

# CHAPTER TDS

## Section 194: TDS on Dividends

The Company distributing dividend has to deduct TDS as under-

- On dividend distributed in any Mode i.e., either in cash or cheque, etc.
- If such dividend paid is **more than Rs.5000/-** (earlier it was 2500/-)
- The rate of TDS is 10%

## Section 194A TDS on interest other than interest on securities:

Keeping other things same as mentioned already in the section, Applicability for Individual and HUF (payer) is changed as under -

If an Individual or HUF is having **business turnover more than Rs. 1,00,00,000/-** in the financial year immediately preceding the financial year in which such amount liable for tds is paid or credited &

If an Individual or HUF is having **professional receipts more than Rs. 50,00,000/-** in the financial year immediately preceding the financial year in which such amount liable for tds is paid or credited, **is required to deduct TDS.**

The scope of section 194A to deduct tax at source in respect of payment of interest is being widened in respect of the Cooperative Societies.

- If the total sales, **gross receipt or turnover** of the Cooperative Society **exceeds Rs. 50 crore** during the financial year immediately preceding the financial year and the amount of interest to be credited or paid during the financial year is **more than Rs. 40,000** in the case of such cooperative **society**, the cooperative society shall be required to deduct tax at the rate of

10% in case the amount of interest credited or paid or likely to be credited or paid during the financial year.

-However, in the case of the senior citizen, the tax shall be required to be deducted at source in case this amount is more than Rs. 50,000/-

### TDS U/s 194C, 194H, 194I, 194J & 194IB

Keeping other things same as mentioned already in the section, Applicability for Individual and HUF (payers) is changed as under –

- If an Individual or HUF is having business turnover more than Rs. 1,00,00,000/- in the financial year immediately preceding the financial year in which such amount liable for tds is paid or credited &
- If an Individual or HUF is having professional receipts more than Rs. 50,00,000/- in the financial year immediately preceding the financial year in which such amount liable for tds is paid or credited, is required to deduct TDS.

### Section 194K: [newly inserted] TDS in respect of units

- Any person responsible for paying to a resident any income in respect of Units,
- Shall deduct TDS at the rate of 10%
- If any sum paid is more than Rs. 5000/-

### Section 194N: TDS on Payment of certain amount of CASH

Every person, being,—

- (i) a banking company
- (ii) a co-operative bank

(iii) a post office who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash EXCEEDING ONE CRORE RUPEES DURING THE PREVIOUS YEAR, to any person (herein referred to as the recipient) from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum, DEDUCT AN AMOUNT EQUAL TO TWO PER CENT. of such sum, as income-tax:

Provided that in case of a recipient who has not filed the returns of income for all of the three assessment years relevant to the three previous years, for which the time limit of file return of income under sub-section (1) of section 139 has expired, immediately preceding the previous year in which the payment of the sum is made to him, the provision of this section shall apply with the modification that—

- (i) the sum shall be the amount or the aggregate of amounts, as the case may be, in cash exceeding twenty lakh rupees during the previous year; and
- (ii) the deduction shall be—
  - (a) AN AMOUNT EQUAL TO TWO PER CENT. of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds twenty lakh rupees during the previous year but does not exceed one crore rupees; or
  - (b) AN AMOUNT EQUAL TO FIVE PER CENT. of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds one crore rupees during the

*previous year:*

### **Section 206AA: TDS at higher rate**

A recipient who fails to furnish PAN to the person making a payment would suffer TDS at the higher of the rates mentioned below:

- At the rate specified in the relevant provision of the Act;
- At the rate or rates in force, i.e., the rate prescribed in the Finance Act (Finance Act 2020 for FY 2020-21);
- At the rate of 20% **[As per Finance Act, 2020, 5% tax is required to be deducted in case of section 194-O instead of 20%]**

### **Changes in Time limit of TDS & TCS Return**

The due date of furnishing the TDS/TCS return for the Quarter ending on 30<sup>th</sup> June, 2020 and Quarter ending on 30<sup>th</sup> Sep, 2020 i.e. Q1 and Q2 for F.Y 2020-21 shall be 31<sup>st</sup> March, 2021

### **Section 20I: Interest in case of failure to deduct and paid TDS**

Where the due date for payment of TDS falls during 20<sup>th</sup> March, 2020 to 29<sup>th</sup> June, 2020 and such TDS has not been paid by such date but is paid by 30<sup>th</sup> June, 2020, then the rate of interest in respect of such amount for the period delay shall not exceed 0.75% for every month or part.

**Analysis & Example: [We will Discuss in Amendment Class]**

**194-0: [newly inserted] Payment of certain sums by e-commerce operator to the e-commerce participant.**

- an E-commerce operator shall be required to deduct TDS at the rate of 1% at the time of credit of amount of sale or service or both to the account of the E-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.

- The rate of TDS is 1%

- The amount shall include the payment directly made by the purchaser of the goods or services to the E-commerce participant.

- However, this provision shall not be applicable for E-commerce participant if the E-commerce participant happens to be an individual or HUF and the gross amount of sales or services or both of such individual or HUF through such E-commerce operator during the year does not exceed Rs.5 lakhs and such E-commerce participant furnishes a PAN or aadhar Number.

- In case the E-commerce participant does not furnish PAN or Aadhar Number to the e-commerce operator, TDS shall be deducted at the rate of 5% under section 206AA of the Act

**Section 197: Certificate for deduction at lower rate**

For TDS under 194-0, lower deduction certificate can be obtained by the assessee.

***Section 271AAD:[newly inserted] Penalty for false or omitted entries found in books of accounts***

– If it is found during any proceeding under the Act that in the books of accounts maintained by any person, there is a (i) false entry or (ii) any entry relevant for computation of total income of such person has been omitted to evade tax liability, then such person shall be liable to pay by way of penalty, a sum which is equal to the aggregate amounts of such false entries or omitted entry.

– Further, penalty will be levied of the aggregate amounts of such false entries or omitted entry on any other person who causes the assessee in making the false entry or omits or causes to omit an entry.

– The term ‘false entry’ has been defined in an inclusive manner to include use or intention to use:

(a) **Forged or falsified documents** such as a false invoice, or a false piece of documentary evidence, or

(b) **invoice for supply** or receipt of goods or services or both issued by or received by the assessee in respect of which no actual goods or services have been provided or received; or

(c) **Invoice issued** for supply of goods or services or both issued by or received from a non-existent person

**Analysis & Example: [We will Discuss in Amendment Class]**



**Miscellaneous Amendments:**

1. Revision under Section 264 is made by **CCIT** or **CIT**
2. Finance Act, 2020 provides that corpus donations made by a trust i.e., donations made by trust with a specific direction that they are towards the corpus of the trust/institutions shall not be treated as application of income if such corpus donations are made to –
  - a) A trust registered u/s 12AA
  - b) A Fund, university, medical institutions or hospitals u/s 10(23C)
3. Authorised dealer receiving from a buyer for remittance out of India and seller of an overseas tour program package from a buyer 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 (As amended by Finance Act, 2020 this TCS will be effective from 1st October, 2020):
  - a. TCS @ 5% for amount exceeding Rs. 7 Lacs in a financial year and is for a purpose other than purchase of overseas tour program package. the tour operator shall collect TCS on the entire sum as there is no threshold limit for him.
  - b. TCS @ 0.5% if the amount exceeding Rs. 7 Lacs being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education.
  - c. TCS@ 10% if no PAN or Aadhaar is furnished
4. 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 @ 10% if no PAN or Aadhaar is furnished by the buyer.*



Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes

New Delhi, 13<sup>th</sup> May, 2020

**PRESS RELEASE**

**Reduction in rate of Tax Deduction at Source (TDS) & Tax Collection at Source (TCS)**

In order to provide more funds at the disposal of the taxpayers for dealing with the economic situation arising out of COVID-19 pandemic, the rates of Tax Deduction at Source (TDS) for the following non-salaried specified payments made to residents has been reduced by 25% for the period from 14<sup>th</sup> May, 2020 to 31<sup>st</sup> March, 2021:-

S. No	Section of the Income-tax Act	Nature of Payment	Existing Rate of TDS	Reduced rate from 14/05/2020 to 31/03/2021
1	193	Interest on Securities	10%	7.5%
2	194	Dividend	10%	7.5%
3	194A	Interest other than interest on securities	10%	7.5%
4	194C	Payment of Contractors and sub-contractors	1% (individual/HUF) 2% (others)	0.75% (individual/HUF) 1.5% (others)
5	194D	Insurance Commission	5%	3.75%
6	194DA	Payment in respect of life insurance policy	5%	3.75%
7	194EE	Payments in respect of deposits under National Savings Scheme	10%	7.5%
8	194F	Payments on account of re-purchase of Units by Mutual Funds or UTI	20%	15%
9	194G	Commission, prize etc., on sale of lottery tickets	5%	3.75%
10	194H	Commission or brokerage	5%	3.75%