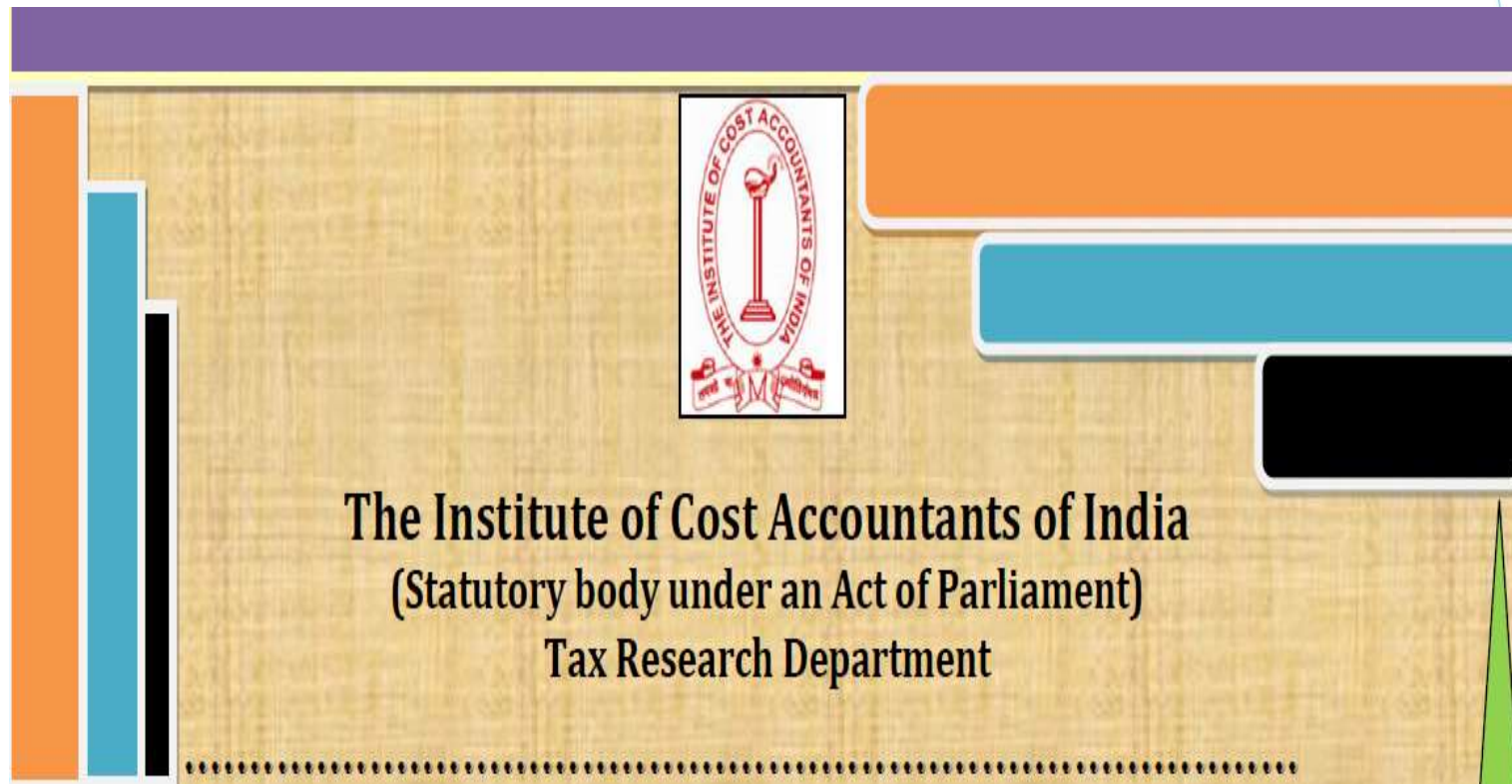




**CA Kedarnath**

**Hyderabad**

## ONLINE CERTIFICATE COURSE ON TDS - CCTDS-7<sup>th</sup> Batch



# Tax deducted at Source





## Introduction to TDS

- ❖ The concept of **TDS** was **introduced** with an aim to collect tax from very source of income
- ❖ It means where the income is generated, tax shall be deducted at respective rates on the said income
- ❖ The objective of TDS is to catch and bring more number of tax payers into taxation nest
- ❖ Tax is deducted only if amount is Taxable in the hands of the receiver
  
- ❖ **Parties involved in TDS**
  - I. Deductor / Payer →>>>>> Recipient
  - II. Deductee / Payee →>>>>> Supplier
  
- ❖ As per this concept, 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 Form 26AS or TDS certificate issued by the deductor.

## When to Deduct TDS

- ❖ TDS requirement arise: Earlier of
  - ✓ At the time of **Payment**
  - (or)
  - ✓ At the time **Crediting** the a/c of payee (in the books of payer)
  
- ❖ But in the following cases TDS deducted only **at the time of payments**:
  - ✓ Salary
  - ✓ EPF Payment
  - ✓ Winnings
  - ✓ Maturity of Life Insurance Policy
  - ✓ Compensation on compulsory acquisition of property

## TDS Applicability

- ❖ TDS will be applicable on
  - ✓ Services
  - ✓ Expenses
- ❖ TDS will NOT be applicable on Goods\*

Note: For Goods S.194 Q will be applicable w.e.f. 01<sup>st</sup> July 2021

- ❖ TDS applicable for not only Commercial purpose but also for other payments,
  - Ex: Buying a Land or Building or Both for Rs 80 Lakhs (Sale Consideration)
- ❖ Buyer has to deduct TDS u/s 194IA @ 1% on total consideration i.e., Rs 80,000

## TDS Rates

- ❖ TDS Rates are Fixed:
  - ✓ 1%
  - ✓ 2%
  - ✓ 5%
  - ✓ 10%
- ❖ In case If a person NOT furnishing PAN Copy

### TDS shall be deducted Higher of

- Rates prescribed in the respective section, (or)
- Rates prescribed in the Annual Finance Act, (or)
- 20%

**Note-I:** If payment made to NR/Foreign Co. or payment of Salary: Surcharge & HEC shall be considered for TDS deduction

## TDS on Interest on Securities S.193

- ❖ Who is responsible to deduct TDS u/s 193
  - ❖ Any person responsible for paying any interest on securities
  - ❖ to a resident is required to deduct tax at source.
- 
- ❖ When to deduct TDS u/s 193
  - ❖ *Earlier of*
  - ✓ At the time of **Payment of Interest**
  - (or)
  - ✓ At the time of **Credit to the a/c of payee** (in the books of payer)



## TDS on Interest on Securities S.193

### Note:

- ❖ For this purpose, credit to the a/c of payee
  - ✓ *“Interest payable account” or*
  - ✓ *“Suspense account” or*
  - ✓ *any other name*
- Shall be deemed to be a credit of such income to the account of the payee
  
- ❖ For this purpose, “payment” can be in
  - ✓ *Cash or*
  - ✓ *Issue of a cheque or draft or*
  - ✓ *Any other mode*

## TDS on Interest on Securities S.193

### ❖ Interest covered under this section:

- ❑ Section 2(28B) defines interest on securities. It means:
  - Interest on any security of Central Government or State Government
  - Interest on debentures or
  - Interest on other securities for money **issued** by or on behalf of
    - ✓ *a local authority or*
    - ✓ *a company or*
    - ✓ *a corporation established by a Central, State or Provincial Act.*

## TDS on Interest on Securities S.193

### ❖ Rate of TDS u/s 193

- ❑ TDS @ **10%** shall be deducted from the Interest amount
- ✓ *No surcharge, plus Health & Education Cess shall be added to the above rates*
- ✓ *Hence, tax will be deducted at source at the basic rate.*
  
- ❑ As per section 206AA(1), if the PAN is **not** provided by the Deductee,
- ❑ the tax shall be deducted at the **higher** of the following rates, namely
  - ✓ *at the rates specified in the relevant provisions of the Act*
  - ✓ *at the rate or rates in force*
  - ✓ *at the rate of 20%*

## TDS on Interest on Securities S.193

- ❑ Further, as per section 206AA(4),
- ✓ No certificate under **section 197** for deduction of tax at Nil rate or lower rate shall be granted unless the application made under that section contains the **Permanent Account Number** of the applicant.
- ✓ Similarly, declaration under 15G/15H shall not be valid if it does not contain the **permanent account number** of the declarant.
- ✓ In case any declaration becomes invalid, the deductor shall deduct the tax @ 20%

## Lower Deduction of TDS S.197

- ❑ Where, in the case of any income of any person or sum payable to any person, income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force under the provisions of sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBB, 194LBC, 194M, [194-O] and 195,
- ❑ The AO is satisfied that the total income of the recipient justifies the deduction of income-tax at **any lower rates or no deduction of income-tax**, as the case may be, the AO shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.
- ❑ Where any such certificate is given, the person responsible for paying the income shall, until such certificate is cancelled by the AO, deduct income-tax at the rates specified in such certificate or deduct no tax.



## **TDS on Interest on Securities S.193**

No TDS under the following situations:

### **I. Interest payable to insurance companies, etc.**

- ❖ Any interest payable to: —
- ✓ Life Insurance Corporation of India;
- ✓ General Insurance Corporation of India or any of four companies formed under it;
- ✓ Any other insurer, in respect of any securities owned by them, or in which they have full beneficial interest.

### **II. Interest paid or credited by widely held company not exceeding ₹ 5,000:**

No tax is to be deducted at source if the following conditions are satisfied:

- ✓ If debentures are issued by a widely held company (public limited company)
- ✓ Such debentures may or may not be listed on a stock exchange in India;
- ✓ Interest is paid/payable to an individual or HUF who is resident in India; and
- ✓ interest is paid by account payee cheque; and
- ✓ the amount or the aggregate of the amounts of such interest paid or payable during the financial year does not exceed ₹ 5,000.

## **TDS on Interest on Securities S.193**

**III.** Any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.

**IV.** Interest paid or credited on 8% saving (Taxable) Bonds 2003 issued by the Central Government provided the interest on such bonds does not exceed ₹ 10,000.

**V.** Where a self-declaration under Form No. 15G/15H is furnished by a particular person [Section 197A (1A), (1B) and (1C)]:

A person, other than a company or firm may furnish a declaration in writing in duplicate in new Form No. 15G to the payer to the effect that there is no tax payable on his Total Income. In this case, the payer shall not deduct any tax at source.

## **TDS on Interest on Securities S.193**

**VI.** Any payment made to New Pension System Trust [Section 197A (1E)]:

**VII.** No deduction of tax from specified payment to notified institutions, association or body, etc. [Section 197A (1F)]: No tax shall be deducted at source from the payments of the nature specified under section 10(23DA) received by any securitization trust.

**VIII.** Certain entities required to file return under section 139(4A) or 139(4C) [Rule 28AB]: As per rule 28AB certain entities who are required to file their return of income under section 139(4A) or 139(4C) may apply under Form No. 13 for no deduction of tax at source provided certain conditions are satisfied.

**IX.** Certain entities whose income is unconditionally exempt under section 10: In case of certain entities whose income is unconditionally exempt under section 10 and who are statutorily not required to file return under section 139 there will be no requirement for TDS since their income is in any way exempt.

## Q & A S.193

1. M/s Reliance Industries issued debentures and paying interest to Mr. X for Rs 50,000 what is the TDS required to be deducted ?
2. If the Reliance Industries paying Interest amount of Rs 5,000 will your answer changes and what is the TDS ?
3. LIC is invested in the debentures issued by the RIL, RIL paying interest of Rs 10 Lakhs, what is the TDS deducted by RIL?
4. M/s TATA Industries issued debentures and paying interest to Mr. K for Rs 1,00,000 what is the TDS required to be deducted if Mr. K obtains a LDC u/s 197 from AO (Nil rate) ?
5. M/s Vizag Steel Industries issued debentures and paying interest to Mr. A for Rs 5,00,000 what is the TDS required to be deducted if Mr. A does not provides his PAN ?
6. Interest paid in the form of Cash for Rs 1,50,000 by RIL to its securities holder will TDS attracts?
7. Interest not paid, but recognized in the books of Aditya Birla for Rs 60,000 to its securities holder will TDS attracts?
8. Interest paid by the entity for Rs 4,000 for each quarter in the FY 2021-22, will they need to deduct TDS ?
9. Do we need to deduct TDS in case securities are in D-Mat form ?

## TDS on “Interest other than Interest on Securities” Section 194A

- ❖ This section covers all categories of Interest except interest on Securities covered u/s 193
- ❖ Payer: Refer HIJAC Concept
- ❖ Payee: Resident Person
- ❖ Rate: 10%
- ❑ As per section 206AA(1), if the PAN is not provided by the Deductee,
  - ❑ the tax shall be deducted at the higher of the following rates, namely
    - ✓ *at the rates specified in the relevant provisions of the Act*
    - ✓ *at the rate or rates in force*
    - ✓ *at the rate of 20%*



## Concept of HIJAC

**HIJAC** : refers to

194H

194I

194J

194A

194C

- ❖ HIJAC is applicable to
- ✓ All Assessee (deductor),
- ✓ But in case of Individual/HUF/ AOP/BOI whose books of accounts are subject to the following criteria in the **preceding FY**
- ❖ Turnover > 1 Cr in case of Business
- ❖ Gross receipts > 50 Lakhs in case of Profession

**TDS U/S. 194A - No TDS** under the following situations:

- ❑ Interest earned on a Saving bank account
- ❑ Interest on Income Tax Refund
- ❑ Interest paid by partnership firm to partner
- ❑ Interest paid to any bank, LIC, UTI or any insurance company
- ❑ Interest by Bank / Post Office on time deposit up to Rs 40,000 (Rs 50,000 for Resident Senior Citizen)
- ❑ Interest by any other person up to Rs 5,000/-
- ❑ Interest on Zero Coupon Bonds
- ❑ Interest to Banks, co-op banks, financial corporations, LIC, Insurance Co., UTI, National Skill Development Fund, Housing and Urban Development Corporation
- ❑ Interest by a Co-operative Society (other than Co. op Bank) to another Co-operative Society or to any of its members
- ❑ Interest by a Co-operative Society being bank to another Co-op Society

**TDS U/S. 194A - No TDS** under the following situations:

**Note Provision created by Bank in Core Banking Solution (CBS):**

- ✓ In case of banks following CBS Software
- ✓ No TDS should be made on Interest which is credited to a provision account on a daily or monthly basis
- ✓ only for the purpose of macro monitoring by CBS software
- ✓ since no amount is actually credited to depositor's a/c.
- ✓ Thus TDS is to be made at the time of actual credit given to depositor's a/c and further, the limit of Rs 40,000 shall be check **bank** – wise not branch wise.



*{Arise, awake and stop not until the goal is reached}  
- Swami Vivekananda*



By

CA CMA Kedarnath

#9985162155

kedarnath.potnuru@gmail.com