

CHAPTER 7B: TAX DEDUCTION AT SOURCE

Section 192 TDS On Salary

Payment	Payer	Payee	Rate
Salary	Any Person (ER)	Any Person (EE)	Slab Rate
Additional Points - TDS to be deducted @ the time of payment - If any person is working with two or more employers, in that case he should submit the particulars of his salary from all the employers to one of the employer who will deduct TDS on total Salary from all the Employers - For taxability of Salary under normal scheme (i.e. old regime) EE has to submit declaration to ER, then ER shall deduct TDS under Normal Scheme. - If any employee has income under any other head, the employee may report such incomes to the employer and the employer shall take it into consideration while deducting TDS. - If employee has loss under the head house property, he shall be allowed to report such loss to the employer. - If any tax has been deducted or collected under any other section then EE is allowed to report such details to ER. - EE has to give evidence/proof of deductions, Rent Paid for HRA Exemption, Travel expenses for LTC exemption. (Leave Travel Concession - LTC) - If the ER bears the tax on non-monetary perq, then such tax shall not be deducted from salary of EE. Note: Tax on non-monetary perq paid by ER is exempted in hands of EE u/s 10(10CC) and ER is not allowed to dr. such expense to P/L. - Where firm pays salary to partner, then section 192 is not applicable.			

Imp. 8

→ P4B3P

→ T.D.S on salary from ER.

Example 01

Mr. X is an employee and gets following emoluments:-

Basic Salary ₹5,00,000

Dearness Allowance ₹5,00,000

Rent free accommodation ₹1,00,000

Tax on rent free accommodation is paid by employer

Calculate TDS to be deducted every month under default regime

H.W.

Example 02

Mr. A is an employee and gets following emoluments :-

From A Ltd. (April – July) @ ₹60,000 p.m.

From B Ltd. (Aug – March) @ ₹90,000 p.m.

Deduction u/s 80C : Life Insurance Premium = ₹50,000

Calculate TDS to be deducted every month under old regime

192 – TDS on Sal. ————— Slab
 192A – TDS on PF
 193 – TDS on Int on Sec. } 10%
 194 – Div.
 194A – other Int

PF - withdraw $\Rightarrow$ 5,00,000

$\rightarrow$ 10% TDS

Net paym $\Rightarrow$ 4,50,000.

CA Jasmeet Singh Arora

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Section 192A Withdrawal From Employees Provident Fund

Payment	Payer	Payee	Rate
Accumulated Balance Of PF	Any Person	Any Person (EE)	10%
Additional Points			
1. TDS to be deducted @ the time of payment 2. No TDS, if payment is less than 50,000 3. No TDS if Withdrawal from PF is Exempt (Refer Salary Chap.) 4. If EE fails to furnish the PAN, then TDS is deducted @ MMR (30% + 37% + 4% i.e. 42.744%) - old Req.			

New Req $\Rightarrow$ 30% + 25% + 4% = 39%

Max. Marginal rate

Section 193 Interest on Securities $\rightarrow$ deb/bonds.

Payment	Payer	Payee	Rate
Interest on Securities	Any Person	Resident Person	10%
Additional Points			
No TDS in Following Cases - Learn (a) 7 Years NSC; (b) National Development/Defence Bond; $\rightarrow$ CG Issue (c) 54EC Bonds: PFCL & IRFCL; (d) Listed DEMAT Securities; (e) Interest is payable to LIC/GIC/Insurance co. (f) Interest on Debentures of Public Co. to Resident Ind/HUF by A/c payee cheque in FY is upto ₹ 5,000. (g) CG/SG Securities $\rightarrow$ Floating rate Saving bonds, 2020 (Taxable) Note: TDS Shall be deducted on 8% saving (taxable) bonds & 7.75% Savings (Taxable) Bonds if interest is more than ₹ 10,000 (h) Individual holding 6.5% Gold Bonds, 1977 or 7% gold bonds, 1980 provided that nominal value of bond is upto ₹ 10,000			

Section 194 Dividend — on shares. (Read)

Payment	Payer	Payee	Rate
Dividend	Domestic Company	Resident Person	10%
Additional Points			
1. TDS to be deducted @ the time of payment 2. No TDS where dividend is payable to LIC/GIC/Insurance co. 3. No TDS If dividend is upto ₹ 5,000 in a FY is paid to individual by any mode other than cash.			

Section 194A Interest Other Than Interest On Securities (Imp)

Payment	Payer	Payee	Rate
Interest Other than Securities Interest	Any Person Other Than Ind/HUF	Resident Person	10%
Additional Points			
- Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession. - No TDS In Following Cases: - Interest Paid by Bank/Post Office on time deposits (FD) not exceeding ₹ 40,000 (₹ 50,000 for Senior Citizen) Limit of 40K/50K → Branch wise; However, if CBS exist, limit of 40K/50K is for Whole bank (All Braches) - Interest on savings account. → Any Amt - Other Interest upto ₹5,000 - Interest to banks, Financial corporation, LIC, UTI, Co-op Banks; (NBFC Not covered) - Interest paid by firm to its partner → Int to NBFC → TDS Apply - Exempted interest u/s 10(15) - Interest paid by primary agricultural credit society on deposits made with them. - Interest on tax refund by Government Interest on Zero Coupon Bonds			

Example 03

Mr. X has 3 Fixed Deposit Accounts of ₹3,00,000 each in 3 branches of Bank of Baroda

Branch 1 - ₹3,00,000 @ 9% = 27000

Branch 2 - ₹3,00,000 @ 9% = 27000

Branch 3 - ₹3,00,000 @ 9% = 27000

Note :- FD Matures in 12 months 81,000

Calculate TDS implications if

- (a) CBS exists → T.D.s ded. u/s 194A, As Int total Amt bank-wise exceeds 40,000. ∴ TDS = $81000 \times 10\% = 8100$.
- (b) CBS does not exist

No TDS u/s 194A, As Branch wise Int doesn't exceed 40,000.

Illustration 01

- Hw. {
- Examine the TDS implications under section 194A in the cases mentioned hereunder—
On 1.10.2024, Mr. Harish made a six-month fixed deposit of 10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2025.
 - On 1.6.2024, Mr. Ganesh made three nine months fixed deposits of 3 lakh each, carrying interest @ 9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2025.
 - On 1.10.2024, Mr. Rajesh started a six months recurring deposit of 2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2025.

Total Int = 28,000 → No T.D.s

Section 194B WINNING FROM LOTTERIES OR CROSS WORD PUZZLES, ETC. (CASUAL INCOME)

Payment	Payer	Payee	Rate
WINNING FROM LOTTERIES OR CROSS WORD PUZZLES, ETC.	Any Person	Any Person	30%
Additional Points			
1. TDS required to be deducted @ time of payment 2. No TDS if winning amount is upto ₹ 10,000 3. If prize is given partly in cash and partly in kind then tax on whole prize (i.e. aggregate of cash and value of prize in kind) shall be deducted from the cash prize. 4. If prize is given in kind only (or cash prize is not sufficient), then payer should ensure that tax has been paid on such income before releasing such prize. 5. If prize money is paid in instalments, then tax shall be deducted at the time of payment of each instalment. 6. Where an agent receives the prize money on unsold ticket or becomes entitled to an unclaimed prize, it shall form part of his business income and therefore not liable for tax deduction u/s 194B			

Section 194BA Winnings From Online Games

Winnings from Dream 11 Running Circle 2180 } 28% u/s 194BA TDS.

Payment	Payer	Payee	Rate
Winnings From Online Games	Any Person	Any Person	30%
Additional Points			
1. TDS is to be deducted at the end of the FY. In case, there is withdrawal from user account during the FY, tax would be deducted at the time of such withdrawal on net winnings comprised in such withdrawal. $\text{Net winnings} = A - (B + C)$, where A = Amount withdrawn from the user account; B = Aggregate amount of non-taxable deposit made in the user account by the owner of such account during the financial year, till the time of such withdrawal; and C = Opening balance of the user account at the beginning of the financial year. 2. Any deposit in the form of bonus, referral bonus, incentives etc would form part of net winnings and tax under section 194BA of the Act is liable to be deducted at the time of withdrawal as well as at the end of the financial year. 3. If some incentives/bonus which is credited in user account only for the purposes of playing and they cannot be withdrawn or used for any other purposes, then such deposit shall be ignored for calculation of net winnings. However when these incentive / bonus are recharacterised and they are allowed to be withdrawn, they will become part of net winnings for the year in which they are withdrawn. 4. No TDS where net winnings withdrawn does not exceed Rs 100 in a month			

5. If prize is given partly in cash and partly in kind then tax on whole prize (i.e. aggregate of cash and value of prize in kind) shall be deducted from the cash prize.
6. If prize is given in kind only (or cash prize is not sufficient), then payer should ensure that tax has been paid on such income before releasing such prize.

Section 194BB Winning From Horse Races Casual Income

Payment	Payer	Payee	Rate
Winnings From Horse Races	Any Person	Any Person	30%
Additional Points			
1. TDS required to be deducted @ time of payment			
2. No TDS if winning amount is upto ₹ 10,000.			

SECTION 194C PAYMENT TO CONTRACTOR (IMr)

→ T.D.S. Crediting PAYEE (Due)
Actual Payment } earlier

Payment	Payer	Payee	Rate
Payment to contractor. Works / labour contract ; Advertising contract, Catering, TV, Transporters, Job Work.	Any Person Other Than Ind/HUF/AOP/BOI	Resident Person	Payee Ind/HUF – 1% Other – 2%
Additional Points			
1. Ind/HUF/AOP/BOI shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.			
2. NO TDS in following Cases:			
(a) If Single payment is upto ₹ 30,000 & Aggregate payment upto ₹ 1,00,000 during FY.			
(b) Personal contract of Individual / HUF			
(c) Payment to contractor in transport business owning not more than 10 trucks during FY & furnishes PAN → S.U.A.E			
3. Works Includes			
a) advertising			
b) broadcasting and telecasting including production of programmes for such broadcasting or telecasting;			
c) carriage of goods and passengers by any mode of transport other than by railways;			
d) catering.			
e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee u/s 40A(2). but does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer			

4. In case of Job work, TDS shall be applied on the invoice value excluding the value of material purchased from the customer, provided bifurcation is given in the invoice. Otherwise, TDS is applied on entire value.
5. Payment by broadcaster or telecasters (TV Channels / OTT) to production houses for the production of content for broadcasting/Telecasting:
 - a) Content is produced as per broadcasters requirement and Copyright of such content is with broadcaster → Covered under definition of work → TDS u/s 194C is Applicable
 - b) Broadcaster acquires telecast rights of the content already produced → Not covered under definition of work → No TDS u/s 194C is Applicable.
6. Payment for transportation of gas:

If seller sells as well as transports the gas to the buyer till the point of delivery, nature of such contract remains “contract of sale” and not a works contract. It is irrelevant whether transportation charges are included in cost of gas or it is shown separately. However, if transportation facility is availed from third person, then transport charges are liable for tds u/s 194C.

Illustration 02

ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the P.Y.2024-25 :-

- ₹20,000 on 01-05-2024
- ₹25,000 on 01-08-2024
- ₹28,000 on 1.12.2024

Agg.
20000
45000
73000

Payee - Ind.

No TDS As Ind. paym within 30K & Agg. Paym. upto 1L

On 1.3.2025, a payment of ₹30,000 is due to Mr. X on account of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to Mr. X.

on 1/3/25 Agg. paym. → 103000

∴ TDS = 103000 × 1% = 1030 from 30,000
ie Net Paym → 30000 - 1030 = 28970.

Illustration 03

Moon TV, a television channel, made payment of 50 lakhs to a production house for production of programme for telecasting as per the specifications given by the channel.

The copyright of the programme is also transferred to Moon TV. Would such payment be liable for tax deduction at source under section 194C? Discuss. — Yes it is a works contract

Also, examine whether the provisions of tax deduction at source under section 194C would

be attracted if the payment was made by Moon TV for acquisition of telecasting rights of

the content already produced by the production house. → No TDS up 194C → Content already Produced → There is No works contract.

Section 194D Insurance Commission

Read (Hw) 5/12

Payment	Payer	Payee	Rate
Insurance Commission	Any Person	Resident Person	5%
Additional Points			
No TDS if Commission is upto ₹ 15,000.			

Section 194DA Maturity of Life Insurance Policy

Payment	Payer	Payee	Rate
Maturity of Life Insurance Policy	Any Person	Resident Person	5% of Income Received. w.e.f. 1/10/2024 2%
Additional Points			
1. TDS required to be deducted @ time of payment 2. No TDS if maturity Amount Received is less than ₹ 1,00,000 3. No TDS if maturity Amount is Exempt u/s 10(10D)			

Illustration 04

Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases -

- ✓ a) Mr. X, a resident, is due to receive ₹4.50 lakhs on 31.3.2024 towards maturity proceeds of LIC policy taken on 1.4.2020, for which the sum assured is 4 lakhs and the annual premium is 1,25,000.
 MAX PREM = 10% of CSA = 40K
- ✓ b) Mr. Y, a resident, is due to receive ₹3.95 lakhs on 31.3.2024 on LIC policy taken on 31.3.2012, for which the sum assured is 3.50 lakhs and the annual premium is 30,100.
- ✓ c) Mr. Z, a resident, is due to receive ₹95,000 on 1.8.2023 towards maturity proceeds of LIC policy taken on 1.8.2015 for which the sum assured is 90,000 and the annual premium was ₹10,000.

Section 194E Payment To Non Resident Sportsman/Entertainer Or Sports Associations

Payment	Payer	Payee	Rate
Payment To Non Resident Sportsman Or Sports Associations	Any Person	Non Resident Sportsman Or Sports Associations	20.8% (20% + 4%)
Additional Points			
Income Received by NR Sportsperson by way of			
(a) Participation in India in any game (excluding card game or gambling) or sport			
(b) Advertising			
(c) Contribution of articles relating to any game or sports in any newspaper, magazine or journal.			
(d) Income received for performing in India by NR entertainer.			

Illustration 05

Calculate the amount of tax to be deducted at source (TDS) on payment made to Ricky Ponting, an Australian cricketer non-resident in India, by a newspaper for contribution of articles ₹ 25,000.

Int on lav → 02
TTA/TDS. ①

Section 194G Commission On Sale Of Lottery Tickets

Read Hw 5/12

Payment	Payer	Payee	Rate
Commission On Sale Of Lottery Tickets	Any Person	Any Person	5% w.e.f. 1/10/2024 – 2%
Additional Points			
No TDS if Commission is upto ₹ 15,000			

Section 194H Commission & Brokerage

Hw Read 5/12

Payment	Payer	Payee	Rate
Commission & Brokerage	Any Person Other Than Ind/HUF	Resident Person	5% w.e.f. 1/10/2024 – 2%
Additional Points			
- Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession. - No TDS if Commission is upto ₹ 15,000 - No TDS on any commission or brokerage payable by BSNL or MTNL to their public call office franchisees. - NO TDS if commission or brokerage related to security like commission to underwriter, brokerage on public issue etc.			

Section 194-I TDS ON RENT (Imp)

Payment	Payer	Payee	Rate	
Rent of Land & Building, Plant & Machinery, Furniture & Fixture	Any Person Other Than Ind/HUF	Resident Person	P&M	2%
			L&B	10%
			F&F	10%
Additional Points				
- Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession. - No TDS if Rent is upto ₹ 2,40,000 → <u>Total Amt during yr.</u> - Lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights are not payments in the nature of rent within the meaning of sec. 194-I. Therefore, NO TDS. - Passenger Service Fees paid by airline company to airport operator is not treated as rent. Therefore, NO TDS u/s 194-I. - No TDS on refundable deposit. - Advance rent is liable for TDS @ the time of payment. - Warehousing Charges are covered under this section.				

Factory Taken on Rent ⇒ ₹ 1,50,000 pm. → T.D.S u/s 194-I

↓

24 Rent As a security deposit → Refund @ time of leaving factory.
 If Adjust Against Rent → T.D.S Apply u/s 194-I
 ∴ NO T.D.S.

Section 194-IA TRANSFER OF CERTAIN IMMOVABLE PROPERTY

Payment	Payer	Payee	Rate
Transfer Of Immovable Property other Than Rural Agriculture Land	Any Person (Buyer)	Resident Person (Seller)	1% of consideration paid or SDV, whichever is higher.
Additional Points As well As SDV.			
No TDS Where the <u>consideration</u> for the transfer of an immovable property is <u>less than ₹ 50 lakh</u>. <u>Consideration for transfer of any immovable property shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee, or any other charges of similar nature, which are incidental to transfer of the immovable property.</u>			

Example 04

Mr. X sold land to Mr. Y on 01/12/2024 for ₹80,00,000

SDV of land on 01/12/2024 was ₹90,00,000

Mr. X purchased land on 01/04/2024 for ₹79,00,000

Show Tax implications in hands of Mr. X and Mr. Y

Illustration 05

HW 6/12

194-IA → 194

194-IA → 194

Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹60 lakh and ₹15 lakh, respectively, to Mr. Y on 1.8.2024. He has purchased the house property and the land in the year 2022 for ₹40 lakh and ₹10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2024, is ₹85 lakh and ₹20 lakh for the house property and rural agricultural land, respectively. Examine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

194-IA

Section 194-IB Rent of Immovable Property

Annually = 2401 × X.

Payment	Payer	Payee	Rate
Rent of Immovable Property	Ind/HUF (Not covered u/s 194-I)	Resident Person	5% w.e.f. 1/10/2024 - 2%
Additional Points			
NO TDS Where rent for a month or part thereof does not exceed ₹ 50,000 <u>TDS is to be deducted At the time of credit of rent for the last month of the previous year (or the last month of tenancy, if the property is vacated during the year) to the account of the payee or at the time of payment, whichever is earlier.</u> - If payee fails to provide his PAN, TDS is required to be deducted @ 20%. However, deduction under this section shall not exceed the amount of rent payable for the last month i.e. MAX T.D.S = upto Rent of last Month			

• MONTHLY T.D.S NAHI KATEGA

• Pore Salal Ka EK Salh T.D.S KATEGA → last Month of PY ⇒ Month.

Illustration 06

Mr. X, a salaried individual, pays rent of ₹55,000 per month to Mr. Y from June, 2024. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source. Would your answer change if Mr. X vacated the premises on 31st December, 2024? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

FTS = Fee for Tech. Services.

Section 194J Fees For Professional Or Technical Services (Imp)

Payment	Payer	Payee	Rate	
Fees for technical service; Professional Fees; Royalty; Non-Compete Fee; Director's Remuneration	Any Person Other Than Ind/HUF	Resident Person	Payee	%
			Call Center	2%
			FTS/ Royalty for Cinem. Films	2%
			Other	10%

Additional Points	
1.	Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession.
2.	No TDS to be deducted if Amount paid is upto ₹30,000 each in the case of Fees for technical service; Professional Fees; Royalty; Non-Compete Fee.
3.	TDS is always deducted from Directors Remuneration.
4.	NO TDS on Fees for professional service by Ind/HUF if made for Personal Purpose.
5.	Ind/HUF is not required to deduct tax on royalty or NCF even if last year TO/GR exceeds Threshold.
6.	Payments made to sportsperson, Umpire, Commentator, Referee, Physiotherapist, team physician, Anchor, Event Manager will also be regarded as professional fee and liable to TDS u/s 194J.
7.	'fees for technical services' means consideration for rendering of any managerial, technical or consultancy services but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient.
8.	TPAs (Third Party Administrator's) who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. are liable to deduct tax at source under section 194J on all such payments to hospitals etc

Illustration 07

XYZ Ltd. makes a payment of 28,000 to Mr. Ganesh on 2.8.2024 towards fees for professional services and another payment of ₹25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 194J are attracted

No TDS As payment not exceed 30,000 each in case of Prof. Service / Tech. Service.

Section 194K Income In Respect Of Units

Payment	Payer	Payee	Rate
Income In Respect Of Units	Any Person (UTI/MF)	Resident Person	10%
Additional Points			

Read.

NO TDS If the aggregate amounts of income credited during the FY to the payee does not exceed ₹ 5,000

Section 194LA Compensation On Acquisition Of Immovable Property

Payment	Payer	Payee	Rate
Compensation On Compulsory Acquisition Of Immovable Property	Any Person (Govt)	Resident Person	10%
Additional Points			
1. TDS is required to Deduct only @ the time of Payment. 2. NO TDS if payment is upto ₹ 2,50,000 during a FY. 3. No TDS if Urban Agricultural Land is compulsory acquired as capital gain on this transaction is Exempted u/s 10(37) and RAL is not a Capital Asset			

PAYER

Section 194M Payment Of Certain Sums By Ind/HUF (Imp)

Payment	Payer	Payee	Rate
Payment Of Works Contract, Commission, Fees for Professional Services	Ind/HUF – Not Covered u/s 194C, 194H & 194J	Resident Person	5% w.e.f. 1/10/2024 – 2%
Additional Points			
1. No TDS if amount paid is upto ₹ 50,00,000 2. Sec. 194M is applicable if Sec. 194C/194H/194J is NOT Applicable to Resident Individual/HUF			

Illustration 08

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

S.No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y.2023-24
1.	Mr. Ganesh, an individual carrying on retail business with turnover of 2.5 crores in the P.Y. 2024-25. 23-24. PFY To > 1cr	1. Contract Payment for repair of residential house } 194C 2. Payment of commission to Mr. Vallish for business purposes	₹5 lakhs ₹80,000 — 194H Apply
2.	Mr. Rajesh, a wholesale trader whose turnover was 95 lakhs in P.Y. 2024-25. 23-24 PFY TO NOT EXCEED 1cr	Contract Payment for reconstruction of residential house (made during the period January–March, 2024) } 191	20 lakhs in January, 2025, 15 lakhs in Feb 2025 and 20 lakhs in March 2025.

Total = 55 L
→ 194M.

3.	Mr. Satish, a salaried individual (Pay T.O = 0)	Payment of <u>brokerage</u> for buying a <u>residential house</u> in March, 2025	<u>51 Lakhs</u>
4.	Mr. Dheeraj, a pensioner (Pay T.O = 0)	Contract payment made during October-November 2024 for reconstruction of residential house	<u>48 Lakhs</u> No T.D.S u/s 194E as well as u/s 194M

Section 194N Cash Withdrawal From Bank (IMP)

Payment	Payer	Payee	Rate
<u>Cash Withdrawal From Bank</u>	<u>Bank, Co-op Bank, Post Office</u>	Any Person	Refer Note 2
Additional Points			
1. TDS is to be deducted @ time of payment			
2. TDS Rate			
In case of Defaulter			
Aggregate payment exceeds ₹ 20 lakh but does not exceed ₹ 1 crore			2%
Aggregate payment exceeds ₹ 1 crore			5%
In any other case			
Aggregate payment exceeds ₹ 1 crore			2%
3. <u>Defaulter</u> means the recipient who has not filed the returns of income last 3 previous years, for which the time limit to file return of income u/s 139(1) has expired.			
4. No TDS if payment is made to:			
a) the Government;			
b) Any bank, co-op bank, post office or their business correspondent (Agent of bank)			
c) Any white label automated teller machine operator			

Example 06

Mr. X withdrawn following amount from his two banks as follows :-

Month	Canara Bank		Yes Bank
	Current A/c	Savings A/c	Savings A/c
April	20,00,000	10,00,000	5,00,000
May	10,00,000	2,00,000	10,00,000
July	6,00,000	7,00,000	4,00,000
August	10,00,000	2,00,000	1,00,000
September	15,00,000	6,00,000	7,00,000
October	6,00,000	2,00,000	1,00,000
November	7,00,000	2,00,000	4,00,000
December	8,00,000	9,00,000	1,00,000
January	-	-	-
February	6,00,000	-	-

20L

T.D.S.
2.

$$CANARA = 1.3205$$

March	-	4,00,000	1,00,000
Total	88,00,000	44,00,000	<u>34,00,000</u>

1. Calculate TDS u/s 194N
2. What will be your answer if assessee has failed to file ITR for last 3 years and due date has been lapsed ?

Section 194O Payment of Certain Sums By E-Commerce Operator

Payment	Payer	Payee	Rate
Payment By E-Commerce Operator to E-Commerce Participant for Sale of Goods or Services	E-Com Operator (Eg. Flipkart, Amazon, Meesho etc.)	Resident Person (E-com participant selling goods or service through E-com operator)	1% of gross amount of sale. w.e.f. 1/10/2024 - 0.1%

Additional Points

1. Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sale or services for the purpose of TDS.
2. No TDS if following conditions are satisfied:
 - a) e-com participant is an individual or Hindu undivided family.
 - b) The gross amount of such sale or services during the PY is upto ₹ 5,00,000
 - c) Such e-com participant has furnished his PAN or Aadhaar to the e-com operator.
3. A transaction in respect of which TDS deducted u/s 194O (or which is not liable to deduction i.e. upto 5 Lakhs), shall not be liable to TDS under any other provisions.
4. However, TDS shall be deducted under any other provision if any amount received by an e-com operator for hosting advertisements or providing any other services which are not in connection with the sale or services.

Section 194P TDS by Bank In case of Specified Senior Citizen

Payment	Payer	Payee	Rate
Pension From ER and Interest On Deposit with Bank	Specified Bank	Resident Individual Age is 75 years or more	Slab Rate

Additional Points

1. This section is applicable if specified senior citizen
 - a) is having pension income [Also, he should have no other income except interest income from any account maintained in the same specified bank in which he is receiving his pension income]
 - b) has furnished a declaration to the specified bank containing such particulars, in the prescribed form and verified in the prescribed manner

2. The specified senior citizen is exempted from filing his return of income for the assessment year relevant to the previous year in which the tax has been deducted under this section.

Illustration 09

Mr. Sharma, a resident Indian aged 77 years, gets pension of 52,000 per month from the UP State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest @8% on fixed deposit of 20 lakh with the said bank. Out of the deposit of 20 lakh, 2 lakh represents five year term deposit made by him on 1.4.2024. — 80c.
Interest on savings bank credited to his SBI savings account for the P.Y.2024-25 is ₹9,500.

- ✓ 1. From the above facts, compute the total income and tax liability of Mr. Sharma for the A.Y. 2025-26, assuming that he has not opted for section 115BAC. — old R4 opt
- ✓ 2. What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr. Sharma required to file his return of income for A.Y.2025-26, if tax deductible at source has been fully deducted? Examine.
3. Would your answer to Q.2 be different if the fixed deposit of 20 lakh was with Canara Bank instead of SBI, other facts remaining the same?

Section 194 Q Purchase of Goods → Read Alongwith S. 206C(1H) of TCS

Payment	Payer	Payee	Rate
Purchase of goods of the value exceeding ₹ 50 lakhs in a PY	Buyer [LY TO is more than 10 Cr]	Resident Seller	0.1% of sum paid in excess of 50 lakhs 1c upto 50L - No TDS
Additional Points			
1. TDS is to be deducted at the time of payment or crediting the seller, whichever is earlier. 2. No TDS in this section in respect of a transaction on which – (a) TDS under any of the provisions of this Act; and (b) TCS under the provisions of section 206C, other than section 206C(1H) 3. In case of a transaction to which both section 206C(1H) and section 194Q applies, tax is required to be deducted under section 194Q. 4. If PAN of PAYEE is not available then, TDS rate is 5% ✓ 5. TDS u/s 194Q is not applicable on GST/VAT/Sales Tax/Excise Duty (i.e in short it is not applicable on indirect tax). However if advance payment is made then TDS should be deducted on entire advance amount paid including IDT. 6. In case of purchase return where money is returned by the seller, TDS may be adjusted against the next purchase from the seller. 7. If business is commenced by the buyer in the current year, then his last year TO is NIL and hence this section shall not be applicable. 8. No TDS if seller is department of Govt. (i.e. CG/SG shall not be considered as Seller for this section)			

Gupta ji (Buyer) - LY To = 8cr
 Agarwal ji (seller) - LY To = 15cr.
 Agg. paym = 95L

194D x.
 206(1H) ✓

Illustration 10

Mr. Gupta, a resident Indian, is in retail business and his turnover for F.Y.2023-24 was 12 crores. He regularly purchases goods from another resident, Mr. Agarwal, a wholesaler, and the aggregate payments during the F.Y.2024-25 was ₹95 lakh (20 lakh on 1.6.2024, 25 lakh on 12.8.2024, ₹22 lakh on 23.11.2024 and ₹28 lakh on 25.3.2025). Assume that the said amounts were credited to Mr. Agarwal's account in the books of Mr. Gupta on the same date. Mr. Agarwal's turnover for F.Y.2023-24 was ₹15 crores.

- Based on the above facts, examine the TDS/TCS implications, if any, under the Income-tax Act, 1961.
- Would your answer be different if Mr. Gupta's turnover for F.Y.2023-24 was 8 crores, all other facts remaining the same?
- Would your answer to (1) and (2) change, if PAN has not been furnished by the buyer or seller, as required?

194R Benefit Or Perquisite In Respect Of Business Or Profession (Imp)

Payment	Payer	Payee	Rate
Benefit Or Perquisite In Respect Of Business Or Profession	Any Person Other Than Ind/HUF	Resident Person	10%
Additional Points			
- Ind/HUF shall deduct TDS if Last year TO exceeds 1cr in case of business or GR exceeds 50L in case of profession. - valuation of benefit/perquisite Benefit/Perq Purchased by Payer → Purchase price shall be the value of Benefit/Perq Benefit/Perq Manuf. By Payer → Price Charged from customer (Market Value) GST would not be included for the valuation of benefit/perq for TDS u/s 194R - NO TDS if amount of benefit or perq provided to a person is upto ₹ 20,000 in PY. - In a case where the benefit or perquisite, is wholly in kind or partly in cash and partly in kind but the part in cash is not sufficient to meet the TDS Liability the payer shall, before releasing the benefit or perquisite, ensure that TDS has been paid in respect of the benefit or perquisite by way of - Payer has collected TDS amount from Payee - Payer pays TDS by his own (i.e. Benefit or perq paid is treated as Net amount itself) - Payee deposit TDS to govt by way of advance tax and submit proof to payer. - Note: - NO TDS on sales disc./cash disc./rebates allowed to customer. - The deductor is not required to check whether the amount of benefit or perquisite would be taxable in the hands of the recipient u/s 28. The amount could be taxable under any other section like section 41(1) etc.			

- c) one-time loan settlement with borrowers or waiver of loan granted by Bank, Co-op Bank, PFI, NBFC etc would not be considered as benefit or perq for TDS u/s 194R
- d) Product is given to Influencer for advertisement/awareness of product:
 - i. product is returned to the manufacturing company – NO TDS u/s 194R
 - ii. Product is retained by influencer – Considered as Benefit/Perq & TDS is attracted.
- e) If capital asset has been provided as benefit/perq to payee and payer has deducted TDS u/s 194R, then FMV of such benefit/perq shall be treated as actual cost of asset for payee and dep is allowed u/s 32 on such FMV.
- f) Issue of bonus shares and right shares by the widely held company to all shareholders are outside the scope of section 194R

Other Provisions

1. TDS requirement arise

- a) At the time of payment
- b) At the time of crediting the payee, Whichever is earlier.

However, in following cases TDS is deducted at the time of payment:

- | | |
|------------------------------------|--|
| a) Salary (Section 192) | f) Compulsory Acquisition of Immovable Prop. (Section 194LA) |
| b) EPF Payment (Section 192A) | g) Cash Withdrawal from bank (section 194N) |
| c) Dividend (Section 194) | h) Benefit or Perquisites (Section 194R) |
| d) Winnings (194B/BA/BB) | |
| e) Maturity Of LIP (Section 194DA) | |

2. Section 197 Lower Deduction Certificate

- Section 197 allows an assessee to apply to the AO for a certificate of lower or nil TDS. If the AO is satisfied that the total income of the assessee justifies the TDS at a lower rate or no TDS at all, the AO may issue a certificate to that effect.
- The application for this certificate is made in Form 13.
- The certificate is usually granted when the assessee's estimated income and existing deductions/credits suggest that their total tax liability will be less than the TDS being deducted.

3. Section 197A Declaration in form 15G/15H

Where total income of resident is below BEL during the year, then no TDS shall be deducted u/s 192, 193, 194, 194A, 194DA, 194-I, 194K if assessee file declaration to the "PAYER" in form 15G.

However, senior citizen can file declaration u/s 15H for No TDS deduction if TAX PAYABLE during the year is NIL.

4. Section 206AA TDS Rate If Payee Fails To Furnish A PAN

If payee doesn't furnish a PAN, then TDS shall be deducted:

PAYEE PAN X → Payee

(a) Rate prescribed in the relevant section

(b) 20% Whichever is higher.

Note: for section 194-O/194-Q maximum TDS rate is 5%

Hold
TDS

5. Section 206AB- Higher rate of TDS in case of specified person

If payee has not filed return of income for preceeding year for which due date u/s 139(1) has been expired and aggregate of TDS & TCS is ₹ 50,000 or more during the previous year, then applicable rate shall be higher of:

a) Twice the TDS/TCS Rate

b) 5%.

However, section 206AB is not applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194M11 or 194N

Note: In case where section 206AA and Section 206AB both are applicable then TDS shall be deducted @ higher of the two rates provided in section 206AA and section 206AB

6. Due Dates for Payment of TDS

a. For the months of April to February - 7th of the following month.

b. For the month of March - 30th of April of the following financial year.'

However, TDS must be deposited within 30 days from the end of the month in which the deduction is made u/s 194-IA, 194-IB & 194M

7. Consequences Of Failure To Deduct Or Pay [Section 201]

Assessee in Default: If payer has not deducted the TDS or after deduction has not been deposited to Govt, then such person is treated as assessee in default and required to pay penalty u/s 221 and that can be upto 100% of TDS amount.

Non-applicability of deeming provision:

Payer shall not be treated as assessee in default if payee-

a) has furnished his return of income under section 139;

b) has taken into account such sum for computing income in such return of income; and

c) has paid the tax due on the income declared by him in such return of income, and the payer furnishes a certificate to this effect from an accountant in such form as may be prescribed.

Interest Liability

Late deduction- Payer is liable to pay simple interest @ 1% for every month or part of month on the amount of such tax from the date on which tax was deductible to the date on which such tax was actually deducted

Late Deposit- Payer is liable to pay simple interest @ 1.5% for every month or part of month from the date on which tax was deducted to the date on which such tax is actually paid

8. TDS Returns Due Dates:

Q1 (April to June)	:	31st July of the financial year
Q2 (July to September)	:	31st October of the financial year
Q3 (October to December)	:	31st January of the financial year
Q4 (January to March)	:	31st May of the financial year

Illustration 11

An amount of 40,000 was paid to Mr. X on 1.7.2024 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹50,000 was due to Mr. X on 28.2.2025, from which tax @10% (amounting to ₹9,000) on the entire amount of ₹90,000 was deducted. However, this tax of 9,000 was deposited only on 22.6.2025. Compute the interest chargeable under section 201(1A).

Illustration 12

Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2025-26.

- XY a partnership firm is selling its product 'R' through the E-commerce Platform provided by AB Ltd. (E-commerce Operator). AB Ltd., credited in its books of account, the account of XY on 28th February, 2025 by sum of ₹ 4,90,000 for the sale of product R, made during the month February, 2025. Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹ 60,000 directly to XY on 21st February, 2025
- ABC Ltd is a producer of natural gas. During the year it sold natural gas worth ₹ 26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹ 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges
- ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2024-25 as under:

BILL NO.	DATE	AMOUNT (₹)
01	30-04-2024	27,000
57	30-06-2024	25,000
105	30-09-2024	28,000
151	30-12-2024	32,000

[PYQ May 22]

Illustration 13

Answer the following: -

1. Miss Tara, resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those videos on social media. On 1st December 2024, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand-new car having fair market value of ₹ 6 lakhs to promote on her social media page. She used that car for 7 months for her personal purposes, recorded a video reviewing the car and then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction. **No TDS As TARA RETURNED CAR**

2. Ms. Aruna is a Chief Executive Officer of a multi-national company. She hires Mr. Suresh for supply of her housing staff (like gardener, chefs and drivers etc.) and makes the following payments to him: ₹ 25,00,000/- on 10th August, 2024 and ₹ 30,00,000 on 22nd November, 2024. Determine the amount of tax to be deducted/ collected at source, if any. Would your answer be different, if Ms. Aruna is a business woman and her books are not audited in immediately preceding financial year and payment to Mr. Suresh is for business purposes. **labour contract**

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

Payee = Bank

Payee ABC Pvt Ltd. - TDS = 2%

[PYQ May 23]

Illustration 14

ABC Limited paid rent of ₹ 75,000 + 18% GST per month to Mr. Ram for the office premises from 01.04.2024 to 31.03.2025. Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.

[PYQ May 24]

Illustration 15

Examine the applicability and the amount of TDS to be deducted in the following cases for F.Y. 2024-25:

- S and Co. Ltd. paid ₹ 25,000 to one of its directors as sitting fees on 02-02-2025
- ₹ 2,20,000 paid to Mr. Mohan, a resident individual, on 28-02-2025 by the State of Haryana on compulsory acquisition of his urban land
- Mr. Purushotham, a resident Indian, dealing in hardware goods has a turnover of ₹ 12 crores in the previous year 2023-24. He purchased goods from Mr. Agarwal a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2024-25 on various dates is ₹ 80 lakhs which are as under:

10-06-2024	₹ 25,00,000
20-08-2024	₹ 27,00,000
12-10-2024	₹ 28,00,000

S = 30K
Agg = 1L
No TDS

He credited Mr. Agarwal's account in the books of accounts on the same date and made the payment on the 28-02-2025 ₹ 80 lakh. Mr. Agarwal's turnover for the financial year 2023-24 is ₹ 20 crores.

[PYQ Nov 22]

Illustration 16

Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2025- 26. (State applicable provision and give brief reasons for your answer, wherever applicable)

- XYZ, a resident partnership firm is in retail business buying fabric material regularly from ABC, a resident proprietorship firm. Details of transactions during P.Y. 2023-24 are as given:

Particulars	Date of Payment	Amt (₹)
Advance payment	1.4.2024	40,00,000
Payment for supplies	2.7.2024	20,00,000
Advance payment	4.8.2024	12,00,000

XYZ achieved gross turnover of ₹ 12 crore from the business during the financial year 2023-24 and the gross business turnover for financial year 2024-25 turns out to be ₹ 9 crores. Gross business turnover of ABC for the financial year 2022-23 was ₹ 6 crores. Will your answer be same, if the gross turnover of XYZ during the financial year 2023-24 includes ₹ 4 crore towards supply of material for charitable purposes?

- MJ, a part time director of ABZ Pvt. Ltd. was paid an amount of ₹ 2,49,000 as commission on sales (which was not in the nature of Salary) for the period 01.04.2024 to 31.03.2025
- Mr. Kumar, a resident senior citizen, aged 86 years, is a retired State Govt. employee. He gets pension of ₹ 72,000 p.m. He has his saving account with Bank of Baroda, a bank notified by the Central Govt. u/s 194P, has received the interest on saving account ₹ 15,000 during the P.Y. 2024-25. His pension is also credited in this account. In the same bank he has deposited ₹ 10 Lakh in a Term Deposit @7% simple interest on 01.07.2024. He has no other income. He has not opted section 115BAC. Discuss requirement of filing of income tax return also.

[PYQ Nov 23]

Hw 911 11/12/14/15/16 = Hw. / Hw 194E → Payment to HR Sportsman/ Artist

Imp Sec

193	194IB
194	194H
194A	194O
194C	194R
194J	194Q
194M	

} Most Imp.