

**Topic: Adv. Tax, TDS, TCS, Return Filing**

**Total Marks: 52 Marks**

**Time Allowed: 90 minute**

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**Answers:**

**Part-A Multiple Choice Questions**

**[Total 30 Marks]**

1. Answer : B
2. Answer : D
3. Answer : B
4. Answer : B
5. Answer : D
6. Answer : A
7. Answer : B
8. Answer : B
9. Answer : C
10. Answer : B
11. Answer : D
12. Answer : D
13. Answer : B
14. Answer : D
15. Answer : A

**Part- B Descriptive Questions**

**[Total 22 Marks]**

**Solution 1:**

- (i) Mr. Kale, being a pensioner, would not be liable to deduct tax at source u/s 194C. However, he has to deduct tax at source @ 2% u/s 194M, since the aggregate amount of payment to the contractor for his personal purposes i.e., for reconstruction of his residential house in Arunachal Pradesh, exceeds the threshold limit of ₹ 50,00,000.  
Therefore, TDS u/s 194M would be = ₹ 52,50,000 x 2% = ₹ 1,05,000.
- (ii) Mr. Rahul is required to deduct tax at source u/s 194C, since his turnover from business in the financial year 2024-25, being the financial year immediately preceding F.Y.2025-26 in which such sum is paid, exceeds ₹ 1 crore. Tax is to be deducted at source at the rate 1% as the payment is made to an Individual.  
Therefore, TDS u/s 194C would be = ₹ 50,00,000 x 1% = ₹ 50,000
- (iii) Tax is required to be deducted u/s 194H, if the payer is an individual whose turnover from business carried on by him in the financial year immediately preceding the financial year in which commission is paid, exceeds ₹ 1 crore. However, where TDS u/s 194H is not applicable, tax is

required to be deducted u/s 194M where payment of commission during the relevant previous year exceeds ₹ 50 lakhs

In the present case, Mr. Golu is not required to deduct tax at source u/s 194H on the commission paid to Mr. Vinay in the P.Y.2025-26 since his turnover from his business does not exceed ₹ 1 crore during the P.Y. 2024-25.

Further, Mr. Golu is also not required to deduct tax at source u/s 194M on the said commission paid to Mr. Vinay since the commission paid does not exceed ₹ 50 lakhs during the P.Y. 2025-26.

- (iv) A co-operative bank which is responsible for paying any sum, being the amount or aggregate of amounts, as the case may be, in cash exceeding ₹ 1 crore during the previous year, to any person from an account maintained by such person with it, has to deduct an amount equal to 2% of such sum, as income-tax at the time of payment. Accordingly, since XYZ Urban Co-operative is responsible for paying a sum exceeding ₹ 1 crore (₹ 1.2 crore, in this case) in cash to ABC & Co., a partnership firm, during the F.Y.2025-26, the bank is required deduct tax at source @ 2% of such sum.

Therefore, TDS u/s 194N would be = ₹ 20,00,000 x 2% = ₹ 40,000.

### Solution 2:

- (i) Since the turnover of Nexus Tech Pvt. Ltd. exceeds ₹10 crores during the P.Y. 2024-25, it is required to deduct tax at source under section 194Q for paying any sum to a resident for purchase of goods of the value exceeding ₹50 lakhs in a previous year, at the time of payment or credit, whichever is earlier.

The rate of TDS would be 0.1% of sum exceeding ₹50 lakhs. In case of non-furnishing of PAN, TDS @5% would be deducted as per section 206AA. TDS liability in respect of the purchases made by Nexus Tech Pvt. Ltd. is as follows—

- **Purchase of raw material from Vendor A**

The threshold limit of ₹50 lakhs is exhausted in July at the time of credit; accordingly, tax would be deducted by Nexus Tech Pvt. Ltd. on ₹10 lakhs, being the sum exceeding ₹50 lakhs in July.

Since Vendor A has not provided his PAN to Nexus Tech Pvt. Ltd., tax at higher rate of 5% would be deducted.

Accordingly, the tax to be deducted by Nexus Tech Pvt. Ltd. would be ₹50,000.

- **Purchase of trading goods from Vendor B**

The threshold limit of ₹50 lakhs is per resident seller per buyer. On purchase of trading goods from Vendor B, no tax is required to be deducted since the threshold of ₹50 lakhs is not exhausted.

- (ii) Since the turnover of Mr. Sumit exceeds ₹1 crore during the P.Y. 2024-25 and the contract payments made to ABC Ltd. exceeds ₹1,00,000, the TDS provisions under section 194C would be attracted. The rate of TDS under section 194C is 2%. However, as per section 206AA, in case of non-furnishing of PAN, TDS @20% would be deducted.

In the present case, ABC Ltd. has not provided its PAN to Mr. Sumit, hence, TDS@20% is applicable on ₹5,40,000 being the amount excluding GST as GST is separately mentioned. The amount of tax to be deducted by Mr. Sumit would be ₹1,08,000.

**Solution 3:**

- (i) As per section 206C(1A), since Delta Ltd., a resident buyer, has furnished a declaration that coal is used for manufacturing steel and not for trading, Phi Ltd. is not required to collect tax at source u/s 206C(1). However, section 194Q will apply in such cases covered u/s 206C(1A) and the buyer would be liable to deduct tax u/s 194Q, if the conditions specified therein are fulfilled.

However, for the provisions of section 194Q to be attracted, a buyer is required to have total sales or gross receipts or turnover from the business carried on by it exceeding ₹ 10 crores during the financial year immediately preceding the financial year in which the purchase of goods is carried out. The CBDT has, vide *Circular No. 13/2021, dated 30.6.2021*, clarified that since this condition would not be satisfied in the year of incorporation, the provisions of section 194Q shall **not** apply in the year of incorporation. Since Delta Ltd. is incorporated in the P.Y. 2025-26, it would not qualify as a “buyer” for the purpose of section 194Q for the said previous year, inspite its turnover exceeding ₹ 10 crores in the current previous year.

Thus, the transaction would neither attract TDS u/s 194Q nor TCS u/s 206C.

The answer would not change even if Delta Ltd. was incorporated on 1.4.2024 and its turnover in the P.Y.2024-25 is ₹ 10 crores, since the said turnover does not exceed ₹ 10 crores.

- (ii) The first step is to examine the applicability of section 206C(1F). Section 206C(1F) requiring collection of tax at source@1% by the seller of motor car of value exceeding ₹ 10 lakhs does not, however, apply in case of sale by manufacturer to a dealer. Hence, the provisions of section 206C(1F) are not attracted in case of sale of cars by Sigma Ltd., a car manufacturer, to its dealers Epsilon Ltd. and Omega Ltd.

The second step is to examine whether the provisions of section 194Q would be attracted in the hands of the dealers, namely, Epsilon Ltd. and Omega Ltd. Since the turnover of Epsilon Ltd. in the P.Y.2024-25 exceeds ₹ 10 crore and the value of cars purchased from Sigma Ltd. in the P.Y.2025-26 exceeds ₹ 50 lakhs, Epsilon Ltd. has to deduct tax@0.1% of ₹ 70 lakhs (i.e., ₹ 120 lakhs – ₹ 50 lakhs), at the time of credit to the account of Sigma Ltd. or at the time of payment, whichever is earlier. However, Omega Ltd. is not required to deduct tax at source u/s 194Q, since its turnover in the P.Y.2024-25 does not exceed ₹ 10 crores.

**Solution 4:**

- (i) **False:** A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if an assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.
- (ii) **False:** If any person has a loss in any previous year and has furnished a return of loss on or before the due date of filing return of income under section 139(1), he shall be allowed to furnish an updated return if such updated return is a return of income.