

TDS/TCS Last 8 attempts adjustments

➤ May 23:

- Mr. A purchased scrap of 55L from Mr. B for manufacturing unit. Mr. A furnishes certificate to Mr. B scrap to be utilized for manufacturing and not to be utilized for trading purposes. Mr. A made payment 45L during FY to Mr. B. Turnover of both exceeds 10 crore. Here by **Section 206C(1A)**, Mr. B not required to collect TCS as Mr. A furnishes certificate. TDS under **Section 194Q** will be attracted in the hands of Mr. A in such cases covered under section 206C(1A), if the conditions specified under section 194Q are fulfilled. Here, TDS will be deducted at 5 lakhs since it is credited to payee **@0.1%**.
- Mr. P provides technical consultancy to clients. Mr. P TDS got deducted u/s 194J. Mr. P applied for LDC u/s 197. Mr. P was issued LDC@1% . Mr. P furnished this certificate to Mr. Q asking him to deduct @1% on his payment of 15L. Mr. P is not filing his ITR for last 2 assessment years & TDS credit in 26AS more than 1 Lakh in each last 2 PY Years. Mr. Q was required to deduct TDS@2% as technical fees u/s 194J but however due to LDC, deduction will be made **@1%**. Here as per **Section 206AB**, Mr. P has not furnished ROI for last 2 PY's and aggregate of TDS/TCS is 1 L which is more than threshold of 50,000, therefore Mr. Q will deduct TDS of Mr. P at **higher of 4%/2% (with LDC) {(twice) or 5%}**. TDS@5% on 15L.
- Ms. Shalini purchased house property from Ms. Roshni for 60L on 1-8-22. Stamp duty value of property on date of sale 82L. TDS is deductible u/s **194IA** being higher of actual consideration or stamp duty value. Here **1%** of 82L being higher will be deducted as TDS.

➤ Nov-22: (ALL IMPORTANT)

- T Ltd. an Indian Co. imports computer software from J Inc. an NR Co. based in USA for reselling in India. During FY 22-23 T Ltd. paid 85 crores to J Ltd. TDS will be considered as per **Section 195** as payment is made to Non Resident. As per **Section 9(1)(vi)** Royalty includes right for use or right to use a computer software. However, as per DTAA since T Ltd. resells computer software purchased from J Inc. to resident Indian end-users without modification, the amount paid by T Ltd. to J Inc. for purchase of computer software is not royalty. Therefore, DTAA is more beneficial. Accordingly, T Ltd. will not deduct TDS.
- D Ltd. a public sector bank in India, paid 20 crores to N Ltd., an organisation that provides ATM networks to the banks as **commission** for facilitating ATM credit/debit cards. N Ltd. also facilitates online convenience banking. It links together the country's ATM in a single network. Here, the relation is not of principal agent but that off principal - principal. TDS would not be attracted on commission payment made to N Ltd. for ATM network services. As Commission is paid to agent for collecting charges. **CIT and another vs. Corporation Bank (2021) 431 ITR 554 (Kar).**
- Mr. A received order from P Ltd. to stitch T-Shirts. Mr. A purchased cloth of 35 L from F Ltd. (being, closely related to P Ltd.) . Mr. A completed the order and sent a consolidated invoice to P Ltd. for 8000 T Shirts @ 500 each = 40,00,000

TDS shall be deducted u/s 194C. This work is in the nature of Job Work. Since bifurcation has not been given of the value being invoiced. Tax will be deducted on whole amount i.e. 40L @ 1%

- Amount Payable to NR Sports Person who is not citizen of India for matches and honorarium in lieu of writing an article for sports magazine.
TDS will be deducted u/s 194E @ 20.8%

➤ **May 22:**

- Mr. A aged 79 years resident individual maintains savings bank account and fixed deposit account with ABC Bank. Interest from Savings 75,100, Pension from employer (received in savings account) 55,000 p.m., Interest from FD 1,20,000. No other Income.
Here, Mr. A is specified person for section 194P, ABC Bank is required to deduct TDS on the basis of rates in force.

Particulars	Rs.	Rs.
Pension (55000*12)	6,60,000	
Less: Standard Deduction u/s 16(ia)	50,000	6,10,000
Interest on FD	1,20,000	
Interest on SB	75,100	1,95,100
Gross Total Income		8,05,100
Less: Deduction u/s 80TTB (Senior Citizen)		50,000
Total Income		7,55,100
Tax Calculated :		
Upto 3,00,000 Nil	-	
Next 3,00,000 - 5,00,000 @ 5%	10,000	
Next 2,55,100 @ 20%	51,020	
Tax Before HEC	61,020	
HEC@ 4%	2,441	
Total tax payable	63,461	63,461

- Mr. J a resident a real estate developer to develop high rise apartment complex on his land for consideration of 6 crores and 6 flats in apartment has entered into agreement with H&M Ltd., Agreement as per 45(5A).
Here, Section 194IC applicable and TDS will be deducted by H&M Ltd. @10% on 6 crores for the consideration payable to Mr. J
- M/s A Ltd. a domestic company having T/O of 12 crores in last FY 21-22.
A Ltd. purchased goods of 85 lakhs (excluding purchase return) from M/s V & Co. during PY 22-23.
Details of Payment made to M/s V & Co. :
25-5-2022: 30 Lakhs
28-6-2021: 25 Lakhs
10-12-2022: 20 lakhs (Out of these purchases goods worth Rs. 5 Lakhs were returned on 20-12-22 for which money refunded by M/s V & Co.)
20-2-2023: 10 Lakhs
T/O of V & Co. in FY 21-22: 8 crores
For TCS: Seller (M/s V & Co.) T/O not more than 10 crores for FY 21-22. Hence, TCS not applicable.

For TDS: Payer (M/s A Ltd.) T/O exceeds 10 crores for last FY 21-22 & value of purchases more than 50 lakhs. TDS will be deducted u/s 194Q @ 0.1% in excess of 50 lakhs.

30 L: No TDS

25 L : TDS on 5 lakhs, as it crosses 50 L now, 5 Lakhs @ 0.1% = 500

20 L: TDS on 20 lakhs (no adjustment here of purchase return, adjustment only in subsequent purchase), 20 Lakhs @ 0.1% = 2,000

10 L: TDS on 10 lakhs @ 0.1% = 1,000 - TDS on purchase return 5 Lakhs @ 0.1% i.e. 500 = Net TDS (1,000 - 500) 500.

- Telangana Govt. grants lease of coal mine to M/s XYZ Ltd. on 1-9-22 charges 10 crores for lease. M/s XYZ Co. Ltd. sold coal for 1 crore to M/s AB Ltd. in PY 22-23. T/O of M/s XYZ: 5 crores & M/s AB Ltd.: 6 crores.
- For TCS: Telangana Govt. will collect TCS @ 2% u/s 206C(1C) on 10 crores. M/s XYZ Co. Ltd. will collect TCS @1% u/s 206C(1) on sale of coal to M/s AB Ltd.

➤ **Dec-21:**

- Mr. Z resident individual, starts business on 1-11-22 for sale of unique tshirts . Mr. Z registered himself on ABC.com (Ecommerce operator) for sale of products in India. Mr. Z sold goods worth 60L through ABC.com upto 31-3-23. Ecommerce operator paid/credit 20 L on 31-12-22, 15 L on 28-2-23 & full and final payment released to Mr. Z on 31-3-23 after deducting commission of 10% . Mr. Z also received 10L directly in his bank account out of above 60L through Paytm wallet. Here Section 194-O applies, Ecommerce operator is required to deduct TDS @1% on gross amount of sale of goods. TDS shall be deducted at the time of credit or at payment whichever is earlier. TDS@ 1% at 20L on 31-12-22, 1% of 15L on 28-2-23, 1% of 10L being directly credited & 1% of 15L full and final payment.
- Raghav Motors Ltd., a car dealer deals in Ford & Maruti cars & also provides services. Sale of cars of Raghav Motors Ltd. for FY 21-22 is 9.80 crores. Sale of spare parts & service station is 60L for FY 21-22. M/s D Ltd. deals in textile mfg. bought following cars:

Model of Car	Date of Invoice	Value of Car
Maruti	14-7-22	37 Lakhs
Maruti	12-8-22	19 Lakhs
Ford	18-10-22	8 Lakhs
Maruti	5-11-22	12 Lakhs

Here Section 206C(1F) applies, Raghav Motors Ltd. shall collect TCS@1% of sale consideration for transactions greater than 10L. Therefore, in above transactions Ford Car purchase shall be excluded rest other cars will be covered under TCS.

For Section 206C(1H), TCS shall be collected @0.1% of (37+19+8+12 = 76L - 50L) i.e 2,600.

➤ **July-21:**

- Notified Infrastructure debt fund eligible for exemption u/s 10(47) of Act, pays interest of 4.5L to company incorporated in USA. US Company incurred 15,000 for earning such interest. Fund also

Paid 2.5L to Mr. R resident of notified jurisdictional area.

Here **Section 194LB**, Tax will be deducted @5% on gross interest paid/credited by a fund eligible for exemption u/s 10(47) to a NR/FC. However, if paid to a person resident of notified jurisdictional area then **Section 94A** applies & tax would be deducted @30% u/s 94A (*Special measures in respect of transactions with persons located in notified jurisdictional area.*)

For TDS rate as it is paid to NR/FC, the rate shall be increased by 4% for education cess. TDS @5.20% on 4.5L) & (TDS @31.2% on 2.5L)

- Commission of 40,000 was retained by consignee and not remitted to consignor while remitting sales consideration.

Here, since consignee has retained the commission, it amounts to similar transaction like payment made by consignor to consignee. Also, TDS needs to be deducted u/s 194H by consignor @5% on 40,000 and pay to Govt.

- Mr. H an employee of M/s XY Ltd. since 10-4-2018, resigned on 31-3-2023 & withdrew 80,000 being balance in EPF A/c.

Here **Section 192A** applies & TDS will be deducted @10% on 80,000 as > 50,000.

Note: Exception of Rule 8 does not apply here of NO TDS as continuous service is less than 5 years.

- P Constructions Ltd. sells flat to Mr. M for 48L on 15-1-2023. Also, Mr. M has to pay maintenance charges of 5,000 p.m. for 24 months in advance, 2,00,000 for car parking to be used exclusively by him & 1,00,000 for club membership fees before flat is registered. Flat registered on 30-3-2023.

Here **Section 194IA** applies & TDS will be deducted @1% where sum is > 50L. Consideration for t/f of Immovable property includes maintenance charges, car parking charges & club membership fees
Sum: 48L + (5000*24 + 2,00,000 + 1,00,000) = 52,20,000 @1%.

➤ **Jan-21:**

- M/s M Ltd. is engaged in business of mfg. certain articles for which raw material is imported from Russia. For making payment to supplier, Assessee entered into bank guarantee with BDFH BANK, an Indian Bank against the payment of 1,10,000 against Bank Guarantee Commission for FY 22-23.

Here, **NO TDS** is deductible on payment of Inter Bank Guarantee Commission made by a person to a bank. Central Govt. has notified no deduction of tax shall be made from specified payment including Bank Guarantee commission excluding payment made to a foreign bank.

- Study kart, an online education provider pays 98,000 during FY 22-23 to Mr. M, a non resident for providing web based lectures.

Here, **NO TDS** will be deducted as Mr. M non resident has provided web based lectures from outside India, Income is not taxable as no income is deemed to accrue or arise in India.

- Mr. N, **resident Individual** whose **Gross T/O was 97 L** during preceding PY, on 31-12-2022 paid 65L to Mr. B resident individual as contract payment for repairing of office building.

Here **Section 194C**, is not applicable as Individual is not crossing T/O of 100L during preceding PY. Therefor NO TDS under this section. However, **Section 194M** is applicable as it covers Individuals with T/O less than 100L (*Jab - Jab Ind/HUF ke baat hogi tab tab 194M bhi sochna hai !!*). TDS @ 5% of 65L i.e. 3,25,000.

➤ **Nov-20:**

- Mr. K Ltd. an Indian Co. in business of event management throughout India withdraws 10 L in cash on 7th day of each month during FY 22-23 from current a/c. It did not make any payment of 10,000 or more in a day to any person in cash.

Here **Section 194N** applies, Banking Co. shall deduct **TDS @2%** on amount exceeding 1 crore during PY for paying in cash to any person from one or more accounts maintained by such person.

Therefore total withdrawal, $10L \times 12 = 1.20$ crores. Now, here 1 crores limit gets crossed in Feb23 as amount goes to 1.10 crores in Feb. TDS in Feb 23 = 2% of 1.10 crores i.e. 2,20,000. TDS in Mar 23 = 2% of 10L i.e. 20,000.

➤ **Nov-19: (Important)**

- N Ltd. an Indian co. pays 8,40,000 to CFO Mr. R as gross salary including taxable allowances & bonus. Also, it provides Non-monetary perquisites which cost to Co. 1,50,000.

Here **Section 192 applies**, Tax on Non Monetary perquisite to be borne by Company being employer & is exempt in hands of employee also TDS credit shall be available to employee.

Sec 192: At the average rate of income-tax computed on the basis of the rates in force for the financial year in which the payment is made, on the estimated income of the assessee under this head for that financial year.

(Pehle Income nikalo, phir uska tax nikalo, phir average rate niklega)

Taxability of Non-Monetary Perquisite:

Firstly, Income of Non-Monetary perquisite is included in Salary head for computing total income.

Secondly, Average rate of tax calculated is applied on Non-Monetary perquisite to get TDS credit of employee (TDS is borne by company)

Income of Mr. R for AY 23-24:

Gross Salary:	8,40,000
Non-Monetary Perquisite:	1,50,000
Total:	9,90,000
Less:	
Standard deduction:	50,000
Net Total Income	9,40,000
Tax thereon (inc. cess):	1,04,520
TDS: $104520/12 = 8710$ p.m.	

Average rate of tax: $1,04,520/9,40,000 \times 100 = 11.12\%$

Tax on Non-Monetary Perquisite = 11.12% of 1,50,000 = 16,680

New TDS calculation: $1,04,520 - 16,680 = 87840/12 = 7,320$

ALL THE BEST!!