

CA MAYANK TRIVEDI CLASSES



CA/CMA FINAL

DIRECT TAX

MAY/JUNE 2025

TDS & TCS

CONCEPT

BOOK



CA MAYANK TRIVEDI

CHAPTER 1 – TDS & TCS

Part 1 TDS

Section	Nature	Threshold	Rate	Points
194B	Winnings from any lottery, crossword puzzle	Amount or the aggregate of amounts > ₹ 10,000 in a F.Y.	30%	<ul style="list-style-type: none"> ➤ If winnings in nature of kind or partly cash and partly in kind in such cases payer shall ensure that payee has paid tax or recover the tax from payee before releasing the winnings ➤ Assessee was a lottery ticket seller - Assessee won lottery from unsold tickets - Taxable @30%
194BB	Winnings from horse race			
194BA	Winnings from online games	On the net winnings	30%	<ul style="list-style-type: none"> ➤ Tax shall be deducted at the end of the financial year. ➤ If the winnings are withdrawn from the user account during the financial year, TDS will be deducted at the time of said withdrawal.
194D	Insurance Commission	Amount or aggregate amount > ₹ 15,000 in a F.Y.	<ul style="list-style-type: none"> • 5%, if the payee is a non-corporate resident • 10%, if the payee is a domestic company 	<ul style="list-style-type: none"> ➤ At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier. ➤ Where income is credited to some other account, whether called "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit to the account of the payee
194G	Commission on sale of lottery tickets	> ₹ 15,000 in a financial year	5% W.e.f. 1.10.2024, rate of tax is 2%.	

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194H	Commission or brokerage	> ₹ 15,000 in a financial year	5% W.e.f. 1.10.2024, rate of tax is 2%.	➤ Commission Or Brokerage is Paid by Specified Assessee
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❖ **SPECIFIED ASSESSEE**

- Individual or HUF whose total sales, GR or T/O from PGBP **exceed ₹ 1 crore** in case of **business** and **₹ 50 lakhs** in case of **profession** during the **immediately preceding financial year**
- Others (Company, Firm, LLP etc) – **Always**

POINTS

- Commission paid by client to **advertising agency** – **194C Applicable**
- **Not Applicable** if **commission/Brokerage related to Securities** like Brokerage for Preference share, brokerage for stock exchange, underwriting commission – but **applicable for commodity transaction**
- **Commission to Employee** or director covered u/s **192C & not 194H**
- Payment by BSNL to their public call office franchises – No TDS

194-I	Rent	> ₹ 2,40,000 P.A per co-owner	<ul style="list-style-type: none"> • For P & M or equipment 2% • For land or building, furniture 10% 	➤ Rent is Paid by Specified Assessee
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POINTS

1. **Advance Rent** – **TDS APPLICABLE**
2. **Arrears of Rent** – **TDS APPLICABLE**
3. **Deposit/Security** – Refundable – **NO TDS &** Non-Refundable – **TDS**
4. Rent paid to **B.Trust (REIT)** – **NO TDS**
5. **NO TDS on Municipal Tax**
6. Tax deductible on rent amount only **excluding GST**
7. Payment made to **cold storage owners for cooling charges** – **SECTION 194C APPLIES**
8. The charges set by the **Airport Authority of India (AAI)** for **landing and parking facilities** encompass not only the use of land but also a range of services offered by the airport. As a result, these charges should **NOT be considered as rent. u/s 194I – TDS U/S 194C**
9. **Hotel accommodation Regular Basis** – TDS u/s **194I**
10. **Passenger Service Fees** – **NO TDS**
11. **Lumpsum lease Premium** - **NO TDS**
12. **Warehousing Charges** – **TDS U/S 194I**
13. **No deduction** of tax at source **on lease rent** or supplemental lease rent made by a lessee to a lessor, **being a Unit of an IFSC for lease of a ship. NN. 57/2023**
 - Lessor must furnish and verify a statement-cum-declaration detailing the previous year relevant to the ten consecutive assessment years for which deduction under section 80LA(1A)/(2) is claimed.
 - Lessee must not deduct tax on payments after receiving the statement-cum-declaration and must furnish payment details in the tax deduction statement under section 200(3) read with Rule 31A.
 - Available only during the ten consecutive assessment years declared by the lessor for deduction under section 80LA. Tax deduction is required for lease rent payments outside this period.

194IB	Rent – Land & Building	> ₹ 50,000 for a month or part of a month	5% W.e.f. 1.10.2024, rate of tax is 2%.	➤ Rent is Paid by Individual or HUF not covered u/s 194-I
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POINTS

- Payee fails to furnish PAN – TDS @ 20%** but Deduction **should not exceed last month Rent**
- Time of Deduction**
 - Payment or Credit of the rent
 - of Last month of Previous year or
 - Last month of Tenancy, if property is vacated Whichever is **Earlier**

192	Salary	Basic exemption limit This is taken care of in computation of the average rate of income-tax.	Average rate of income-tax	➤ At the time of payment
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POINTS

- The income-tax in respect of the total income of an employee would be computed at the rates provided in section 115BAC, However, an employee may exercise an option to opt out of this tax regime.
- Where an assessee is simultaneously employed under more than one employer he may furnish the details of the income under the head “Salaries” due or received by him from the other employer, the tax deducted to his current employer
- Employer considers**
 - Deduction
 - Any Other Income
 - **TDS or TCS, if any,**
 - Only HP Loss & **not any other Loss**
- Case- Laws
 - **ITC Ltd – Tips paid to waiter** will not be considered as salary, even paid through employer (like credit card), and **No Obligation of Employer to deduct TDS**
 - **Manipal Health System(P)Ltd.** – Doctor took **fees based on per patient** – No TDS u/s 192 – but **TDS** needs to be deducted **U/s 194J**
- Tax on Non-Monetary Perquisites borne by employer**
 - Such tax not allowed as deduction under PGBP to ER
 - NMP will not be taxable in the hands of Employee
 - TDS Credit will be available to employee
- Salary by firm to Partner – No TDS u/s 192**

192A	Premature withdrawal from Employees’ Provident Fund	Payment or aggregate payment ≥ ₹ 50,000	10% on premature taxable withdrawal	➤ At the time of payment
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POINTS

- ❖ Employee has **NO PAN - TDS @ 20%**
- ❖ TDS required to be **deducted at the time of Payment**

Statutory Provident Fund	Always Exempt
Unrecognized Provident Fund	If \geq 50,000 – then only TDS
Recognized Provident Fund	<ul style="list-style-type: none"> ➤ If \geq 50,000 & ➤ Not complete continuous service of 5 years - then only TDS

- ❖ **Exception** - In case of withdrawal before continuous service of 5 years and
 - employee opts for transfer of accumulated balance to the new employer
 - termination is due to ill health, contraction or discontinuance of business, cessation of employment etc.

193	Interest on Securities	-	10%	➤ At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
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POINTS

Interest Type	Threshold	Details
Interest on 8% Savings (Taxable) Bonds, 2003 or 7.75% Savings (Taxable) Bonds, 2018 or [6½% Gold Bonds, 1977 or 7% Gold Bonds, 1980, where the bonds are held by an individual (other than a non-resident)]	₹10,000 in a Financial Year	Includes Floating Rate Savings Bonds, 2020 (taxable) and other notified securities of the Central/State Government from 01.10.2024.
Interest on debentures issued by a company in which the public are substantially interested	₹5,000 in a Financial Year	Paid or credited to a resident individual or HUF via an account payee cheque.
Any other case	No threshold specified	TDS to be deducted irrespective of the amount.

NON-APPLICABILITY

- on National Development Bonds;
- on 4¼% National Defence Bonds 1972, where the bonds are held by an individual not being a non-resident;
- on 4¼% National Defence Loan, 1968 or 4¾% National Defence Loan, 1972, where the interest is payable to an individual;
- on any security of the Central Government or a State Government
- Interest paid to LIC/GIC/Other Insurer
- Interest paid by Power Finance Corp. Ltd & Indian Railway Finance Corp Ltd – 54EC
- on 7-year National Savings Certificates (IV Issue);
- To a business trust by a special purpose vehicle on any security.

194A	Interest other than interest on securities	-	10%	➤ Interest is Paid by Specified Assessee
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POINTS

<u>Deductor</u>	<u>Threshold Limit</u>
Paid by Bank Post office (Limit Bank wise not Branch wise)	<ul style="list-style-type: none"> ➤ > ₹50,000 – if Payee is Resident Senior Citizen ➤ > ₹40,000 – Other case
Other Case	➤ > ₹5,000
Co-operative Society	T/O or G/R in last year of the Co-op Society or Co-op Bank is more than ₹50 Crores and interest paid/credited is more than ₹40,000 or in case of senior citizen ₹50,000. - then only TDS Otherwise, no TDS

EXCEPTION

- Interest paid by Firm to Partner
- Interest paid to Banks /LIC/Insurance Co.
- Interest on saving bank A/c
- Interest on Income Tax Refund
- Interest Paid by NSC/PO Scheme/Kisan Vikash Patra
- Interest on ZCB
- **Interest Credited** on the compensation amount awarded by the Motor Accidents Claims Tribunal (MACT).
- **Interest** on the compensation amount **awarded** by the MACT paid during the FY **does not exceed ₹ 50,000**
- Interest paid or credited by the post office under “Mahila Samman Savings Certificate, 2023” scheme since the amount of interest would not exceed ₹ 40,000, as It offers a maximum deposit facility of upto ₹ 2 lakh in the name of women or a girl for 2 years at a fixed interest rate of 7.5% p.a., compounded quarterly. **NN. 27/2023**

194DA	LIC Maturity	<ul style="list-style-type: none"> • Maturity Sum ≥ 1,00,000 & • Not Exempt u/s 10(10D) 	5% of (Maturity Amount Minus Premium Paid) W.e.f. 1.10.2024, rate of tax is 2%.	<ul style="list-style-type: none"> ➤ At the time of payment ➤ When Exempt u/s 10(10D) (Refer Chapter – ULIP)
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194-IA	Payment on transfer of certain immovable property other than agricultural land	≥ ₹ 50 lakh (Consideration for transfer or stamp duty value)	1% of consideration for transfer or stamp duty value, whichever is higher	➤ At the time of credit of such sum to the account of the transferor or at the time of payment, whichever is earlier.
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POINTS

1. **Part Payment – TDS on every Part Payment**
2. Mr. X – 40 lacs & Mr. Y 40 lacs – TDS Deduct (**Property ka consideration dekhna hai**)
3. **Payment of TDS – within 30 Days**
4. **It is clarified, with effect from 01.10.2024, that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of amount paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.**
5. Consideration **includes all charges**
 - Club membership
 - Car parking
 - Electricity Fees, etc

194LA	Compulsory Acquisition of Immovable Property	Amount or aggregate amount > ₹ 2,50,000 in a F.Y	10%	<ul style="list-style-type: none"> ➤ Non-Applicability - Compulsory acquisition of any agricultural land ➤ At the time of payment
194J	Professional Fees (5 things)	-	-	➤ Paid by Specified Assessee

POINTS

<u>Nature of payment</u>	<u>TDS rate</u>	<u>Separate Limit</u>
Fees for technical services	2%	₹ 30,000
Fees for professional services	10%	₹ 30,000
Royalty in the nature of consideration for sale distribution or exhibition of cinematographic films	2%	₹ 30,000
Other royalty	10%	₹ 30,000
Payment of Director other than Salary	10%	No threshold
Non-compete fees	10%	₹ 30,000

1. **2%** if **Deductee** in the business of operation of **call centre**
2. **Individual / HUF** do **not require** to deduct tax on **Royalty and Non-Compete Fees** (Even though Turnover – Business > 1cr & Profession > 50 lacs in preceding PY)
3. **Individual / HUF** do **not require** to deduct tax on **Professional Fees**, if Service is taken for **Personal Purpose**
4. Right to use of **Computer Software** amounts to Royalty however **TDS does not apply if**,
 - Software acquired on **subsequent transfer without modification** and
 - Tax **already deducted** on previous transfer u/s **194J or 195**
5. **Payment to Sportsperson**, Umpire, Referee – **TDS u/s 194J**
6. **TPAs (Third Party Administrator's)** who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes including cashless schemes are liable to deduct tax at source under section **194J** on all such payments to hospitals etc. This is because the services rendered by hospitals to various patients are primarily medical services

194C	Payments to Contractors	<ul style="list-style-type: none"> • Single sum credited or paid > ₹ 30,000 (or) • The aggregate of sums credited or paid to a contractor during the F.Y. > ₹ 1,00,000 	<ul style="list-style-type: none"> • 1% of sum paid or credited, if the payee is an Individual or HUF • 2% of sum paid or credited, if the payee is any other person. 	<ul style="list-style-type: none"> ➤ Paid by Specified Assessee ➤ At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.
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POINTS

1. **Individual / HUF** do **not require to deduct tax**, if Contract is for **Personal Purpose**
2. **Transporter** give declaration that he **does not have more than 10 Vehicle** at **any time during PY** – **No TDS**
3. Transport by **Railways** – **No TDS**
4. **“Work” shall include—**
 - advertising;
 - broadcasting and telecasting
 - catering;
 - carriage of goods or passengers by any mode of transport other than by railways
 - **Work includes Manufacture**/Supply of product as per specification using Material purchased from customer.
 - Cost of such material shown separately in invoice - Tax deductible on Invoice Value excluding cost of such material
 - Cost of such material not shown separately in invoice - Tax deductible on Invoice Value including cost of such material
5. **“work” shall not include**
 - manufacturing or supplying a product according to the requirement or specification of a customer by using raw material purchased from a person, other than such customer or associate of such customer, as such a contract is a contract for ‘sale’.
 - **Further, w.e.f. 1.10.2024, it is clarified that work shall not include any sum referred to in section 194J(1).**
6. Advertisement
 - i. Payment by client to Adv Agency – TDS u/s 194C
 - ii. Payment by Adv Agency to TV Channel – No TDS
 - iii. Payment by TV Channel to Adv Agency – No TDS
 - iv. Payment by TV Channel to Production House**

<u>Program as per Specification & Copyright of Content is transferred</u>	<u>Right of Content is transferred of already produced program</u>
TDS u/s 194C	No TDS (Because there is no contract for carrying out any work)

7. It is clarified that in case the **Seller of the gas sells as well as transports** the gas to the purchaser till the point of delivery, where the ownership of gas to the purchaser is simultaneously transferred – **it is 'contract for sale' and not a 'works contract'** Hence in such circumstances, provisions of **Sec 194C are not applicable** on the component of Gas Transportation Charges paid by the purchaser to the Seller of the gas. **However**, for **transportation charges paid to a third-party transporter** of gas, either by the Seller or purchaser **covered u/s 194C**

194M	Payments to • Contractors • Commission • Fees for professional services	> ₹ 50,00,000 in a financial year	5% W.e.f. 1.10.2024, rate of tax is 2%.	➤ Paid by Individual or HUF other than those who are required to deduct tax at source under section 194C or 194H or 194J
194N	Cash withdrawals	• > ₹ 3 crore if the recipient is a cooperative society • > ₹ 1 crore in case of others	-	➤ Deductor • Bank • Post Office • Co.OP Bank ➤ At the time of payment

POINTS

Rate

<u>Others</u>	<u>If payee has not filed return for all 3 preceding PY's for which due date of ROI already expired before starting of current PY</u>
2% of such sum exceeding ₹ 1/3 Crore	➤ 2% of such sum > ₹ 20 Lakhs but ≤ ₹ 1/3 Crore ➤ 5% of such sum exceeding ₹ 1/3 Crore For Exam Purpose PY 20-21, PY 21-22 & PY 22-23

NON-APPLICABILITY

If Payee is (**Jo withdraw kr rha ha wo**)

- Govt
- Bank, Co.op Bank, PO
- Cash Replenishment Agencies (CRA's) and franchise agents of White Label ATM operator
- Commission agent or trader, operating under Agriculture Produce Market Committee (APMC), and registered under any law relating to Agriculture Produce Market of the concerned State
- Full-Fledged Money Changer (FFMC) - purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in cash
- White label ATM operator
- RBI Notified money Changer.

1940	E-Commerce	No Threshold	1% W.e.f. 1.10.2024, rate of tax is 0.1%.	In case of failure to furnish PAN, Maximum TDS @ 5%
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POINTS

1. If an **e-commerce operator** facilitates the **sale of goods or provision of services** of an **e-commerce participant** through its digital platform, they are responsible for deducting tax at a rate of **1% from the gross amount of such sales or services. Excluding GST but including Commission**
2. Any **payment made by a buyer of goods** or recipient of services **directly to an e-commerce participant**, for the sale of goods or provision of services facilitated by an e-commerce operator, will be treated as if it were paid by the e-commerce operator to the e-commerce participant. Therefore, such payment will be considered as part of the total amount of those sales or services for the purpose of **TDS under this section.**
3. **No T.D.S** - if **Gross Sales is upto ₹ 5 lacs** during PY & the **seller gives PAN / Aadhar & Seller is I/HUF**
4. "e-commerce participant" is defined to mean a person resident in India selling goods or providing services or both, including digital products, through platform for electronic commerce.
5. This section covers both the sale of goods and services and service includes fees for professional and technical service also. If **any professional service or technical service provided through online mode then this section applicable**

194P	Pension (along with interest on bank account)	-	Rates in Force	<ul style="list-style-type: none"> ➤ Deductor - Scheduled Banks ➤ Deductee - Specified Senior Citizen
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POINTS❖ **Specified Senior Citizen**

- An individual, being a resident in India, who - is of the age of **75 years or more** at any time during the PY;
- is having **pension income and no other income** except interest income received or receivable from any account maintained by such individual in the **same specified bank** in which he is receiving his pension income;

❖ **Deduction of Chapter VI-A** (Proofs to be verified by Banks) - **Allowed**❖ **Rebate u/s 87A - Allowed**❖ **Furnish a declaration in Form 12BBA stating that Specified Senior Citizen are exempt from Filing an income tax return for PY**

- ❖ Once the senior person submits the declaration, it becomes the **responsibility of the specified bank** to assess the income of the senior citizen.
- ❖ The calculation of total income should include deductions under Sections 80C to 80U and rebates under Section 87A. Subsequently, the specified bank will deduct income tax from the total income based on the rates in force

194Q	Purchase of goods	> ₹ 50 lakhs in a previous year	0.1% of sum exceeding ₹ 50 lakhs	<ul style="list-style-type: none"> ➤ At the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier.
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POINTS

- Deductor - **Buyer**, whose **total sales**, gross receipts or turnover from the Business carried on by him **exceed rupees 10 crore** during **preceding the financial year** in which the purchase of goods is carried out
- Transactions on which Provisions of **Section 194-O applies**, **NO TDS** under this section again.
- If **Seller has collected tax u/s 206C(1H)** before buyer could deduct tax, **NO TDS** under this section
- Where the sum is credited to any account, whether called "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit to the account of the payee
- T/O includes - **only business Turnover**
- If payee has **no PAN – TDS @ 5% for both 194-O & 194Q**

194	Dividend (including dividends on preference shares) under Section 2(22)(a) to 2(22)(f).	<ul style="list-style-type: none"> • Amount or aggregate amount > ₹ 5,000 in F.Y., in case of dividend paid to an individual shareholder by any mode other than cash • No threshold in other cases 	10%	➤ before making any distribution or payment of dividend.
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EXCEPTION

- The TDS provisions will not apply to such dividend credited or paid to
 - LIC, GIC, subsidiaries of GIC or any other insurer provided the shares are owned by them, or they have full beneficial interest in such shares
 - A business trust by a special purpose vehicle
 - Dividend paid by a unit of an **IFSC primarily engaged in aircraft leasing to a company** also a unit of an IFSC engaged in aircraft leasing. **NN. 52/2023**
 - ✓ Payee must furnish and verify a statement-cum-declaration detailing the previous year relevant to the assessment year for dividend income exemption under section 10(34B)
 - ✓ Payer must not deduct tax on payments after receiving the statement-cum-declaration and must furnish payment details in the tax deduction statement under sec 200(3) read with Rule 31A.

194K	Income on units other than in the nature of capital gains	Amount or aggregate amount > ₹ 5,000 in a F.Y.	10%	➤ At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.
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194R	Any benefit or perquisite, arising from business or profession	Value or aggregate of value > ₹ 20,000 in a financial year	10%	<ul style="list-style-type: none"> ➤ Before providing such benefit or perquisite ➤ Paid by Specified Assessee
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194-IC	JDA	No Threshold	10%	➤ Details in CG
194S	VDA	> ₹ 10,000/50,000	1%	➤ Details in VDA
194T	Payments to partners of firms of salary, remuneration, commission, bonus or interest by Firm	> ₹ 20,000	10%	➤ At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier.

1. Points

1. 195A

- When any payment is to be made 'Net of Tax'
- Amount of payment shall be grossed up and Tax shall be deducted on **Grossed up amount**

2. 196 – No TDS if amount is payable to Govt. RBI, Mutual Fund, New Pension Fund

3. 197

- In the case of any income of any person or sum payable to any person, income-tax is required to be deducted at the time of credit or payment, as the case may be at the rates in force as per the provisions of sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBA, 194LBB, 194LBC, 194M, 194 O, **194Q** and 195
- **Assessee** can make an **application to the AO** for deduction of tax at a **lower rate or for non-deduction of tax.**
- If the **AO** is **satisfied** that the total income of the recipient justifies the deduction of income-tax at lower rates or no deduction of income-tax, as the case may be, **he may give to the assessee such certificate**, as may be appropriate.
- Where the AO issues such a certificate, then the person responsible for paying the income shall **deduct income-tax at such lower rates** specified in the certificate

4. Wherever payment is made to a **non-resident or a foreign company**, the **rate of TDS would be further increased by surcharge**, wherever applicable, **and HEC @4%**

5. Wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source on the amount paid or payable **without including such 'GST on services' component.**

6. 197A

- No deduction if declaration is furnished by person receiving income
- Declaration in **Form 15G** by Resident **Individual/HUF whose total income ≤ BEL**
- Declaration in **Form 15H** by **Resident Individual having age ≥ 60 years** even if total income > BEL

7. Payment & Returns

<u>Points</u>	<u>TDS</u>	<u>TCS</u>
Due Date of Payment		
For Other Months	7th of Next month	7th of Next month
For March	30th April of Next F.Y (TDS u/s 194 IA, 194IB, 194M & 194S shall be deposited within 30 days from end of month of deduction) (Payer not required to obtain TAN)	7th April of Next F.Y
Due Date of Return		
For Other Quarter	31st of Next Month	15th of Next Month
For March Quarter	31st May	15th May

8. Fees – TDS & TCS

- Fees of **200 per day** applicable if TDS/TCS return after due dates
- If TDS/TCS **return filed after 1 year** of prescribed date the penalty ranging from a **min. of 10,000 to a max. of 1,00,000 shall also applicable (Sec 271H)**
- **No penalty shall be levied, if the person proves that after paying tax deducted along with the fee and interest, he had delivered TDS/TCS statement before the expiry of a period of 1 month from the time prescribed for delivering or causing to be delivered such statement.**

9. Interest

<u>Points</u>	<u>TDS</u>	<u>TCS</u>
Late Deduction/Collection	1% per month or part – From date when tax was deductible till date of actual deduction.	1% per month or part – From date when tax was collectible till date of actual collection.
Late Payment	1.5% per month or part – From date when tax was actually deducted till date of payment	1.5% per month or part – From date when tax was actually deducted till date of payment

10. Penalty

- **Penalty** - If a deductor fails to deduct tax at source or after the deducting fails to deposit – liable to **penalty u/s 221** that can extend upto maximum – **100% of TDS Amount**
- A deductor failing to deduct or pay tax is deemed to be an **assessee in default**.
- **No penalty** is chargeable if **Payee**
 - has furnished his **ROI** under section 139
 - has **taken into account such sum** for computing income in such return of income; and
 - has **paid the tax due** on the income declared by him in such return of income, and
 - The deductor furnishes a certificate to this effect in **Form No.26A** from a chartered accountant
- **No order can be passed deeming the deductor/collector as defaulting after:**
 - **6 years from the end of the financial year in which the payment/credit was made, or**
 - **2 years from the end of the financial year in which the correction statement is filed, Whichever is later.**

11. TDS is required

- At the time of payment, or
 - At the time of BOA
- Whichever is **earlier**

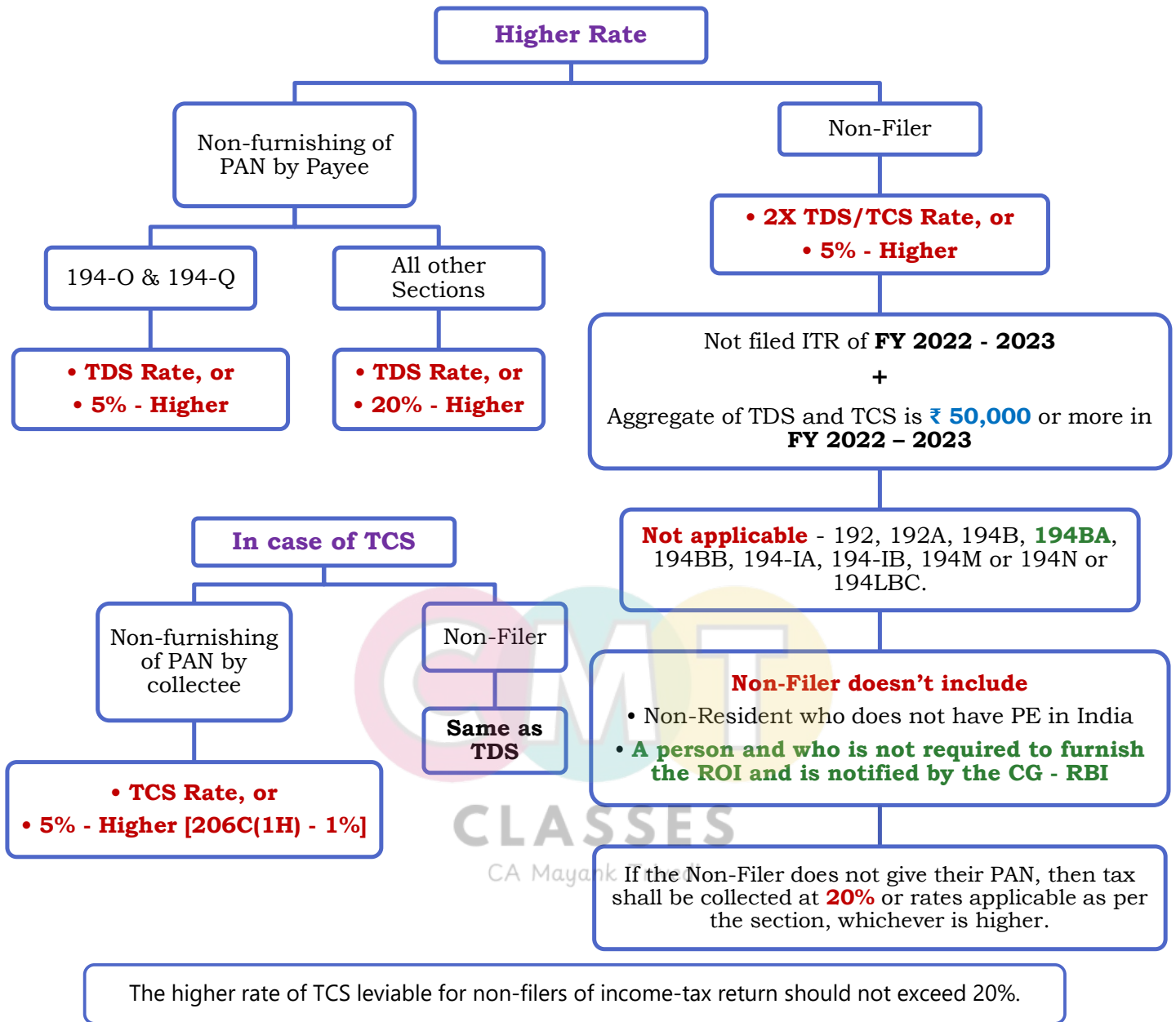
12. Section-239A: Refund for denying liability to deduct tax

- Where under an agreement or other arrangement, in writing, the tax deductible on any income, other than interest, under section 195 is to be borne by the person by whom the income is payable, and such person having **paid such tax to the credit of the central government claims that no tax was required to be deducted on such income**, may, **within a period of thirty days from the date of payment of such tax, file an application** before the **assessing officer** for **refund of such tax** in such form and such manner as may be prescribed.
- The Assessing Officer shall, by an order in writing, **allow or reject** the application, provided that no application shall be rejected unless an **opportunity of being heard** has been given to the applicant.
- The assessing officer may, before passing an order **make such inquiry as he considers necessary**.
- The **order** shall be passed **within six months from the end of the month in which application is received**.

13. Duties and Responsibilities of a Person Deducting Tax [Section 200]

- The person deducting tax must deposit the deducted amount to the credit of the Central Government within the prescribed time or as directed by the Board.
- Prepare and submit TDS/TCS statements as prescribed.
- A correction statement can be filed to rectify errors, add, delete, or update details in the original statement.
- **Time Limit: No correction statements can be filed after 6 years from the end of the financial year in which the original statement was required to be filed (effective from 01-04-2025).**
- Statements filed under Section 200 or Section 206C are processed for
 - Arithmetical corrections.
 - Addressing incorrect claims apparent from the statement.
 - An intimation is issued to the deductor/collector for
 - Additional tax payable or refund due.
- Intimation must be sent within 1 year from the end of the financial year in which the statement is filed.

14. Section 206AA & Section 206AB



For the transactions entered into upto 31.03.2024 and in cases where the PAN becomes operative (as a result of linkage with Aadhaar) on or before 31.05.2024, deductor/collector is not liable to deduct/collect tax at source at higher rate under section 206AA/ 206CC. **Circular No. 6/2024**

2. Few Points from Q&A

1. **Event Manager**

<i>Event Manager related to Sports</i>	<i>Event Manager related to Others (e.g., debate competition)</i>
194J	194C

- Commentary related to Sports** included in Professional service – **194J**
- Service rendered by **Coach in relation to Sports** included in Professional service – **194J**
- Transaction charges paid to **BSE is not FTS** – so **194J will not be applicable** – No TDS (because it is not specialised service)

3. Circulars

I. Section 194R - FAQs & Guidelines Via Circular No 12/2022

Points	Details
Mandatory Deduction	<ul style="list-style-type: none"> The payer is not required to check if the amount is subjected to tax in the recipient's hands. Deduction is mandatory in all cases, and Form 15G or Form 15H is not applicable.
Verification of Tax Deposit for Benefits in Kind	<ul style="list-style-type: none"> Recipient need to file the tax in the form of Advance Tax and share the copy of challan to Deductor. On the other hand, the benefits provider might collect the tax beneath section 194R of the Act and file the Government
Exclusion of Certain Discounts and Rebates	<ul style="list-style-type: none"> No tax deduction under section 194R on sales discount, cash discount, or rebate to customer No TDS required if the seller offers two items free with the purchase of ten items.
Valuation	<ul style="list-style-type: none"> For purchased items, the purchase price is considered For manufactured items, the cost to other customers for the same benefits is considered. <p>Excluding GST</p>
Product Benefits for Social Media Influencers	<ul style="list-style-type: none"> If the product is retained by the influencer, TDS is deductible u/s 194R. If the product is returned, no TDS is required.
Reimbursement of Pocket Expenses	<ul style="list-style-type: none"> If the invoice of the expense is in the name of the service recipient, no TDS is deducted. If the invoice is in the name of the service provider, TDS is deducted.
Expenditure Pertaining to Business Conference	<ul style="list-style-type: none"> Expenditure pertaining to business conferences that educate about new products, sales techniques, or address queries are not considered benefits. However, conferences must not be in the nature of benefits to select dealers who have achieved particular targets. Expenditure on leisure trips, family members accompanying attendees, and overstay beyond conference dates is considered a benefit.
Non-Applicability	<ul style="list-style-type: none"> Employer-employee relationship Non-resident recipients (tax deducted under section 195) Benefits not connected with the business or profession Benefits provided to customers not engaged in business Bonus share & Right shares Embassy, consulate & trade representative of foreign country Settlement of loan by schedule bank/co-op bank/NBFC/Asset Reconstruction Company Perquisite is being provided to a Government entity, like a Government hospital, not carrying on business or profession.

II. Section 194O - Circular

<u>Points</u>	<u>Details</u>
Exemption for Recognized Exchanges	Transactions conducted through recognized stock exchanges, clearing corporations, and power exchanges registered with the Central Electricity Regulatory Commission are exempt from the provisions of section 194-O.
Tax Deduction in case of Payment Gateway	In e-commerce transactions, if both the e-commerce operator and payment gateway qualify as e-commerce operators, the payment gateway is not required to deduct tax if the e-commerce operator has already deducted tax on the same transaction.
Exemption for Insurance Agents/Aggregators	Insurance agents or aggregators are not liable to deduct tax under section 194-O in subsequent years if they have no involvement in transactions between the insurance company and the buyer. The responsibility for tax deduction lies with the insurance company on commission payments to the agent or aggregator.
Exemption for E-auction Activities	The provisions of section 194-O do not apply to e-auction activities conducted by e-auctioneers if specific conditions are met, such as the e-auctioneer being responsible only for price discovery, and the transaction taking place directly between the buyer and seller outside the electronic portal.
Responsibility in E-commerce Transactions	In all cases, the e-commerce operator is considered the person responsible for paying to the e-commerce participant.
Situation 1: Multiple ECOs involved where seller-side ECO is not the actual seller	TDS compliance to be done by the seller-side ECO who makes or is deemed to make the final payment to the seller.
Situation 2: Multiple ECOs involved where the seller-side ECO is the actual seller.	TDS compliance to be done by the ECO making the final payment to the seller.
Inclusion of Fees in Gross Amount:	Seller-side ECO must deduct TDS on the total amount charged to the buyer, including any convenience, logistics, or delivery fees.
Avoiding Double TDS	If TDS under section 194-O has been deducted, the same amount will not be subject to TDS under any other provision.
GST and State Levies	<ul style="list-style-type: none"> When tax is deducted at the time of credit and the tax component is indicated separately, TDS is deducted on the amount without including these taxes. If tax is deducted on payment because payment precedes credit, TDS is deducted on the entire amount.
Purchase Returns	<ul style="list-style-type: none"> Refunds: Adjust TDS against the next transaction with the same deductee within the same financial year. Replacements: No adjustment needed if goods are replaced

Discounts	<ul style="list-style-type: none"> • Seller Discounts: If the seller offers a discount, TDS is deducted on the net amount after discount. • ECO Discounts: If the buyer or seller ECO offers a discount, TDS is deducted on the gross invoice amount before the discount. Circular No. 20/2023
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III. Section 194Q - Circular

<u>Condition</u>	<u>Amount on which tax is to be deducted u/s 194Q</u>
Treatment of GST, VAT/ Sales tax/ Excise duty/ CST is indicated separately in the invoice	Tax has to be deducted on the net amount credited (without including such GST/ VAT/ Sales tax/ Excise duty/ CST)
Where tax is deducted on payment basis (if payment is earlier than the credit)	Tax has to be deducted on the whole amount (since it is not possible to identify the payment with the tax component to be invoiced in the future)
In case of purchase returns, where the money is refunded by the seller	Tax deducted earlier u/s 194Q on such purchase (which is now returned) may be adjusted against the next purchase from the same seller
In case of purchase returns, where goods are replaced by the seller	No adjustment is required as in that case the purchase on which tax was deducted under section 194Q has been completed with goods replaced
Can non-resident be a buyer under section 194Q?	Non-residents purchasing goods from resident sellers, where the purchase is not effectively connected with the non-resident's permanent establishment in India, are exempt from the provisions of section 194Q
Should tax be deducted when the seller is a person whose income is exempt?	Section 194Q do not apply to purchases from sellers who are exempt from income tax under the Income Tax Act or any other Act passed by Parliament. However, this exemption does not apply if only a part of the seller's income is exempt
Should tax be deducted on advance payment?	Yes , since the provisions apply to payment or credit, whichever is earlier
Would provisions of section 194Q apply to buyer in the year of incorporation?	Does not apply in the year of incorporation for buyers
Applicability of the provisions of section 194Q in case of department of Government not being a public sector undertaking or corporation	For a person to be considered a buyer under section 194Q, they must be engaged in a business/commercial activity , and the total sales, gross receipts or turnover from that activity should exceed ₹ 10 crore in the financial year preceding the purchase of goods. Note – Applicable on PSU
Can Department of Government be a “buyer” for the purposes of section 194Q?	If it is carrying on business activity – Yes If it is not carrying on any business activity – No

<p>Can Department of Central/State Government be considered as “seller” for the purpose of section 194Q?</p>	<p>since it will not be considered as a buyer</p> <p>No [hence, no tax can be deducted u/s 194Q by the buyer]</p>
<p>Section 194Q will not apply to transactions in securities, commodities, electricity, renewable energy certificates, and energy saving certificates traded through recognized stock exchanges, clearing corporations, and registered power exchanges.</p>	

Part 2 TCS

<u>Section</u>	<u>Particulars</u>														
206C(1)	<p>Every person, being a seller (Specified Person) shall, at the time of receipt of such amount from the said buyer, collect from the buyer, a sum equal to the following percentage of the purchase price, as income tax:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Alcoholic liquor for human consumption</td> <td style="text-align: right; padding: 2px;">1%</td> </tr> <tr> <td style="padding: 2px;">Tendu leaves</td> <td style="text-align: right; padding: 2px;">5%</td> </tr> <tr> <td style="padding: 2px;">Timber obtained under a forest lease</td> <td style="text-align: right; padding: 2px;">2.5%</td> </tr> <tr> <td style="padding: 2px;">Timber obtained by any mode other than under a forest lease</td> <td style="text-align: right; padding: 2px;">2.5%</td> </tr> <tr> <td style="padding: 2px;">Any other forest produces not being timber or tendu leaves</td> <td style="text-align: right; padding: 2px;">2.5%</td> </tr> <tr> <td style="padding: 2px;">Scrap</td> <td style="text-align: right; padding: 2px;">1%</td> </tr> <tr> <td style="padding: 2px;">Minerals being coal or Lignite or iron ore</td> <td style="text-align: right; padding: 2px;">1%</td> </tr> </table> <p>If used in manufacturing of other goods or generation of power then no TCS</p> <p style="text-align: center;"><u>EXCLUDES, BUYER BEING</u></p> <ul style="list-style-type: none"> ➤ Public Sector Company, ➤ Government or Govt agencies, ➤ Any buyer who buys the goods for personal consumption 	Alcoholic liquor for human consumption	1%	Tendu leaves	5%	Timber obtained under a forest lease	2.5%	Timber obtained by any mode other than under a forest lease	2.5%	Any other forest produces not being timber or tendu leaves	2.5%	Scrap	1%	Minerals being coal or Lignite or iron ore	1%
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206C(1C)	<ol style="list-style-type: none"> 1. Leasing or licensing or transferring any right or interest in any <ul style="list-style-type: none"> ➤ Parking lot or ➤ Toll plaza or ➤ Mine or ➤ Quarry, for the purpose of business 2. TCS @ 2% 3. Licensor - Specified Person 4. Licensee – Any person <p style="text-align: center;"><u>EXCLUDES, BUYER BEING</u></p> <ul style="list-style-type: none"> ➤ Public Sector Company, ➤ Government or Govt agencies, ➤ Any buyer who buys the goods for personal consumption ➤ Mining and quarrying excludes mining and quarrying of petroleum and natural gas. Consequently, the oil exploration and incidental services are relieved from the applicability of TCS provisions, 														

206C(1F)

1. **Sale of Motor Vehicle or other notified goods (luxury goods)** of value **Exceeding ₹ 10 Lakhs (individually)**. [It is important to note that the provisions for collection of tax at source on the sale consideration of other notified luxury goods is effective from 01.01.2025. Accordingly, tax shall be collected on the consideration received on or after 01.01.2025.]
2. TCS @ 1%
3. Seller – **Specified Person**
4. Buyer – Any Person
5. Only **applicable on Retail Sale** i.e., not applicable on sale by manufacturer to dealer/distributor

EXCLUDES, BUYER BEING

- The Central Government, a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation of a foreign State and a club, or
- Public Sector Co. engaged in business of carrying passengers

No TCS under this section on sale by manufacturer to dealer**206C(1G)**

Remittance under LRS of RBI through an authorized dealer or purchase of an overseas tour package

<u>Particulars</u>	<u>Rate of TCS upto 30.9.2023</u>	<u>Rate of TCS on or after 1.10.2023</u>
Where the amount is for purchase of an overseas tour programme package	5% of whole amount (without any threshold limit)	5% till ₹ 7 lakhs, 20% thereafter
Where the amount is remitted for the purpose of education or medical treatment	5% of the amt or agg. of amts in excess of ₹ 7 lakh (Upto 7 Lacs - No TCS)	
Where the amount is remitted for the purpose other than above (Upto 7 Lacs - No TCS)	5% of the amt or agg. of amts in excess of ₹ 7 lakh	20% of the amt or agg. Of amts in excess of ₹ 7 lakh
Where the amount being remitted out is a loan obtained from any financial institution as defined in section 80E , for the purpose of pursuing any education	0.5% of the amt or agg. of amts in excess of ₹ 7 lakh (Upto 7 Lacs - No TCS)	

POINTS

- **No TCS** shall be applicable on expenditure through **international credit card** while being overseas till further order
- It is clarified that the **threshold of ₹ 7 lakh** for LRS is **combined** threshold for applicability of the TCS on LRS irrespective of the purpose of the remittance.
- The threshold of ₹ 7 lakh for LRS is per remitter and not per authorised dealer.

	<ul style="list-style-type: none"> ➤ In the case of purchase of an overseas tour program package classified under LRS, TCS provision for purchase of overseas tour program package shall apply and not TCS provisions for remittance under LRS. ➤ Purchase of only international travel ticket or purchase of only hotel accommodation, by in itself is not covered within the definition of 'overseas tour program package'. To qualify as 'overseas tour program package', the package should include at least two of the followings: - <ul style="list-style-type: none"> ✓ international travel ticket, ✓ hotel accommodation (with or without food)/boarding/lodging, ✓ any other expenditure of similar nature ➤ Remittance for purpose of education shall include, - remittance for purchase of tickets, the tuition and other fees, other day to day expenses required for undertaking such study ➤ Remittance for the purposes of medical treatment shall include: remittance for purchase of tickets of the person to be treated medically overseas (& his attendant), his medical expense, other day to day expenses required for such purpose. <p style="text-align: center;"><u>NON-APPLICABILITY (NO TCS BY AUTHORISED DEALER)</u></p> <ol style="list-style-type: none"> 1) TCS already collected by Seller 2) Buyer is liable to Deduct Tax (TDS) 3) No TCS if the buyer is CG / SG / Local Authority / Embassy etc. 4) Non-resident without a permanent establishment in India u/s 6(1) & 6(1A)
206C(1H)	<ol style="list-style-type: none"> 1. Sale of Goods other than Export & 206C(1) 2. TCS - 0.1% of Sale Consideration exceeding Rs. 50 Lakh 3. Seller – Any Person whose last Year T/O is more than 10 Crores 4. Applicable at the time of receiving consideration <p style="text-align: center;"><u>NON-APPLICABILITY</u></p> <ul style="list-style-type: none"> ➤ If buyer is liable to Deduct Tax (TDS) u/s 194-O and 194-Q ➤ Sale of Fuel to Non-resident Airlines <p>If Transaction falls in both 206C(1H) & 194Q – then 194Q will prevail over 206C(1H)</p>