TDS and TCS

Sunday, 13 October 2024 8:54 AM

For govt. Tax collection < TDS / Advance Tax

Imp Chapter - seperate question can be asked (4-6m)

Deductor → Deductee.
Payer → Payee.

① Register. obtain TAN
(TAN = Tax deduction Account number)

② deduct TDS

③ pay TDS to Govt

④ TDS Returns - Quarterly statement

⑤ Issue TDS certificate.

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Baburao - pays commission of ₹ 1,00,000 to → Raju
- Baburao ↓ Payer / Deductor
- TDS Rate 2%.
- Raju ↓ Payee / Deductee

In Books of Baburao

Commission A/c . Dr 1,00,000
To Bank 98000
To TDS Payable (liability) 2000

TDS Payable A/c - Dr 2000
To Bank 2000

PGBP - 40a

Raju.

Bank A/c Dr 98000
TDS A/c Dr 2000 - current Asset → TDS deducted is treated as Income
To Commission 1,00,000 ↓ Income (its always Gross Amt)

Raju Tax liability 88000
less TDS 2000
Tax payable 86000

Baburao Return - Raju . TDS 2000 Payment 2000 (Challan details)
- Shyam 2000 ~~2000~~

Int other than Securities - 10% - 194A

① Payer - Bank / Post office
- → 40,000 PKD (others)
- → Senior Citizen threshold 50000

eg Bank
- → PKD Int 32000 - no TDS
- → PKD Int 42000 - TDS = 4200
- → Senior Citizen Int 42000 TDS = 0
- → Senior Citizen Int 52000 TDS = 5200
- → Int on Savings - no TDS
- → Int on FD, Int on Recurring - TDS ✓
- → Bank → many branches

✱✱✱ CBS - Core Banking System
limit 40K | 50K is total for all

branches

eg ICICI Bank (CBS) — B1 - Int 22000 } 42000
B2 Int 20,000

TDS applicable = 10% on 42000
= 4200

② Payer. PKD — paying Int to Bank → no need of TDS
5000 → NBFC TDS ✓
5000 → Anand Sir TDS ✓

③ Firm — pays Int on Partners Cap → • Earlier no TDS
• wef FA 2024 new section 194T. applicable

4) 194 A - Interest - Ind / HUF if TO of preceding PY ie PPY exceeds 1cr / 50lakh — applicable
Int Securities @ 10%, Govt. securities - no TDS.

⑤ ~~7.75%~~ 8% Savings Bonds - } 10% threshold 10,000

⑥ Govt - FRSB - Floating Rate Saving Bond
TDS = 10%. threshold limit = 10K

⑦ Int on Debentures — threshold ~~limit~~ 5000 → Ind / HUF.

Bank Payer — 40,000
— 50,000

Normal PKD — Bank no TDS
→ NBFC

Int on Deb — Ind / HUF 5000
→ others - 0

Govt - no TDS

TDS on
- Casual Income 30% threshold limit - 10,000
- Winnings horse races 30% threshold limit 10,000
- Online Gaming - 30%

eg Winning from lottery (net) = 70,000
Gross Income = 100000 $\left[\frac{70{,}000}{70} \times 100\right]$

194C

Payer — Contractor Payments → Contractor
→ eg catering / advertising contract furniture work / etc

Mr Motabhai — Catering contract for office work → Contractor

he pays 200000 to the Contractor

ⓐ TDS - ? Yes
ⓑ @ what rate? depends on payee ie contractor
Ind / HUF @ 1%. TDS = 2000
others @ 2%. TDS = 4000

194C ⟶ 194M.

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TAXATION

ⓒ Assume catering contract is for **personal purpose** - TDS = ? - NO TDS

ⓓ ~~Not~~ This section is **not applicable?**

1) payment to transporter

2 conditions → ① transporter should give declaration that he is covered u/s 44AE

and ② he should have PAN.

2) personal use.

3) Ind / HUF whose TO in PPY does not exceed 1cr / 50 lakhs

1cr → Business, 50 lakhs → Prof.

Alia Bhat.

30,00,000 personal

~~194C~~

55,00,000. personal → 194M

ⓔ Threshold limit?

either 30000 per contract

or

total 100000 p.a.

(eg1) electrical contractor

contract of 42000 = TDS 1% or 2% of 42000

= 420 or 840.

(eg2) ~~as~~ furniture Contractor

June 24 = 20000

Aug 24 = 30000

Sep 24 = 25000

Dec 24 = 30,000

Jan 25 = 30000

Total = 135000

TDS = 1% or 2% on 135000

TDS applicable as total in the year exceeds 1,00,000.

ⓕ Mfg → Customer | Customer's relative

Customer | Customer's relative → gives RM → Mfg

Customer or customer's relative gives material to manufacturer then this is treated as works contract.

Mfg → shirts purchased by Customer → Customer

no TDS as this is purchase

Mfg → shirts are made → Customer / Associate of Customer

Customer / Associate of Customer → Customer gives the cloth → Mfg

this is treated as work contract and section 194C becomes applicable

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TAXATION

194I - Rent

threshold limit = $\boxed{2,40,000}$

Payer paying → Rent of immovable property - 10%.

→ paying Rent other - 2%

threshold limit 2,40,000

NO TDS 194I

① Payer paying rent to Govt/local authority - no TDS

② Ind/HUF TO in PPY does not exceed 1cr/50lakhs - no need to deduct TDS

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TAXATION

Clarification

① Payer → Cold Storage Charges } - treated as Contractor Payment 194C

~~194I - 10%~~

② Rent paid to co-owners ** → Jay, Veeru } Co-owners limit of 2,40,000 is for each co-owner.

eg SPC Rent → 2L - Jay, → 2L Veeru for classroom

no TDS as rent paid to each is within threshold

Chandi Salaried Payer → Rent 500000 p.a. 194I ✗

194I ✗

194IB.

194IB is filter of 194I.

194J - TDS on professional fees, technical fees

(194M) Royalty 10%.

Threshold limit is 30000 for each *** seperately for
- prof fee
- technical fees
- Royalty.

no TDS *****

① Ind/HUF whose TO in PPY does not exceed 1cr/50lakh TDS provisions not applicable - no TDS

② personal use. no TDS

(eg) Ms X paid 25000 Royalty to Y. ✓

↳ also paid 25000 Consultation to Y ✓

Ans - No TDS, threshold limit of 30.000 is seperately for Royalty and seperately for Consultation

Directors

- employee
  - ↓ Salary
  - TDS - 192
- other payments other than Salary
  - ↓ gets covered u/s 194J
  - ↓ TDS @ 10%.
  - no threshold limit

For Rates - Rambaan Pg 298

Co paid fees to Director
TDS = 250 (threshold limit - NA)

Commission
- 5%.
  - ↳ 2% (wef 1/10/2024) - FA 2024 **.
- → threshold limit - 15000
- → Insurance Comm (15000) - TDS
  - Payee Ind / HUF → 5%. ✓ ~~2%. (1/10/24)~~
  - ↳ Domestic Co → 10%. ✓
- → Comm selling lottery
  - → 5% or 2%. (1/10/24)
  - ↳ threshold limit 15000
- **** Comm / Brokerage 194H (194M)
  - → 5% / 2% (1/10/24)
  - ↳ threshold limit 15000 (194M)
  - ↓ 194H - no TDS when Ind / HUF whose TO in PPY does not exceed 1cr / 50 lakhs

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194M - If Section 194C / 194J / 194H - NA.
194C → Contractor, 194J → Prof, 194H → Commission
then try for 194M

194M - threshold limit 50,00,000
- Rate 5% or 2% (wef 1/10/2024)

(eg) RK - Alia - caterer ₹ 80,00,000 for their wedding

try 194C - no TDS u/s 194C
Reason - personal purpose

try 194M → 194C ✗ + payment exceeds 50 lakhs

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TAXATION

TDS = 5% on 80,00,000 = 4,00,000
(before 1/10/24)

(eg2) Motabhai → pays 5200000 Comm
(PPY - Business 90lakhs) for Business purpose

During the Current PY 194H - NA
because TO of PPY of Motabhai is less than 1cr

194 M will become applicable

Assume in (eg2) Commission paid is 22L then 194M. NA

194IA Purchaser | Buyer should deduct TDS while buying Land | Building (Purchaser need not obtain TAN and challan will be treated as return)

Rate (- 1%)

Threshold limit = 50,00,000

[SDV or Act Sale Consi ↑] × 1%

no TDS → SDV and Sale Consi both are less 50 lakhs
→ Agri land in Rural area

Imp Points

1) Consideration = C for Prop + Maint + Parking charges etc

2) Seller - Jay ← 30L ← Buyer (** ***)
Veeru ← 30L TDS = ?

C = 30L + 30L = 60L (exceeds 50L)
∴ TDS = 1% on 60,00,000 = 60,000

C = Total Consideration of all Sellers

eg1 SDV = 52,00,000 Act Sal 48,00,000
TDS = 5200000 (or) 48,00,000 ↑
= 52,00,000 (exceeds 50L)
TDS = 1% on 52,00,000 = 52000

(eg2) SDV = 50,00,000 , Sale Cons = 55L
TDS = 1% on 55,00,000 = 55000

(eg3) SDV = 48,00,000 Sale Cons 49L
no TDS

194A ~~Int~~ 10%.
Bank. 40k | 50K
PKD → 5000.
Bank ×
NBFC ✓

194C

194J

Securites
Ind | HUF 5000 ✓
Bond 10000
Govt no TDS.
Securites no thresh

Comm
Insurance
Comm

194H

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TAXATION

eg4 SDV = 50,00,000 , Act Sale Cons = 50L
no TDS , for TDS consideration should exceed 50,00,000.

TDS is applicable only if TO of PPY exceeds → PPY exceed 1Cr/50lakh

Ind/HUF

- 194A - Int
- 194C - Contractor
- 194J - Profession
- 194H - Commission
- 194I Rent
- 194R - Perquisite

} Payer Ind/HUF → PPY TO

I C C PP R

RIP - CPC

194P - Q2 - Pg 117

Bank → Specified Senior Citizen
75 yrs or more
only following income
(i) Pension — Bank A/C in a particular Bank
+
Int Income from same Bank

Bank ↓ deduct TDS u/s 194P of Senior Citizen

Bank working

Pension	xx ✓
Int	xx ✓
GTI	xx
VI A	xx
NTI	xx
Tax Surch Cess	xx → Tax Liability → TDS should be deducted u/s 194P

194IB — Q1 Pg 117

194I → TDS on Rent
→ Ind/HUF whose TO in PPY does not exceed 1Cr/50lakhs - no need of TDS U/S 194I

eg Chameli salaried person
→ pays 1,50,000 p.m rent for her residence
→ no TDS to be deducted by Chameli - she covered U/S 194I as her TO in PPY is 0

194IB → Ind HUF who are not covered U/S 194I

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TAXATION

- → Rent exceeds 50,000 p.m
- TDS rate 5%.
  2%. wef 1/10/24
- no need to obtain TAN
- → ~~Eta~~ Pay TDS - [challan will be treated as TDS Return]
- → deduct TDS ~~at~~ on payment of Rent of last month
- If deductee does not give PAN deduct TDS @ 20% but it cannot exceed rent of last month.

194DA

Insurance Policy {maturity proceeds} - are exempt if conditions of Section 10(10D) are satisfied.

Refer chart on Pg 187

Conditions u/s 10(10D) Premium

① Policy before 1/4/2012 — 20% of SA - exempt

② Policy on/after 1/4/2012 - 10% of SA exempt ✓

③ Policy on/after 1/4/2023 → 10% of SA - exempt
└ premium should not exceed 5L

④ If these conditions not satisfied then: ~~po~~ maturity proceeds taxable under IOS

Income = Maturity proceeds - ~~prem~~ premium paid

⑤ On such policies which are taxable Insurance Co will deduct TDS u/s 194DA @ 5% / 2% on income. [threshold limit of 100000 on maturity proceeds]

Q8/Pg 119

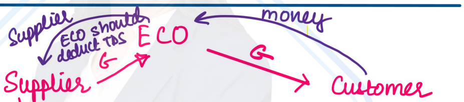
1/10/2024.

194N

Bank will deduct TDS of Persons withdrawing cash

Rates - refer Rambaan 299 - Q 43 Manju

194O



Supplier is called e-commerce participant

TDS Rate = 1%.
0.1%. wef 1/10/24

no TDS Ind/HUF - (PAN) + total Sale is upto 5 lakhs.

no PAN then TDS Rate 5%.

Payer		Payee
ECO	1%.	Supplier
↓	0.1%.	|
deductor	(1/10/24)	deductee.

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A GREAT PLACE TO LEARN
TAXATION

TDS

① Tax deducted at Source

Payer ——— Payee
↓
Deductor

② TDS is deducted
Credit (or) Payment ↓

Baburao —Comm 1L→ Raju.
Raju sends Invoice - Oct

(Oct) Comm Dr 1,00,000
To Raju A/c 98000
To TDS Payable 2000

Baburao paid Comm in NOV

TCS

① Tax Collected at Source

Seller —specified G→ Buyer
Seller's collect money from Buyer
also collect Tax → TCS

② TCS is collected
Debit (or) Receipt ↓
(Sale)

Debtor A/c Dr (June)
To Sale

Cash/Bank Dr (Aug)
To Debtor

(Q) When should Baburao deduct Tax?
Oct (or) NOV

(Ans) Oct ✓
(Credit or Payment ↓)

③ Generally TDS should be deducted on Payment or Credit ↓
But there are some exceptions where TDS should be deducted at the time Payment only.
↳ eg Salary | Winnings | Online Gaming
Insurance Maturity Proceeds.

194Q

(eg1) Buyer —Buyer pays Amt exceeding 50 lakhs to seller for G→ Seller
↓
PPY-TO exceeds 10 Cr

Buyer must deduct TDS @ 0.1% on amt exceeding 50 lakhs

If Seller does not give PAN TDS = 5%.

(✱) Mr Ram paid 60 lakhs to Mr Lakhan for purchase of computers.
Ram should deduct TDS U/S 194Q
TDS = 0.1% on 10,00,000
= 1000

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TAXATION

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TAXATION

206C(1H) TCS

TCS 0.1% on excess amt

Receives amt in excess of 50 lakhs

eg2 Buyer —— Seller
↓
PPY TO exceeds 10 crs

Seller Rec 65 lakhs from a buyer

Seller should collect TCS

= 15,00,000 × 0.1% = 1500

In Case of TCS if No PAN - Rate = 1%. ~~(0.1)~~

eg3 Buyer —— Seller

Buyer ↓ PPY TO exceeds 10 cr ↓ TDS applicable to Buyer

Seller ↓ PPY TO exceeds 10 cr ↓ TCS applicable to seller

As per CBDT Circular Buyer should deduct TDS and seller did not collect TCS.

Q9/Pg 120

194T ***********

Firm $\xrightarrow{\text{firm pays salary}}$ Partner
Bonus/Comm
Remuneration
Int

TDS @ 10%.
Threshold limit = 20,000

Firms pay salary 200000 & Int 50,000 to Partner A

Firm should deduct TDS = 10% of 2,50,000
= 25000.

194R — 301. Pg.

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192 — Rambaan

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