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## TAX DEDN. / COLLECTION AT SOURCE

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### **QUESTION 1:**

In respect of the following independent case scenarios you are required to discuss the provisions related to TDS/TCS and amount of tax deductible/collectible for the year ended 31<sup>st</sup> March 2026:

- 1) State Government of Telangana grants a lease of coal mine to M/s XYZ Co. Ltd. on 1.09.2025 and charged ₹10 crores for the lease. M/s XYZ Co. Ltd. sold coal for ₹1 crore to M/s AB (P) Ltd. during the previous year 2025-26. The turnover of M/s XYZ Co. and M/s AB (P) Ltd. for the financial year 2024-25 amounted to ₹5 crores and ₹6 crores, respectively.

### **ANSWER:**

State Government is required to collect tax at source **@2% u/s 206C(1C)** on ₹10 crores, being charges for **lease of coal mine**.

TCS = 2% x ₹10 crores = ₹20,00,000

M/s XYZ Co. Ltd. is required to collect tax at source **@1% u/s 206C(1)** on **sale of coal** to M/s AB (P) Ltd.

TCS = 1% of ₹1 crore = ₹1,00,000.

- 2) M/s Aryan Ltd., a domestic company having a total turnover of ₹12 crores for the financial year 2024-25, purchased goods worth ₹85 lakhs (excluding purchase return) from M/s Varun & Co. during the previous year 2025-26. M/s Varun & Co., a resident firm, has furnished its PAN to Aryan Ltd. Details of payments for purchases from M/s Varun (P) Ltd, are given below:

On 25.05.2025 - ₹30 lakhs;

On 28.06.2025 - ₹25 lakhs,

On 10.12.2025 - ₹20 lakhs (out of these purchases, goods worth ₹5 lakhs were returned on 20.12.2025 due to quality issue for which money was refunded by M/s Varun & Co.);

On 20.02.2026 ₹10 lakhs.

All the above amounts were credited to M/s Varun & Co.'s account in the books of M/s Aryan Ltd. on the same date.

**ANSWER:**

Since turnover of M/s Aryan Ltd. (Buyer) for the P.Y. 2024-25 exceeds ₹10 cr. and the aggregate value of purchases from M/s Varun & Co, exceeds ₹50 lakhs, M/s Aryan Ltd. is required to deduct tax at source u/s 194Q @0.1% on sum exceeding ₹50 L.

In case of purchase return, if the money is refunded by the supplier, then the tax deducted on **purchase return** would be **adjusted** against the **next purchase** from the same supplier.

Applicability of TDS on purchases from M/s Varun & Co.		
25.05.25	30 lakhs	No TDS (< ₹50 Lakhs)
28.06.25	25 lakhs	TDS = ₹500 (5 lakhs x 0.1%)
10.12.25	20 lakhs	TDS = ₹2,000 (20 lakhs x 0.1%)
20.02.26	10 lakhs	TDS = ₹500 {(10L-5L Returns) x 0.1%}

3) XYZ Ltd. was incorporated on 1.4.2025 for trading goods. Its turnover for the P.Y. 2025-26 is ₹12 crores. During the P.Y.2025-26, it purchased goods from M/s. White Ride, the details of which are as follows:

On 1.8.2025 for ₹25,00,000;

On 15.9.2025 for ₹30,00,000 and

On 15.12.2025 for ₹15,00,000.

The above dates represent the date of credit to the account of M/s. White Ride. Payment is made after one month (i.e., on the same date in the immediately following month).

**ANSWER:**

Sec. 194Q is attracted if buyer's turnover in the preceding year is > ₹10 crore. Since this condition would not be satisfied in the year of incorporation, the provisions of sec. 194Q shall not apply in the year of incorporation. Since XYZ Ltd. is incorporated in the P.Y.25-26, sec. 194Q shall not apply in P.Y. 25-26.

- 4) Mr. Rajat aged 79 years, a retired resident individual, maintains a savings bank account and a fixed deposit account with ABC Bank, Delhi. He provides following details to ABC Bank in respect of financial year 2025-26:

Interest on Savings A/c ₹75,100

Pension (received in savings a/c) ₹55,000 p.m.

Interest from Fixed deposit A/c ₹1,20,000

He does not have any other income during the year 25-26.

Assume that Mr. Rajat has shifted out of default tax regime.

**ANSWER:**

Mr. Rajat is a specified person as per section 194P as he is of age of 79 years, having pension income and only interest income with ABC Bank [where he receives his pension].

As per section 194P, ABC Bank is required to deduct tax at source at rates in force on total income computed after deduction under Chapter VI-A and rebate u/s 87A

Particulars	₹	₹
Pension (₹55,000 x 12)	6,60,000	
<u>Less:</u> Standard deduction	50,000	6,10,000
Interest on Bank FD	1,20,000	
Interest on Bank Savings account	75,100	1,95,100
<b>Gross Total Income</b>		<b>8,05,100</b>
<b><u>Less: Deduction under VIA:</u></b>		
→ <b><u>Sec. 80TTB:</u></b>		
Interest on Bank FD & Savings a/c, (Max. ₹50,000)		- 50,000
<b>Net Taxable Income</b>		<b>7,55,100</b>
Tax on above		61,020
Upto 3 L	0% Nil	
3 L to 5 L	5% 10,000	
5 L to 7,55,100	20% 51,020	
<u>Add:</u> HEC @4%		+ 2,441
<b>Tax to be deducted by ABC Bank</b>		<b>63,460</b>

5) Mr. Z, a resident individual, starts a new business on 01-11-2025 for sale of unique T-shirts. He obtained a valid PAN in his name and registers himself on ABC.com (a Singapore based website), an e-commerce operator, for sale of his products in India.

Mr. Z sold goods worth ₹60 lakhs through ABC.com upto 31-03-2026. E-commerce operator credited the following payments from time to time payable to Mr. Z in its books of accounts.

31-12-2025 ₹20 lakhs

28-02-2026 ₹15 lakhs

Full and final payments have been released by ABC.com to Mr. Z on 31-03-2026 after deducting a commission of 10% on gross sale proceeds.

Mr. Z received ₹10,00,000 directly in his bank out of above ₹60 lakhs through PayTM Wallet directly connected by ABC.com to the account of Mr. Z.

**ANSWER:**

As per **section 194-O**, ABC.com, an e-commerce operator is required to deduct tax @ 0.1% on the gross amount of sale of goods (T-shirts, in the present case] of Mr. Z, a resident individual, an e-commerce participant, since such sale of goods is facilitated by ABC.com through its digital or electronic facility or platform.

ABC.com is required to deduct tax at the time of credit of such sum or actual payment, whichever is earlier. Any payment received directly by Mr. Z for the sale of goods, facilitated by ABC.com, would be deemed to be amount credited or paid by ABC.com to Mr. Z.

Accordingly,

ABC.com is required to deduct tax of:

- ₹2,000 (**0.1% x ₹20,00,000**) on **31.12.2025** and
- ₹1,500 (**0.1% x ₹15,00,000**) on **28.02.2026**

being the dates on which such amounts were credited in books of account of ABC.com.

ABC.com is also required to deduct ₹1,000 (**0.1% of ₹10,00,000** being the amount **directly received** by Mr. Z).

On 31.3.2026, ABC.com is also required to deduct tax of ₹1,500 (**0.1% of ₹15,00,000**), being the amount of full and **final payment** made on **31.3.2026**.

- 6) Deer Co Ltd engaged in the business of manufacture of furniture items on contract basis. It sub- contracted the production of cushion for the chairs to M/s Lion & Co, a sole proprietary concern. The sub-contractor M/s. Lion & Co procured the raw materials for production of cushions, performed further labour works and supplied the same to Deer Co Ltd. It raised its bill on Deer Co Ltd, showing the cost of raw materials ₹4,00,000 and labour charges ₹1,50,000, separately.

**ANSWER:**

TDS under **section 194C** is attracted on any sum payable to a resident contractor/sub- contractor for carrying out any work which includes job work. However, "**Job work**" means manufacturing as per the requirement or **specification of a customer** by using **material purchased from such customer** or associate of such customer.

In this case, M/s Lion & Co. has to supply cushion for the chairs to Deer Co Ltd., according to the specifications of the customer (Deer Co Ltd.) by using materials purchased from a person **other than the customer**, Deer Co Ltd. Thus, the sub-contract for production of cushions is **not a 'works contract'**. Consequently, there is **no liability to deduct tax** at source under section 194C in this case.

- 7) Maha Bank Ltd accepted fixed deposits of ₹20 crores in the name of Registrar General of the High Court and issued a fixed deposit receipt in compliance with a direction passed by court in relation to certain proceedings.

**Answer:**

The issue under consideration is whether the bank is required to deduct tax at source on the amount of interest paid or payable on fixed deposits in the name of Registrar General of High Court.

Under **section 194A**, the bank is obliged to deduct tax at source in respect of any credit or payment of interest (exceeding ₹50,000) on deposits made by the payee. The expression "payee" under section 194A would mean the **recipient of income**. However, in this case, the actual payee is not ascertainable because the interest is credited in the name of the **Registrar General** of HC who is **not the recipient of the income**. In the absence of a payee, the machinery provisions for deduction of tax from interest credited become ineffective. Hence, the **bank is not required to deduct tax** at source.

- 8) On 31st December, 2025, Mr. Nitin, a resident individual whose gross turnover was ₹97 lakhs during the preceding previous year, paid ₹65 lakhs to Mr. Basant, a resident individual, as contract payment for repairing his office building.

**ANSWER:**

Since Mr. Nitin's turnover **does not exceed ₹1 crore** in the P.Y.2024-25, TDS provisions u/s **194C** are **not attracted** in respect of payment made in the P.Y, 2025-26 to Mr. Basant, a resident individual, for repairing his office building. However, tax is required to be deducted at source **@2% u/s 194M**, on the payment of ₹65,00,000, since such amount **exceeds ₹50 lakhs**. Therefore, tax deducted at source would be ₹1,30,000, being 2% of ₹ 65,00,000.

- 9) X is a bookmaker and Mr. B is a punter.  
On 22-09-2025, B has won ₹5,000 in a Horse Race 1.  
On 12-01-2026, B has won ₹8,000 in a Horse Race 2 and suffered a loss of ₹2,000 in Horse Race 3.

**ANSWER:**

As per **sec. 194BB**, any person who is responsible for paying any income by way of winnings from **horse race** is liable to deduct tax **@30%** if the winnings per transaction **exceeds ₹10,000**.

Thus, in the present case, Mr. X is not liable to deduct TDS because the amount per winning is not more than ₹ 10,000 on both the dates.

- 10) AKL Ltd., a third-party administrator on behalf of an Insurance Company has settled medical bills of ₹5,00,000 on 31.10.2025 submitted by Kay Hospitals Ltd. from a patient under a cashless scheme.

**ANSWER:**

As per **section 194J**, every person, who is responsible for paying to resident any sum by way of fees for **professional services exceeding ₹50,000** shall deduct tax at source at the rate of **10%** at the time of credit to the account of payee or at the time of payment, whichever is earlier.

"Professional services" include services rendered by a person in the course of carrying on **medical profession**.

The **CBDT** has clarified that since the services rendered by hospitals to various patients are **primarily medical services**, 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 on all such payments to hospitals etc.

Thus, AKL Ltd., a **TPA is liable to deduct tax** of ₹50,000, being 10% of ₹5,00,000 from the payment made to Kay Hospitals Ltd.

- 11) ₹19,50,000 credited to the account of Digitech Studios (a P. Firm) on 31.03.2026 by Star-TV, Television channel, towards part consideration for shooting of Tele Episode for 10 weeks as per the storyline, contents and specifications of Star TV channel.

**ANSWER:**

Shooting of Tele Episode for Star-TV as per the storyline, contents and **specifications of Star-TV** falls within the scope of "work" under **section 194C**. Since the amount credited exceeds the specified limit of ₹30,000, **TDS@2%** under section 194C is attracted on amount credited to the account of Digitech Studios, a partnership firm. Amt of TDS = ₹39,000 [2% of ₹19,50,000].

- 12) An Indian company pays gross salary including allowances and monetary perquisites amounting to ₹7,30,000 to its General Manager. Besides, the company provides non-monetary perquisites to him whose value is estimated at ₹1,20,000. General Manager is opting out of the provisions of Section 115BAC.

**ANSWER:**

	₹
Gross salary [incl allowances & monetary perquisites]	7,30,000
Non – Monetary perquisites	1,20,000
	8,50,000
<u>Less: Standard deduction</u>	- 50,000
<b>Taxable Salary</b>	<b>8,00,000</b>
<b>Tax liability</b>	<b>75,400</b>

The company is liable to deduct ₹75,400 at source from the salary of the General Manager. If the company bears the tax on non-monetary perquisites i.e. \*9.425% of ₹1,20,000 i.e. ₹11,310 then the amount of TDS would be ₹ 64,090 [75,400 – 11,310]

\* Average rate of tax (₹75,400/ ₹8,00,000 x 100) = 9.425%

- 13) ABC Ltd. took on sub-lease a building from Jeet, an individual, with effect from 1.9.2025 on a rent of ₹40,000 per month. It also took on hire machinery from Jeet with effect from 1.9.2025 on hire charges of ₹20,000 per month. ABC Ltd. entered into two separate agreements with Jeet for sub-lease of building and hiring of machinery.

**ANSWER:**

As per **section 194-I**, the rate of TDS is 2% for rent of plant, machinery and equipment and 10% for land, building and furniture. TDS under this section is applicable if rent exceeds ₹50,000 p.m.

The **limit of ₹ 50,000 p.m.** for TDS u/s 194-I will apply to the **aggregate rent of all the assets**. Even if two separate agreements are entered into, one for sub-lease of building and another for hiring of machinery, rent and hire charges under the two agreements must be aggregated for the purpose of application of the threshold limit of ₹ 50,000 p.m. In this case, since the payment for rent and hire charges aggregates to ₹60,000 p.m. (₹ 40,000 + ₹20,000), tax is deductible at source u/s 194-I @10% on rent of ₹40,000 p.m. (rent of building) and @2% on hire charges of ₹20,000 (hire charges of machinery).

- 14) Miss Tara, resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those videos on social media. On 1st December 2025, XYZ Ltd., an Indian company manufacturer of electric cars gave her a brand-new car having fair market value of ₹ 6 lakhs to promote on her social media page. She used that car for 7 months for her personal purposes, recorded a video reviewing the car and then returned the car to the company.

**ANSWER:**

Under **section 194R**, the person who is 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, has to first ensure deduction of tax @ **10%** of the value of such **benefit or perquisite**, if the same **exceeds ₹ 20,000**.

However, in case of benefit or perquisite being a product like car, mobile etc. if the product is returned to the manufacturing company after using for the purpose of rendering service, then it **will not be treated as a benefit/perquisite** for the purposes of section 194R.

Accordingly, in the present case, since Miss Tara has returned the car to XYZ Ltd., TDS provisions under section 194R would **not apply**.

- 15) Mr. A and Mrs. A jointly purchased a fully built-up and ready to move flat at Lucknow on 10.12.2024 from M/s XYZ Builders Limited for ₹ 86 Lacs. In addition, they have paid an amount of ₹ 4 Lacs for two car parking spaces to M/s XYZ Builders Limited. They also paid one time generator cost of ₹2,50,000 and swimming pool cost of ₹ 1,50,000 to the M/s XYZ Builders Limited. The stamp duty value of the property is ₹ 75 lacs. Mr. A and Mrs. A, each paid ₹ 47 lacs to the Builder for effecting the sale deed on 10.12.2024.

**ANSWER:**

As per **section 194-IA**, consideration for transfer of any immovable property **include all charges** in the nature of, inter alia, parking charges, generator cost and swimming pool cost. In case of more than one transferee, consideration shall be **aggregate** of amount **paid by all the transferees** for transfer of such property.

In the present case, since aggregate value of consideration of both transferees i.e., of Mr. A and Mrs. A is  $\geq$  ₹ 50 lakhs, tax is required to be deducted at source under section 194-IA @1% on ₹ 94 lakhs (1% on ₹ 47 lakhs by Mr. A and 1% on ₹ 47 lakhs by Mrs. A) since consideration of ₹ 94 lakhs is higher than stamp duty value of ₹ 75 lakhs on purchase of flat from M/s XYZ Builders Ltd.

- 16) An Urban Cooperative Bank (engaged in the business of banking) made an FDR of ₹ 100 crores with Union Bank of India (UBI) at 2.5% p.a. interest as per RBI guidelines for maintaining capital adequacy ratio. The said Cooperative Bank is also maintaining a current account with UBI from which, it withdrew ₹ 4 crores in cash during the financial year 2024-25. The Cooperative Bank is filing its returns of income without any default.

**ANSWER:**

**No TDS u/s 194A** is to be made on interest income credited or paid to co-operative society engaged in banking business. Accordingly, Union Bank of India (UBI) is not required to deduct tax at source under section 194A on interest on FDR to Urban Co-operative Bank. Liability to deduct tax at source under section **194N shall not be applicable** on payment made to co-operative society engaged in banking business. Accordingly, Union Bank of India (UBI) is also not required to deduct tax at source on cash withdrawal by Urban cooperative bank.

- 17) Ubclick Inc., a non-resident company (incorporated in Country Y) is engaged in the manufacturing of paints and has factories across the world including India. The factory in India produces paints and sells in the Indian market as well as worldwide since past 10 years. Its turnover for the last 3 years in India was F.Y. 2022-23 ₹ 200 crores, F.Y. 2023-24 ₹ 490 crores and F.Y. 2024-25 ₹ 540 crores. On 1.5.2025, it bought raw materials from Colours Private Ltd., a domestic company for ₹ 1 crore.

**ANSWER:**

Ubclick Inc., a **non-resident** company has to deduct tax at source under section **194Q @ 0.1% on ₹ 50 lakhs** being the sum exceeding ₹ 50 lakhs on purchase of raw material of ₹ 1 crore from Colours Private Ltd. since its **turnover exceeds ₹ 10 crores** during the P.Y. 2024-25 and purchase of raw material from Colours Private Ltd. is **effectively connected with** its factory, being a **permanent establishment** in India.

Tax to be deducted = ₹ 50,00,000 x 0.1% = ₹ 5,000

- 18) M/s Seal India Pvt. Ltd., a domestic company, engaged in business of manufacturing and selling of washing powder and bars. For the purpose of promoting and to boost sales of its products it hires agents, to whom incentives and commission is paid on the basis of percentage of sales made through them. During the P.Y. 2025-26, Mr. Prakash, a resident individual, is working as an agent for the company. The company paid him commission and incentives on the basis of target achieved by him as follows:

Date of payment	Particulars	Amount
10-01-2026	Commission for achieving sales target	3,35,000
15-01-2026	Other Incentives	1,60,000

The figure of other incentives includes reimbursement of expenses of ₹ 1,00,000 incurred on booking of air tickets for an event in Singapore for Mr. Prakash and his family members who accompany him. The company has also given Mr. Prakash laptop worth ₹ 60,000 for achieving sales target for the month of September, 2025 in October 2025.

**ANSWER:**

M/s Seal India Pvt. Ltd. is required to deduct tax at source on **commission** paid to Mr. Prakash u/s **194H @2%**, being sum exceeding ₹20,000.

Reimbursement of expenses of ₹ 1 lakh for booking air tickets for Mr. Prakash and his family, **other incentive** of ₹ 60,000 and **laptop** of ₹ 60,000 for achieving sale target is **benefit or perquisite** arising to Mr. Prakash from his business or the exercise of his profession, being sum exceeding ₹ 20,000. Accordingly, M/s Seal India Pvt. Ltd. is required to deduct TDS **u/s 194R @10%**.

TDS u/s 194H = 2% on 3,35,000 = ₹ 6,700

TDS u/s 194R = 10% on ₹ 1,00,000 (Air tickets) + ₹ 60,000 (other incentive) + ₹ 60,000 (laptop) = ₹ 22,000

- 19) AntiqueMasters.com is an online portal that provides e-auction for antique items like coins, artifacts etc. and operates only in India. The owners list their items on the portal and interested buyers place bids for them on the portal itself. The portal provides the details of the buyers who make the top 3 bids. The seller chooses the buyer and intimates the portal. The portal takes money from the buyer and transfers the amount to the seller's bank account after deducting the agreed commission. The seller then delivers the item directly to the buyer's address. What will be the TDS obligations on the portal with respect to a sale amounting to ₹11 lakhs made by Mr. Sonu, an Indian resident, on the portal on 28th February 2026?

**ANSWER:**

As per section **194-O**, AntiqueMasters.com, an e-commerce operator, is required to deduct tax @**0.1%** on ₹ 11,00,000, being the gross amount of sale of products of Mr. Sonu, an e-commerce participant, since such sale of goods is facilitated by AntiqueMasters.com through its digital facility.

Thus, AntiqueMasters.com is required to deduct tax of ₹ 1,100, being 0.1% of ₹ 11,00,000.

- 20) Peter Inc., is a company incorporated under the laws of USA. The value of its global assets are ` 50 crores. The value of assets in India are ` 25 crores. Its turnover during the P.Y. 2025-26 is US \$ equivalent to ` 90 crores. Out of 10 board meetings held during the F.Y.2024-25, only 4 meetings are held in India. The key management and commercial decisions for conduct of the company's business are, however, made by the directors located in India at the meetings held in India. Your client, Payal Ltd, an Indian company, wishes to remit an amount towards professional fees to Peter Inc. on which tax is required to be deducted in India. Advise Payal Ltd as to whether tax on fees for professional services paid to Peter Inc. has to be deducted under section 194J or section 195.

**ANSWER:**

In the given case, Peter Inc. is a company incorporated under the laws of USA and hence, it is a foreign company under the Income-tax Act, 1961. However, the said company shall be resident in India if its place of effective management is in India. In this case, the company does not satisfy the active business outside India test since 50% of its assets are located in India. Hence, the persons who take key management and commercial decisions for conduct of the company's business and the place where the decisions are made are the key factors in determining the POEM of the company. The facts of the case clearly state that the key management decisions and commercial decisions for conduct of the company's business are made by the directors located in India and at the meetings held in India. Therefore, the **POEM** of Peter Inc. is **in India** in the P.Y.2025-26, irrespective of the fact that majority of the board meetings are held outside India.

**Section 194J** applies when **professional fees** are being paid to a **resident**, whereas **section 195** applies when payments are made to a **foreign company** or a **non-corporate non-resident**. Where more than one provision of the Act applies to the foreign company as resident as well as a foreign company, the **provision applicable to the foreign company alone shall apply**. Hence, Payal Ltd shall **deduct tax u/s 195** while making payment of fees for professional services to Peter Inc., a foreign company resident in India.

- 21) ABC Pvt Ltd, a domestic company is engaged in a software development business at Techno Park, which employed 700 employees, deducted tax at source (TDS) in respect of salaries, contract payments etc. totaling ₹ 1.10 crores upto 31.03.2026 for the assessment year (A.Y.) 2026-27. In March 2025, the assessee deposited part of the TDS being ₹ 38 lakhs and balance of ₹ 72 lakhs was deposited later in July 2026. However, the Additional Commissioner of Income Tax issued a show cause notice proposing to levy penalty under section 271C of the amount equal to TDS and also levied penal interest under section 201(1A) of the Income-tax Act, 1961. Feeling aggrieved and dissatisfied with the levy of interest/penalty under the Income- tax Act, 1961 on late deposit of TDS, the company has approached you to seek your advice in the matter.

**ANSWER:**

The issue under consideration is whether penalty u/s 271C and interest u/s 201(1A) both are leviable on late deposit of TDS.

**Section 271C** provides that if any person **fails to deduct** the whole or any part of the tax then, such person is liable to pay, by way of penalty, a sum equal to the amount of tax which such person failed to deduct.

Section 201(1A) provides that in case a tax has been deducted at source but is subsequently remitted belatedly, such a person is liable to pay interest as provided under section 201(1A).

No penalty is leviable on late deposit of TDS after it is deducted by the assessee. **Section 276B** speaks about prosecution for **failure to deposit** TDS within the prescribed time.

Accordingly, **no penalty** would be leviable under section 271C on delay in depositing TDS after deducting it on time.

However, **interest** u/s 201(1A) for late deposit of TDS is **leviable**.

- 22) Smart Switch Pvt. Ltd., an emerging fintech start-up based in Bengaluru, operates a digital platform for trading in various crypto currencies. The company has recently gained popularity among young investors due to its user-friendly app and attractive promotional offers. On 01<sup>st</sup> November 2025, Mr. Adesh, an IT professional working in Gurugram invested a sum of ₹ 1,00,000 in Picto Coins, a cryptocurrency. On 15<sup>th</sup> December 2025, he transferred entire Picto Coins and earned profit of ₹ 3,47,504.

**ANSWER:**

**Section 194S** requires any person who is responsible for paying to any resident any sum by way of consideration for transfer of a virtual digital asset to deduct tax at source @ **1%** of such sum.

The deduction is to be made at the time of credit of consideration to the account of the resident or at the time of payment of such sum by any mode, whichever is earlier.

Hence, **Smart Switch Pvt. Ltd. is required to deduct** tax at source @1% of ₹ 4,47,504, being the amount of consideration for transfer of virtual digital asset. Accordingly, tax of ₹ 4,475 is required to be deducted at source.

- 23) RM Ltd., Pathankot, is a Maruti Cars dealer. It also runs a service station. The sale of cars of RM Ltd. for F.Y.2024-25 is ₹ 8.40 crores. The sale of spare parts and service station is ₹ 80 lakhs for F.Y.2024-25. M/s. ABC Ltd., dealing in textile manufacturing, bought three Maruti cars on 18.7.2025, 18.8.2025 and 15.12.2025 for ₹ 18 lakhs, ₹ 22 lakhs and ₹ 9.5 lakhs for business purposes. On 16.1.2026, M/s ABC Ltd. purchased five more cars valuing ₹ 8.9 lakhs each. The payment against each purchase made on the same date of invoice itself. The turnover of ABC Ltd. for the F.Y. 2024-25 is ₹ 15.5 crores.

What is the amount of tax required to be collected or deducted at source on sale transaction entered between RM Ltd. and ABC Ltd.?

**ANSWER:**

Transaction of car can attract:

- ⇒ TCS u/s **206C(1F)** from **seller's point of view** if the sale value **exceeds ₹10 lakhs** and
- ⇒ TDS u/s **194Q** from **buyer's point of view** if the aggregate value of purchase during the financial year **exceeds ₹ 50 lakhs** and if buyer's turnover in the preceding F.Y. exceeds 10 crores.

However, same transaction cannot be subject to TCS as well as TDS. Either TCS will apply or TDS. Since section **206C(1F)** is a **specific** section for sale of car, provisions of TCS shall **prevail** if sale of car is above ₹10 lakhs. However, if TCS on sale of car is not attracted then TDS u/s 194Q shall apply.

Accordingly,

- ⇒ On sale of car on 18/7/25 and 18/8/25, TCS @1% shall be collected by **RM Ltd** as the sale value of each car exceeds ₹ 10 lakhs.  
Amt of **TCS = 1%** of (18 L + 22 L) = **₹ 40,000**.
- ⇒ On sale of other cars [where the sale value does not exceed ₹ 10 L per car], the buyer **ABC Ltd.** is liable to deduct TDS as the aggregate value of purchase by ABC Ltd exceeds ₹ 50 L.  
Amt of **TDS = 0.1%** of {(9.5 L + 8.9 x 5 cars) – 50 L} = **₹ 400**.

24) M/s GreenEarth Resources Ltd. is engaged in extraction and sale of forest produce and minerals. During F.Y 2025–26, it sold timber obtained under a forest lease to M/s BuildWell Infrastructure Pvt. Ltd. and sold scrap generated from such operations to a resident scrap dealer. In the same year, it supplied coal to M/s PowerGen Ltd. for generation of electricity, against which PowerGen Ltd. furnished a declaration stating that coal would be used only for power generation and not for trading. Further, GreenEarth Resources Ltd. granted a licence to operate a toll plaza near its mining site to M/s National Highways Authority Ltd., a public sector company, for business purposes. Examine the applicability of TCS in respect of each transaction.

**ANSWER:**

Under section 206C(1), a seller is required to collect tax at source (TCS) at the time of debit to the buyer's account or receipt of consideration, whichever is earlier, on sale of specified goods.

**→ Sale of timber:**

Timber obtained under a forest lease is a specified good u/s 206C(1). Accordingly, M/s GreenEarth Resources Ltd. is liable to collect TCS at **2%** on the sale value of timber at the time of debit or receipt, whichever is earlier.

**→ Sale of scrap:**

Scrap is also a specified good under section 206C(1). Hence, TCS is required to be collected by M/s GreenEarth Resources Ltd. **@1%** at the time of debit or receipt of sale consideration, whichever is earlier.

**→ Sale of coal for power generation:**

Coal is a specified mineral under section 206C(1), liable to TCS @ 1%. However, since the buyer furnished a declaration stating that coal would be used for **generation of power** and not for trading purposes, **no TCS** is required to be collected in view of section 206C(1A).

**→ Licence to operate toll plaza:**

Section 206C(1C) applies to collection of TCS at 2% on grant of licence for operating a toll plaza, except where the licensee is a **public sector company**. Since the licence is granted to M/s National Highways Authority Ltd., a public sector company, TCS is **not applicable** in this case.

**QUESTION 2:**

The following details pertain to Mr. Sahil & his best friend Mr. Akhil:

**→ Mr. Sahil:**

	₹
Amount remitted to his elder son Aarav, who is pursuing two-year MBA Program from Columbia University, USA	
- Out of own savings through HDFC Bank, an authorized dealer under LRS of the RBI	
• towards tuition fees on 5.7.2025	4,50,000
• to meet day to day exps. for study purposes	
- 10.5.2025	2,20,000
- 29.9.2025	90,000
- 01.1.2026	1,35,000
- Out of loan through Axis Bank, an authorized dealer under LRS towards tuition fees on	
- 11.10.2025	3,50,000
- 10.01.2026	3,50,000
Own savings (meet day to day exp. for study) on	
- 1.7.2025	2,50,000
To complete the formalities of admission, Mr. Sahil visited the USA from 10.4.25 to 13.4.25 for which he purchased a tour package from M/s Gate 2 Travel, a foreign tour operator and remits money under LRS on 5.4.2025. International travel tickets and hotel accommodation are included in the said package.	5,20,000

Mr. Sahil has furnished undertakings containing the details of earlier remittances to HDFC bank and Axis bank. He has also furnished his PAN to the authorized dealers and to the seller of overseas tour program package.

→ **Mr. Akhil:**

Mr. Akhil, an Indian citizen got a job offer from M/s Wellbeing Inc., a Dubai based company of AED 10,500 per month. He left for Dubai on 29.3.2025 and joined M/s Wellbeing Inc. on 1st April 2025. He came to India on 15.12.2025 on a leave for 15 days. On 23.12.2025, he went on 7 days tour to Bali with his wife and son. Thereafter, he directly went to Dubai with his wife and son.

On 16.12.2025, he purchased a tour package for Bali from Make Your Trip, an Indian tour operator for which he paid ₹ 7,50,000 towards flight tickets and hotel accommodation.

From the information given above,

- 1) Calculate the amount of tax required to be collected by HDFC bank and Axis Bank.
- 2) Is tax required to be collected at source on the amount remitted for tour package to USA by Mr. Sahil? If so, what is the amount of tax to be collected?
- 3) Is Make Your Trip required to collect tax at source on the amount received for tour package to Bali from Mr. Akhil? If so, what is the amount of tax to be collected?

**ANSWER:**

- 1) Date wise remittance

Date	Amount	Dealer	Amt of TCS
10/5/25	2,20,000	HDFC	Nil
1/7/25	2,50,000	Axis	Nil
5/7/25	4,50,000	HDFC	Nil
29/9/25	90,000	HDFC	500 (10.10 lakhs – 10 lakhs) x 5%
11/10/25	3,50,000	Axis	Nil (3,50,000 x 0%)
1/1/26	1,35,000	HDFC	6750 (1,35,000 x 5%)
10/1/26	3,50,000	Axis	Nil (3,50,000 x 0%)

Amount of tax required to be collected by:

⇒ HDFC Bank = 500 + 6,750 = ₹ 7,250.

⇒ Axis Bank = Nil [since **loan money** remitted for **education**]

- 2) Tax is required to be collected on purchase of package tour @5% on ₹ 5,20,000 as the consideration does not exceed ₹10L [whether the **tour operator** is of **India** or **Foreign** – is **not relevant**].

- 3) Section 206C(1G) of the Act is **not applicable** to a buyer who is a **non-resident** and who does not have a permanent establishment in India. Since, Akhil is a non-resident, Make Your Trip is not required to collect TCS from Akhil on amount received for package tour to Bali.

**QUESTION 3:**

Mr. Sunil took an education loan of ₹ 11 lakhs on 1.7.2025 from State Bank of India, Mumbai, for his son's MBA from University of Oxford, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS).

He, further, remitted ₹ 2 lakhs on 15.10.2025 to his son for his personal expenditure, out of his personal savings, through Bank of India, Mumbai which is also an authorised dealer, under LRS.

Mr. Sunil also remitted ₹ 6 lakhs on 28.3.2026, out of his personal savings, under LRS through Union Bank of India, Mumbai, for his sister's medical treatment in London.

Mr. Sunil has furnished undertaking containing the details of earlier remittance to Bank of India and Union Bank of India.

What is the amount of TCS from Mr. Sunil ?

**ANSWER:**

→ Date wise remittance

Date	Amount	Dealer	Amt of TCS
1/7/25	11,00,000	SBI	Nil = (11 L – 10 L) x 0%
15/10/25	2,00,000	BOI	40,000 (2,00,000 x 20%)
23/3/26	6,00,000	UBI	30,000 (6,00,000 x 5%)

Total amount of TCS payable by Sunil = ₹ 70,000

**QUESTION 4:**

ABC bank provides the following information relating to cash withdrawals by its two customers during the P.Y.2025-26:

Date of cash withdrawal	Mr. Arjun (Savings Account) (₹)	XYZ Co-operative Society (Current Account) (₹)
12.04.2025	20,00,000	-
9.05.2025	-	68,00,000
15.06.2025	25,00,000	-
19.07.2025	-	85,00,000
18.10.2025	35,00,000	-
5.11.2025	-	88,00,000
22.12.2025	25,00,000	-
03.01.2026	-	57,00,000

Co-op. society regularly files its return of income. However, Mr. Arjun has not filed his return for the last 3 years.

Would cash withdrawals by Mr. Arjun and XYZ Co-operative society during the P.Y. 2025-26 attract deduction of tax at source? If yes, how much tax would be deductible by ABC bank?

- (a) Yes; ₹ 1,85,000 and ₹ 3,96,000, respectively  
 (b) Yes; ₹ 1,85,000 and ₹ 5,56,000, respectively  
 (c) Yes; ₹ 10,000 and ₹3,96,000, respectively  
 (d) ₹ 1,85,000 in respect of cash withdrawals by Mr. Arjun and no tax is required to be deducted from cash withdrawals by the co-operative society.

**ANSWER:**

In case of Arjun (non-filer), TDS u/s 194N is calculated as follows:

Cash Withdrawal		TDS %	TDS (₹)
Upto 20 L	20 L	0%	Nil
Above 20 L up to 1 Cr.	80 L	2%	1,60,000
Above 1 Cr.	5 L	5%	25,000
	105 L		<b>1,85,000</b>

In case of XYZ Co-op Sty, TDS u/s 194N = 2% of cash withdrawal in excess of 3 crores i.e. **NIL** (total withdrawal is 2.98 cr.).

**QUESTION 5:**

Poker Star is an online gaming platform. Mr. Avinash is a user of this portal and he has a credit balance of ₹1,00,000 in his user account as on 1/4/2025.

On 10.04.2025, he deposited ₹5,00,000 to play online games. On 25.05.2025, he earned referral bonus of ₹2,00,000 (withdrawable) and joining bonus of ₹3,00,000 (not withdrawable).

On 05.12.2025, he further deposited ₹10,00,000 in his user account.

Winnings during the year:

- ₹10,00,000 on 24.07.2025
- ₹60,00,000 on 19.11.2025

Loss during the year:

- ₹2,00,000 on 29.07.2025
- ₹3,00,000 on 10.02.2026

On 17.10.2025, he withdrew ₹11,00,000 and on 12.12.2025, he withdrew ₹40,00,000.

Compute the amount of applicable TDS u/s 194BA.

**ANSWER:**

Date		Dr.	Cr.
1/4/25	Opening balance		1,00,000
10/4/25	Deposit		5,00,000
25/5/25	Bonus [withdrawable]		2,00,000
25/5/25	Bonus [non-withdrawable]		3,00,000
24/7/25	Winnings		10,00,000
29/7/25	Loss	2,00,000	
<b>17/10/25</b>	<b>Withdrawn</b>	<b>11,00,000</b>	
19/11/25	Winnings		60,00,000
5/12/25	Deposit		10,00,000
<b>12/12/25</b>	<b>Withdrawn</b>	<b>40,00,000</b>	
10/2/26	Loss	3,00,000	
<b>31/3/26</b>	<b>Closing balance</b>	<b>35,00,000</b>	

**TDS on first withdrawal i.e. 17.10.2025**

= 30% of (**W** – **O** – **D**)  
= 30% of (11,00,000 – 1,00,000 – 5,00,000)  
= 30% of 5,00,000 = ₹1,50,000

**TDS on subsequent withdrawal i.e. 12.12.2025**

= 30% of (**W** – **O** – **D** – **T**)  
= 30% of (51,00,000 – 1,00,000 – 15,00,000 – 5,00,000)  
= 30% of 30,00,000 = ₹9,00,000

**TDS at the end of FY i.e. 31.03.2026**

== 30% of (**W** + **C** – **O** – **D** – **T**)  
= 30% of (51,00,000 + 32,00,000 – 1,00,000 – 15,00,000 – 35,00,000)  
= 30% of 32,00,000 = ₹6,60,000

**W** = Aggregate Amt. **withdrawn** by user  
**O** = **Opening** balance (withdrawable amt.) in user account  
**C** = **Closing** balance (withdrawable amt.) in user account  
**D** = Aggregate Amt. **deposited** by user  
**T** = Amt. **taxed** on previous withdrawals

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