

Procedural Compliance

Lesson 13

KEY CONCEPTS

- TDS ■ TCS ■ Advance Tax ■ Self Assessment Tax ■ Revised Return ■ Belated Return ■ Updated Return
- Defective Return

Learning Objectives

To understand the :

- What is tax deducted at source and tax collected at source?
- What are the rates of TDS and TCS under various provision of the Income Tax Act, 1961?
- The due dates for payment of TDS
- What is Advance Tax and Self Assessment Tax?
- The due dates for payment of Advance Tax and Self Assessment Tax
- The provisions related to Returns, Signature & E-Filing
- The provision related to Fee and Interest for default in furnishing return of Income

Lesson Outline

- Introduction
- Tax Deduction at Source 'TDS'
- TDS Chart
- Minimum threshold limit upto which TDS not applicable
- Time Limit for depositing of TDS
- TDS Certificate
- TDS Forms & Returns
- Refund of TDS
- E-TDS Returns
- Tax Collection at Source 'TCS'
- Advance Tax
- Self-Assessment Tax 'SAT'
- Filing of Returns
- Signing of Returns
- Fee and Interest
- Case Law
- Lesson Round-Up
- Test Yourself
- List of Further Readings
- Other References

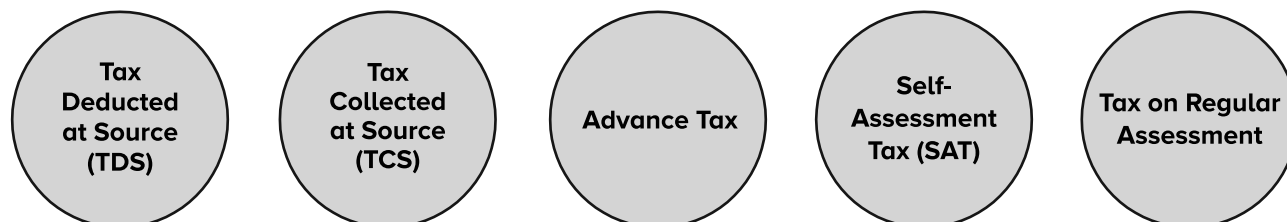
REGULATORY FRAMEWORK

Sections	<i>Income Tax Act, 1961</i>
Section 192	TDS on Salary
Section 192A	TDS on Premature Withdrawal from Employees' Provident Fund Scheme (EPFS)
Section 193	TDS on Interest on Securities
Section 194	TDS on Dividend
Section 194A	TDS on Interest other than Interest on Securities
Section 194B	TDS on Winnings from Lotteries or Crossword Puzzles
Section 194BB	TDS on Winnings from Horse Races
Section 194C	TDS on Payment to Resident Contractor or Sub-contractor
Section 194D	TDS on Insurance Commission
Section 194DA	TDS on Payment in respect of Life Insurance policy
Section 194E	TDS on Payment to a non-resident sportsmen / sports association
Section 194EE	TDS on Payment in respect of Deposits under National Savings Scheme etc.
Section 194G	TDS on Commission on sale of lottery tickets
Section 194H	TDS on Commission or Brokerage
Section 194I	TDS on Rent
Section 194-IA	TDS on Payment on transfer of certain immovable property other than agricultural land
Section 194IB	TDS on payment of Rent by certain Individuals/HUF
Section 194-IC	TDS on Joint Development Project
Section 194J	TDS on Professional and Technical Fees
Section 194LA	TDS on Payment of Compensation on acquisition of Capital Asset
Section 194LB	TDS on Income by way of interest from infrastructure debt fund
Section 194L	TDS on Income by way of interest from Indian company engaged in certain Business
Section 194LD	TDS on Income by way of interest on certain bonds and Government securities
Section 194M	TDS on Payment by Individual/HUF to contractors and professionals
Section 194N	TDS on cash withdrawal to discourage cash transactions
Section 194O	TDS on Payments of certain sums by e-commerce operator to e-commerce participant

Sections	<i>Income Tax Act, 1961</i>
Section 194P	Deduction of Tax in case of Specified Senior Citizen
Section 194Q	TDS on payment of certain sum for purchase of Goods
Section 194R	TDS on Perquisites
Section 194S	TDS on transfer of Virtual Digital Asset
Section 195	TDS on Payments of other sums to Non-Residents
Section 196	Interest or dividend or other sums payable to Government, Reserve Bank or certain corporations
Section 196B	TDS on Income from units to offshore fund
Section 196C	TDS on Income from foreign currency bonds or shares of Indian Company
Section 196D	TDS on Income of Foreign Institutional Investors from securities
Section 206C	Tax Collection at Source (TCS)
Section 206AA	Exemption to Non-Residents from requirement of furnishing PAN
Section 206AB / 206CCA	TDS / TCS for non-filers of Income Tax Return
Section 139(1)	Return of Income
Section 139(3)	Return of Loss
Section 139(4)	Belated Return
Section 139(4A)	Return of Income of charitable trust and institutions
Section 139(4B)	Return of Income of Political Party
Section 139(4C)	Return of Income of Specified Association/Institutions
Section 139(5)	Revised Return
Section 139(8)	Updated Return
Section 139(9)	Defective Return
Section 140	Signing of Return
Section 234A	Interest for default in furnishing Return of Income
Section 234B	Interest for default in payment of Advance Tax
Section 234C	Interest for deferment of Advance Tax
Section 234F	Fees for Delay in Furnishing Return of Income

INTRODUCTION

Income Tax Act provides for scope of the total income of a person chargeable to tax on an annual basis. The tax liability is determined as per the provisions of the Income-tax Act and such tax liability is discharged vide any of the following modes:



TAX DEDUCTED AT SOURCE (TDS)

Tax Deducted at Source (TDS) is a one of the mode or mechanism of collecting income tax under the Indian Income Tax Act of 1961 i.e. 'the Act'. As per the provision of section 191 of the Act, notwithstanding the regular assessment in respect of any income take place in a subsequent year called as assessment year, but in case of certain specified income, tax is deducted at source by the payer at the prescribed rate at the time of accrual or payment of such incomes to the payee. The tax so deducted is required to be deposited with the government within the specified time limit.

The concept of TDS was introduced with an aim to collect tax from the very source of income as per which, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income, tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of AIS (Annual Information Statement), Form 26AS or TDS certificate issued by the deductor.

Tax deducted at source (TDS) is an indirect mechanism of collecting tax which combines twin concepts of "pay as you earn" and "collect as it is being earned." Its value lies in the fact that it provides the Government with a continuous flow of funds and at the same time eases the burden on the taxpayer.

TDS rates are reduced vide amendment in Finance Act, 2024 to improve ease of doing business and better compliance by the taxpayers.

Scheme of Tax Deduction at Source

The obligation to deduct/collect tax at source is upon the person responsible for paying the income/amount which is subject to TDS. Therefore such person, i.e., the payer is required to follow the procedure for deducting/collecting tax at source mentioned as under :



Step-1

The payer has to apply for tax deduction account number (TAN) in Form No-49B.

Step-2

He is required to deduct tax from the income/payment mentioned in the various sections, i.e., Section 192 to 196D.

Step-3

The amount so deducted/collected should be deposited within the requisite stipulated time to the credit of central government.

Step-4

The payer should prepare TDS Return statements for every quarter and file the same with the authority designated by the Income-Tax department (NSDL in this case) in such form and verified in such manner as may be prescribed.

Step-5

Lastly, the payee should be issued certificate of tax deduction/collected at source within the specified date. The TDS certificate to be downloaded from tax portal.

TDS CHART FY 2025-26 "AY 2026-27"**CATEGORY A – IN CASE OF PERSON OTHER THAN COMPANY****WHEN RECIPIENT IS RESIDENT**

<i>Nature of payment</i>	<i>TDS</i>
Section 192 - Payment of salary : Normal slab rates are applicable + Surcharge as applicable+ HEC @ 4%	
Section 192A - Payment of taxable accumulated balance of provident fund	10%
Section 193 - Interest on securities : a) Any debentures/securities for money issued by or on behalf of any local authority/ statutory corporation b) listed debentures of a company c) any security of the Central or State Government d) any other interest on securities (including interest on non-listed debentures) e) Floating Rate Savings (Taxable) Bonds (FRSB) 2020 at the time of payment of interest exceeding ten thousand rupees (as amended by Finance Act 2024 effective from 01.10.2024)	10%
Section 194 - Dividend	10%
Section 194A - Interest other than interest on securities	10%
Section 194B - Winnings from lottery or crossword puzzle or card game or other game of any sort	30%
Section 194BA - Income by way of winning from any online game	30%
Section 194BB - Winnings from horse races	30%
Section 194C - Payment or credit to a resident contractor/sub-contractor a) payment/credit to an individual or a Hindu undivided family b) payment/credit to any person other than an individual or a Hindu undivided family	1% 2%

<i>Nature of payment</i>	<i>TDS</i>
Section 194D - Insurance commission.	5%
Section 194DA - Payment in respect of life insurance policy. Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024.	2%
Section 194EE - Payment in respect of deposits under National Savings Scheme, 1987	10%
Section 194F - Payment on account of repurchase of units of MF or UTI. Current Tax deduction rate is 20%. This section is omitted with effect from 01.10.2024.	Omitted
Section 194G - Commission on sale of lottery tickets. Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024.	2%
Section 194H - Commission or brokerage. Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024. This change is applicable to any person except individual and HUF.	2%
Section 194-I – Rent	
a) rent of plant and machinery	2%
b) rent of land or building or furniture or fitting.	10%
Section 194IA - Payment/credit of consideration to a resident transferor for transfer of any immovable property (other than rural agricultural land). Finance Act 2024 has amended provisions of section 194IA (2). In case of more than one transferor or transferee in respect of an immovable property, then such consideration (exceeding or equal to INR 50 Lacs) to attract these provisions shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property. This amendment will be effective from 01.10.2024.	1%
Section 194IB - Payment of rent by an individual or HUF not subjected to tax audit under Section 44AB. Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024.	2%
Section 194IC - Payment under Joint Development Agreement to a resident individual or HUF who transfers land or building as per such agreement	10%
Section 194J - Professional fees, royalty or remuneration to a director (2% if payee is engaged in the business of call center)	10%
i) sum paid or payable towards fees for technical services	2%
ii) sum paid or payable towards royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films;	2%
Finance Act 2024 has explicitly stated that any sum referred to in sub-section (1) of section 194J does not constitute “work” for the purposes of TDS under section 194C. These amendments are effective from 01.10.2024. These provisions have been added to avoid deduction of TDS under section 194C when in fact they should deduct TDS under section 194J.	
Section 194K – Income on units other than Capital Gains	10%

<i>Nature of payment</i>	<i>TDS</i>
Section 194LA - Payment of compensation on acquisition of certain immovable property	10%
Section 194LBA(1) - Payment of the nature referred to in section 10(23FC) or section 10(23FC) (a) (with effect from June 1, 2016) or section 10(23FCA) by business trust to resident unit holders	10%
Section 194LBB - Payment in respect of units of investment fund specified in section 115UB	10%
Section 194LBC(1) - Payment in respect of an investment in a securitisation trust specified in clause (d) of the Explanation occurring after section 115TCA (with effect from June 1, 2016)	10%
Section 194 M – Payment to Contractor by Individual / HUF (Non TAN based). Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024.	2%
Section 194N: Cash withdrawal from one or more account maintained by a person with a banking company, co-operative society engaged in business of banking or a post office: i) in excess of Rs. 1 crore# ii) in excess of Rs. 20 lakhs* * for those persons who have not filed return of income (ITR) for three previous years immediately preceding the previous year in which cash is withdrawn, and the due date for filing ITR under section 139(1) has expired. The deduction of tax under this situation shall be at the rate of: a) 2% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 20 lakhs during the previous year; or b) 5% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 1 crore during the previous year. # The threshold limit of Rs. 1 crore is increased to Rs. 3 crores if the withdrawal of cash is made by co-operative society.	2% 2% or 5%
Section 194 O – Payment to e- commerce Participant by e-commerce operator. Current Tax deduction rate is 1%. New rate is 0.1% with effect from 01.10.2024.	0.1%
Section 194 P – Deduction of tax by specified bank in case of Senior Citizen having age of 75 or more	Tax on Total income @ in force
Section 194 Q – Payment of certain sum for Purchase of Goods aggregate value exceeding Rs. 50 lakhs Note: TDS is deductible on sum exceeding Rs. 50 lakhs	0.1%
Section 194 R – Deduction of tax in case any benefit or perquisite is provided and aggregate value of such benefit/perquisite exceeds Rs. 20,000 Note: Benefit or perquisite should be arising from business or the exercise of a profession by such resident.	10%

<i>Nature of payment</i>	<i>TDS</i>
Section 194 S – Payment on transfer of Virtual Digital Asset Note: No tax shall be deducted under this provision in the following circumstance: ● If the consideration is payable by any person (other than a specified person) and its aggregate value does not exceed Rs. 10,000 during the financial year ● if the consideration is payable by a specified person and its aggregate value does not exceed Rs. 50,000 during the financial year Specified person means: - An individual or a HUF, whose total sales, gross receipts or turnover does not exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of a profession, during the financial year immediately preceding the financial year in which virtual digital asset is transferred - An individual or a HUF who does not have any income under the head profits and gains of business or profession	1%
Section 194T: TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, a new TDS section 194T is inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%. These provisions will be effective from 01.04.2025.	10%
Any Other Income	10%

WHEN RECIPIENT IS NON-RESIDENT

<i>Nature of payment</i>	<i>TDS</i>
Section 192 - Payment of salary : Normal slab rates are applicable + Surcharge as applicable+ HEC @ 4%	
Section 192A - Payment of taxable accumulated balance of provident fund	10%
Section 194B - Winnings from lottery or crossword puzzle or card game or other game of any sort	30%
Section 194BA – Winning from any online game	30%
Section 194BB - Winnings from horse races	30%
Section 194E - Payment to non-resident sportsmen/sports association	20%
Section 194EE - Payment in respect of deposits under National Savings Scheme, 1987	10%

<i>Nature of payment</i>	<i>TDS</i>
Section 194F - Payment on account of repurchase of units of MF or UTI	20%
Section 194G - Commission on sale of lottery tickets Current Tax deduction rate is 5%. New rate is 2% with effect from 01.10.2024.	2%
Section 194LB - Payment of interest on infrastructure debt fund	5%
Section 194LBA(2) - Payment of the nature referred to in Section 10(23FC)(a)	5%
Section 194LBA(2) - Payment of the nature referred to in Section 10(23FC)(b)	10%
Section 194LBA(3) - Payment of the nature referred to in section 10(23FCA) by business trust to unit holders	30%
Section 194LBB - Investment fund paying an income to a unit holder [other than income which is exempt under Section 10(23FBB)].	30%
Section 194LBC - Income in respect of investment made in a securitisation trust (specified in Explanation of section 115TCA)	30%
Section 194 LC – Payment of interest by an Indian Company or a business trust in respect of money borrowed in foreign currency under a loan agreement or by way of issue of long-term bonds (including long-term infrastructure bond) In case where interest is payable in respect of Long-term Bond or Rupee Denominated Bond listed on recognised stock exchange located in IFSC Where money borrowed from a source outside India by issuing a long-term bond or rupee-denominated bond on or after 01-04-2023, which is listed only on a recognised stock exchange located in an IFSC	5% 4% 9%
Section 194 LD – Payment of interest on rupee denominated bond of an Indian Company or Government securities to a Foreign Institutional Investor or a Qualified Foreign Investor.	5%
Section 194N - Cash withdrawal during the previous year from one or more account maintained by a person with a banking company, co-operative society engaged in business of banking or a post office: i) in excess of Rs. 1 crore ii) in excess of Rs. 20 lakhs* * for those persons who have not filed return of income (ITR) for three previous years immediately preceding the previous year in which cash is withdrawn, and the due date for filing ITR under section 139(1) has expired. The deduction of tax under this situation shall be at the rate of: a) 2% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 20 lakhs during the previous year; or b) 5% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 1 crore during the previous year.	2% 2% / 5%

<i>Nature of payment</i>	<i>TDS</i>
Section 194T: Payments of any sum in the nature of salary, remuneration, commission, bonus or interest to a partner of the firm. Note: (1) This provision is effective from 01-04-2025 (2) No deduction if aggregate of such sum paid/payable does not exceed Rs. 20,000 during the financial year.	10%
Section 195 - Payment of any other sum to a Non-resident	
a) Income in respect of investment made by a Non-resident Indian Citizen	20%
b) Income by way of long-term capital gains referred to in Section 115E in case of a Non- resident Indian Citizen - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%
c) Income by way of long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-Section (1) of Section 112 - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%
d) Income by way of long-term capital gains as referred to in Section 112A exceeding Rs. 1,25,000 in respect of transfer which takes place: - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%
e) Income by way of short-term capital gains referred to in Section 111A - Before 23-07-2024 – 15% - On or after 23-07-2024 – 20%	20%
f) Any other income by way of long-term capital gains [not being long-term capital gains referred to in clauses 10(33), 10(36) and 112A] - Before 23-07-2024 – 20% - On or after 23-07-2024 – 12.5%	12.5%
g) Income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency (not being income by way of interest referred to in Section 194LB or Section 194LC)	20%
h) Income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso	20%

<i>Nature of payment</i>	<i>TDS</i>
to sub-section (1A) of Section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of Section 115A of the Income-tax Act, to a person resident in India	
i) Income by way of royalty [not being royalty of the nature referred to point h) above] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy	20%
j) Income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy	20%
k) Any other income	30%
Section 196B - Income from units referred to in section 115AB(1)(i)	10%
Section 196B - Long-term capital gain on transfer of units referred to in section 115AB, in respect of transfer which takes place: ● Before 23-07-2024 – 10% ● On or after 23-07-2024 – 12.5%	12.5%
Section 196C - Income by way of interest or dividends in respect of bonds or GDR referred to in section 115AC	10%
Section 196C - Long-term capital gain arising from transfer of bonds or GDR referred to in section 115AC, in respect of transfer which takes place: ● Before 23-07-2024 – 10% ● On or after 23-07-2024 – 12.5%	12.5%
Section 196D - Income of foreign Institutional Investors from securities (not being dividend or capital gain arising from such securities) Note: Tax shall be deducted at the rate provided under DTAA if same is lower than the existing TDS rate of 20%.	20%

CATEGORY B – IN CASE OF A DOMESTIC COMPANY

<i>Nature of payment</i>	<i>TDS</i>
Section 193 - Interest on securities : a) Any debentures/securities for money issued by or on behalf of any local authority/statutory corporation b) listed debentures of a company c) any security of the Central or State Government d) any other interest on securities (including interest on non-listed debentures)	10%
Section 194 - Dividend	10%
Section 194A - Interest other than interest on securities	10%
Section 194B - Winnings from lottery or crossword puzzle or card game or other game of any sort	30%
Section 194BA - Winning from any online game	30%
Section 194BB - Winnings from horse races	30%
Section 194C - Payment or credit to a resident contractor/sub- contractor a) payment/credit to an individual or a Hindu undivided family b) payment/credit to any person other than an individual or a Hindu undivided family	1% 2%
Section 194D - Insurance commission	10%
Section 194DA - Payment in respect of life insurance policy. Current Tax deduction rate is 5%. New rate with effect from 01.10.2024 is 2%.	2%
Section 194EE - Payment in respect of deposits under National Savings Scheme, 1987	10%
Section 194F - Payment on account of repurchase of units of MF or UTI. These provisions are omitted with effect from 01.10.24.	Omitted
Section 194G - Commission on sale of lottery tickets. Current Tax deduction rate is 5%. New rate with effect from 01.10.2024 is 2%.	2%
Section 194H - Commission or brokerage. Current Tax deduction rate is 5%. New rate with effect from 01.10.2024 is 2% when payer is any person except individual and HUF.	2%
Section 194-I – Rent a) rent of plant and machinery b) rent of land or building or furniture or fitting	2% 10%

<i>Nature of payment</i>	<i>TDS</i>
Section 194IA - Payment/credit of consideration to a resident transferor for transfer of any immovable property (other than rural agricultural land)	1%
Section 194IC - Payment under Joint Development Agreement to a resident individual or HUF who transfers land or building as per such agreement	10%
Section 194J - Professional fees, royalty or remuneration to a director (2% if payee is engaged in the business of call center)	10%
i) sum paid or payable towards fees for technical services	2%
ii) sum paid or payable towards royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films	2%
iii) Any Other sum	10%
Section 194K – Income in respect of units payable to resident person	10%
Section 194LA - Payment of compensation on acquisition of certain immovable property	10%
Section 194LBA(1) - Business trust shall deduct tax while distributing, any interest received or receivable by it from a SPV or any income received from renting or leasing or letting out any real estate asset owned directly by it, to its unit holders	10%
Section 194LBB - Payment in respect of units of investment fund specified in section 115UB	10%
Section 194LBC(1) - - Payment in respect of an investment in a securitisation trust specified in clause (d) of the Explanation occurring after section 115TCA	10%
Section 194 M – Payment of commission (not being insurance commission), brokerage, contractual fee, professional fee to a resident person by an Individual or a HUF who are not liable to deduct TDS under section 194C, 194H, or 194J Tax shall be deducted under Section 194M with effect from 1/09/2019 when aggregate of sum credited or paid during a financial year exceeds Rs. 50 lakh Current Tax deduction rate is 5%. New rate with effect from 01.10.2024 is 2%.	2%
Section 194N: Cash withdrawal from one or more account maintained by a person with a banking company, co-operative society engaged in business of banking or a post office: i) in excess of Rs. 1 crore# ii) in excess of Rs. 20 lakhs* * for those persons who have not filed return of income (ITR) for three previous years immediately preceding the previous year in which cash is withdrawn, and the due date for filing ITR under section 139(1) has expired. The deduction of tax under this situation shall be at the rate of:	2% 2% or 5%

Nature of payment	TDS
a) 2% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 20 lakhs during the previous year; or b) 5% from the amount withdrawn in cash if the aggregate of the amount of withdrawal exceeds Rs. 1 crore during the previous year. # The threshold limit of Rs. 1 crore is increased to Rs. 3 crores if the withdrawal of cash is made by co-operative society.	
Section 194 O – Payment to e- commerce Participant by e-commerce operator. Current Tax deduction rate is 1%. New rate with effect from 01.10.2024 is 0.1%.	0.1%
Section 194 P – Deduction of tax by specified bank in case of Senior Citizen having age of 75 or more	Tax on Total income @ in force
Section 194 Q – Payment of certain sum for Purchase of Goods aggregate value exceeding Rs. 50 lakhs Note: TDS is deductible on sum exceeding Rs. 50 lakhs	0.1%
Section 194 R - Deduction of tax in case any benefit or perquisite is provided and aggregate value of such benefit/perquisite exceeds Rs. 20,000 Note: Benefit or perquisite should be arising from business or the exercise of a profession by such resident	10%
Section 194 S- Payment on transfer of Virtual Digital Asset Note: No tax shall be deducted under this provision in the following circumstance: ● If the consideration is payable by any person (other than a specified person) and its aggregate value does not exceed Rs. 10,000 during the financial year ● if the consideration is payable by a specified person and its aggregate value does not exceed Rs. 50,000 during the financial year Specified person means: c) An individual or a HUF, whose total sales, gross receipts or turnover does not exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of a profession, during the financial year immediately preceding the financial year in which virtual digital asset is transferred d) An individual or a HUF who does not have any income under the head profits and gains of business or profession	1%
Any Other Income	10%

CATEGORY C – IN CASE OF A NON-DOMESTIC COMPANY

<i>Nature of payment</i>	<i>TDS</i>
Section 194B - Winnings from lottery or crossword puzzle or card game or other game of any sort	30%
Section 194BA - Winning from any online game	30%
Section 194BB: Income by way of winnings from horse races	30%
Section 194E - Payment to non-resident sports association	20%
Section 194G - Commission on sale of lottery tickets Current Tax deduction rate is 5%. New rate with effect from 01.10.2024 is 2%.	2%
Section 194LB- Payment of interest on infrastructure debt fund	5%
Section 194LBA(2): - Payment of the nature referred to in Section 10(23FC)(a)	5%
Section 194LBA(2): Payment of the nature referred to in Section 10(23FC)(b)	10%
Section 194LBA(3): Business trust shall deduct tax while distributing any income received from renting or leasing or letting out any real estate asset owned directly by it to its unit holders.	35%
Section 194LBB: Investment fund paying an income to a unit holder [other than income which is exempt under Section 10(23FBB)].	35%
Section 194LBC: Income in respect of investment made in a securitisation trust (specified in Explanation of section 115TCA)	35%
Section 194LC: Payment of interest by an Indian Company or a business trust in respect of money borrowed in foreign currency under a loan agreement or by way of issue of long-term bonds (including long-term infrastructure bond) * In case where interest is payable in respect of Long-term Bond or Rupee Denominated Bond listed on recognised stock exchange located in IFSC [rate will be 4%] Where money borrowed from a source outside India by issuing a long-term bond or rupee-denominated bond on or after 01-04-2023, which is listed only on a recognised stock exchange located in an IFSC	5% 9%
Section 194LD: Payment of interest on rupee denominated bond of an Indian Company or Government securities to a Foreign Institutional Investor or a Qualified Foreign Investor	5%
Section 195- Payment of any other sum to a Non-resident	
a) Income by way of long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-section (1) of Section 112 - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%

<i>Nature of payment</i>	<i>TDS</i>
b) Income by way of long-term capital gains as referred to in Section 112A exceeding Rs. 1,25,000 in respect of transfer which takes place ● Before 23-07-2024 – 10% ● On or after 23-07-2024 – 12.5%	12.5%
c) Income by way of short-term capital gains referred to in Section 111A ● Before 23-07-2024 – 15% ● On or after 23-07-2024 – 20%	20%
d) Any other income by way of long-term capital gains [not being long-term capital gains referred to in clauses 10(33) , 10(36) and 112A] ● Before 23-07-2024 – 20% ● On or after 23-07-2024 – 12.5%	12.5%
e) Income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency (not being income by way of interest referred to in Section 194LB or Section 194LC)	20%
f) Income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976 where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of Section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of Section 115A of the Income-tax Act, to a person resident in India	20%
g) Income by way of royalty [not being royalty of the nature referred to in point f) above] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy – A. where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976 B. where the agreement is made after the 31st day of March, 1976	50% 20%

<i>Nature of payment</i>	<i>TDS</i>
h) Income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy— A. where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976 B. where the agreement is made after the 31st day of March, 1976	50% 20%
k) Any other income	35%
Section 196B: Income from units referred to in section 115AB(1)(i)	10%
Section 196B: Long-term capital gain on transfer of units referred to in section 115AB, in respect of transfer which takes place: - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%
Section 196C: Income by way of interest or dividends in respect of bonds or GDR referred to in section 115AC	10%
Section 196C: Long-term capital gain arising from transfer of bonds or GDR referred to in section 115AC, in respect of transfer which takes place: - Before 23-07-2024 – 10% - On or after 23-07-2024 – 12.5%	12.5%
Section 196D: Income of foreign Institutional Investors from securities (not being dividend or capital gain arising from such securities) <i>Note:</i> Tax shall be deducted at the rate provided under DTAA if same is lower than the existing TDS rate of 20%.	20%

* The rate of TDS shall be increased by applicable surcharge and Health & Education cess.

MINIMUM THRESHOLD LIMIT UPTO WHICH TDS NOT APPLICABLE

<i>Sr. No.</i>	<i>Particular</i>	<i>Section</i>	<i>Threshold limit</i>
1.	No deduction of tax at source from salaries	192	If net taxable income is less than maximum amount which is not chargeable to tax (Rs. 2,50,000 for an Individual/HUF/

Sr. No.	Particular	Section	Threshold limit
			AOP/ BOI/ Artificial Juridical Person, Rs. 3,00,000 for Resident Senior Citizens and Rs. 5,00,000 for Resident Super Senior Citizens) Or as per New Tax Regime Slab Rate if the assessee has opted for Section 115BAC With effect from 01.10.2024, scope of section 192(2B) shall also Conclude TCS. The section 192(2B) provides consideration of income under any other head and tax deducted for purpose of making deduction under section 192(1).
2.	No TDS from payment of provident fund account of an employee	192A	If amount paid is less than Rs. 50,000
3.	No TDS from interest paid on debentures issued by a company in which public are substantially interested. Provided interest is paid by account payee cheque to resident individual or HUF	193	If amount paid or payable during the financial year does not exceed Rs. 5,000
4.	No TDS from interest on 8% Saving (Taxable) Bonds 2003 and 7.75% Savings (Taxable) Bonds, 2018 paid to a resident persons	193	If amount paid or payable during the financial year does not exceed Rs. 10,000
5.	No TDS from interest on 6.5% Gold bonds, 1977 or 7% Gold bonds, 1980 paid to resident individual	193	If a declaration is made that the nominal value of such bonds did not exceed Rs. 10,000 at any time during the previous year
6.	No TDS from dividend paid by account payee cheque to resident persons	194	If amount paid or payable during the financial year does not exceed Rs. 5,000
7.	No TDS from interest other than on securities paid by a banking company or co-operative bank on time deposits With effect from 01.06.2015, tax shall be deducted from interest credited or paid by a co-operative bank to its member	194A	If amount paid or payable during the financial year does not exceed Rs. 40,000. Rs. 50,000 in case of Senior Citizen
8.	No TDS from interest on deposit with a post office under Senior Citizens Saving Scheme Rules, 2004	194A	If amount paid or payable during the financial year does not exceed Rs. 50,000

Sr. No.	Particular	Section	Threshold limit
9.	No TDS from interest other than on securities (in any other case)	194A	If amount paid or payable during the financial year does not exceed Rs. 5,000
10.	No TDS from interest on compensation awarded by Motor Accident Claims Tribunal	194A	If amount paid or payable during the financial year does not exceed Rs. 50,000
11.	No TDS from Lottery / Cross Word Puzzles	194B	If amount paid or payable during the financial year does not exceed Rs. 10,000
12.	No TDS from winnings from horse races	194BB	If amount paid or payable during the financial year does not exceed Rs. 10,000
13.	No TDS from sum paid or payable to contractor	194C	If sum paid or payable to a contractor in a single payment does not exceed Rs. 30,000 If sum paid or payable to contractor in aggregate does not exceed Rs. 1,00,000 during the financial year
14.	No TDS from insurance commission paid or payable during the financial year	194D	If amount paid or payable during the financial year does not exceed Rs. 15,000
15.	No TDS from sum payable under a life insurance policy (including bonus) to a resident person	194DA	If amount paid or payable during the financial year does not exceed Rs. 1 lakh
16.	No TDS from payments made out of deposits under NSS	194EE	If amount paid or payable during the financial year does not exceed Rs. 2,500
17.	No TDS from commission paid on lottery tickets	194G	If amount paid or payable during the financial year does not exceed Rs. 15,000
18.	No TDS from payment of commission or brokerage	194H	If amount paid or payable during the financial year does not exceed Rs. 15,000. Further no tax to be deducted from commission payable by BSNL/ MTNL to their PCO Franchisees
19.	No TDS from payment of rent in respect of land & building, furniture or fittings or plant and machinery	194-I	If amount paid or payable during the financial year does not exceed Rs. 2,40,000
20.	No TDS from payment of consideration for purchase of an immovable property (other than agriculture land)	194-IA	If amount paid or payable during the financial year does not exceed Rs. 50 Lakhs

Sr. No.	Particular	Section	Threshold limit
21.	No TDS from payment of rent in respect of any land or building. <i>Note:</i> Other than the rent covered by section 194-I	194-IB	If amount of rent does not exceed Rs. 50,000 for a month or part of a month
22.	No TDS from payment of professional fees, technical fees, royalty and directors' remuneration	194J	If amount paid or payable during the financial year does not exceed Rs. 30,000
23.	No TDS from payment of compensation on compulsory acquisition of immovable property (other than Agricultural Land)	194LA	If amount paid or payable during the financial year does not exceed Rs. 2,50,000
24.	No obligation to deduct tax by an Individual or HUF (other than those who are required to deduct income-tax as per the provisions of section 194C, section 194H or section 194J) responsible for paying any sum to any resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract, by way of commission (not being insurance commission referred to in section 194D) or brokerage or by way of fees for professional services	194M	If aggregate of sum paid or credited during a financial year does not exceed Rs. 50 lakh
25.	No obligation to deduct tax by a banking company, co-operative bank or a post office on cash withdrawal made by a person	194N	If aggregate of amount of cash withdrawal during the financial year from one or more account does not exceed Rs. 1 crore/20 lakhs (as the case may be) Note: the threshold limit of Rs. 1 crore is increased to Rs. 3 crores for the deduction of tax under Section 194N from the withdrawal of cash made by co-operative society.
26.	No TDS from payment to participants of e-commerce	194O	If amount paid or payable to resident Individual or HUF during the financial year does not exceed Rs. 5 Lakhs
27.	No TDS from payment made to resident seller	194Q	If amount paid or payable to resident seller for purchase of goods during the Financial Year if aggregate value of goods doesn't exceed Rs. 50 lakhs

Sr. No.	Particular	Section	Threshold limit
28.	No TDS in case any benefit or perquisite is provided to a resident	194R	If aggregate value of benefit/perquisite provided during the Financial Year doesn't exceed Rs. 20,000
29.	No TDS from payment on transfer of Virtual Digital Asset	194S	If the consideration is payable by any person (other than a specified person) and its aggregate value does not exceed Rs. 10,000 during the financial year.
			If the consideration is payable by a specified person and its aggregate value does not exceed Rs. 50,000 during the financial year. Specified person means: (a) An individual or a HUF, whose total sales, gross receipts or turnover does not exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of a profession, during the financial year immediately preceding the financial year in which virtual digital asset is transferred (b) An individual or a HUF who does not have any income under the head profits and gains of business or profession.

Clarification regarding TDS on Goods and Services Tax (GST) component comprised in payments made to residents [Circular No. 23/2017 dated 19.07.2017]

With the new system for taxation of services under the GST regime w.e.f. 01.07.2017, the CBDT has clarified that 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.

GST shall include Integrated Goods and Services Tax, Central Goods and Services Tax, State Goods and Services Tax and Union Territory Goods and Services Tax.

TIME LIMIT FOR DEPOSITING OF TDS

Sr. No.	Month	Non-Govt. Deductors	Government Deductors
1.	April to February	7th of the next month in which TDS is deducted	- Same day in cases TDS deposited without challan no. ITNS 281. 7th of the next month in which TDS is deducted in cases TDS deposited with challan

Sr. No.	Month	Non-Govt. Deductors	Government Deductors
2.	March	30th April of next financial year	• Same day in cases TDS deposited without challan no. ITNS 281. • 7th of the next month in which TDS is deducted in cases TDS deposited with challan

Note: Any sum deducted u/s 194IA shall be paid to the credit of the central government within a period of 30 days from the end of the month in which the deduction is made and shall be accompanied by a challan-cum-statement in Form No. 26QB.

The Due date to submit Form 24G extended from 10 days of the end of the relevant month to

- 30th day of April where the statement relates to the month of March; and
- 15 days from the end of relevant month.

It is furnished electronically under digital signature or electronically along with the verification of the statement.

TDS CERTIFICATE

Every person deducting tax at source is required as per Section 203 to furnish a certificate to the payee to the effect that tax has been deducted along with certain other particulars. This certificate is usually called the TDS certificate. Even the banks deducting tax at the time of payment of pension are required to issue such certificates. In case of employees receiving salary income including pension, the certificate has to be issued in Form No.16. In all other cases, the TDS certificate is to be issued in Form 16B. The certificate is to be issued in the deductor's own stationery. However, there is no obligation to issue TDS certificate in case of tax at source is not deducted /deductible by virtue of claims of exemptions/ deductions.

The following table will give the list of forms of certificates to be issued and necessary form to be filed with Assessing Officer by the persons deducting the tax at source.

Categories of payment		Form No. of Certificate	Form No. of return to be filed with Assessing Officer
(1)		(2)	(3)
(a)	Salaries	12BA, 16, 16AA	24Q
(b)	Interest on Securities (Government)	16A	26Q
(c)	Interest on Securities (others)	16A	26Q
(d)	Interest other than Interest on Securities	16A	26Q
(e)	Dividends	16A	26Q
(f)	Winnings from Lotteries/Crossword puzzles	16A	26Q
(g)	Winnings from Horse Races	16A	26Q
(h)	Payments to contractors/Sub-contractors	16A	26Q

Categories of payment		Form No. of Certificate	Form No. of return to be filed with Assessing Officer
(1)		(2)	(3)
(i)	Insurance commission	16A	26Q
(j)	Non-resident sportsmen or sports association	16A	26Q
(k)	National Savings Scheme etc.	16A	26Q
(l)	Income on repurchase of units by mutual funds or UTI	16A	26Q
(m)	Commission, Remuneration or Reward on sale of lottery tickets	16A	26Q
(n)	Payment to non-resident	16A	27Q
(o)	Foreign company being unit holders of mutual fund	16A	27Q
(p)	Units held by off shore fund and income from foreign currency bonds	16A	27Q
(q)	Rent	16A	26Q
(r)	Commission (not being insurance commission) or brokerage	16A	26Q
(s)	Fee for professional or technical services	16A	26Q
(g)	TDS on Sale of Property	16B	26QB
(h)	TDS on Rent	16C	26QC

Due Date for Issue of TDS Certificate

Form 16 : 31st May of the Next Financial year in which tax is deducted.

Form 16A : Within 15 days from due date for furnishing the statement of tax deducted under rule 31A

Quarter ended	Due date of Form 16A
30th June	15th August
30th September	15th November
31st December	15th February
31st March	15th June

Form 16B : Within 15 days from due date for furnishing the challan cum statement in Form 26QB.

Form 16C : Within 15 days from due date for furnishing the challan cum statement in Form 26QC.

Issue of Duplicate Certificate

Where the original TDS certificate is lost, the deductee can approach the deductor for issue of a duplicate TDS certificate. The deductor may issue a duplicate certificate however such a certificate has to be certified as duplicate by the deductor. Further, the deductor may, at his option, use digital signatures to authenticate such certificates. In case of issue of such certificates the deductor shall ensure that

- a) The provisions of sub-rule (2) of Rule 31 regarding specification of TAN, PAN of deductee, book identification number; Challan identification number; receipt number of relevant quarterly statements etc. are complied with;
- b) Once the certificate is digitally signed, the contents of the certificates are not amendable to change; and
- c) The certificates have a control number and a log of such certificates is maintained by the deductor.

TDS FORMS & RETURNS

Any person deducting any sum in accordance with the foregoing provisions of this Chapter shall pay within the prescribed time, the sum so deducted to the credit of the Central Government or as the Board directs. Further, quarterly TDS Return is required to be filed by the assessee who has deducted the TDS. TDS Returns include fields like TAN No., TDS Payment, amount deducted, type of payment, PAN No. etc.

Form No.	Particulars
Form 24Q	Statement for tax deducted at source from salaries and Section 194P
Form 26Q	Statement for tax deducted at source on all payments except salaries (other than Section 194P)
Form 27Q	Statement for deduction of tax from interest, dividend, or any other sum payable to non-residents
Form 26QB	For section 194IA separate return is not required, challan cum return to be filed on Form 26QB to be deposited within a period of 30 days from the end of the month in which the deduction is made
Form 26QC	TDS on Rent

The quarterly return statements should be accompanied by a signed verification in Form No. 27A. Form 27A is a control chart of quarterly TDS statements to be filed by deductors / collectors along with quarterly statements. It is a summary of TDS returns which contains control totals of 'amount paid' and 'income tax deducted at source'.

TDS Return

A return of TDS is a comprehensive statement containing details of payment made and taxes deducted thereon along with other prescribed details. As per section 200(3) of the Act, the Due Date for filing TDS Return (both online as well as physical) is as follows :

Quarter ended	Due Date for Form 24Q & Form 26Q	Form 27Q	Form 26QB / 26 QC
April to June	31st July	31st July	30 days from the end of the month in which TDS is deducted
July to Sept	31st Oct	31st Oct	
Oct to Dec	31st Jan	31st Jan	
Jan to March	31st May	31st May	

Note : 'Nil' TDS return is not mandatory, however to facilitate the deductors and update data government has provided a facility for declaring nil TDS return.

The statement is to be furnished in the following manner:

- Paper form
- Electronically, under digital signature in accordance with the procedures, formats and standards specified under sub-rule (5) of Rule 31A
- Electronically, along with the verification of the statement in Form 27A or verified through an electronic process in accordance with the procedures, formats and standards specified under sub-rule (5) of Rule 31A.

It is to be noted that in case of the following, quarterly statements are to be delivered electronically;

- Every Government deductor;
- Corporate deductor;
- The deductor is a person required to get his accounts audited under section 44 AB in the immediately preceding financial year; or
- The number of deductee's records in a statement for any quarter of the financial year is twenty or more.

Such quarterly statements are to be delivered electronically under digital signature or electronically with verification of statement in form 27A or verified through an electronic process in accordance with format and procedure specified in rule 31A(5). Further, a declaration in Form 27A is also to be submitted in paper format. Quarterly statements are also to be filed by such deductors in electronic format with the e-TDS Intermediary at any of the TIN Facilitation Centres, particulars of which are available at www.incometaxindia.gov.in and at <http://tin.nsdl.com>

A person other than a deductor specified above may at his option deliver the quarterly statements electronically in computer media as provided above. However, it is not mandatory for it to do so.

It is mandatory for the deductor to quote the following in quarterly statements:

- TAN
- PAN of the deductor (except where deductor is an office of the government)
- PAN of all the deductees
- Particulars of tax paid to the Central Government including Book Identification Number or Challan Identification Number as the case may be

- Particulars of amount paid or credited on which tax was not deducted in view of issue of certificate of no deduction of tax u/s 197 by the assessing officer to the payee. **Finance Act 2024** has amended section 197(1) to bring section 194Q and section 206C (1H) within its ambit. These sections provides for TDS or TCS on transaction of any goods of value or aggregate of value exceeding INR 50 Lacs in any previous year. Rate of TDS and TCS is 0.1%.
- **Finance Act 2024** has amended section 200 to provide that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in sub-section (3) of section 200 and statement referred to in the proviso to sub-section (3) of section 206C are respectively delivered. These amendments are effective from 01.10.2024.

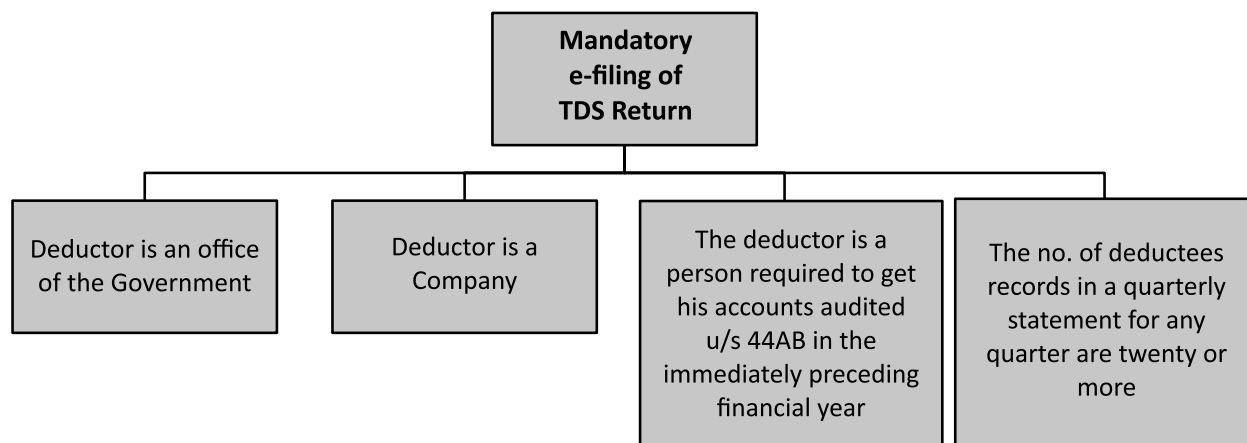
REFUND OF TDS

In case of excess deduction of tax at source, claim of refund of such excess TDS can be made by the deductor. The excess amount is refundable as per procedure laid down for refund of TDS wherein the difference between the actual payment made by the deductor and the tax deductible at source, will be treated as the excess payment made.

In case such excess payment is discovered by the deductor during the financial year concerned, the present system permits credit of the excess payment in the quarterly statement of TDS of the next quarter during the financial year. In case, the deduction of such excess amount is made beyond the financial year concerned, such claim can be made to the Assessing Officer (TDS) concerned. However, no claim of refund can be made after two years from the end of financial year in which tax was deductible at source.

E-TDS RETURN

As per Section 206 of the Income Tax Act, Corporate and Government deductors are compulsorily required to file their TDS return through electronic media. However, for other deductors filing of e-TDS return is optional and e-TDS return should be filed under Section 206 of the Income Tax Act in accordance with a scheme for electronic filing of TDS return. The CBDT has appointed the Director General of Income Tax (Systems) as e-filing administrator for the purpose of electronic filing of returns. CBDT has also appointed National Securities Depository Limited (NSDL) as e-TDS inter-mediatory. E-TDS return can be filed at any of the TIN-FC opened by the e-TDS inter-mediatory for this purpose. The due date for filing quarterly TDS return both electronic and conventional form remains the same.



Other than the above, any deductor may also opt to file their TDS Return electronically.

PRACTICE QUESTIONS**Case-1**

A software firm paid ₹55,000 per month to a part-time technical advisor for providing expert guidance. The advisor does not appear on the payroll and is paid against invoices. Should the firm deduct TDS under Section 192 (Salary) or 194J (Professional Services)?

Answer:

Section 194J applies to professional services. Since the individual is not a regular employee and is billing via invoices, the payment should attract 10% TDS under Section 194J, provided the threshold of ₹30,000 is exceeded.

Case-2

An individual purchases a flat worth ₹75 lakhs in May 2025. The seller is a resident individual. What is the applicable TDS rate, and under which section should the TDS be deposited?

Answer:

As per Section 194-IA, TDS at 1% is required for property purchases above ₹50 lakhs. Buyer must deduct TDS, deposit using Form 26QB, and issue Form 16B within 15 days of payment.

Case 3

Mr. Raj, an individual not subject to tax audit, hires a contractor for house renovation and pays ₹65,000 in a single transaction. Should Mr. Raj deduct TDS, and under which section?

Answer:

As per Section 194M, individuals/HUFs not covered under tax audit making payment exceeding ₹50 lakh in a financial year for personal work are liable to deduct TDS. Since ₹65,000 does not cross that threshold, no TDS is required to be deducted by Mr. Raj.

Case 4

A company pays ₹20,000 in quarterly marketing incentives to its retail partners for promoting its products. Should this attract TDS under Section 194H or is it exempt?

Answer:

Payments exceeding ₹15,000 as commission attract 5% TDS under Section 194H. Marketing incentives linked to sales can be considered commission; hence, TDS is applicable.

Case 5

XYZ Ltd. pays monthly rent of ₹60,000 for its office premises to a resident landlord. Should it deduct TDS, and under which provision?

Answer:

As per Section 194-I, rent exceeding ₹50,000 per month attracts TDS at 10% for land/building. XYZ Ltd. must deduct and deposit TDS monthly and file Form 26Q and issue Form 16A to the landlord.

TAX COLLECTION AT SOURCE (TCS) [SECTION 206C]

Tax collected at source (TCS) is the tax collected by a seller which he collects from the buyer at the time of sale. Tax is to be collected at source in the following cases:

Particulars		Rate of TCS
Case 1 - Sale of :		
I.	Alcoholic liquor for human consumption (other than Indian made foreign liquor)	1%.
II.	Indian made foreign liquor	1%
III.	Tendu leaves	5%
IV.	Timber obtained under the forest lease	2%
V.	Timber obtained by any mode other than under forest lease	2%
VI.	Any other forest produce not being timber or tendu leaves	2%
VII.	Scrap	1%
VIII.	Minerals, being coal or lignite or iron ore	1%
Case 2 - Grant of lease/license of :		
I.	Parking lot, toll plaza, mining and quarrying (other than mining and quarrying of miner oil, petroleum and natural Gas.	2%
Case 3 - Sale of :		
I.	Every person, being a seller, who receives any amount as consideration for sale of- (i) a motor vehicle; or (ii) any other goods, as may be specified by the Central Government by notification in the Official Gazette, of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as income-tax.	1%
Case 4: Every person being an authorised dealer, who receives an amount, for remittance from a buyer, being a person remitting such amount under the Liberalised Remittance Scheme of the Reserve Bank of India; or being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package, shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to 5% of such amount as income-tax:		
Exception: ● The authorised dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than ten lakh rupees in a financial year <i>and is for the purposes of education or medical treatment.</i> ● The sum to be collected by an authorised dealer from the buyer shall be equal to twenty per cent of the amount or aggregate of the amounts in excess of ten lakh rupees remitted by the buyer in a financial year, where the amount being remitted <i>is for the purposes of education or medical treatment.</i>		

- The authorised dealer shall collect a sum equal to one half per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, if 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.

Case 5:

A seller, who receives consideration for sale of any goods of the aggregate value exceeding Rs. 50 Lacs in any previous year, other than the goods being exported out of India or goods covered elsewhere under this section, at the time of receipt of such amount, collect from the buyer TCS @ 0.1 % of the sale consideration exceeding Rs 50 Lacs. **(As amended by Finance Act, 2020)**

TCS @ 1% if no PAN or Aadhaar is furnished by the buyer.

Omitted with effect from 1st April, 2025 [Amendment vide Finance Act, 2025]

Notes:

1. In case 1, Tax is to be collected by seller from buyer. Seller includes every person but does not include an individual or HUF (whose accounts are not required to be audited under section 44AB(a)/(b) during the financial year preceding the financial year in which sale is made).
Buyer does not include:
 - a. A public sector company, the Central Govt., a State Govt., 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.
2. In case 1, tax has to be collected by the seller at the time of debiting the amount payable by the buyer to the account of buyer or at the time of receipt of such amount from the buyer in cash or issue of cheque/ draft, or any other mode, whichever is earlier.
3. In case 1, Goods purchased for being used in manufacturing/processing is not subject to TCS. For this purpose buyer has to give declaration in duplicate to seller in form No. 27C. Declaration without PAN is not Valid.
4. In case 2, if licensee or lessee is a public sector company then TCS is not applicable.
5. In case 3, following points should be noted :
 - a) This case is applicable in case of sale of motor vehicles in retail sales and not in case of sales by manufacturers to dealers/distributors.
 - b) This case is not applicable where buyer is the Central/State Govt., an Embassy/High Commission/ Consulate/Trade representation of foreign Govt., local authority or a public sector company which is engaged in the business of carrying of passengers.
6. In case 4, the authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by the seller. Provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount.
7. In case 5, following points should be noted :
 - a) The provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.
 - b) Buyer does not include Central Government, a State Government, a local authority a person importing goods into India.

- c) Seller means a person whose total sales, gross receipts or turnover from the business carried on by him exceed 10 Crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out.
8. Section 206C(7) provided that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of one percent for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was paid. However, with effect from 01.04.2025, to align the rate of simple interest charged on failure to pay to Government account after collection of tax, to amend sub-section (7) of section 206C, to specify that simple interest for non-payment of tax collected at source to Government account, is increased from one per cent. to one and one-half per cent. for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid.
9. A provision in section 206C of the Act shall be inserted to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under sub-section (1A) of section 64 of the Act which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child. This amendment will be effective from 01.01.2025.

Requirement to Furnish PAN by Collectee [Section 206CC]

Collectee shall furnish his PAN to the person responsible for collecting such tax at source. If PAN is not intimated, tax shall be collected at twice the normal rate or at the rate of 5%, whichever is higher subject to maximum of 20%.

- (i) Declaration filed under section 206(1A) shall not be valid unless the person filing the declaration furnishes his PAN in such declaration.
- (ii) Lower tax collection certificate shall not be granted unless application in Form No. 13 by the collectee contains his PAN.
- (iii) The collectee shall furnish his PAN to the collector and both shall indicate the same in all correspondence, bills and vouchers exchanged between them.
- (iv) Where the PAN provided by the collectee is invalid or it does not belong to the collectee, it shall be deemed that PAN has not been furnished to the collector.

These provisions are not applicable to a non-resident who does not have any permanent establishment in India.

TDS / TCS for non-filers of Income Tax Return [Section 206AB / 206CCA]

Section 206AB and Section 206CCA has been inserted to provide for a higher rate of withholding tax / collection of tax for taxpayers not furnishing / filing return of income.

Section 206AB is apply on any sum paid or payable or credited by a deductee to a specified person (other than any sum where tax is required to be withheld under Section 192, Section 192A, Section 194B, Section 194BA, Section 194BB, Section 194IA, Section 194IB, Section 194LBC or Section 194M, 194N of the Act). The withholding tax rate shall be higher of the below:

- at twice the rate specified in the relevant provision of the Act; or
- at twice the rate or rates in force;
- or at the rate of 5%.

Section 206CCA will be applied on any sum or amount received by a collectee from a specified person. The tax collection rate in the said Section shall be higher of the following:

- twice the rate specified in the relevant provision of the Act; or
- the rate of 5%.

Note: Section 206CCA has been Omitted by the Finance Act, 2025, w.e.f. 1-4-2025.

Further, if the provisions of Section 206AA [requirement to furnish Permanent Account Number (PAN)] or Section 206CC (requirement to furnish PAN by collectee) are applicable to a 'specified person' in addition to the said Sections, that is, Section 206AB and Section 206CCA, the tax shall be deducted / collected at higher of the two rates provided in the above Sections (206AB / 206CCA) and in Section 206AA or Section 206CC of the Act.

The term "specified person" means a person who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit for furnishing the return of income under sub-section (1) of section 139 has expired and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year.

*The term 'specified person' shall not include a non-resident who does not have a permanent establishment in India.

CASE STUDY

DP Enterprises, a registered Indian seller, is engaged in the sale of various goods and services. The firm's turnover for the preceding financial year exceeds ₹10 crores. During FY 2025-26, the following transactions were made:

1. Sold scrap worth ₹18 lakhs to an Indian buyer who did not furnish PAN.
2. Received ₹7 lakh from a customer for an overseas tour package.
3. Sale of goods worth ₹62 lakhs to a repeat customer.
4. Sale of tendu leaves worth ₹5 lakhs to a forest contractor.
5. Sale of timber obtained under forest lease to a wholesaler for ₹9 lakhs (PAN furnished).

You are required to:

- Determine the applicable TCS rate and whether TCS is required to be collected.
- Comment on consequences for non-furnishing of PAN or non-filing of ITR.
- Suggest compliance steps for Omkar Enterprises.

Analysis:

1. Scrap Sale – ₹18 Lakhs (No PAN furnished):

- Applicable Section: 206C(1)
- TCS Rate (Normal): 1%
- Without PAN: Higher of twice the rate or 5% → TCS @ 5% (since PAN not furnished)
- TCS to be deposited by 7th of following month using Form 27EQ; certificate Form 27D to be issued.

2. Overseas Tour Package – ₹7 Lakhs:

- Applicable Section: 206C(1G)(a)
- TCS Rate: 5% (threshold does not apply)
- If PAN not provided: Rate = 10%
- Must issue TCS certificate and deposit tax.

3. Sale of Goods – ₹62 Lakhs (to existing customer):

- Section 206C(1H) has been abolished w.e.f. 01.04.2025 as per Finance Act, 2025
- No TCS liability on such sale now
- Ensure TDS is not applicable under Section 194Q instead.

4. Tendu Leaves Sale – ₹5 Lakhs:

- Applicable Section: 206C(1)
- TCS Rate: 5%
- PAN not discussed → Assume furnished. If not, 206CC applicable (higher of twice or 5%).

5. Timber (Forest Lease) – ₹9 Lakhs (PAN furnished):

- Applicable Section: 206C(1)
- TCS Rate: 2%
- PAN furnished → Normal rate applies

ADVANCE TAX

Section 207-219 of the Income Tax Act deals with the provisions relating to advance payment of tax. As per the provision, the assessee has to pay tax in a financial year on estimated income which is to be assessed in the subsequent assessment year. It follows the doctrine known as pay as you earn scheme. It is obligatory for an assessee to pay advance tax where the advance tax payable is Rs. 10,000 or more (Section 208).

In order to reduce the compliance burden on senior citizens, an exemption from payment of advance tax has been provided as per which resident individual not having any income chargeable under the head “Profits and gains of business or profession” and of age 60 years or more need not pay advance tax and are allowed to discharge their tax liability (other than TDS) by payment of self-assessment tax.

Due Dates for Payment of Advance Tax

Particulars	In case of all assessee
On or before June 15 of the Previous year	Upto 15% of the Advance Tax due
On or before September 15 of the previous year	Upto 45% of the Advance Tax due as reduced by amount paid in earlier instalments
On or before December 15 of the previous year	Upto 75% of the Advance Tax due as reduced by amount paid in earlier instalments

On or before March 15 of the previous year	Upto 100% of the Advance Tax due as reduced by amount paid in earlier instalments
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Important Points:

- Any payment of advance tax payable made before March 31 shall be treated as advance tax paid during the financial year.
- An assessee (who declares his income in accordance with presumptive taxation regime under section 44ADA) shall also be liable to pay advance tax on or before March 15 of the financial Year. The above provision also applies for advance tax in respect of presumptive income u/s 44AD.
- In case of public holiday or bank holiday, date of payment automatically falls in the next working day and for that delay, interest is not charged under Sections 234B and 234C.
- Tax to be computed at the prevailing rate on the current income of the assessee, in a financial year.
- The total advance tax paid by an assessee other than for interest be adjusted against the total tax liability computed under regular assessment. **[Section 209]**
- Where an assessee, who is liable to pay advance tax, under Section 208 has failed to pay such tax or where the advance tax paid under Section 210 is less than 90% of the assessed tax, he shall be liable to pay interest @ 1% for every month or part of the month. **[Section 234B]**
- Assessee has to pay advance tax even in respect of book profit tax under Section 115JB otherwise it is liable for interest under Sections 234B and 234C.

Payment of advance tax in case of capital gains/casual income/ dividend income (other than deemed dividend as per Section 2(22)(e) [Proviso to section 234C]

- Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles etc. or Dividend Income (dividend income (other than deemed dividend as per Section 2(22)(e)).
- Since it is not possible for the assessee to estimate his capital gains, income from lotteries, etc, and dividend income (other than deemed dividend as per Section 2(22)(e), it has been provided that if any such income arises after the due date for any installment, then, the entire amount of tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining installments of advance tax which are due.
- Where no such installment is due, the entire tax should be paid by 31st March of the relevant financial year.
- No interest liability under section 234C would arise if the entire tax liability is so paid.

Illustration 1 :

Calculate Advance Tax Payable by Mr. Arun from the following estimated incomes for the Previous Year 2025-26 assuming assessee has not opted to pay tax under section 115BAC :

- Business Income : Rs. 4,75,000;
- Rent from house property : Rs. 36,000 per month;
- Municipal taxes : Rs. 27,000;

- Winning from games : Rs. 70,000 (net of TDS);
- Life insurance premium paid for himself (sum assured : Rs. 5,00,000) : Rs. 30,000.

Solution:**Computation of Advance Tax payable by Mr. Arun - Previous Year 2025-26 (Assessment Year 2026-27)****Step 1 :** Compute Estimated Total Income for the year :

<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
Income from house property :		
Gross Annual Value [Rental Income (36,000 x 12)]	4,32,000	
Less : Municipal taxes paid by owner	(27,000)	
Net Annual Value (NAV)	4,05,000	
Less : Standard Deduction @ 30% of NAV	(1,21,500)	2,83,500
Profits and gains of Business or Profession		4,75,000
Income from other sources :		
Winning from games (gross) [70000 x 100(100% - 30%)]		1,00,000
Gross Total Income (GTI)		8,58,500
Less : Deductions under Section 80C		(30,000)
Total Income		8,28,500

Step 2 : Computation Estimated of Tax Liability and Advance Tax Payable

<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
Tax on :		
Winning from Games @ 30% [1,00,000 x 30%]	30,000	
Balance Income @ Slab Rate [12,500 + 20% of (7,28,500 - 5,00,000)] assuming old tax rate regime	58,200	
Tax Payable		88,200
Add : Surcharge, if any		Nil
Add : Cess @ 4%		3,528
Tax Liability		91,728
Less : TDS		(30,000)

Advance Tax Liability		61,728
Advance Tax (Rounded off)		61,730

Step 3 : Advance Tax Instalments - Advance tax is payable as follows :

<i>Upto</i>	<i>% (Rate)</i>	<i>Cumulative (Rs.)</i>	<i>Each Instalment (Rs.)</i>
15.06.2025	15	9,259 [61,730x15%]	9,259
15.09.2025	45	27,778 [61,730x45%]	18,519
15.12.2025	75	46,297 [61,730x75%]	18,519
15.03.2026	100	61,730 [61,730x100%]	15,433

Note: Assuming assessee has, not opted for section 115BAC of the Income Tax Act, 1961.

Illustration 2 :

Red Ltd. (an Indian company) has estimated its income for Previous Year 2025-26. Calculate advance tax payable by it from the following :

- Business Income : Rs. 10,80,000;
- Income from house property (after deduction under section 24) : Rs. 7,20,000;
- Long term capital gain (LTCG) on transfer of immovable property on 1st November, 2025 : Rs. 3,60,000;
- Interest on bank deposits (other than saving bank account) : Rs. 45,000;
- TDS on business income and interest was Rs. 60,000;
- Deduction under section 80G is Rs.1,00,000.

Solution:

Computation of advance tax payable by Red Ltd. for Previous Year 2025-26 (Assessment Year 2026-27) :

Step 1 : Compute Estimated total income for the year :

<i>Particulars</i>	<i>Rs.</i>
Profits and gains of Business or Profession	10,80,000
Income from house property	7,20,000
LTCG	3,60,000
Income from other sources :	
Interest on bank deposits	45,000
Gross Total Income (GTI)	22,05,000

Less : Deductions under Section 80G	(1,00,000)
Total Income	21,05,000

Step 2: Computation of Estimated Tax Liability and Advance Tax Payable (It is presumed that Red Ltd is a regular company which is not satisfying the conditions of 115BA, 115BAA and 115BAB and its turnover/ Gross receipts during P.Yr. 2024-25 exceeds Rs 400 Crores, hence rate of tax is taken as 30%)

<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
Tax on :		
LTCG @ 12.5% (3,60,000 x 12.5%)	45,000	
Balance Income @ 30% [(21,05,000 - 3,60,000) x 30%] assuming old tax rate regime	5,23,500	5,68,500
Add : Surcharge, if any		Nil
Add : Cess @ 4%		22,740
Tax Liability		5,91,240
Less : TDS		(60,000)
Advance Tax Liability		5,31,240
Advance Tax (rounded off)		5,31,240

Step 3: Advance Tax Instalments - Advance Tax is payable as follows:

Note: Advance Tax is payable by all Assessee in four installments during the previous year, i.e., by 15th June (15%), 15th September (45%), 15th December (75%) and 15th March (100%). However, in case of LTCG arising after one or more installments, advance tax on installments prior to date of LTCG can be paid without including tax on LTCG and advance tax on installments after LTCG must be paid in the remaining installments on the amount of total tax liability including that on LTCG.

Therefore, in this case, advance tax payable by 1st and 2nd installment would be based on Tax excluding Tax on LTCG and advance tax payable by 3rd and 4th installment would be based on tax including tax on LTCG.

Tax excluding tax on LTCG : Rs. 5,23,500 + Cess @ 4% =Rs. 5,44,440 -TDS Rs. 60,000 = Rs.4,84,440

<i>Upto</i>	<i>Cumulative %</i>	<i>Cumulative (Rs.)</i>	<i>Each installment (Rs.)</i>
15.06.2025	15	72,666 [4,84,440x15%]	72,666
15.09.2025	45	2,17,998 [4,84,440x45%]	1,45,332
15.12.2025	75	3,98,430 [5,31,240x75%]	1,80,432
15.03.2026	100	5,31,240 [5,31,240x100%]	1,32,810

PRACTICE QUESTIONS**Scenario: 1**

Mr. V. Krishnan, a 66-year-old retired government servant, earns ₹8.2 lakh annually from pension and fixed deposits. His bank has already deducted TDS on the FD interest. He receives no business or professional income and is not liable to GST. Is Mr. Krishnan required to pay Advance Tax for FY 2025–26? Why?

Answer:

No. As per Section 207 of the Income Tax Act, resident senior citizens (aged 60 or more) with no income from business or profession are exempt from advance tax provisions, even if their tax liability exceeds ₹10,000. Mr. Krishnan qualifies for this exemption.

Scenario: 2

Aparna, a 33-year-old freelance UX designer, earns ₹18 lakh annually. She operates under Section 44ADA (presumptive taxation for professionals) and has no TDS deducted by her clients. Her estimated tax liability after deductions is ₹2.6 lakh. When and how much Advance Tax must she pay?

Answer:

Since she is under Section 44ADA, Aparna is required to pay the entire Advance Tax (100%) in one installment on or before 15th March 2026. Quarterly installments are not applicable under presumptive schemes. Delay would attract interest under Section 234B and 234C.

Scenario: 3

Ravi, a salaried employee, had no advance tax liability till February 2026. On 5th March 2026, he sells inherited property and earns long-term capital gains of ₹15 lakh. He estimates a tax of ₹3 lakh on this gain. What is Ravi's obligation under Advance Tax provisions?

Answer:

Ravi must pay 100% of the advance tax on the capital gain by 15th March 2026, since the gain arose before the final installment due date. Although not previously liable, Section 211 requires payment once liability crosses ₹10,000. If Ravi delays, Section 234B and 234C interest will apply.

Scenario: 4

Techtone Pvt Ltd has an estimated tax liability of ₹60 lakh for FY 2025–26. It fails to pay its 1st and 2nd advance tax installments and only starts paying from the 3rd installment (15th December). What are the consequences of the missed payments?

Answer:

Techtone Pvt Ltd is liable to pay interest under Section 234C for deferment of advance tax. Additionally, since less than 90% of total tax liability is discharged till March, Section 234B interest also applies. Interest is calculated at 1% per month or part thereof on the shortfall.

Scenario: 5

Ms. Naina runs a boutique under normal business taxation (not presumptive). Her income projections till September 2025 suggested a tax liability of ₹8,000 (no advance tax applicable). However, festive season sales shoot up her annual income, and by December, her estimated liability crosses ₹1.2 lakh. What are her advance tax obligations now?

Answer:

Since her tax liability crossed ₹10,000 after September, she becomes liable to pay Advance Tax. Naina must pay 75% of estimated tax by 15th December and 100% by 15th March. Since no tax was paid in June or September, she may attract interest under Section 234C for deferment.

SELF-ASSESSMENT TAX (SAT)

Self assessment tax means tax paid by the assessee on the basis of self assessment before filing of return of Income. Self Assessment is simply a process where a person himself assesses his tax liability himself on the income earned during the particular previous year and submits Income Tax Return to the department. Every person, before furnishing return under sections 139 (return of income), 142(1), 148 (issue of notice where income has escaped assessment) and 153A (Assessment in case of search or requisition) shall make self assessment of his income and pay the tax, if due on the basis of such assessment. The total tax payable is calculated on the total income of the assessee after considering the following amount :

- (i) the amount of tax already paid under any provision of this Act;
- (ii) any tax deducted or collected at source;
- (iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;
- (iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section; and
- (v) any tax credit claimed to be set off in accordance with the provisions of section 115JAA or section 115JD.

In case of delay in furnishing of return of income self assessment tax shall also include interest for delay and fee for delay under section 234F.

Such determined value of tax along with the interest payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax is paid before furnishing the return and the proof of payment of such tax is attached with the return. Such amount paid before furnishing of return is Known as Self Assessment Tax.

FILING OF RETURNS

It is mandatory for every taxpayer to communicate the details of his income to the Income-tax Department. These details are to be furnished in the prescribed form known as return of income.

Person required to file the return of income [Section 139 (1)]

The procedure under the Income-tax Act for making an assessment of income begins with the filing of a return of income. Section 139 of the Act contains the relevant provisions relating to the furnishing of a return of income.

According to that section, it is statutorily obligatory for

- (a) Every person being a company or a firm or
- (b) being a person other than a company or firm to furnish a return of his total income or the total income of any other person in respect of which he is assessable under the Income-tax Act, in all cases where his total income or the total income of any other person for which he is liable to be assessed before claiming any deduction under chapter VI-A exceeds and before claiming exemption benefits under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB, in any relevant previous year, the maximum amount which is not chargeable to income-tax.

Analysis: It should be obligatory for the firm or Company to file return of income in every case. Further, in respect of individual, HUF, AOP, BOI, Artificial juridical Person, filing of return of income shall be compulsory if their total income before allowing deductions under sections 10A, 10B, 10BA or chapter VI-A exceeds the maximum amount which is not chargeable to income tax.

Compulsory filing of Income Tax return in relation to Assets located outside India

It is mandatory to file a return of income where a person, being a resident other than not ordinarily resident in India and who during the previous year has any asset or is a beneficial owner of any asset or is a beneficiary of any asset (including any financial interest in any entity) located outside India or signing authority in any account located outside India. In such a case, it is immaterial that the taxable income is less than the maximum amount not chargeable to tax.

The difference between beneficial ownership and beneficiary has been clarified by way of an explanation which suggests that “beneficial owner” in respect of an asset means an individual who has provided, directly or indirectly, consideration for the asset for the immediate or future benefit, direct or indirect, of himself or any other person and “beneficiary” in respect of an asset means an individual who derives benefit from the asset during the previous year and the consideration for such asset has been provided by any person other than such beneficiary.

Further, in the following situation, a person shall be mandatorily required to file his return of income, –

- (i) if during the previous year has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current account maintained with a banking company or a co-operative bank; or
- (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or
- (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; or
- (iv) fulfils such other prescribed conditions, as may be prescribed.

The CBDT vide notification No. 37/2022, dated 21-04-2022, has notified additional conditions under the seventh proviso to section 139(1) whereby return filing is made mandatory. These additional conditions are as follows:

- i. If total sales, turnover or gross receipt of the business exceeds Rs. 60 lakh during the previous year; or
- ii. If total gross receipt of profession exceeds Rs. 10 lakh during the previous year; or
- iii. If the total of tax deducted and collected in case of a person during the previous year is Rs. 25,000 or more. The threshold limit shall be Rs. 50,000 in case of a resident individual of the age of 60 years or more; or
- iv. If the aggregate deposit in one or more savings bank accounts of the person is Rs. 50 lakhs or more during the previous year.

Due date for filing return of Income

<i>Status of the Tax Payer</i>	<i>Due Date</i>
Any company other than a company who is required to furnish a report in Form No. 3CEB under section 92E (i.e. other than covered in 2 below)	31 st October of the assessment year
Any person [including the partners of the firm or the spouse of such partner (if the provisions of section 5A applies to such spouse), being such assessee who is required to furnish a report in Form No. 3CEB under section 92E[See Point 2]	30 th November of the assessment year

Any person (other than a company) whose accounts are to be audited under the Income-tax Law or under any other law	31 st October of the assessment year
A working partner of a firm whose accounts are required to be audited under this Act or under any other law or the spouse of such partner if the provisions of section 5A applies to such spouse [See Point 1]	31 st October of the assessment year
Any other assessee	31 st July of the assessment year

Important Points:

- **Individual and spouse governed by Portuguese Civil Code of 1860 and Tax Audit applicability:** Section 139 has been amended so as to align the due dates of filing of return of income for the assessee with his / her spouse, in case the provisions of tax audit are applicable, and they are governed by the Portuguese Civil Code of 1860 and Section 5A is applicable. In the erstwhile provisions there was a mismatch whereby the spouse had to file his / her return earlier by 31 July and the assessee was required to do so by 31 October, if the provisions of Section 44AB were applicable. Thus, the due date of 31st October would now be applicable to both the said assessee as well as his / her spouse, if either one of them is required to get his / her books audited.
- **Firm (cases where 92E applicable) & Partner:** The earlier provisions for filing of return of income had a mismatch in case the provisions of Section 92E were applicable to the firm as the due date of filing return of income was 31st October for the partners but 30th November for the firm. It is proposed to align the due date of filing Return of income under Section 139 to 30th November, for the partners of the firm to whom the provisions of Section 92E are applicable.
- **Finance Act 2024 has amended section 139 AA of the Act.** This section has allowed quoting of Aadhar Enrolment ID in return of income in case where the assessee does not possesses Aadhar number. With effect from 01st October 2024, every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhar number before the notified date.

Practice Questions:

1. **Miss Saroj is a salaried employee. Her taxable salary income for the year 2025-26 is Rs. 12,40,000 (she does not have any other income). What will be the due date of filing the return of income for the financial year 2025-26?**

Answer: 31st July, 2026

2. **Mr. Rupen is a doctor. Gross receipts for the year 2025-26 came to Rs. 18,40,000. He opts for the presumptive taxation scheme of section 44ADA. What will be the due date for filing of return of income by Mr. Rupen for the financial year 2025-26?**

Answer: The gross receipts for the year are less than Rs. 50,00,000 and Mr. Rupen has opted for the presumptive taxation scheme of section 44ADA. Hence Mr. Rupen will not be liable to get his accounts audited i.e. he is not covered by audit. Hence, the due date for filing the return of income of the year 2025-26 will be 31st July, 2026.

3. **Mr. Rahul is running a garments factory. Turnover of his business for the year 2025-26 amounted to Rs. 1,84,00,000. He opts for the presumptive taxation scheme of section 44AD. What will be the due date for filing of return of income by Mr. Rahul for the financial year 2025-26?**

Answer: The turnover for the year is less than Rs. 2,00,00,000 and hence Mr. Rahul will not be liable to get his accounts audited i.e. he is not covered by audit as he opts for the presumptive taxation scheme of section 44AD. Hence, the due date of filing the return of income of the year 2025-26 will be 31st July, 2026.

4. **Mr. Kaushal is a partner in Essem Trading Company. The turnover of the firm for the financial year 2025-26 amounted to Rs. 2,84,00,000. Apart from remuneration, interest and share of profit from the firm, Mr. Kaushal is not having any other source of income. What will be the due date for filing the return of income by the partnership firm and by Mr. Kaushal for the financial year 2025-26?**

Answer: The turnover of the firm exceeds Rs. 2,00,00,000 and, hence, the firm will not be eligible for presumptive taxation scheme under section 44AD. Further, the firm shall be liable to get its accounts audited under section 44AB. Hence, the due date for filing the return of income of the year 2025-26 (in case of the firm as well as Mr. Kaushal) will be 31st October, 2026.

5. **Mr. Kiran is a partner in SM Enterprises. The turnover of the firm for the financial year 2025-26 amounted to Rs. 1,84,00,000. The firm has declared income @ 8% on presumptive basis under section 44AD of the Act. Apart from remuneration, interest and share of profit from the firm, Mr. Kiran is not having any other source of income. What will be the due date of filing of return of income by the partnership firm and by Mr. Kiran for the financial year 2025-26?**

Answer: The turnover of the firm is below Rs. 2,00,00,000 and, hence, it will not be liable to get its accounts audited. Hence, the due date for filing the return of income of the year 2025-26 (in case of firm as well as Mr. Kiran) will be 31st July, 2026.

6. **Essem Minerals Pvt. Ltd. is a company engaged in trading of minerals. What will be the due date for filing the return of income for the financial year 2025-26?**

Answer: The due date for filing the return of income of the year 2025-26 will be 31st October, 2026.

7. **Essem Minerals Pvt. Ltd. is a company engaged in trading of minerals and liable to furnish a report in Form No. 3CEB under section 92E. What will be the due date for filing the return of income for the financial year 2025-26?**

Answer: The due date for filing the return of income of the year 2025-26 will be 30th November, 2026.

8. **Mrs. Gupta is house wife and has no source of income. During the financial year 2025-26, she made payment towards electricity bills of her house. Total payment of Rs. 1,50,000 lakhs were made through bank account. Whether Mrs. Gupta will be liable to file return of income?**

Answer: W.e.f., Assessment Year 2020-21, a person shall be liable to file return of income if he has incurred aggregate expenditure in excess of Rs. 1 lakh towards payment of electricity bill. In this case, Mrs. Gupta has made payment of Rs. 1,50,000 towards electricity bills. Thus, she will be liable to file return of income for the financial year 2025-26 by 31st July, 2026.

9. **Mr. Raghav is a salaried employee. He gifted a holiday package of Dubai to his brother. Mr. Raghav paid total amount of Rs. 2.5 lakhs to tour operator for the holiday package. His salary income for the financial year 2025-26 is Rs. 2,00,000 and has no other income. Whether Mr. Raghav is liable to file return of income?**

Answer: W.e.f Assessment Year 2020-21, a person shall be liable to file return of income if he has incurred aggregate expenditure in excess of Rs. 2 lakh for himself or any other person for travel to a foreign country. So whether a person incurred expense for self or for any other person, filing of return is mandatory if expenses on foreign travel is in excess of Rs. 2 Lakh.

In this case, Mr. Raghav has purchased holiday package worth Rs. 2.5 lakhs. Thus, he will be liable to file return of income for the financial year 2025-26 by 31st July, 2026 even though his total income doesn't exceed the maximum amount not chargeable to tax.

Return of Loss [Section 139(3)]

Section 80 requires mandatory filing of return of loss u/s 139(3) on or before the due date specified u/s 139(1) for carry forward of loss under the head 'profits and gains from business or profession' or loss from maintenance of race horses or under the head 'Capital gains'. However, loss under the head "Income from house property" and unabsorbed depreciation under section 32 can be carried forward for set-off even though return of loss has been filed after the due date. Unless the assessee files a return of loss in the manner and within the same time limits as required for a return of income, the assessee would not be entitled to carry forward the loss for being set off against income in the subsequent year.

Belated Return [Section 139(4)]

Any person who has not filed the return within the time allowed under section 139(1) may file a belated return for any previous year at any time before three months prior to the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Following are the consequences of delay in filing the return of income :

- a. Loss (other than house property loss/unabsorbed Depreciation) cannot be carried forward.
- b. Levy of interest for late filing under section 234A.
- c. Levy of fee under section 234F.
- d. Exemptions under sections 10A, 10B, are not available.
- e. Deduction under Part-C of Chapter VI-A shall not be available.

Practice Questions:

1. **For the Previous Year 2025-26, Mr. X did not file the return of income on the due date. Can Mr. X file the return of income after the due date?**

Answer: Yes, as per section 139(4), Mr. X can file a belated return. Mr. X may file the return of income at any time on or before 31st of December, 2026.

2. **Mr. Raja is a trader of agricultural products. Turnover of his business for the Previous Year 2025-26 amounted to Rs. 84,00,000. He has not opted for the presumptive taxation scheme of section 44AD i.e. not declaring income at 8% of sales. He declared income at less than 8% of sales. What will be the 'due date' for filing his return of income for the financial year 2025-26? If he fails to file the return of income by the due date then by what date he can file a belated return?**

Answer: In this case, as Mr. Raja had not opted for presumptive taxation scheme of section 44AD, and declared income at less than 8% of sales, he will be required to get his accounts audited under section 44AB and therefore the due date for filing the return of income of the year 2025-26 will be 31st October, 2026. If he cannot file the return of income by the due date, i.e., by 31st October, 2026, then he can file a belated return 3 months before end of the relevant assessment year or before completion of assessment, whichever is earlier. In other words, he can file a belated return upto 31-12-2026. If the assessment is completed before 31-12-2026, then he can file a belated return at any time before the completion of assessment.

Return of Income of charitable trust and institutions [Section 139(4A)]

Sub-section (4A) of Section 139 also makes it incumbent of “every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes or of income being voluntary contributions within the meaning of Section 2(24)(iia)” to furnish a return of income in case the total income exceeds the maximum amount not chargeable to tax.

Further, one who is assessable as a representative assessee for the receipt of income derived from property held under Trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes or of income being voluntary contributions shall furnish a return of income of the previous year in the prescribed form and get it verified in such manner as prescribed under Section 139(1), if the total income (without giving effect to the provisions of Sections 11 and 12) exceeds the amount not chargeable to tax.

Return of Income of Political Party [Section 139(4B)]

It is also incumbent on the political parties to file their return of income [if the income (without giving effect to the provisions of Section 13A) exceeds the maximum amount not chargeable to tax], duly signed by the Chief Executive Officer of the party.

Return of Income of Specified Association/Institutions [Section 139(4C)]

Following persons are required to file the return :

- (a) Research association referred to in Section 10(21);
- (b) news agency referred to in Section 10(22B);
- (c) association or institution referred to in Section 10(23A);
- (d) institution referred to in Section 10(23B);
- (e) fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) or any university or other educational institution referred to in sub-clause (iiiab) or sub-clause (iiid) or sub-clause (vi) or any hospital or other medical institution referred to in sub-clause (iiiac) or sub-clause (iiiae) or sub-clause (via) of clause (23C) of section 10;
- (ea) Mutual Fund referred to in clause (23D) of section 10;
- (eb) securitisation trust referred to in clause (23DA) of section 10;
- (ec) venture capital company or venture capital fund referred to in clause (23FB) of section 10;
- (f) trade union referred to in Section 10(24)(a) or 10(24)(b);
- (g) body or authority or Board or Trust or Commission in section 10(46);
- (h) infrastructure debt fund referred to in section 10(47) or Mutual Fund or Securitisation Trust or venture capital company or venture capital fund.

Scope of Section 139(4C) is expanded to include an assessee who qualifies to exemption under section 10(23AAA),(23EC),(23ED),(23EE), (29A).

The above persons shall, if the total income, without giving effect to the provisions of Section 10, exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of this Act shall, so far as may be, apply as if it were a return required to be furnished under Section 139(1)."

Revised Return [Section 139(5)]

An assessee who is required to file a return of income is entitled to revise the return of income originally filed by him to make such amendments, additions or changes as may be found necessary by him. Such a revised return may be filed by the assessee at any time

- before the expiry of the 31st December of the relevant assessment year
- before the completion of assessment whichever is earlier.

Revised return can be further revised upto any number of times, within the prescribed period.

Updated Return [Section 139(8A)]

The Finance Act 2022, has inserted sub-section (8A) in section 139 to enable the filing of an updated return. The section provides that an updated return can be filed by any person irrespective of the fact whether such person has already filed the original, belated or revised return for the relevant assessment year or not. An updated return can be filed at any time within 48 months from the end of the relevant assessment year. However, an updated return cannot be filed in the following three situations:

Situation 1: An updated return cannot be filed if such updated return:

- a) is a return of a loss; or
- b) results in lower tax liability determined on the basis of original, revised or belated return filed by assessee; or
- c) results in or increasing the refund due on the basis of original, revised or belated return filed by assessee.

Situation 2: A person cannot file updated return wherein:

- a) A search has been initiated under section 132 or books of account or other documents or any assets are requisitioned under section 132A in the case of such person; or
- b) A survey has been conducted under section 133A, other than section 133A(2A), in the case such person; or
- c) A notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person; or
- d) A notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person.

Situation 3: An updated return cannot be filed for the relevant assessment year wherein:

- a) An updated return has been furnished by him;
- b) Any proceeding for assessment or reassessment or recomputation or revision of income is pending or has been completed;
- c) The Assessing Officer has information in respect of such person under:
 - The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
 - The Prohibition of Benami Property Transactions Act, 1988;
 - The Prevention of Money-laundering Act, 2002; or
 - The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

And the same has been communicated to him, prior to the date of furnishing of updated return

- d) Information has been received under an agreement referred to in section 90 or section 90A in respect of such person and the same has been communicated to him, prior to the date of furnishing of return of updated return;
- e) Any prosecution proceedings have been initiated in respect of such person, prior to the date of furnishing of updated return.
- f) Assessee is such person or belongs to such class of persons, as may be notified by the Board
- g) where any notice to show-cause under section 148A has been issued in his case after thirty-six months from the end of the relevant assessment year

Defective Return [Section 139(9)]

If the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of such intimation or within such further period as may be allowed by the Assessing Officer on the request of the assessee. If the assessee fails to rectify the defect within the aforesaid period, the return shall be deemed to be invalid and further it shall be deemed that the assessee had failed to furnish the return. However, where the assessee rectifies the defect after the expiry of the aforesaid period but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.

SIGNING OF RETURNS [SECTION 140]

The return of income must be verified :

Assessee	Verified By
An Individual	i. by the individual himself; ii. where he is absent from India, by the individual himself or by some person duly authorised by him in this behalf; iii. where he is mentally incapacitated from attending to his affairs, by his guardian or any other person competent to act on his behalf; and iv. where, for any other reason, it is not possible for the individual to verify the return, by any person duly authorised by him in this behalf. Provided that in a case referred to in Sub-clause (ii) or (iv), the person verifying the return holds a valid power of attorney from the individual to do so, which shall be attached to the return :
HUF	by the Karta, and, where the karta is absent from India or mentally incapacitated from attending to his affairs, by any other adult member of such family
Local authority	the Principal Officer thereof
Firm	by managing partner thereof or where for any unavoidable circumstances such managing partner is not able to verify the return, or where there is no managing partner as such, by any partner thereof, not being a minor

Limited liability partnership 'LLP'	by the designated partner thereof, or where for any unavoidable reason such designated partner is not able to verify the return, or where there is no designated partner as such, by any partner
Any other association	by any member of the association or Principal Officer thereof
Any other person	by that person or some person competent to act on his behalf
Company	by the managing director thereof, or where for any unavoidable reason such managing director is not able to verify the return or where there is no managing director, by any director thereof. Provided that where the company is not resident in India, the return may be verified by a person who holds a valid power of attorney from such company to do so, which shall be attached to the return
Insolvency professional to verify the return of income where application for Corporate Insolvency has been admitted. Provided further that – (a) where the company is being wound up, whether under the order of a court or otherwise, or where any person has been appointed as the receiver of any assets of the company, the return shall be verified by the liquidator referred to in Sub-section (1) of Section 178; (b) where the management of the company has been taken over by the Central Government or any State Government under any law, the return of the company shall be verified by the Principal Officer thereof; (i) in the case of a political party referred-to in Sub-section (4B) of Section 139, by the Chief Executive Officer of such party whether such Chief Executive Officer is known as secretary or by any other designation.	

Note: W.e.f., Assessment Year 2020-21, the Finance Act, 2020 has empowered the Central Board of Direct Taxes (CBDT) to enable any other person, as may be prescribed, to verify the return of income in the cases of a company and an LLP. In exercise of such power, the CBDT has inserted a new Rule 12AA to prescribe the other person who can verify a company's return and an LLP. This rule provides that any other person shall be the person, appointed by the National Company Law Tribunal (NCLT), for discharging the duties and functions of an interim resolution professional, a resolution professional, or a liquidator, as the case may be, under the Insolvency and Bankruptcy Code, 2016 and the rules and regulations made thereunder.

FEE AND INTEREST

Interest for default in furnishing Return of Income [Section 234A]

In cases where a return on income is furnished after the due date as specified u/s 139(1) or furnished belated return u/s 139(4) or furnished updated return u/s 139(8A) or furnished return in response to notice u/s 142(1) or is not furnished at all, the assessee has to pay simple interest at the rate of 1% per cent for every month or part of the month of default on the amount of tax on the total income as determined under sub-section (1) of Section

143, and where a regular assessment is made, on the amount of the tax or the total income determined under regular assessment or reduced by an amount of –

- advance tax if paid;
- any TDS/TCS;
- any relief under Sections 90, 90A;
- any deduction under Sections 91;
- any tax credit under the provisions of Section 115JAA;
- Relief u/s 89.

The period for which the interest is payable commences from the date immediately following the due date for filing the return and ending on the date of furnishing of the return. Where the return is not furnished, the interest will be payable from the due date for filing the return till the date of completion of assessment.

Note:

- (i) “tax on total income as determined under sub-section (1) of section 143” shall not include the additional income-tax, if any, payable under section 140B or section 143; and
- (ii) tax on the total income determined under regular assessment shall not include the additional income-tax payable under section 140B.]

Interest for default in payment of Advance Tax [Section 234B]

Where the assessee, liable to pay advance tax, has not remitted the same or where the advance tax paid is less than 90% of assessed tax. The assessee has to pay simple interest on assessed tax means the tax on the total income determined under sub-section(1) of section 143 and where a regular assessment is made, the tax on the total income determined under such regular assessment as reduced by the amount of :

- advance tax, if any paid;
- any TDS/TCS;
- any relief under Sections 90, 90A;
- any deduction under Section 91;
- any tax credit under provision of Section 115JAA;
- Relief U/s 89.

@ 1% percent for every month or part of month from 1st day April next following such financial year to the date of determination of total income under section 143(1) and where a regular assessment is made, to the date of such regular assessment.

In cases where the assessee has paid tax on the basis of self assessment under Section 140A, before the date of completion of a regular assessment, the interest is calculated on above basis upto the date of payment of tax under Section 140A and, the thereafter, on the amount by which the advance tax and tax paid under Section 140A fall short of advance tax.

In the cases of enhancement or reduction of the amount on which interest was payable under Section 147 (income escaping assessment) or Section 153A; Section 154 (rectification of mistake); Section 155 (other amendments on completed assessment of a partner in a firm; member of an AOP or body of individuals etc.); Section 250 (appeal); Section 254 (orders of the Appellate Tribunal); Section 260 (Decision of High Court or Supreme Court on the case stated); Section 262 (hearing before Supreme Court); Section 263 (revision of orders prejudicial to revenue); Section 264 (Revision of orders); or 245D(4) [order of the Settlement Commission, the interest shall be increased or reduced correspondingly. Where the interest has already been paid to the assessee, a notice of demand, calling for payment of such amount, has to be served on the assessee by the Assessing Officer. Such notice of demand shall be deemed to be an order under Section 156 of the Act.

Note:

- (i) “tax on total income as determined under sub-section (1) of section 143” shall not include the additional income-tax, if any, payable under section 140B or section 143; and
- (ii) tax on the total income determined under regular assessment shall not include the additional income-tax payable under section 140B.]

Interest for deferment of Advance Tax [Section 234C]

If the assessee who is liable to pay advance tax under Section 208 has failed to pay such tax or has under estimated the instalments of advance tax, he has to pay interest as follows :

- (a) If advance tax paid on or before 15 June is less than 15% of tax due on total income declared in the return or If advance tax paid on or before 15 September is less than 45% of tax due on total income declared in the return filed by the assessee or If advance tax paid on or before 15 December is less than 75% of tax due on total income declared in the return the assessee shall pay simple interest @ 1% per month for a period of three months on the amount of the shortfall from 15%, 45%, and 75% of the tax due on the returned income.
- (b) If advance tax paid on or before March 15 is less than 100% of tax due on total income declared in the return, as reduced by tax deducted at source, simple interest is payable @ 1% per month on the amount of shortfall from the tax due on the returned income declared.

Provided that if the advance tax paid by the assessee on the current income, on or before the 15th day of June or the 15th day of September, is not less than 12% or, as the case may be, 36% of the tax due on the returned income, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.

An eligible assessee in respect of the eligible business referred to in section 44AD or 44ADA, who is liable to pay advance tax under section 208 has failed to pay such tax or the advance tax paid by the assessee on its current income on or before the 15th day of March is less than the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.

Amendment to Section 234C(1): In respect of an assessee (who declares his income in accordance with presumptive taxation regime under section 44AD / 44ADA), interest under this section shall be levied, if the advance tax paid on or before March 15, is less than the tax due on the returned income.

Provided that nothing contained in this sub-section shall apply to any shortfall in the payment of the tax due on the returned income where such shortfall is on account of under-estimate or failure to estimate

- (a) the amount of capital gains; or
- (b) income of the nature referred to in sub-clause (ix) of clause (24) of section 2; or
- (c) income under the head “Profits and gains of business or profession” in cases where the income accrues or arises under the said head for the first time; or
- (d) income of the nature referred to in sub-section (1) of section 115BBDA,

and the assessee has paid the whole of the amount of tax payable in respect of income referred to in clause (a) or clause (b) or clause (c) or clause (d), as the case may be, had such income been a part of the total income, as part of the remaining instalments of advance tax which are due or where no such instalments are due, by the 31st day of March of the financial year:

Fees for Delay in Furnishing Return of Income [Section 234F]

<i>Situation</i>	<i>Fees</i>
If return is furnished after due date specified under section 139(1)	Rs. 5,000
In cases where the total income does not exceed Rs 5,00,000 then the fees shall not exceed:	Rs. 1,000

CASE LAWS

1.	09.06.2017	<i>Binoy Viswam v. Union of India</i>	<i>Supreme Court</i>
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Provision Mandating Quoting of Aadhaar for IT Returns & PAN is valid

Fact of the Case: Recently, Section 139AA was incorporated in the Income Tax Act vide Finance Act, 2017 requiring mandatory quoting of Aadhaar or enrolment ID of Aadhaar application form for filing of income tax returns and making application for allotment of PAN (Permanent Account Number) with effect from July 1 2017. as per the provision, non-enrolment of Aadhaar by July 2017 would render the PAN of the defaulting individual invalid, attracting serious consequences under the Income Tax Rules.

A number of petitions were filed before the Top-Court challenging the vires of the above provision. The petitioners contended that the new provision “compelling” tax payers to link their Aadhaar Card to PAN in 2015, the Aadhaar “was not mandatory” for all the citizens. It was held that Aadhaar should be voluntary and no benefits can be denied for want of it. The petitioner, therefore, contended that the scheme itself, was voluntary and the card is to be obtained only on the consent of the individual.

The bench concurred with the argument of the Government that the primary purpose of introducing this provision was to take care of the problem of multiple PAN cards obtained in fictitious names.

While accepting this contention, Justice A.K Sikri said that people who do not have Aadhaar Card are not bound to apply for it till the verdict of the Constitution Bench. It was clarified that “assesses who are not Aadhaar card holders and do not comply with the provision of Section 139(2), their PAN cards be not treated as invalid for the time being.” However, people who have Aadhaar must link it with PAN Card since it is necessary to prevent fake PAN cards.

Judgement: In *Binoy Viswam v. Union of India*, a two-judge bench of the Supreme Court upheld the constitutional validity of the provisions of Section 139AA of the Income Tax Act which mandates quoting of Aadhaar for IT Returns.

2	March 2, 2021	<i>Engineering Analysis Centre of Excellence Private Limited (Appellant) vs. CIT (Respondent)</i>	Supreme Court
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Amount paid by resident Indian end-users/distributors to non-resident computer software manufacturers/suppliers, as consideration for the resale/use of computer software through EULAs distribution agreements, is not payment of royalty for the use of copyright in computer software, and that the same does not give rise to any income taxable in India; as a result of which the persons are not liable to deduct any TDS under section 195 of the Income Tax Act.

Fact of the Case: The appellant, Engineering Analysis Centre of Excellence Pvt. Ltd. (EAC), is a resident Indian end-user of shrink-wrapped computer software, directly imported from the United States of America. The Assessing Officer by an order dated 15.05.2002, after applying Article 12(3) of the Double Taxation Avoidance Agreement (DTAA), between India and USA, and upon applying section 9(1)(vi) of the Income Tax Act, 1961 (Act), found that what was in fact transferred in the transaction between the parties was copyright which attracted the payment of royalty and thus, it was required that tax be deducted at source by the Indian importer and end-user, EAC. Since this was not done for both the assessment years, EAC was held liable to pay the amount of Rs. 1,03,54,784 that it had not deducted as TDS, along with interest under section 201(1A) of the Act amounting to Rs. 15,76,567. The appeal before the Commissioner of Income Tax (CIT) was dismissed by an order dated 23.01.2004. However, the appeal before the Income Tax Appellate Tribunal (ITAT) succeeded vide an order dated 25.11.2005.

An appeal was made from the order of the ITAT to the High Court of Karnataka by the Revenue. The High Court held that since no application under section 195(2) of the Act had been made, the resident Indian importers became liable to deduct tax at source, without more, under section 195(1) of the Act.

Order/ Judgment: The “license” that is granted vide the end user license agreement ‘EULA’, is not a license in terms of section 30 of the Copyright Act, which transfers an interest in all or any of the rights contained in sections 14(a) and 14(b) of the Copyright Act, but is a “license” which imposes restrictions or conditions for the use of computer software. The EULAs do not grant any such right or interest to reproduce the computer software. In point of fact, such reproduction is expressly interdicted, and it is also expressly stated that no vestige of copyright is at all transferred, either to the distributor or to the end-user.

Further, what is “licensed” by the foreign, non-resident supplier to the distributor and resold to the resident end-user, or directly supplied to the resident end-user, is in fact the sale of a physical object which contains an embedded computer programme, and is therefore, a sale of goods.

Further, given the definition of royalties contained in Article 12 of the DTAA, it is clear that there is no obligation on the persons mentioned in section 195 of the Income Tax Act to deduct tax at source, as the distribution agreements/EULAs in the facts of these cases do not create any interest or right in such distributors/end-users, which would amount to the use of or right to use any copyright. The provisions contained in the Income Tax Act (section 9(1)(vi), along with explanations 2 and 4 thereof), which deal with royalty, not being more beneficial to the assessee, have no application in the facts of these cases.

The amounts paid by resident Indian end-users/distributors to non-resident computer software manufacturers/suppliers, as consideration for the resale/use of the computer software through EULAs/ distribution agreements, is not the payment of royalty for the use of copyright in the computer software, and that the same does not give rise to any income taxable in India, as a result of which the persons referred to in section 195 of the Act were not liable to deduct any TDS under section 195 of the Act.

3	2016	<i>ITC Ltd Vs CIT 384 ITR 14 (SC)</i>	Supreme Court
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Whether “tips” received by the hotel-company from its customers (who made payment through credit card) and distributed to the employees would fall within the meaning of “Salaries” to attract tax deduction at source under section 192:

The amount of tips paid by the employer to the employees had no reference to the contract of employment at all. The amount of tips paid by the employer to the employees had no reference to the contract of employment at all. Therefore, the tips received by the employees could not be regarded as “profits in lieu of salary” in terms of section 17(3). Therefore, in such a case, no liability to deduct tax at source u/s 192 arises.

4	2015	<i>Japan Airlines Co. Ltd. v. CIT / CIT v. Singapore Airlines Ltd. (2015) 377 ITR 372 (SC)</i>	Supreme Court
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Are landing and parking charges paid by an airline company to Airports Authority of India in the nature of rent to attract tax deduction at source u/s 194-I?

The charges which are fixed by the AAI for landing and take-off services as well as for parking of aircrafts are not for the “use of the land”. Hence, the charges are not for use of the land per se and, therefore, it cannot be treated as “rent” within the meaning of section 194-I.

5	2021	<i>Engineering Analysis Centre of Excellence Pvt. Ltd. v. CIT</i>	Supreme Court
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Whether payment for imported software is “Royalty” and whether TDS U/S 195 applies.

Background:

Engineering Analysis Centre of Excellence Pvt. Ltd. (EAC), an Indian company, bought standard, shrink-wrapped software from foreign companies for its own internal use. The tax department claimed that this payment was for the **use of copyright**, and thus qualified as **royalty** under the Income Tax Act and the India–USA DTAA. Therefore, EAC should have deducted TDS under **Section 195**.

What the Supreme Court Held:

The Supreme Court ruled **in favour of the taxpayer** (EAC) and gave these key findings:

- **Not a Royalty Payment:** The software was licensed only for use – **not for reproduction or commercial exploitation**. So, the **copyright was never transferred**. It was not a royalty.
- **Just a Sale of Goods:** Buying a software CD or downloading software for internal use is like buying a book. It’s a **sale of goods**, not a transfer of copyright.
- **No TDS Required:** Since this was not income taxable in India under the **DTAA**, there was **no need to deduct TDS under Section 195**.
- **DTAA Overrides Indian Law:** Even though the Income Tax Act has broader definitions for royalty (like Explanation 4 to Section 9(1)(vi)), the **more beneficial DTAA definition applies** to the taxpayer.

Importance of this Case Matters:

- If you buy standard software from abroad and **don’t get copyright rights**, it’s **not a royalty**.

- If there's **no income taxable in India**, then **no TDS** is needed under Section 195.
- The ruling gives clarity to **IT companies, distributors, and end-users** in India who deal with foreign software vendors.

6	2016	<i>ITC Ltd. v. CIT</i>	Supreme Court
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Whether tips collected by a hotel from customers and distributed to employees are “salary” under Section 192, requiring TDS deduction.

Background:

ITC Ltd., a hotel company, received **tips from customers**, often paid through **credit cards**. These tips were later distributed among the hotel's employees. The tax department argued that these tips were part of the **employees' salary**, and hence ITC was liable to deduct **TDS under Section 192** of the Income Tax Act.

Supreme Court's Ruling:

The Supreme Court ruled **in favour of ITC Ltd.**, holding that:

- **Tips are voluntary payments** from customers to employees, not part of the employer-employee contract.
- The employer (hotel) **only acted as a conduit**, passing the tips from customers to employees.
- Since tips are **not paid by the employer** and are **not contractually agreed**, they do **not qualify as “salary”** or **“profits in lieu of salary”** under **Section 17(3)**.
- Therefore, there is **no obligation to deduct TDS under Section 192** on such tip amounts.

7	2015	<i>Japan Airlines Co. Ltd. & Singapore Airlines Ltd. v. CIT</i>	Supreme Court
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Whether landing and parking charges paid by airlines to the Airports Authority of India (AAI) are treated as “rent” under Section 194-I, thus requiring TDS deduction.

Background:

The Income Tax Department argued that the charges paid by airlines to AAI for **landing, take-off, and aircraft parking** involved the **use of land**, and hence should be treated as **“rent”**, requiring deduction of **TDS under Section 194-I**.

Supreme Court Ruling:

The Supreme Court ruled in favour of the airlines and held that:

- **Landing and parking charges are not “rent”** as defined under Section 194-I.
- These charges are **not paid for mere use of land**, but for **a complex bundle of airport services**—which include air traffic control, ground handling, lighting, safety mechanisms, and technical support.
- The aircraft **does not “use” land in the conventional sense** as contemplated under a rent agreement.
- Therefore, **Section 194-I does not apply**, and **no TDS is required** on such payments.

CASE STUDY

RoboMart Ltd., a tech-based start-up, enjoyed a booming FY 2025–26 but stumbled through its tax journey. The CFO forgot the 15th June advance tax date, and subsequent instalments were delayed. While filing their return of income, they realized the due date (31st October) was missed and finally submitted it on 20th December. Meanwhile, their TDS team was caught up in a product launch and submitted the Q2 TDS return a month late. Later, they received an email notice from the Income Tax Department showing an outstanding demand, which was paid 50 days after the notice date. As if this wasn't enough, the compliance head forgot to submit the company's SFT report – detailing high-value digital transactions – until 80 days past the due date. Identify all applicable provisions of Fees and Interest under the Income Tax Act, 1961 triggered by RoboMart Ltd.'s non-compliance. Briefly explain the nature of each liability.

Answer:

RoboMart Ltd. triggered multiple interest and fee provisions due to delayed tax compliance, each governed by distinct sections of the Income Tax Act:

1. **Section 234C – Interest for Deferment of Advance Tax:** Since RoboMart missed the June instalment and delayed others, it is liable to pay 1% interest per month for each deferred advance tax instalment, even if tax was paid later in full.
2. **Section 234A – Interest for Late Filing of Return:** The return was filed on 20th December instead of the due date of 31st October (for audit cases), thus incurring 1% monthly interest on net tax payable from the due date till actual filing.
3. **Section 234F – Fee for Late Filing of Return:** Since the return was filed after the due date and total income likely exceeded ₹5 lakhs, a flat fee of ₹5,000 is applicable under this section.
4. **Section 234E – Fee for Late Filing of TDS Return:** Q2 TDS return was filed one month late. This attracts a mandatory fee of ₹200 per day of delay, up to the amount of TDS deducted.
5. **Section 220(2) – Interest for Late Payment of Demand:** RoboMart paid the outstanding tax demand 50 days after the notice. Since it exceeded the 30-day time limit, interest @1% per month from the 31st day until the actual payment applies.
6. **Section 234G – Fee for Delay in Furnishing SFT:** The SFT (Statement of Financial Transactions) was filed 80 days late. RoboMart is liable to a fee of ₹200 per day of delay for late furnishing of this report.

LESSON ROUND-UP

- The Income-tax Act provides for collection and recovery of income-tax in the following ways, namely,
 - (i) Deduction of tax at source in respect of income by way of salaries, interest on securities, interest other than interest on securities, winnings from lotteries and crossword puzzles, winnings from horse-race, insurance commission, dividends, payment to contractors or subcontractors and payments to non-residents;
 - (ii) advance payment of income-tax before the assessment by the assessee himself;
 - (iii) direct payment of income-tax by the assessee on self-assessment; and
 - (iv) after the assessment is made by the Assessing Officer.

- Sections 192 to 206 of the Income-tax Act lay down the provisions relating to deduction of tax at source.
- The provision related to Tax Collection at Source.
- Section 207-219 of the Income Tax Act deals with the provisions relating to advance payment of tax. In advance payment of tax, the assessee has to pay tax in a financial year under estimated income which is to be taxed in the subsequent assessment year. It follows the doctrine known as pay as you earn scheme. It is obligatory for an assessee to pay advance tax where the advance tax payable is Rs. 10,000 or more [(Section 208)].
- Filing of Return: The procedure under the Income-tax Act for making an assessment of income begins with the filing of a return of income. Section 139 of the Act contains the relevant provisions relating to the furnishing of a return of income.
- The provisions related to filing of Revised Return, Belated Return, Updated Return.
- The provision related to defective return.
- The fees and Interest for default in furnishing return of Income.

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation.)

Multiple Choice Questions “MCQs”

1. Mr. Anil who is a non-resident in India during the previous year has paid consultancy fees of Rs. 50 lakhs to X Ltd, a non-resident foreign company in connection to a project / liaison office in India. Under which section Mr. Anil is required to deduct tax at source on the above payment?
 - a) Section 194J of the Income tax Act, 1961
 - b) Section 195 of the Income tax Act, 1961
 - c) No TDS is required to be deducted
 - d) None of the above

Answer: (b)

2. Interest on deferment of advance tax is levied under section:
 - a) Section 234A of the Income -tax Act, 1961
 - b) Section 234B of the Income-tax Act, 1961
 - c) Section 234C of the Income-tax Act, 1961
 - d) Section 201A of the Income-tax Act, 1961

Answer: (c)

3. The TDS Certificate issued by an employer to his employees in case of salary income is
 - a) Form 16
 - b) Form 26

- c) Form 26A
- d) Form 26Q

Answer: (a)

4. For making a TAN Application online, a person shall file his application in Form No.
- a) 49A
 - b) 49C
 - c) 49B
 - d) 49D

Answer: (c)

5. Every individual/HUF/AOP/BOI/artificial juridical person has to file the return of income if his total income (including income of any other person in respect of which he is assessable) without giving effect to the provisions of section 10(38), 10A, 10B 10BA, 54, 54B, 54D, 54EC, 54F, 54G, 54GA or 54GB or Chapter VIA (i.e., deduction under section 80C to 80U), exceeds
- (a) Rs. 2,00,000
 - (b) Rs. 2,50,000
 - (c) Rs. 5,00,000
 - (d) The maximum amount not chargeable to tax

Answer: (d)

6. What is the due date of filing the return of income in case of a company other than a company who is required to furnish a report in Form No. 3CEB under section 92E?
- (a) October 31 of the assessment year
 - (b) November 30 of the assessment the year
 - (c) July 31 of the assessment year
 - (d) June 30 of relevant assessment the year

Answer: (a)

Justify with reason the correctness / incorrectness of the statement

1. "Every person, being a company, has to file its return of income only if it has any positive income or if it wants to carry forward the loss (if any).
2. Every person, being a company, has to file its return of income compulsorily, irrespective of its income being profit or loss. In other words, it is mandatory for every company to file the return of income irrespective of its income or loss.
3. Every person, being a partnership firm (including Limited Liability Partnership), has to file its return of income compulsorily, irrespective of its income being profit or loss.
4. If a person fails to file the return of income within the time-limit prescribed in this regard, then as per section 139(4) he can file a belated return. A belated return can be filed before the end of the relevant assessment year or before completion of assessment, whichever is earlier.

Descriptive Questions:

1. Mr. A is an employee earning salary of Rs. 30,000 per month. He filed return of income and his tax liability was nil after claiming rebate under section 87A. Later he found that he didn't disclose interest income of Rs. 60,000 on which tax was deducted by bank. The time limit to file belated return has expired. Can assessee file updated return and claim refund of tax deducted on interest?
2. What are the implications if a person fails to file the return of income within the time-limit prescribed under the Income tax Act, 1961.
3. What is Tax Deducted at Source and Tax Collected at Source.
4. Discuss the "Pay as You Earn" principle in India's direct taxation framework. Explain how TDS, TCS, and Advance Tax mechanisms collectively embody this principle, highlighting the benefits for both the government and the taxpayer.
5. Compare and contrast the provisions of Section 234B (Interest for default in Advance Tax payment) and Section 234C (Interest for deferment of Advance Tax). Provide an illustrative example for each section to demonstrate how the interest is calculated.
6. Explain the concept of Self-Assessment Tax (SAT) and its significance in the overall tax compliance process. Discuss the legal implications of failing to pay SAT and, referencing relevant case law, address whether a delayed payment of SAT along with interest constitutes tax evasion.
7. Describe the various types of income tax returns available to a taxpayer in India (Original, Belated, Revised, and Updated). For each type, outline its purpose, the conditions under which it can be filed, and the key benefits or disadvantages associated with it.

LIST OF FURTHER READINGS

- **Direct Taxes Law and Practice**
Author: Dr. Vinod K. Singhanian & Dr. Kapil Singhanian
Publisher: Taxmann
- **Direct Taxes Ready Reckoner with Tax Planning**
Author: Dr. Girish Ahuja & Dr. Ravi Gupta
Publisher: Wolters Kluwer

OTHER REFERENCES (INCLUDING WEBSITES AND VIDEO LINKS)

- **Income Tax Act, 1961:** <https://www.incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
- **Income Tax Rules, 1962:** <https://www.incometaxindia.gov.in/Pages/rules/income-tax-rules-1962.aspx>
- **Circulars:** <https://www.incometaxindia.gov.in/Pages/communications/circulars.aspx>
- **Notifications:** <https://www.incometaxindia.gov.in/Pages/communications/notifications.aspx>