



TDS/TCS PROVISIONS AND COMPLIANCE

INCOME TAX ACT 1961 CHAPTER XVII

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TDS (Tax Deducted at Source) and TCS (Tax Collected at Source) are one of the mode through which government gets revenue instantly at the time of generation of Income. TDS/TCS provisions play a very important role in maintenance of liquidity of fund to the Government of India. Government gets approximately more than 40 per cent revenue in current fiscal year from TDS and TCS. It helps Government in minimizing tax evasion. It make cautious to tax payers while calculating his annual income and get credit of TDS/TCS as reflected in form 26AS or TDS certificate issued by deductor. It is important for tax professionals because they have to execute and complete the whole process of TDS provisions on behalf of clients.

TDS provision was introduced in India by the Income Tax Act, 1922. Initially only four source of Income was covered under TDS.

- Salary
- Interest on securities
- Interest other than Interest on securities
- Dividends.

In compliance of TDS/TCS provisions, Information Technology is involved. For ready reference IT ACRONYM & TECH WORDS

- TDS: Tax Deducted at Source
- TCS: Tax Collected at Source
- RPU: Return Prepare Utility
- FVU: File Validation Utility
- JR: Justification Report
- Cons. File: Conso file
- .csi file
- .fvu file

Steps involved in TDS AND TCS Provision and Compliance

- DEDUCTION AT SOURCE UNDER SECTION 192 TO 196 OF IT ACT, 1961
- COLLECTION AT SOURCE UNDER SECTION 206(C)
- DEPOSIT OF TAX DEDUCTED AT SOURCE OR COLLECTED AT SOURCE IN GOVERNMENT'S TREASURY WITHIN THE STIPULATED TIME
- SUBMISSION OF TDS RETURN WITHIN STIPULATED TIME
- SUBMISSION OF TCS RETURN WITHIN STIPULATED TIME
- TAG OR ADD OF CHALLAN TO THE TDS STATEMENT
- DOWNLOAD OF TDS/TCS CERTIFICATE FROM TRACES

Briefs of Section and Rate for TDS

192:- Salary. @ normal tax rate applicable for the financial year in which the payment is made

192 A:- Payment of accumulated balance due to an employee from PF. @ 10%

193:- Interest on Securities. @ 10%

194:- Dividends. @ 10%

194A:- Interest other than "Interest on Securities". @ 10%

194 B:- Winnings from lottery or crossword puzzle. @30%

194 BB:- Winning from horse race. @ 30%

194 C:- Payments to contractors. @ 1% to individual or HUF and @ 2% other than individual or HUF i.e company, firm etc.,
 194 D:- Insurance commission. @ 5% for resident other than company, 10% for company
 194DA:- Payment in respect of life insurance policy. @ 5% w.e.f September 1, 2019. Up to 31st August, 2019 @ 1%
 194 E:- Payment to non-residents sportsmen or sports association. @ 20%
 194 EE:- Payments in respect of deposit under National Savings Scheme, etc. @ 10%
 194 F:- Payments on account of repurchase of units by Mutual Fund or Unit Trust of India. @ 20%
 194 G:- Commission, etc., on sale of lottery tickets. @ 5%
 194 H:- Commission or brokerage. @ 5%
 194 I:- Rent @ 2% for plant & machinery, @ 10% for land or building or furniture or fitting.
 194 IA:- Payment on transfer of certain immovable property other than agricultural land. @ 1%
 194 IB:- Payment of rent by certain individuals or HUF. @ 5%
 194 IC:- Payment under specified agreement. @ 10%
 194 J:- Fees for professional or technical services. @ 10%, @2% for technical services
 194 K:- Any income in respect of Units of Mutual Fund or units from specified undertaking or company @ 10% {Introduced in finance bill 2020 shall be effective from April 2020}
 194 LA:- Payment of compensation on acquisition of certain immovable property. @ 10%
 194 LB:- Income by way of interest from infrastructure debt fund. @ 5%
 194 LBA:- Certain income from units of a business trust. @ 10% to resident, @5% [sub sec. (a) of clause (23FC) of section 10 and @ 10% (b) of clause (23FC) of section 10] to non resident or a foreign company.
 194 LBB:- Income in respect of units of investment fund. @ 10%
 194 LBC:- Income in respect of investment in securitization of trust. @ 25%. @ 30% other than individual or HUF
 194 LC:- Income by way of interest from Indian Company. @ 5% [@4% in case interest income referred to clause (ib) of sub section (2)]
 194 LD:- Income by way of interest on certain bonds and Government securities. @ 5%
 194 M:- Payment of certain sums by certain individuals or Hindu undivided family. @ 5%
 194 N:- Payment of certain amounts in cash. @ 2%
 194 O :- Payment made by e- commerce operator to e-commerce participant. @ 1% {Introduced in finance bill 2020 shall be effective from April 2020}

195:- Other sums. @ the rates in force

195 A:-Income payable "net of tax" @ the rates in force

196:- Interest or dividend or other sums payable to Govt., RBI or certain corporations. @ Nil

196 A:- Income in respect of units of non- residents. @20%

196 B:- Income from units. @ 10%

196 C:- Income from foreign bonds or shares of Indian company. @ 10%

196 D:- Income of Foreign Institutional Investors from securities. @ 20%

Other Requirements of TDS/TCS

- If recipient not furnish his/its PAN Tax shall be deducted at the normal rate or at the rate of 20% , whichever is higher

CERTIFICATE FOR DEDUCTION AT LOWER RATE OR NO DEDUCTION AT SOURCE

- On application made to Assessing officer, if he satisfied that the total income of recipient justifies the deduction of income tax at any lower rates or no deduction of income tax, the AO shall give him such certificate under section 197.
- The person responsible for paying the income shall deduct income tax at the rates specified in such certificate or deduct no tax as the case may be, mentioned in certificate issued under section 197.
- The person responsible for TDS, shall submit one copy before the Chief commissioner or commissioner of TDS.

NO DEDUCTION

- Section 197A
- Amount of any income does not exceed the maximum amount which is not chargeable to tax
- An individual, resident in India has furnished Form 15G in duplicate to the deductor
- An individual, resident in India (Senior Citizen) has furnished form 15H in duplicate to the deductor
- By Offshore Banking Unit from the interest paid to nonresident or a person not ordinarily resident in India
- From any payment to any person for or on behalf of the New pension system[10(44)]
- From such specified payment to such institution, association or body or class of institutions as may be notified by the Central Government whose income is unconditionally exempt under section 10 and who are not statutorily required to file return under section 139.
- Local Authority, SAARC fund, IRDA, Prime minister's National relief fund, Recognised provident fund, ESIC fund etc,

Threshold for no deduction of TDS

- 192 (Salary) Estimated salary does not exceeds exemption limit, i.e. Rs.250000/- , 300000/- ,500000/-. (It is applicable even employee does not have PAN)
- 192 A(Withdrawal from employees provident fund scheme) Withdrawal is less than Rs. 50000/-
- 193 (Interest on securities) Does not exceed Rs. 5000/-
- Bank, Post office, Co operative society engaged in banking business - Sr. citizen-on FD- Rs. 50000/-, To other person- Rs. 40000/-
- 194 For an Individual aggregate of amount of Dividends does not exceed Rs. 5000/-
- 194A(Interest other than interest on securities) Any other person- Rs. 5000/-
- 194 B (Winning from lottery or crossword puzzles) Does not exceed Rs. 10000/-
- 194BB(Winning from horse race) Exceeds Rs. 10000/-
- 194 C (payment to contractors) Single payment does not exceeds Rs. 30000 and the aggregate of such payment during the financial year does not exceed Rs. 100000/-
- 194 C (payment to contractors) Payment to transport operators has furnished PAN to deductors and having 10 or less than 10 goods carriages at any time during the financial year. Payment by an individual or HUF to a resident contractors for personal purposes.
- 194 D (Insurance Commission) Does not exceed Rs. 15000/-
- 194 DA (Life Insurance Policy) Does not exceed Rs. 100000/-
- 194 G (On sale of lottery tickets) Does not exceed Rs. 15000/-
- 194 H (Commission or brokerage) Does not exceed Rs. 15000/-
- 194 I (Rent income) Does not exceed Rs. 240000/-
- 194 IA (Transfer of certain immovable property other than agriculture land) Consideration for immovable property is less than Rs. 50 lakhs
- 194 IB (by certain Individual or HUF whose books of account are not required to be audited u/s 44AB(a)/(b) in the immediate preceding F.Y.) Rent of land or building does not exceed Rs. 50000/ per month.
- 194 J (Professional or technical service) Does not exceed Rs. 30000/-
- 194 K (Income from units of Mutual fund) Does not exceed Rs. 5000/-
- 194 O (Payment by e-commerce operator to e- commerce participant). If payment made to Individual or HUF e-commerce participant during the previous year does not exceed Rs. 5 lakhs.

Provision for TCS

Profits and gains from the business of trading, grants of lease or license, sale of motor vehicle under section 206C as Income tax collected at source i.e. TCS

- Every person , being a seller shall at the time of debiting of the amount payable by the buyer to the account of buyer or at the time of receipt of such amount from the said buyer, whichever is earlier, collect from the buyer of such amount as income tax.
- TCS shall not be collected if buyer declares that purchase of goods shall be utilized for the purpose of manufacture, processing or producing articles or things.

RATE OF TAX COLLECTION AT SOURCE (TCS)

Sale of following goods	Rate of TCS
• Alcoholic liquor for human consumption (Other than Indian made foreign liquor)	1%
• Indian made foreign liquor	1%
• Tendu leave	5%
• Timber obtained under a forest lease	2.5%
• Timber obtained by any mode	2.5%
• Any other forest produce	2.5%
• Scrap	1%
• Minerals, being coal or lignite or iron ore	1%
• Grant of lease/license of parking lot, toll plaza, mining quarrying other than mineral oil, petroleum and natural gas	2%
• Sale of motor vehicles value exceeding Rs. 10 lakhs	1%

TIME OF DEPOSIT TDS/TCS

By an office of the Govt. and tax is paid without production of income tax challan.	TDS: On the same day on which tax is deducted	TCS: On the same day on which tax is deducted
By an office of Govt. and tax is paid accompanied by Income tax challan (ITNS-281)	On or before 7 days from the end of month in which tax is deducted	On or before 7 days from the end of month in which tax is deducted
Tax is deducted/ collected by a person other than office of Government	Income is paid or credited before March: within 7 days from the end of month in which tax is deducted. • Income paid or credited in the month of March: Tax should be deposited by April 30.	• TCS: On or before 7 days from the end of month in which tax is collected.
is deducted by a person other than office of Govt. and The AO has permitted quarterly deposit of tax deducted u/s 192, 194A, 194D and 194H	• Tax Quarter ending: • June 30: By July 7 • September 30: By October 7 • December 31: By January 7 • March 31: By April 30.	
• Tax is deducted by a person u/s 194-IA (Challan – 26QB) • Tax is deducted u/s 194-IB (Challan-26QC)	• Within 30 days from the last date of month in which tax is deducted	

TDS/TCS Payment

- TDS/TCS should be deposit in Challan No. 281
- TDS/TCS will have to deposit through internet banking.
- Indicate accurate PAN in challan
- Minor Head of Challan - 200 : TDS payable by tax payer
- Minor Head of Challan - 400: TDS Regular assessment raised by Income Tax Department.
- Amount of TDS, Interest, Late filing fee, penalty etc, should be separately shown while filing the challan
- Note down BSR code, Challan serial number, Date of payment, and amount of challan. This will help you in case challan is misplaced.

TDS/TCS Return forms to be submitted Quarterly

Tax deduction from Salary under section 192	• In form No. 24Q
Tax deduction when deductees are non-resident, foreign company, and persons who are resident but not ordinarily resident	• In form No. 27Q
Tax deduction under section 194-IA	• In form no. 26QB
Tax deduction under section 194-IB	• In form no. 26QC
Tax deduction in any other case	• In form no. 26QC
Tax Collection (TCS)	• In form No. 27EQ

DUE DATE OF SUBMISSION OF TDS/TCS QUARTERLY RETURN

Quarter ending	Due date of TDS Return	Due date of TCS Return
June 30	July 31	July 15
September 30	October 31	• October 15
December 31	January 31	• January 15
March 31	May 31	• May 15

MODE OF FURNISHING QUATERLY RETURNS OF TDS/TCS

- In case where deductor or collector are an office of Govt. or Principal officer of a company or is person who is required to get his account audited u/s 44AB in immediately preceding financial year or when the numbers of deductee's/collectee's are more than 20, then TDS/TCS quarterly return shall be submitted electronically.
- Other than above, any other deductor/collector can submit TDS/TCS return either in paper format or electronically.
- Electronic return can be uploaded with Digital signature or verification of form 27A electronically
- Electronic return will be uploaded in FVU file
- FVU file can be generated through e TDS/TCS RPU (return prepare utility) which is available in <https://www.tin-nsdl.com/services/etds-etcs/etds-rpu.html>
- In every quarter download latest e TDS/TCS RPU
- In e TDS/TCS return details of challan paid [i.e. TDS amount, Interest, Fee, Other/penalty, BSR code, Challan serial No., Date of challan, Minor head] , details of deductee/collectee has to fill like section under which payment made, PAN, Name, Date of payment, Date deposit of TDS/TCS, amount paid, amount of TDS/TCS, Rate of TDS/TCS etc.,

Process of TDS/TCS return by the Income tax department through Traces

- After uploading of TDS/TCS return, IT department will process the return.
- Deductor/Collector has to registered in Traces site and create User ID and Pass word
- After uploading return, TDS/TCS return can be process without default. If TDS/TCS return is process with default, that means there is some error in return and there may be demand of short deduction, interest, late filing fee or penalty.
- To know details of process with defaults, justification report has to be downloading.
- If there is demand of short deduction or interest or late filing fee, then deductor/ collector has to deposit the demand under minor head 400 showing separately TDS/TCS, Interest, late fee or others penalty and add this challan to the respective quarterly statement.
- After Tag/add of challan, again TDS/TCS correction return has to be uploaded.
- When TDS/TCS return is process without default, that means TDS/TCS return process is completed. Thereafter TDS/TCS certificate has to download.

Certificate of TDS/TCS

Type of Certificate	Form No. of Certificate	• Time-limit for issue of certificate
From Salary	16	Annual, on or before 15 June
U/S 194-IA	16B	Within 15 days of furnishing challan 26QB

U/S 194-IB	16 C	<ul style="list-style-type: none"> • Within 15 days of furnishing challan 26QC
Other than Salary	16A	<ul style="list-style-type: none"> • Within 15 days from the due date of furnishing quarterly TDS/TCS return

Time limit for issuing TDS certificate in case of other than salary

- | | |
|--|---|
| <ul style="list-style-type: none"> • For the Quarter ending • June 30 • September 30 • December 31 • March 31 | Form No 16A
August 15
November 15
February 15
June 15 |
|--|---|

Time limit for issuing TCS certificate

- | | |
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| <ul style="list-style-type: none"> • For the Quarter ending • June 30 • September 30 • December 31 • March 31 | Form No 27D
July 30
October 30
January 30
May 30 |
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SALARY TDS CERTIFICATE IN FORM 16

- In the TDS return of salary of quarter 4, data of annual salary paid and TDS deducted of employee's have to fill.
- Form 16 is divided into two part i.e. Part A and Part B
- Part A of Form 16 contains information of employer and employee, assessment year, summary of TDS, challan details etc,
- Part B of Form 16 contains details of salary paid, other incomes, amount deducted under chapter VI-A etc,

CONSEQUENCE ON DEFAULT IN TDS/TCS PROVISIONS

<ul style="list-style-type: none"> • Failure to deduct and pay tax deducted at source under section 192 to 196C [Sec 201(1A)] 	<ul style="list-style-type: none"> • Tax with interest shall be payable @ 1% from the date on which actually deductible and to the date on which actually deducted. • @ 1.5% from the date on which tax was actually deducted and to the date on which tax is actually paid.
<ul style="list-style-type: none"> • Failure to collect tax at source and paid.[Sec 206C (7)] 	<ul style="list-style-type: none"> • Tax with interest @ 1% per month
<ul style="list-style-type: none"> • Failure in furnish TDS/TCS return within stipulated time [U/S 234E] 	Rs. 200 per day and shall not exceed the amount of taxdeducted/collected.
<ul style="list-style-type: none"> • Penalty for failure to furnish quarterly TDS/TCS return [271H] 	Rs. 10000/- to Rs. 100000/-

DISSALLOWANCE OF EXPENSES

- U/S 40(a)(i):- 100% expenditure shall be not allowed to deduct from income chargeable under the “profits and gains from business or profession”, if any assessee fail to deduct tax at source or fail to deposit TDS deducted from interest, royalty, fee for technical services payable outside India, or in India to a non-resident, not being a company or a foreign company.
- 40(a)(ia):- 30% expenditure shall be not allowed to deduct from income chargeable under the “profits and gains from business or profession”, if any assessee fail to deduct tax at source or fail to deposit TDS deducted to a resident