: Mr. X has purchased one building for ₹ 65 Lacs. In this case amount of TDS shall be ₹ $65 \text{ lacs} \times 1\% = ₹ 65,000$. But if building was purchased for ₹ 47 Lacs, amount of TDS shall be nil since consideration < ₹ 50 Lacs.

Note: - Consideration for transfer of immovable property shall include all charges of the nature of club membership fees, parking fees, electricity or water fees, maintenance fees, advance fees or any other similar charges incidental to transfer of immovable property.

Procedural Part

[To be read once]

 Deductor u/s 194-IA shall also furnish to DGIT (Systems) or any person authorized by him, a challan- cum-statement in Form No. 26QB electronically within 30 days from the end of the month in which the deduction is made [Rule 31A].

 Deductor u/s 194-IA shall furnish TDS certificate in Form No.16B to the payee within 15 days from DD of furnishing the challan-cum-statement in Form No.26QB u/r 31A, after generating & downloading the same from the web portal specified by the DGIT (Systems) [Rule 31].

Rent of immovable property by Individual/HUF [Sec 194IB]

Deductor

Individual/ HUF (if assessee not covered under Sec 194-I)

Payee: - Resident Person

Payment: - Rent of Land or Building or Both

Rate: - 5% / 2% w.e.f 01/ Oct./ 2024.

Exemption: - If Rent p.m. or part of the month upto ₹ 50,000 during the PY.

Law requires to deduct TDS only once in the entire PY rather than monthly basis.

Time of TDS

- (a) At the time of **credit of the Rent for Last month of PY** or Last month of tenancy (if property is vacated during the year)] to the account of the payee OR
- (b) At the time of **Payment**, whichever is earlier.
- Note:** TDS Deduction not to exceed rent for Last Month even if NO PAN is provided as per sec 206AA or 206BB: Sec 206AA requires providing of PAN of the deductee to the deductor, failing which tax shall be deducted @ 20%.
- Note:** - This section does not require to obtain TAN no. to reduce compliance burden.

Fees for Professional/Technical Services [Sec 194J]**Deductor**

- (a) All person (other than Individual/ HUF) &
- (b) Individual/ HUF (if Last year T/o > 1 Cr for business & G/R > 50L for profession **Only for** Fees for Professional & Technical Service).

Payee: - Resident Person.

Rate of TDS.

10% on total payment **excluding GST**.

Business of operation of **call centre**, **Technical Services** or **Royalty for Films** = TDS @2%.

No TDS

- (a) On services provided to Individual/HUF for Personal Purposes.
- (b) Aggregate payment upto ₹ 30,000 to a person in a FY
- Note:** Exemption Limit of ₹ 30,000 is available separately for Individual services i.e. professional, technical, call centre.
- However, NO Exemption Limit is available for 'Director's fees'.

Nature of Payment

- (a) Professional services
- (b) Technical services
- (c) Any Remuneration/fees/commission other than salary to directors of company.
- (d) Royalty/Non-Compete Fees referred in Section 28(va).

CBDT Circular: - Third party Administration (TPA) pay on behalf of insurance company to hospitals for settlement of medical claims etc. liable to TDS U/s 194J.

Note: - Acquisition of software to be considered in definition of royalty so, liable to TDS u/s 194J but no TDS required on further sale if sale is without any modification & TDS already deducted u/s 194J in earlier sale.

Notified Professional Services for section 194J:

Sports Persons, Umpires & Referees, Coaches & Trainers, Team Physicians & Physiotherapists, Event Managers, Commentators, Anchors & Sports Columnists.

Meaning of "Fees for technical services"

It means any consideration (including lumpsum consideration) for rendering following services: Managerial services; Technical services; Consultancy services; Provision of services of technical or other personnel.

It is expressly provided 'fees for technical services' will not include following types of consideration:

- (a) Consideration for any construction, assembly, mining or like project or
- (b) Consideration which is chargeable under the head 'Salaries'.

Compensation on Compulsory Acquisition of Immovable Property [Sec 194LA]

Deductor: - Any person paying compensation. (Generally, Govt. or similar agency)

Payee: - Resident Person only.

Payments: - Compensation/Enhanced Compensation on account of Compulsory Acquisition of Land or Building (other than Agricultural Land in rural area).

Rate of TDS

10% of Initial/Enhanced Compensation.

No TDS

Aggregate Payment upto ₹ 2.5 Lacs during FY to a Person.

If payment is received under RFCTLARR Act 2013.

If immovable property is an Urban or Rural Agricultural Land in India

Contract Work, by Way of Fees for Professional Services or Commission / Brokerage [Sec 194M] Personal Payments

Deductor

Individual/HUF (other than those who are required to deduct tax u/s 194C/194H/194J)

Payee: - Resident Person.

Rate of TDS

5% if Aggregate amount of such sums credited/paid during PY more than ₹ 50 Lacs.

/ 2% w.e.f 01/ Oct./ 2024.

Nature of Payment / Any Payment for

- (a) Carrying out any work (incl. supply of labour for carrying out any work) for a contract; or
- (b) Commission (not being insurance commission referred in sec 194D) or brokerage;
- (c) Fees for professional services.

No TAN

Provisions of sec. 203A containing the requirement of obtaining Tax deduction A/c number (TAN) shall not apply to the person required to deduct tax in accordance with the provisions of section 194M.

TDS On Cash Withdrawals [Sec 194N]

Deductor

(a) Banking company; (b) Co-operative bank; (c) Post office

Payments

Aggregate of Cash Payment during PY exceeding ₹ 1 crore to any person from one or more accounts (Saving / Current) maintained by such recipient-person with the Deductor.

Budget 2023: - In case of co-operative society limit will be higher i.e. ₹ 3 crore instead of ₹ 1 crore.

Rate of TDS

2% of sum exceeding ₹ 1 crore.

2% of sum exceeding ₹ 20 Lakh, 5% of sum exceeding ₹ 1 crore (if ITR not filed for last 3 yr & time limit for filing has expired U/s 139(1))

No TDS: - Any payment made to:

- (a) Government (CG/SG);
- (b) Banking company or co-operative banks or a post-office;
- (c) Business correspondent of a banking company or co-operative bank;
- (d) White label ATM operator of a banking company or co-operative bank.
- (e) Cash Replenishment Agencies (CRAs) and franchise agents White label ATM operator
- (f) Commission agent or trader, operator under agriculture produce market committee (APMC)

TDS on Payments by E-Commerce Operator to E-Commerce Participants [Sec 194O]

Threshold Limit: - No deduction shall be made for -

- a. E-commerce participant is an individual or HUF,
- b. Gross amount of such sale or services or both during the previous year does not exceed ₹ 5 lakh; and Such e-commerce participant has furnished his PAN or Aadhar number to the e-commerce operator.

Payer E-commerce operator shall deduct tax at source.

Payee E-commerce participant

Rate of TDS: - 1% of the gross amount [5% in case recipient does not have PAN]

Time of Deduction: - Time of credit or payment whichever is earlier

Deduction by a Specified Bank in Case of Specified Senior Citizen [Sec 194P]

Nature of Payment: -Pension (along with interest on bank account)

Threshold Limit: - Basic exemption limit (₹3,00,000/₹5,00,000, as the case may be) [i.e total income after giving effect to the deduction allowable under chapter VI-A (for those who has optout 115BAC) should exceed the basic exemption limit & rebate under section 87A from tax payable, then the same should be given to]

Payer: - Notified specified bank

Payee: - Specified senior citizen i.e, An individual, being a resident in India, who is of the age of 75 years or more at any time during the P.Y; is having pension income and no other income except interest income received or receivable from any account maintained by such individual in same specified bank in which he is receiving his pension income.

Note: - If TDS has been deducted u/s 194P for any particular year then senior citizen is exempted from filing ROI for that particular year.

TDS on Payments Made for Purchase of Goods [Sec 194Q]

Nature of Payment: - Purchase of goods

Threshold Limit: - More than 50 lakhs in a previous year

No TDS: - If tax is deductible under any provision of income tax or

If tax is collectible under the provisions of section 206C, other than section 206C(1H).

Payer: - Buyer, a person whose total sales, gross receipt or turnover from business exceeds ₹ 10 crores during immediately preceding previous year.

Payee: - Any resident (Seller)

Rate of TDS: - 0.1% of sum exceeding ₹ 50 lakhs

If PAN of payee is not available, tax will be deducted u/s 194Q at the rate of 5%.

Time of Deduction: - At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.

CBDT Clarification: - TDS u/s 194Q not applicable on GST / Sale Tax / Excise Duty if it is separately indicated in invoice but TDS should be deducted on total amount if amt. received as advance. (because no separation of indirect tax).

Note: - This section is not applicable in the first year of incorporation of business.

Note: - In case of purchase return there is no need to return TDS amount and it can be adjusted against future purchase but in case of replacement of goods no adjustment required.

Note: - In case of a transaction to which both section 206C(1H) and Section 194Q applies, tax is required to be deducted u/s 194Q.

Note: - In case of a transaction to which both section 206C(1)/(1F)/(1G) and Section 194Q applies, TCS is required to be collected u/s 206C(1)/(1F)/(1G).

TDS on Benefit/Perquisite in Respect of Business or Profession [Sec 194R]

Nature of Payment: - Any person responsible for providing to a resident, any

Benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident. [Amended by Finance Act, 2022 w.e.f. 1/7/2022]

Threshold Limit: - Value or aggregate of value exceeding ₹ 20,000.

Payer: - Individual or HUF if their turnover during the preceding FY exceeds ₹ 1 crore in case of business or ₹ 50 Lakh in case of profession

Other person (irrespective of their turnover during the preceding FY).

Payee: - Any resident

Rate of TDS: - 10% of the value or aggregate of value

Time of Deduction: - Tax is deducted before providing such benefit or perquisite

Time for Deduction of Tax at Source

For Sections	Time when Tax should be deducted
193, 194A/C/D/G/H/I/IA/IB/IC/J	(a) At the time of Credit of A/c of the payee (b) Date of Payment whichever is earlier
192, 192A, 194, 194B/BB/BA/DA/EE/LA/N	On the Date of Payment

No TDS on Any Sums Payable to Government, RBI Etc. [Sec 196]

No TDS on any sum payable to the following persons:



Government; RBI.



Corporation established by/under Central Act, which is exempt from Income-tax.



Mutual Fund.

This provision for non-deduction is when such sum is payable to above entities by way of:

- (i) Interest/Dividend in respect of securities/shares owned (full beneficial interest) by them;
or
- (ii) Any income accruing or arising to them.

Certificate for Deduction of Tax at Lower Rate [Sec 197]



Assessee can make an application to AO for TDS at Lower rate/ NO TDS.



If AO is satisfied that total income of the recipient justifies the deduction of income-tax at lower rates or no deduction of income-tax, he may give such certificate to the assessee.



Where AO issues such a certificate, then the Deductor shall deduct income-tax at such lower rates specified in the certificate or deduct no tax, until such certificate is cancelled by AO.

No Deduction of Tax to be Made in Certain Cases [Sec 197A]

- ✚ A declaration in writing by the assessee in duplicate that the tax on his estimated total income of the PY will be NIL.

Payee	Section	Form No	Non-Applicability [197A(1B)]
Resident Individual	194 & 194EE	15G (15H by person $\geq$ 60 years of age)	Amount of such income or the aggregate of such incomes credited or paid or likely to be credited or paid during PY exceeds the BEL.
Person (other than Company or Firm)	192A, 193, 194A, 194D & 194DA, 194I, 194K.		

- ✚ Deductor shall deliver or cause to be delivered to PCC or CC or PC, one copy of the declaration on or before 7th day of the next month following the month in which the declaration is furnished to him.

Section 198

Tax deducted is treated as Income of the payee & tax credit is available to him. However, tax deducted u/s 194N & tax paid by an employer u/s 192 (1A) on Non-monetary perquisites provided to the employees shall not be deemed to be income received by deductor.

Section 199

Credit for TDS → Amount of TDS shall be allowed as Set off in the year in which income is assessed. Any sum referred to in Section 192(1A) & paid to CG, shall be treated as the tax paid on behalf of the person in respect of whose income such payment of tax has been made.

Consequences of Failure to Deduct or Pay TDS to CG [Sec 201]

Assessee in Default: - Any person who is:

- (a) Required to deduct Tax at Source.
 - (b) Being an employer opts for payment of tax u/s 192 (1A)
- Does not deduct or pay (whole/part) the tax, Such person shall be deemed to be an assessee in default.

Not Deemed as Assessee in Default

- ✚ If a Resident Payee has filed ROI u/s 139 &
 - ✚ has included such sum in computing his total income in ROI &
 - ✚ has paid tax on such sum.
 - ✚ deductor has submits a certificate in prescribed form to this effect from CA.
- In this case, simple interest shall be payable @1% p.m. or part of the month from the date on which tax was deductible to the date of furnishing of ROI by the recipient.

Interest for Delay in Deduction or Payment [Sec 201(1A)]

- ✚ If No Tax is deducted OR Tax is deducted but not paid to the government; interest payable will be:

Late deduction	✚ Simple Interest @ 1% p.m or part of the month of Late Deduction:
Late payment	✚ Simple interest @ 1.5% p.m or part of the month of Late Payment

Ex: Assessee deduct TDS on 10.10.2023 but pays TDS on 31.12.2023, Interest u/s 201(1A) shall be charged from 10.10.2023 to 31.12.2023 @ 1.5% p.m. i.e., for 3 months.

Ex: In the above case, if assessee has deducted tax at source on 31.12.2023 & assessee pays TDS on 17.01.2024, Interest u/s 201(1A) shall be charged in the manner given below:

- (i) Interest u/s 201 shall be charged for 3 months @ 1% for the period 10.10.2023 to 31.12.2023.
- (ii) Interest u/s 201 shall be charged for 1 month @ 1.5% p.m. from 31.12.2023 to 17.01.2024.

TIME LIMIT for deeming a person to be Assessee-in-default for failure to deduct tax at source:

- ✚ Order u/s 201(1) feeling a person Assessee in Default shall be passed at any time before 7 years from the end of the financial year in which the payment is made or credit is given.

NO TIME LIMIT is prescribed deeming a person to be Assessee-in-default in following cases:

- ✚ Tax has been deducted but not paid to the government;
- ✚ Employer has failed to pay tax (wholly/partly) u/s 192(1A) [Since No question of deduction arises];



Deductee is a Non-Resident [It may not be possible to recover the tax from NR].

If order is made by AO for non-deduction or short deduction then interest shall be paid as per such order of AO. (same apply to TCS also)

Table A: Due Date for Deposit of TDS Amount [Rule 30]

SN	Deductor	Cases	Due Date
1	Government	Tax paid without production of Income Tax Challan	Same Day of TDS
2		Tax paid accompanied by Income Tax Challan	7 days from end of the month of TDS.
3	Any other Person	Deduction made in April - February	7 days from end of the month of TDS.
4		Deduction made in April -February If income is credited/Paid in March	7 days from end of the month of TDS. 30th April.

Note: Tax deducted u/s 194-IA/IB have to be remitted within 30 days from the end of the month of TDS. A challan-cum-statement in Form 26QB/26QC has to be furnished within 30 days.

Quarterly Payment of TDS: In special cases, AO may (with prior approval of JCIT) permit quarterly payment of TDS u/s 192/194A/D/H on/before 7th of the month following the quarter for 1st three quarters in the FY & 30th April in respect of the quarter ending on 31st March. Every person responsible for deduction of tax shall deliver, or cause to be delivered, following quarterly statements to the DGIT (Systems) or any person authorized by him, in accordance with sec. 200(3):

Statement of TDS u/s ↓	Form No.	
Section 192	Form No. 24Q	
Other sections	Deductee being NR or foreign company or RNOR	Form No. 27Q
	All other deductees	Form No. 26Q

TABLE B: DUE DATES FOR FILLING QUARTERLY STATEMENT [Rule 31A]

Quarter	1	2	3	4
Due Date	31st July of FY	31st Oct. of FY	31st Jan of FY	31st May of next FY.

Certificate for Tax Deducted [Sec 203]

Deductor shall issue a certificate to the payee of Income that tax has been deducted & specify the amount deducted, rate at which tax has been deducted & such other prescribed particulars.

TDS Certificate [Rule 31]

TDS u/s 192	In Form No. 16 → Issued annually by 15th June of next FY.
Other sections	In Form 16A → Issued Quarterly, 15 days from DD for filing TDS statement u/r 31A.

Mandatory Requirement of Furnishing PAN [Sec 206AA]

In case of failure to provide PAN, RATE OF TDS shall be **higher** of the following rates:

- (a) Rate prescribed in the Act;
- (b) Rate in force or
- (c) 20%.

Above provision is also applicable if taxpayer files a declaration in Form 15G/15H but does not provide PAN. Similar No certificate u/s 197 will be granted by AO if PAN is not furnished.

If PAN provided is invalid or it does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor.

Note: - TDS u/s 194O & 194Q @5% instead of 20%.

Correction of Arithmetic Mistakes & Adjustment of Incorrect Claim During Computerized Processing of TDS Statements [Sec 200A/206CB]

1. Following adjustments can be made during the computerized processing of statement of TDS/TCS: -
 - * Arithmetical Errors in the statement; or
 - * Incorrect claim if such incorrect claim is apparent from any other information in the statement. Ex. Rate of TDS is not in accordance with the provisions of the Act.
2. Interest has to be computed on the basis of the sums deductible as computed in statement
3. Fee u/s 234E: A fee of ₹ 200 per day is levied u/s 234E for late furnishing of TDS statement.
 - From: DD of furnishing of TDS statement - To: Date of Actual furnishing of TDS statement.
 - Total fee u/s 234E shall not exceed Total Amount of TDS/TCS.
 - Such fee has to be paid before delivering the TDS statement.
4. Sum payable by the deductor should be determined after Adjustment of Interest & Fee against the amount paid u/s 200/201/234E & any other amount paid by way of Tax/Interest/Fee.
5. Intimation will be sent to the deductor, specifying his tax liability or refund due **within 1 year from the end of FY** in which statement is filed. Refund due shall be granted to the deductor.

Furnishing of Statement of Tax Deducted [Sec 203AA]

- ✚ Prescribed Income - Tax Authority or person authorised by such authority shall prepare & deliver to every person from whose income, tax has been deducted/paid.
 - ✚ Such statement should specify amount of tax deducted or paid.
 - ✚ DGIT (Systems) has to deliver statement of TDS in Form 26AS by 31st July of following year.
- ### Bar Against Direct Demand of Tax from Assessee [Sec 205]
- ✚ If Deductor has not paid tax to government, department cannot recover tax from assessee.
 - ✚ Only the person deducting the tax shall be liable to pay tax to the government.

* **Section 206AB / 206CCA:** - TDS/TCS rate for non - filers

requires TDS/TCS under the provisions of this chapter on any sum or income or amount paid, or payable or credited, by a person (deductee) to a **specified person**, at higher of the following rates -

- (i) At twice the rate of TDS/TCS or
- (ii) At 5%

However, section 206AB is not applicable in case of TDS under sections 192, 192A, 194B, 194BA, 194BB, 194N, 194-IA, 194-IB, 194LBC or 194M.

Meaning of "specified person" - A person who has not furnished the returns of income for the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under section 139

- (1) has expired, and the aggregate of TDS and TCS in this case is ₹ 50,000 or more in the said previous years. [Amended by Finance Act, 2022] (Check return for PY 2021-2022)
- (2) In case the provisions of section 206AA are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be deducted at higher of the two rates provided in section 206AA and section 206AB. [Amended by FA, 2021]

Some Other Points [To Be Read Just Once]

Section 197A(1D)

No TDS on interest paid to NR/RNOR by IFSC Banking Units on deposit made on/after 1.4.2005 in India, or on borrowings made on or after 1.4.2005 from such persons.

Section 197A(1F)

NO TDS on following payments in case such payment is made by a person to a bank (excluding a foreign bank) or to any payment systems company authorised by RBI:

- ✚ Bank guarantee commission; credit card or debit card commission for transaction between the merchant establishment & acquirer bank, Depository charges on maintenance of DEMAT accounts;

- ✚ Cash management service charges; underwriting service charges; charges for warehousing services;
- ✚ Clearing charges (MICR charges) including interchange fee or any other similar charges charged at the time of settlement or for clearing activities under Payment & Settlement Systems Act, 2007.

Difference Between TDS & TCS

TDS	TCS
TDS is Tax Deduction at Source	TCS is Tax Collection at Source.
Payer is required to deduct tax at source at the prescribed rate.	Seller of certain goods/services is responsible for collecting tax at source at prescribed rate.
Tax is required to be deducted at the time of credit or payment, whichever is earlier.	Tax is required to be collected at source at the time of debit or receipt whichever is earlier.
However, in certain cases, tax is required to be deducted at the time of payment.	In case of sale of Motor-Vehicle , tax shall be collected at the time of receipt of amount.

Basic Concepts & Rates of TCS [SECTION 206C]

1.

Nature of Goods/Services	% of TCS
A. Sale of Goods	
1. Alcoholic liquor for human consumption	1%
2. Tendu Leaves	5%
3. Timber obtained under a forest Lease	2.5%
4. Timber obtained by any other mode than under a forest lease	2.5%
5. Any other forest produce not being timber or tendu leaves	2.5%
6. Scrap	1%
7. Minerals (Being Coal, Lignite or Iron Ore)	1%

B. Leasing/Licensing Services 1. Parking lot / Toll Plaza / Mining or Quarry (Other than Mineral oil, Petroleum, Natural Gas) to any person other than Public Sector Company	2%
C. Sale of Motor Vehicle of value > ₹ 10 lacs [Only for Retail Level Sale]	1%
D. Overseas Tour Programme Package (rate upto 30/09/2023)	5%
(rate on or after 01/10/2023) Note: - TCS provision shall not apply if buyer of overseas package is liable to deduct TDS under any other provision of Income Tax.	5% (till 7L) 20% (above 7L)
E. Overseas remittance (rate upto 30/09/2023) * Exceed 7L - @ 0.5% where amt being remitted is out of education loan taken from any financial institution as defined in section 80E for the purpose of education. * Amount Exceed 7L: - In any other case, TCS @ 5%.	
(rate on or after 01/10/2023) * Exceed 7L - @ 0.5% where amt being remitted is out of education loan taken from any financial institution as defined in section 80E for the purpose of education. * Amount exceed 7L is remitted for Education or Medical Treatment @ 5 %. * Amount Exceed 7L: - In any other case, TCS @ 20%. Note: - TCS is not required to be collected by authorized dealer on an amt. in respect of which the sum has been collected by the seller. Note: - TCS provision shall not apply if buyer of overseas package is liable to deduct TDS under any other provision of Income Tax.	
F. Sale of Goods of value exceeding Rs. 50 Lakh If T/o exceeds Rs. 10 Crore during the immediately preceding FY. Note: - Non furnishing of PAN/AADHAR TCS Higher of Twice the rate of TCS or 1%.	0.1%

Points to be Noted relating to Sale of Motor Vehicle: [Imp]

- ✚ Mode of Payment is irrelevant to attract TCS in case of Sale of Motor Vehicle
- ✚ No TCS on sale of Motor Vehicle by manufacturers to dealers/ distributors.
- ✚ This Provision is applicable for ANY Motor Vehicles including Luxury Cars.
- ✚ Limit of ₹ 10 Lacs is applicable to Single sale & not to Aggregate value of sale during FY.

2. Time of TCS [Sec 206C(1)/(1C)/(1F)]

- ✚ Tax should be collected at the time of debit or receipt of such amount whichever is earlier.
- Note:** Sale of Motor Vehicle → Tax shall be collected at the time of receipt of the amount.

3. Non-Applicability of TCS [Sec 206C(1A)]

- ✚ No TCS if resident buyer furnishes to the collector a declaration in writing in duplicate that;
Goods are to be utilised for Manufacturing/Processing/Producing articles or things or for generation of power & not for trading purposes.
- ✚ Buyer purchases the above specified goods in a retail transaction for personal consumption.
- ✚ Individual / HUF shall require to collect TCS only if their T/O for the preceding FY exceeds 1 crore in business & 50 Lakh in case of profession.

Section 206CC of Income Tax Act, 1961 The collectee, shall mandatorily furnish his PAN to the collector failing which the collector shall collect TCS at higher of the following rates

- a. At twice the applicable rate of TCS or
- b. At the rate of 5% {1% in case of 206C(1H)}

However maximum rate of TCS under this section shall not exceeds 20%.

Time Limit for Paying Collected Tax to the CG [Rule 37CA]

Person	Circumstances	Time Limit
Government	Tax paid without production of Income Tax Challan	Same Day of TCS
	Tax paid accompanied by Income Tax Challan	7 days from end of the month of TCS
Other than Government		Within 1 Week from last day of Month of TCS.

Common Number for TDS & TCS [Sec 203A]

Persons responsible for TDS or TCS should apply to AO for the allotment of a 'Tax-deduction & Collection-account number'. Such application needs to be made within one month from the end of the month in which tax was deducted at source for the first time.



Documents/certificates/returns/challans in which TAN has to be compulsorily quoted:

- Challans for payment of any sum in accordance with the provisions of sec 200/206C(3);
- Certificates furnished u/s 203/206C(5);
- Statements prepared & delivered as per the provisions of section 200(3)/206C(3).
- Returns delivered in accordance with the provisions of section 206/206C(5B); &
- Requirement of TAN shall not apply to such person notified by CG.

Sec 206C(7) Interest on late collection/deposit TCS:

In case of any delay, interest shall be calculated @ 1% per month or part thereof from the date on which TCS was collectible to the date on which TCS is actually paid. [w.e.f. 01/04/25 on late payment of TCS interest applicable @ 1.5% p.m. or part of the month]