

However, in this case, this exemption from TDS would not be available, since Ramesh has not furnished his PAN to XYZ Ltd. As per section 206AA, due to non-furnishing of PAN, tax would be deductible at a higher rate of 20% and not @1% provided under section 194C. Amount of tax to be deducted = 2,00,000 × 20% = 40,000.

Question 15

MTP Oct'20, RTP May'18, CS Exec. June' 14

Mention the significant differences between TDS and TCS.

3 Marks

Answer:

Significant Differences between TDS and TCS

TDS	TCS
TDS is tax deduction at source	TCS is tax collection at source.
Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods or provider of services is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants license or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.
Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of payment of salary, payment in respect of life insurance policy etc., tax is required to be deducted at the time of payment	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicles of the value exceeding ₹10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

Question 16

PYQ Nov 23

Explain the provisions of tax collection at source for overseas remittance by an authorized dealer. Also enumerate the rate of tax to be collected and the amount on which no tax is to be collected.

4 Marks

Answer:

An authorised dealer, who receives amount, under the Liberalised Remittance Scheme of the RBI, for overseas remittance from a buyer, being a person remitting such amount out of India is required to collect tax at source at the time of debiting the amount or at the time of receipt of such amount, whichever is earlier.



Rate of TCS in case of collection by an authorized dealer

	Amount and purpose of remittance	Rate of TCS
(1)	Amount or aggregate of amounts remitted for a purpose other than for purchase of overseas tour programme package and	
	Amount or aggregate of amounts remitted is less than ₹7 lakhs in a financial year	Nil (No TCS)
	amount or aggregate of the amounts remitted is in excess of ₹7 lakhs	5% in excess of ₹7 lakhs
(2)	Amount aggregate of the amounts remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and the amount remitted exceed ₹7 lakhs in a financial year.	0.5% of the amount or aggregate of amounts in excess of ₹7 lakh

Question 17

CS Exec. June 2009

Who is liable to pay advance tax? On what dates the instalments of advance tax are payable and what amount is to be paid under each instalment? **4 Marks**

Answer:

Advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, as computed in accordance with the provisions of advance tax, is ₹ 10,000 or more.

Instalments of advance tax and due dates [Section 211]:

	Due date of instalment	Amount payable
A	On or before 15 th June	Not less than 15% of advance tax.
	On or before 15 th September	Not less than 45% of advance tax. It means 45% of advance tax, less the amount paid in earlier instalment i.e. 30%
	On or before 15 th December	Not less than 75% of advance tax. It means 75% of advance tax, less the amount paid in earlier instalment i.e. 30%
	On or before 15 th March	100% of advance tax as reduced by the amounts paid in earlier instalments i.e. 25%.
B	On or before 15 th March	An eligible assessee in respect of eligible business (Section 44AD) or eligible profession (Section 44ADA) shall pay the whole amount of advance tax on or before 15 th March of the relevant previous year.

Note: Any payment of advance tax made on or before 31st March shall also be treated as advance tax paid during the previous year.

Question 18

CS Exec. June 2019

Who is liable to pay advance tax? Who are exempted from payment of Advance Tax? **2 Marks**

Answer:



As per section 208 of the Income-tax Act, 1961, advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, as computed in accordance with the provisions of this Chapter, is ₹ 10,000 or more.

The provision of advance tax liability shall not apply to an individual resident in India, who does not have any income chargeable under the head "Profits and Gains of Business or Profession"; and is of the age of sixty year or more at any time during the previous year.

Question 19

CS Exec. June 2009

What are the provisions regarding Deduction of Tax at Source in case of Winnings from Lottery?

2 Marks**Answer:**

1. Section 194B.
2. The person who is responsible to pay income to any resident or domestic company by way of winnings from lottery or crossword puzzles or card game exceeding ₹ 10,000 shall at the time of payment, deduct TDS.
3. The TDS for Financial Year 2023-24 (Assessment Year 2024-25) is @ 30%.

Question 20

CS Exec. Dec 2012

Write a short note on Consequences of failure to Deduct Tax at Source.

2 Marks**Answer:**

Consequences of failure to Deduct Tax at Source:

Any person who is liable to deduct tax at source fails to deduct fully or partly tax and/or fails to deposit the same within stipulated time, he shall be deemed to be an assessee in default. Consequently, he shall be liable to pay penalty under section 221, which is simple interest as follows:

- (a) Simple interest @1% for every month or part of a month from due date of TDS to actual date of TDS.
- (b) Simple Interest @1.5% for every month or part of a month from the date of TDS to the date on which such tax is actually paid.

Moderate**Question 1**

PYQ Nov 22, MTP April'23

Examine the applicability and the amount of TDS to be deducted in the following cases for F.Y. 2021-22:

- (i) S and Co. Ltd. paid 25,000 to one of its directors as sitting fees on 02-02- 2022.
- (ii) 2,20,000 paid to Mr. Mohan, a resident individual, on 28 -02-2022 by the State of Haryana on compulsory acquisition of his urban land.
- (iii) Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of 12 crores



in the previous year 2020-21. He purchased goods from Mr. Agarwal a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2021-22 on various dates is 80 lakhs which are as under:

10-06-2021	25,00,000
20-08-2021	27,00,000
12-10-2021	28,00,000

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2022 80 lakhs. Mr. Agarwal's turnover for the financial year 2020-21 is ₹ 20 crores. **6 Marks**

Answer

I. Tax @10% has to be deducted by S and Co. Ltd. under section 194J on directors sitting fees of 25,000. The threshold limit of ₹ 30,000 is not applicable in respect of sum paid to a director. The amount of tax to be deducted at source = ₹ 25,000 × 10% = ₹ 2,500

II. There is no liability to deduct tax at source under section 194LA, since the payment to Mr. Mohan, a resident, by State of Haryana on compulsory acquisition of his urban land does not exceed 2,50,000.

III. Since Mr. Purushotham's turnover for F.Y.2020-21 exceeds ₹10 crores, and value of goods purchased from Mr. Agarwal, a resident seller, exceeds ₹ 50 lakhs in the P.Y.2021-22, he is liable to deduct tax@0.1% on 30 lakhs (being the sum exceeding ₹50 lakhs), at the time of credit or payment, whichever is earlier.

On 10.6.21= Nil (No tax is to be deducted u/s 194Q on the purchases made on 10.6.2021 since the purchases made till that date has not exceeded the threshold of 50 lakhs and TDS provisions u/s 194Q was effective from 1.7.2021)

On 20.8.2021 = 0.1% of ₹2 lakhs (amount exceeding ₹50 lakhs) = ₹200

On 12.10.2021 = 0.1% of ₹28 lakhs = ₹2,800.

Question 2

PYQ Nov 19

What are the clarifications given by CBDT with respect to section 206C(1F) relating to following issues:

(i) Whether TCS on sale of motor vehicle is applicable only to luxury car?

(ii) Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding ₹10 lakhs?

(iii) Whether TCS is applicable in case of an individual?

(iv) Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer?

4 Marks

Answer:

(i) No, as per section 206C(1F), the seller shall collect tax @ 1% from the purchaser on sale of any motor vehicle of the value exceeding ₹10 lakhs.

(ii) Tax is to be collected at source @ 1% on sale consideration of a motor vehicle exceeding ₹10 lakhs. It is applicable to each sale and not to aggregate value of sale made during the year.



(iii) The term "seller" includes inter alia, an individual who is liable to audit as per the provisions of section 44AB during the financial year immediately preceding the financial year in which the motor vehicle is sold. Thus, an individual shall be liable for collection of tax at source on sale of motor vehicle by him.

(iv) TCS on sale of motor vehicle is applicable on all transactions of retail sales only. Accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.

Question 3

PYQ Nov 20

Briefly explain the provisions relating to tax deduction at source on cash withdrawal under section 194N of the Income-tax Act, 1961.

4 Marks

Answer:

(1) Section 194N, inserted with effect from 1.9.2019, requires that every person, being

- a banking company
- a co-operative society engaged in carrying on the business of banking or
- a post office

who is responsible for paying any sum or aggregate of sums in cash exceeding ` 1 crore during the previous year to any person from one or more accounts maintained by such recipient-person with it, to deduct tax at source @2% of sum exceeding ` 1 crore.

(2) This deduction is to be made at the time of payment of such sum.

(3) Liability to deduct tax at source under section 194N shall not be applicable to any payment made to -

- the Government
- any banking company or co-operative society engaged in carrying on the business of banking or a post-office
- any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking
- any white label ATM operator of a banking company or co-operative society engaged in carrying on the business of banking
- such other person or class of persons notified by the Central Government in consultation with the RBI.

Question 4

RTP May '18

Mr. Sachal, a resident individual aged 54, furnishes his income & other details for the P.Y. 2017-18:

(v) Income of 8,10,000 from wholesale cloth business, whose accounts are audited u/s 44AB.

(vi) Income from other sources ₹2,70,000.

(vii) Tax deducted at source ₹25,000.

(viii) Advance tax paid ₹1,03,000 during the P.Y. 2017-18. Return of income filed on 11-12-2018. Calculate the interest payable under section 234B of the income-tax Act, 1961. Assume that the return of income



would be processed on the same day of filing of return. What are the consequences for delay in furnishing return of income under the Income-tax Act, 1961? Examine, making the required computations in this case.

Answer:

Computation of interest payable under section 234B by Mr. Sachal

Particulars	₹
Tax on total income of 10,80,000 [Business income of 8,10,000 + Income from other sources of ₹2,70,000]	1,36,500
Add: Education cess and SHEC@3% (4% as per amendment)	5,460
Tax on total income	1,41,960
Less: Tax deducted at source	25,000
Assessed Tax	1,16,960
90% of assessed tax	1,05,264
Advance tax paid	1,03,000
Interest under section 234B is leviable since advance tax of ₹1,03,000 paid is less than ₹1,05,264, being 90% of assessed tax	
Number of months from 1st April, 2018 to 11th December, 2018, being the date of processing of return. Interest under section 234B@1% per month or part of a month for 9 months on 13,900 [i.e., difference between assessed tax of ₹1,16,960 and advance tax of 1,03,000 paid, being ₹13,960 which is rounded off to 13,900 under Rule 119A of Income-tax Rules, 1962]	1,251

Consequences for delay in filing return of income on or before the due date Interest under section 234A and fee under section 234F would be attracted for filing return of income beyond the due date specified under section 139(1). Interest under section 234A.

Since Mr. Sachal's accounts are audited under section 44AB, the due date for filing of return for A.Y. 2018-19, in his case, is 30.09.2018. Mr. Sachal has filed his return on 11.12.2018 i.e., interest under section 234A will be payable for 3 months (from 1.10.2018 to 11.12.2018) @ 1% per month or part of month on the amount of tax payable on the total income, as reduced by TDS and advance tax paid i.e., 13,960 rounded off to 13,900 under Rule 119A of Income-tax Rules, 1962.

Interest u/s 234A = ₹13,900 × 1% × 3 = ₹417

Fee for late filing of return under section 234F

Since Mr. Sachal has furnished his return of income after the due date but before 31.12.2018 and his total income exceeds 5 lakhs, a fee of ₹5,000 will be payable by him.

All figures have been changed as EC & SHEC is taken at 4 %.



Question 5

Briefly discuss the provisions of tax deducted at source and compute the amount of TDS under the Income-tax Act in respect of the following payments:

- (i) ₹51,000 paid to Mr. A, a resident individual as interest income on compensation awarded by the Motor Accidents Claims Tribunal by a transport company.
- (ii) Ms. Asha deposited ₹35,00,000 @10% p.a. on 1.7.2021 with ABC Cooperative bank limited.
- (iii) Mr. Naresh won ₹15,00,000 in Kon Banega Crorepati Mr. Avinash deposited ₹2,00,000 @11% p.a. on 1.5.2021 for half year with Hike Investment LLP.

8 Marks**Answer:**

(i) Tax has to be deducted at source by the transport company @10% under section 194A on payment of ₹51,000 made to Mr. A, a resident individual, as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company, since the interest paid exceeds the specified threshold of ₹50,000. Tax to be deducted = ₹51,000 × 10% = ₹5,100

(ii) Tax has to be deducted at source by the ABC Co-operative Bank @10% under section 194A on interest of ₹2,62,500 [35,00,000 × 10% p.a. × 9/12] on deposits made by Ms. Asha, since the same exceeds the specified threshold of 40,000. Tax to be deducted = 2,62,500 × 10% = ₹26,250

(iii) Tax has to be deducted @30% under section 194B on payment of ₹15,00,000 made to Mr. Naresh for winnings in Kon Banega Crorepati. Tax to be deducted = ₹15,00,000 × 30% = ₹4,50,000

(iv) Tax has to be deducted at source by Hike Investment LLP @10% under section 194A on interest of ₹11,000 [₹2,00,000 × 11% × 6/12] on deposits made by Mr. Avinash, since the same exceeds the specified threshold of ₹5,000. Tax to be deducted = ₹11,000 × 10% = ₹1,100.

Question 6**MTP March'18**

Explain the concept of TCS. Also, list the persons specifically excluded from the definition of buyer, consequent to which tax collection at source under section 206C (1) is not required on sale of timber and other forest produce to such persons.

6 Marks**Answer:**

TCS is tax collection at source. Seller of certain goods is responsible for collecting tax at source at the prescribed rate from the buyer. Moreover, person who grants license or lease (in respect of any parking lot, toll plaza, mine or quarry) is also responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.

Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicle of the value exceeding 10 lakhs, tax collection at source is required at the time of receipt of sale consideration. Buyer is a person who obtains in any sale, by way of auction, tender, or any other mode, goods including timber and other forest produce but does not include -



(A) A public sector company, 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

(B) A buyer in the retail sale of such goods purchased by him for personal consumption.

Question 7

MTP March 19

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-22:

(1) Payment of ₹27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2021 for contribution of articles in relation to the sport of cricket.

(2) Payment made by a company to Mr. Ram, sub-contractor, ₹3,00,000 with outstanding balance of ₹1,20,000 shown in the books as on 31-03-2022.

(3) Winning from the horse race ₹1,50,000 paid to Mr. Shyam, an Indian resident.

(4) 2,00,000 paid to Mr. A, a resident individual, on 22-02-2022 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

4 Marks

Answer:

(1) Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman who is not a citizen of India for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since Jacques Kallis, a South African cricketer, is a non-resident, health and education cess @ 4% on TDS should also be added. Therefore, tax to be deducted = ₹27,000 × 20.80% = 5,616.

(2) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% in case the payment is made to an individual. Since the aggregate amount credited or paid during the year is ₹4,20,000, tax is deductible @ 1% on 4,20,000. Tax to be deducted = 4,20,000 × 1% = 4,200

(3) Under section 194BB, tax is to be deducted at source, if the winnings from horse races exceed ₹10,000. The rate of deduction of tax at source is 30%. Hence, tax to be deducted = 1,50,000 × 30% = ₹45,000.

(4) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹2,50,000. In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed 2,50,000.

Question 8

MTP Oct'21

Mr. Jay is having total income of ₹6,90,000 during the P.Y. 2020-21 consisting of Income from business of ₹40,000, lottery winnings (gross) ₹5,60,000, income by way of salary



(computed) ₹1,20,000 and loss from house property 30,000. Compute his tax liability and advance tax obligations for A.Y. 2021-22.

4 Marks

Answer:

Computation of tax liability and advance tax obligations of Mr. Jay for A.Y. 2021-22

Particulars	RS
Income from salary (computed) 1,20,000	
Less: Set-off loss from house property (30,000)	90,000
Loss from house property 30,000	
Less: Set-off against salary income (30,000)	-
Income from business	40,000
Lottery winning	5,60,00 0
Total Income	6,90,00 0
Tax liability	
Tax @30% on lottery income	1,68,00 0
Tax on other income of ₹1,30,000 (Nil, since it does not exceed the basic exemption limit of ₹2,50,000)	-
	1,68,000
Add: Health and education cess@4%	6,720
Total tax liability	1,74,720
Less: TDS on lottery income under section 194B	1,68,000
Net tax payable	6,720
<i>Since tax payable for the P.Y. 2020-21 is less than ₹10,000, Mr. Jay is not liable to pay advance tax.</i>	

Question 9

MTP Oct'19

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2018- 19:

- Rs. 2,00,000 paid to Mr. Aarav, a resident individual, on 18-05-2018 by the State of Bihar on compulsory acquisition of his urban land.
- Payment of Rs. 2,00,000 to Mr. Rakesh a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN.

4 Marks

Answer:

(i) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source @ 10%, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds Rs. 2,50,000. In the given case, there is no liability to deduct tax at source as the payment made to Mr. Aarav does not exceed Rs. 2,50,000

(ii) As per section 194C, no tax is required to be deducted at source on payment to transporter if the following conditions are satisfied:

- He owns ten or less goods carriages at any time during the previous year.
- He is engaged in the business of plying, hiring or leasing goods carriages;



(3) He furnishes a declaration to this effect along with his PAN.

In the present case, since Mr. Rakesh has not furnished his PAN, tax is required to be deducted at source @ 20% under section 206AA on Rs. 2,00,000, since the same exceeds the threshold limit of Rs. 1,00,000. Tax deducted at source = Rs. 40,000 (Rs. 2,00,000 x 20%)

Question 10

MTP April'19

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2018- 19:

(i) On 1.6.2018, Mr. Gyaneshwar made three nine-month fixed deposits of ₹1 lakh each carrying interest@9% with Laxmi Nagar Branch, Mayur Vihar Branch and Rohini Branch of ABC Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2019.

(ii) Sky TV, a television channel, made payment of ₹70 lakhs to a production house ABC Ltd. for production of programme for telecasting as per the specifications given by the channel. The copyright of the programme is also transferred to Sky T V. **4 Marks**

Answer:

(i) ABC Bank has to deduct tax at source@10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is Rs. 20,250 [$1,00,000 \times 3 \times 9\% \times 9/12$], which exceeds the threshold limit of 10,000 Since ABC Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of Rs. 20,250 exceeds the threshold limit of Rs. 10,000, tax has to be deducted@10% under section 194A. Tax to be deducted = Rs. 20,250 x 10% = Rs. 2,025

(As per amendment w.e.f 1.4.2019 the threshold limit is Rs. 40,000 if paid by a Bank. In case of Bank opting for CBS, the Limit of Rs. 40,000 will not be per branch but per bank). Hence the revised Answer would be that TDS will not be applicable.

(ii) In this case, since the programme is produced by the production house ABC Ltd. as per the specifications given by Sky TV, a television channel, and the copyright is also transferred to the television channel, the same falls within the scope of definition of the term 'work' under section 194C. Therefore, the payment of ₹70 lakhs made by Sky TV to the production house ABC Ltd. would be subject to tax deduction at source under section 194C. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 2% if the payment is made to a person other than an individual or HUF. Therefore, tax to be deducted = Rs.70 lakhs x 2% = Rs.1,40,000.

Question 11

MTP Mar'18

Examine the applicability of tax deduction at source provisions, the rates and amount of tax deduction in the following cases for the A.Y. 2018-19

(i) Ramesh gave a building on sub-lease to Mac Ltd. with effect from 1st July, 2017 on a rent of ₹15,000 per month. The company also took on the hire machinery from Ramesh with



effect from 1st November, 2017 on hire charges of ₹10,000 per month. The rent of building and hire charges of machinery for the year ended 2017-18 were credited by the company to the account of Ramesh in its books of account on 31-3-2018.

(ii) 2,45,000 paid to Mr. X on 1-2-2018 by Karnataka State Government on compulsory acquisition of his urban land. **4 Marks**

Answer:

I. TDS on rent for building and machinery: Tax is deductible on rent under section 194-I, if the aggregate amount of rental income paid or credited to a person exceeds 1,80,000. Rent includes payment for use of, inter alia, building and machinery. The aggregate payment made by Mac Ltd. to Ramesh towards rent in P.Y. 2017-18 is 1,85,000 (i.e., 1,35,000 for building and 50,000 for machinery). Hence, Mac Ltd. has to deduct tax @10% on rent paid for building and tax @2% on rent paid for machinery. Tax to be deducted = ₹14,500 (i.e., $1,35,000 \times 10\% = 13,500 + 50,000 \times 2\% = 1,000$)

II. TDS on compensation for compulsory acquisition: Tax is deductible at source @10% under section 194LA, where payment is made to a resident as compensation or enhanced compensation on compulsory acquisition of any immovable property (other than agricultural land). However, no tax deduction is required if the aggregate payments in a year does not exceed ₹2,50,000. Therefore, no tax is required to be deducted at source on payment of ₹2,45,000 to Mr. X, since the aggregate payment does not exceed 2,50,000.

Question 12

MTP Mar'22

Examine TDS implications in case of following transactions, briefly explaining provisions involved assuming that all the payees are residents; state the rate and amount to be deducted, in case TDS is required to be deducted:

(i) Mrinal & Sons, a LLP withdrew from its bank account 40 lakhs by cash on 1.5.2021, 35 lakhs on 7.9.2021 and 55 lakhs on 28.2.2022. The purpose of withdrawal from bank was for buying agricultural produce, from farmers/ agriculturist, being raw material required for manufacture of finished products by it. Mrinal & Sons regularly files its return of income before the due date.

(ii) Mr. Mukesh, aged 75 years, holds $6\frac{1}{2}$ Gold Bonds, 1977 of 2,50,000 and 7% Gold Bonds of 3,50,000. He received interest on these bonds on 31.1.2022. **4 Marks**

Answer:

(i) Mrinal & Sons has withdrawn aggregate cash of 1.30 crores during the previous year 2021-22. Since aggregate amount cash withdrawals exceed 1 crore, bank is required deducted tax at source @2% on the amount exceeding 1 crore i.e., 30 lakhs though he withdraws the same for buying agricultural produce from farmers, agriculturists, being raw material required for manufacture of finished products by it. TDS = 2% of 30 lakhs = 60,000

(ii) Tax @10% under section 193 is to be deducted on interest on $6\frac{1}{2}$ Gold Bonds, 1977 and 7% Gold Bonds 1980, since the nominal value of the bonds held by Mr. Mukesh i.e., 6,00,000 exceed 10,000.

Interest on $6\frac{1}{2}$ Gold Bonds, 1977 = $2,50,000 \times 6.5\% = 16,250$ Interest on 7% Gold Bonds

1980 = $3,50,000 \times 7\% = 24,500$ Tax to be deducted at source = $40,750 \times 10\% = 4,075$



Question 13

PYQ Dec '21, MTP March'23

State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2022- 23 under Income-tax Act, 1961. Assume that all payments are made to residents:

- (i) Mr. Amar has paid 6,00,000 on 15.10.2022 to M/s Fresh Cold Storage Pvt. Ltd. for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of 3 crores during the previous year 2022-23.
- (ii) Mr. Ramu, a salaried individual, has paid rent of 60,000 per month to Mr. Shiv Kumar from 1st July, 2022 to 31st March, 2023. Mr. Shiv Kumar has not furnished his Permanent Account Number.

4 Marks**Answer:****TDS implications**

(i) The arrangement between Mr. Amar, the customer, and M/s. Fresh Cold Storage Pvt. Ltd., the cold storage owner, is basically contractual in nature and main object of the cold storage is to preserve perishable goods by mechanical process and storage of such goods is only incidental. Hence, the provisions of section 194C will be applicable to the amount of 6 lakh paid by Mr. Amar to the cold storage company. Accordingly, tax has to be deducted @2% on 6 lakh. TDS u/s 194C = 2% x 6 lakh = 12,000

(ii) Mr. Ramu, being a salaried individual, has to deduct tax at source @ 5% u/s 194-IB on the annual rent paid by him from the last month's rent (rent of March, 2023), since the rent paid by him exceeds 50,000 p.m. Since his landlord Mr. Shiv Kumar has not furnished his PAN to Mr. Ramu, tax has to be deducted @ 20% instead of 5%. However, the same cannot exceed 60,000, being rent for March, 2023. TDS u/s 194-IB = 60,000 (60,000 x 9) x 20% = 1,08,000, but restricted to 60,000, being rent for March, 2023.

Question 14

RTP Nov'18

Shurya Bank Ltd., a banking company to which the Banking Regulations Act, 1949 applies, has paid interest of ₹7,000 to Mr. Bhuwan, a resident Indian, from its Lucknow branch and ₹8,000 from Kanpur branch. If the bank has not adopted core banking solutions, is tax required to be deducted at source from such interest payments made on 31 -3-2018? Examine the provisions of the Income Tax Act, 1961 in this regard. Will your Answer be different if the bank has adopted core banking solutions?

Answer:

Tax is deductible @10% under section 194A in respect of interest credited or paid by a banking company, if the same exceeds ₹10,000. This threshold is with reference to interest credited or paid by a branch of the bank, where the bank has not adopted core banking solutions.

On the other hand, if the bank has adopted core banking solutions, then, the threshold of ₹10,000 would apply in respect of the aggregate interest credited or paid by all the branches of the bank. Therefore, if Shurya Bank Ltd. has not adopted core banking solutions, it need not deduct



tax on interest of ₹7,000 and ₹8,000 paid by its Lucknow Branch and Kanpur Branch, respectively, to Mr. Bhuwan, since the interest paid by each branch does not exceed ₹10,000.

However, if Shaurya Bank Ltd. has adopted core banking solutions, it has to deduct tax at source @10% on ₹15,000 (₹7,000 + ₹8,000) under section 194A, since the aggregate interest paid by its Lucknow and Kanpur branches exceed ₹10,000.

(As per amendment w.e.f 1.4.2019 the threshold limit is Rs. 40,000 if paid by a Bank. In case of Bank opting for CBS, the Limit of Rs. 40,000 will not be per branch but per bank). Hence the revised Answer would be that TDS will not be applicable.

Question 15

RTP Nov'18

Mr. Shikhar, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2017-18

Estimated tax liability for the financial year 2017-18	85,000
Tax deducted at source for this year	15,000

(i) Would your Answer change if Mr. Shikhar is eligible for and has opted for presumptive tax provisions under section 44AD and his tax liability is entirely on account of such income (ignore TDS)?

(ii) What would be your Answer if, instead of section 44AD, he is eligible for and has opted for presumptive tax provisions under section 44AE?

Answer:

Determination of Advance Tax Liability of Mr. Shikhar

Particulars	RS
Estimated tax liability for the financial year 2017-18	85,000
Less: Tax deducted at source	15,000
Tax payable	70,000

Due Date of installment	Amount payable	RS
On or before 15th June, 2017	Not less than 15% of advance tax liability	10,500
On or before 15th September, 2017	Not less than 45% of advance tax liability less amount paid in earlier installment	21,000 (31,500, being 45% of 70,000 - 10,500)
On or before 15th December, 2017	Not less than 75% of advance tax liability less amount paid in earlier installment(s)	21,000 (52,500, being 60% of 70,000 - 31,500)
On or before 15th March, 2018	Whole of the advance tax liability less amount paid in earlier installment(s)	17,500 (70,000, being 100% of ₹70,000 - ₹52,500)

Question 16

PYQ Nov'22

Ms. Priya, aged 61 years, has total income of ₹7,50,000, including income from profession, for A.Y. 2022-23, and has paid advance tax of ₹10,000 on 13.12.2021. She has filed her



return of income on 15.06.2022. Calculate the self-assessment tax payable and the interest thereon u/s 234A, 234B and 234C, if any, by Ms. Priya.

4 Marks

Answer:

Self assessment tax payable [It is assumed Ms. Priya is not opting for section 115BAC] [See Note and Alternative thereto]	
Tax on 7,50,000	RS
Upto 3,00,000	Nil
3,00,001 - 5,00,000 @5%	10,000
5,00,001 - 7,50,000 @20%	50,000
	60,000
Add: Health and education cess @4%	2,400
	62,400
Less: Advance tax	10,000
Tax payable	52,400
Add: Interest under section 234A [Interest under section 234A would not be attracted, since Ms. Priya has furnished her return of income on 15.06.2022 which is before the due date of filing return of income]	-
Add: Interest under section 234B would be levied on 52,400 at 1% for 3 months i.e., From April to June. The interest under section 234B amount to 1,572	1,572
Add: Interest under section 234C	2,747

Date of Instalment	Specified % of estimated tax	Amount due and unpaid (rounded off to nearest 100, ignoring fraction)	Period	Interest @ 1%
15 th June 2021	15%	9,300 [15% of 62,400]	3 months	279
15 th September 2021	45%	28,000 [45% of 62,400]	3 months	840
15 th December 2021	75%	36,800 [(75% of 62,400) - 10,000]	3 months	1104
15 th March 2022	100%	52,400	1 month	524

Total interest under section 234C	2,747
Self assessment tax payable and interest thereon	56,719
Self assessment tax payable and interest thereon (rounded off)	56,720

Note - The question does not mention that Ms. Priya has opted for section 115BAC, in which case the total income given therein would be as per the regular provisions of the Act. The main solution has been worked out accordingly as per the regular provisions of the Act.

Since there is no mention of Chapter VI-A or other deductions claimed by her, it is possible to assume that she has not claimed any such deduction, in which case, it would be beneficial for



her to opt for section 115BAC. Based on the assumption that she has opted for section 115BAC and the total income given in the question reflects the computation accordingly, the alternative answer would be as follows:

Self assessment tax payable [It is assumed Ms. Priya is not opting for section 115BAC] [See Note and Alternative thereto]	
Tax on 7,50,000	RS
Upto 2,50,000 [not eligible for higher basic exemption limit]	Nil
2,50,001 - 5,00,000 @5%	12,500
5,00,001 - 7,50,000 @10%	25,000
	37,500
Add: Health and education cess @4%	1,500
	39,000
Less: Advance tax	10,000
Tax payable	29,000
Add: Interest under section 234A [Interest under section 234A would not be attracted, since Ms. Priya has furnished her return of income on 15.06.2022 which is before the due date of filing return of income]	-
Add: Interest under section 234B would be levied on 52,400 at 1% for 3 months i.e., From April to June. The interest under section 234B amount to 1,572	870
Add: Interest under section 234C	1,565

Date of Instalment	Specified % of estimated tax	Amount due and unpaid (rounded off to nearest ₹100, ignoring fraction)	Period	Interest @ 1%
15 th June 2021	15%	5,800 [15% of 39,000]	3 months	174
15 th September 2021	45%	17,500 [45% of 39,000]	3 months	525
15 th December 2021	75%	19,200 [(75% of 39,000) - 10,000]	3 months	576
15 th March 2022	100%	29,000	1 month	290

Total interest under section 234C	1,565
Self assessment tax payable and interest thereon	31,435
Self assessment tax payable and interest thereon (rounded off)	31,440

Question 17

CS Exec. Dec 2018

State the rate of tax deductible or collectible at source under the provisions of the Income-tax Act, 1961 in respect of the following transactions:

- Sale of scrap by a manufacturing company for ₹ 2 lakhs;
- Sale of motor car by an authorized dealer and the price of car is ₹ 8,90,000.



- (iii) Monthly rent paid by a partnership firm to a resident partner ₹ 1,90,000.
 (iv) Commission paid by a company for purchase of machine to agent X & Co. ₹ 10,000.
 (v) Interest paid by Lalwani & Co. (firm) to Ravi (a resident) ₹ 7,000.

5 Marks

Answer:

- (i) On sale of scrap, Tax is collectible at source 'TCS' @ 1% u/s 206C of the Income-tax Act, 1961.
 (ii) Sale of Motor Car is liable for Tax Collection at Source (TCS) only when sale consideration exceeds ₹ 10 Lakhs. In this case the sale consideration is ₹ 8.90 Lakhs and therefore no TCS is attracted.
 (iii) In case Partnership Firm pays rent exceeding ₹ 1.80 Lakhs, it is liable for tax deduction u/s 194-I of the Income-tax Act, 1961 @10% irrespective of the fact that the payment is made to partner or outsider. In the present situation the payment made is ₹ 1,90,000 that exceeds the threshold limit ₹ 1,80,000, therefore TDS provision u/s 194-I of the Income-tax Act, 1961 is attracted and is liable for TDS @10%.
 (iv) As per section 194H of the Income-tax Act, 1961 commission paid by a company is liable for tax deduction when the commission payments exceed ₹ 15,000. As the payment made i.e. ₹ 10,000 is below the threshold limit i.e. ₹ 15,000, TDS provision contained in section 194H of the Income Tax Act, 1961 is not attracted.
 (v) Interest paid by the partnership firm exceeding ₹ 5,000 is liable for TDS @10% u/s 194A of the Income-tax Act, 1961. Therefore, interest paid by Lalwani & Company (Firm) to Ravi (A Resident) ₹ 7,000 is liable for tax deduction at source TDS as the payment exceeds the threshold limit.

Question 18

CS Exec. Dec 2023

Examine the applicability of tax deduction at source provision, the rate and amount of TDS in the independent following cases for the assessment year 2024-25 under the Income-tax Act, 1961. Assume

that all payments are made to residents:

- (a) Payment made by a company to Shanti Lal, sub-contractor, ₹ 3,50,000 with outstanding balance of ₹ 1,50,000 shown in the books as on 31st March, 2024.
 (b) Fee Paid on 1st January, 2024 to Dr. Bhanawat by Kishan (HUF) ₹ 40,000 for surgery performed on a member of the family.
 (c) Dhanpal wished to purchase a residential house costing ₹ 60,00,000 from Priya. The house is situated at Mumbai. Both the buyers as well as the sellers are residents in India.
 (d) Arun has paid ₹ 5,00,000 on 12th October, 2023 to Cool Cold Storage Private Limited for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits and vegetable in India having turnover of ₹ 4 crore during the previous year 2023-24.
 (e) Ravi, a salaried individual, has paid rent of ₹ 65,000 per month to Rajiv from 1st August, 2023 to 31st March, 2024. Rajiv has not furnished his Permanent Account Number.

5 Marks

Answer:

- (a) Under section 194C, the company has to deduct tax at source (TDS)@1% on ₹ 5,00,000 amounting to ₹ 5,000.
 (b) Fees paid to doctor by HUF for Surgery performed on a member of HUF is not



subject to TDS.

(c) TDS is applicable on actually performed transactions. In the instant case, it is only wish. Hence TDS does not arise.

(d) Under section 194C, TDS is applicable @2% on ₹ 5,00,000 amounting to ₹ 10,000.

(e) Under section 194-IB, TDS is applicable @20% on ₹ 5,20,000, due to not furnishing of Permanent Account Number, amounting to ₹ 1,04,000.

Difficulty

Question 1

PYQ May 23

Answer the following:

(A) 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 2022, 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. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.

(B) Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him: ₹25,00,000/- on 10th August, 2022 and ₹30,00,000 on 22nd November, 2022. Determine the amount of tax to be deducted/ collected at source, if any.

Would your answer be different, if Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes.

(C) By virtue of an agreement with Nationalized Bank, M/s ABC Pvt Ltd., a company engaged in catering business received ₹60,000 p.m. towards supply of food, water, snacks, etc. during office hours to the employees of the bank. Discuss the TDS implication of this transaction/agreement.

7 Marks

Answer:

(i) 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.

