



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

[www.icmai.in](http://www.icmai.in)



## CERTIFICATE COURSE ON TDS

### Today's Content – TDS u/s 193, 194, 194A, 194B 194BB, 194BA

#### Section 193 – TDS on Interest on Securities

##### *Introduction*

Section 193 mandates the deduction of tax at source (TDS) on **interest on securities** paid to a **resident person**. The provision aims to ensure timely collection of tax on passive income such as interest from government or corporate securities. TDS under this section is one of the earliest forms of tax withholding introduced to curb tax evasion and encourage regular compliance.

##### *Scope and Applicability*

Section 193 applies to any person responsible for paying to a **resident**, any income by way of **interest on securities**, which includes:

##### **Covered Securities:**

1. **Debentures or other securities issued by the Central Government or State Government**
2. **Securities issued by a local authority**
3. **Debentures issued by a company (listed or unlisted)**
4. **Bonds issued by companies or institutions**
5. **Interest on certain government savings bonds**

**Note:** It applies only to payments made to **resident persons**. For non-residents, Section 195 applies.

### ***Timing of TDS Deduction***

TDS must be deducted **at the earlier of** the following:

- **At the time of actual payment**, or
- **At the time of credit of interest to the account** of the payee (even if credited to any suspense account or provision account)

This ensures TDS is not deferred by booking interest liability without making payment.

### ***Rate of TDS***

The general TDS rate under Section 193 is:

Category	TDS Rate
Interest on securities (general)	10%
If PAN is not furnished	20%

**No surcharge or cess** is applicable on TDS under this section. However, the higher rate of 20% applies in the absence of PAN under **Section 206AA**.

### ***Exemptions from TDS under Section 193***

In certain cases, **no TDS is required** to be deducted. These exemptions include:

#### **A. Central Government Securities**

- No TDS on **interest on specified securities or bonds** issued by the Central Government which are **notified** as exempt.
  - Example: National Defense Bonds, certain tax-free government securities.

#### **B. 8% / 7.75% Savings (Taxable) Bonds**

- No TDS if:
  - Interest does not exceed ₹10,000 in a financial year.
  - Holder is a resident individual.

#### **C. Interest Paid to Certain Institutions**

- No TDS is required when interest is paid to:

- Life Insurance Corporation of India (LIC)
- General Insurance Corporation of India (GIC)
- Any other insurer
- Any corporation established under Central/State Act whose income is exempt under Section 10

#### **D. Debentures Issued by a Public Company (Listed)**

- No TDS if:
  - Interest is paid by **account payee cheque**
  - Paid to a **resident individual or HUF**
  - Aggregate interest during the financial year does not exceed **₹10,000**

#### **E. Interest Paid to Mutual Funds**

- No TDS if paid to:
  - A Mutual Fund specified under **Section 10(23D)** and registered under SEBI

#### **F. Interest Below Threshold**

- If total interest payable during the financial year is within prescribed limits (₹5,000 or ₹10,000 as applicable), **no TDS is required**.

#### **G. Declaration under Form 15G / 15H**

- If the recipient submits:
  - **Form 15G** (for individuals/HUFs below 60 years)
  - **Form 15H** (for senior citizens)
- And total income is **below the taxable limit**, no TDS needs to be deducted.

### **Conclusion**

**Section 193 plays a crucial role in pre-emptive tax collection on passive income like interest. While the provision is broadly applicable, it incorporates numerous practical exemptions for small investors, institutions, and government-backed instruments, ensuring that the compliance burden is balanced with the goal of revenue collection.**

## Section 194 – TDS on Dividends (for Residents)

### Background and Objective

Before April 1, 2020, companies paid **Dividend Distribution Tax (DDT)** under Section 115-O, and dividends were **exempt in the hands of shareholders** under Section 10(34).

From **FY 2020–21**, the Finance Act, 2020 abolished DDT and made **dividends taxable in the hands of shareholders**. Hence, TDS provisions under **Section 194** were revived and amended. **Now:** TDS applies on **dividends paid by domestic companies to resident shareholders**.

### Who is Liable to Deduct TDS?

Any **domestic company** (including listed and unlisted) that pays dividend to a **resident shareholder** is required to deduct TDS under this section.

 For **non-resident shareholders**, TDS is governed by **Section 195**.

### 'Dividend'

As per **Section 2(22)**, 'dividend' includes:

- Distribution of profits (interim or final) by a company
- Loans or advances to shareholders deemed to be dividend (Section 2(22)(e))
- Bonus shares (if paid in cash, though rare)

**Note:** TDS under Section 194 **does not apply to deemed dividends under Section 2(22)(e)** — that is covered under **Section 194** (not 194A/193).

### Time of TDS Deduction

TDS under Section 194 must be deducted:

- **At the time of payment**, or

- **At the time of credit to the shareholder's account** (including suspense/provision account),  
**Whichever is earlier.**

## Rate of TDS

Condition	TDS Rate
PAN available	10%
PAN not furnished (Sec 206AA)	20%
If Section 206AB applies (no ITR for 2 yrs + TDS > ₹50,000)	Higher of 20% or double the rate

## Threshold Limits (When No TDS is Required)

TDS is **not required** under Section 194 if:

- **Total dividend paid or credited during the financial year** does not exceed **₹10,000** to a shareholder,  
**AND**
- It is paid by **any mode other than cash** (e.g., cheque, NEFT, ECS)

This exemption is **per company per financial year**.

## Exemptions from TDS

The following **entities are exempt** from TDS under Section 194 (subject to conditions):

Recipient	Why Exempt?
Life Insurance Corporation of India (LIC)	Exempt as per CBDT Circular
General Insurance Corporation (GIC)	Same
Any other insurer	Exempt
Mutual Funds registered under SEBI and covered under Section 10(23D)	Exempt
Government / RBI	Exempt
Business Trusts / REITs / InVITs (in some cases)	Subject to specific conditions

---

## Declaration for Non-Deduction

TDS **shall not be deducted** if the shareholder submits:

- **Form 15G** – For individuals/HUFs whose total income is below taxable limit (non-senior)
- **Form 15H** – For **senior citizens**, whose tax liability is NIL

The company must obtain **valid PAN** along with the form.

## Summary Table

Feature	Details
Applicability	Dividend paid by <b>domestic companies</b> to <b>residents</b>
Threshold for TDS	₹10,000 (per shareholder, per year)
Rate of TDS	10% (20% without PAN)
Not Applicable To	Non-residents (covered under Sec 195)
Form for Declaration	15G / 15H
Quarterly Return Form	26Q
TDS Certificate	Form 16A

## Conclusion

**Section 194 reflects the shift in taxation of dividends from the company to the shareholder. It ensures efficient tax collection and tracking by mandating TDS at source for dividend payouts to residents. The section provides exemptions and small investor protection through a ₹10,000 threshold and acceptance of self-declarations via Form 15G/15H.**

## Section 194A – TDS on Interest Other than “Interest on Securities”

### *Objective*

Section 194A of the Income-tax Act, 1961, mandates deduction of tax at source (TDS) on **interest income** that is **not in the nature of “interest on securities”**.

### *Nature of Interest Covered*

This section applies to **“interest other than interest on securities”**, such as:


- Interest on **Fixed Deposits (FDs)**
- Interest on **Recurring Deposits (RDs)**
- Interest on **Loans and Advances**
- Interest on **Bank deposits**
- Interest paid by **NBFCs, post offices**, etc.

✗ *Interest on securities (e.g., debentures, govt. bonds)* is covered under **Section 193**

### *Who Is Required to Deduct TDS?*

#### **Deductor:**

- **All persons** (individuals, HUFs, firms, companies, etc.) **except:**
  - Individuals or HUFs whose **business turnover is less than ₹1 crore**, or
  - **Professionals** whose **gross receipts < ₹50 lakhs** in the **preceding financial year**

 In short: **Only those required to get tax audit (u/s 44AB)** must deduct TDS under Section 194A.

### *When is TDS Deducted?*

TDS must be deducted:

- **At the time of credit** of interest to the payee’s account  
**or**
- **At the time of actual payment,**  
**Whichever is earlier**


Also includes credit to any **“Interest payable account”** or suspense account.

### ***Rate of TDS***

<b>Particulars</b>	<b>Rate of TDS</b>
If PAN is furnished	<b>10%</b>
If PAN is not furnished (Sec 206AA)	<b>20%</b>
If Sec 206AB applies (no ITR + TDS>₹50k) Higher of 20% or 2× rate	

Threshold Limits (No TDS if interest ≤...)

<b>Payer</b>	<b>Threshold for TDS (per FY)</b>
Banks, Co-op banks, Post Office	<b>₹50,000</b>
Others (e.g. NBFCs, firms)	<b>₹10,000</b>

 **Senior citizens (60 years & above)** enjoy a higher threshold of ₹1,00,000 **only for interest from banks/co-op/post office.**

### ***Exceptions – When TDS Is Not Required***

TDS under Section 194A is **not applicable** in the following cases:

- Interest paid to:**
  - Banking companies
  - LIC, UTI, GIC and its subsidiaries
  - Post Office (certain notified schemes)
  - Any cooperative society (in some cases)
- Form 15G / 15H submitted** by the payee
  - Form 15G** – For non-senior individuals if total income is below taxable limit
  - Form 15H** – For senior citizens (even if income is taxable but no tax liability)
- Interest paid to:**
  - Institutions or funds covered under **Section 10** (fully exempt entities)
  - Notified institutions by the Central Government
- Interest paid under **court orders** to a litigant – if ≤ ₹50,000 per FY



## **Conclusion**

**Section 194A plays a critical role in ensuring TDS on interest income is collected from banks, companies, and NBFCs. It helps track taxable income and avoids tax evasion. However, it also provides relief to senior citizens and small depositors through exemption limits and self-declaration (Form 15G/15H).**

## **Section 194B – TDS on Winnings from Lotteries, Game Shows, etc.**

### ***Introduction***

Section 194B of the Income-tax Act, 1961, mandates **Tax Deducted at Source (TDS)** on winnings from:

- Lotteries
- Crossword puzzles
- Card games
- Game shows
- Any other games (online or offline)

🎯 The aim is to **prevent tax evasion** on such “windfall” incomes, which are generally not part of regular earnings.

### ***Applicability of Section 194B***

TDS under Section 194B is applicable **only if**:

- The **amount of winning exceeds ₹10,000**, and
- The winnings are from **lotteries, crossword puzzles, card games, or any other game of any sort**, including **TV/online game shows**, app-based contests, etc.

📝 Note: This ₹10,000 limit is **per winning instance**, not cumulative.

### ***Who Is Liable to Deduct TDS?***

Any person or entity making the payment of such winnings is responsible for TDS deduction.

Examples:

- Game show producers (e.g., KBC, reality shows)
- Lottery organizers (e.g., state lottery)
- Online gaming platforms (e.g., Dream11, Winzo)
- Event organizers offering cash or non-cash prizes

### ***Timing of TDS Deduction***

TDS must be deducted **at the time of payment** of the winning, whether:

- In **cash**
- In **kind** (e.g. car, bike, phone, gift items), or
- **Partly in cash and partly in kind**

✂ If the prize is wholly or partly in kind, the payer must ensure that **tax has been paid before releasing the prize.**

### Rate of TDS

Condition	TDS Rate
If PAN is available	30%
If PAN is not provided (Sec 206AA)	30%
If Sec 206AB applies (non-filer)	Higher of 30% or twice the rate

☑ **Flat rate of 30%**, without any basic exemption or deductions.

### *No Exemption or Deduction Allowed*

- **No basic exemption** of ₹2.5 lakh
- **No deductions** under Chapter VI-A (like 80C, 80D, etc.)
- Entire amount is taxed at **flat 30%**
- Even if the winner's total income is below taxable limit, **TDS is still deducted**

### *TDS on Prizes in Kind*

If the winning is **not in cash** (e.g., car, bike, gold, foreign trip), then:

- The **value of the prize** is considered for TDS.
- **TDS must be paid by the payer or recovered from winner** before giving the prize.
- **FMV (Fair Market Value)** of the item is taken as the base for calculating 30% TDS.

✦ *Prize cannot be released unless TDS has been paid.*

### *Threshold Limit*

TDS is applicable **only if** the winning exceeds ₹10,000 **per instance.**

Type of Prize	TDS Applies if Amount is More Than
Lottery	₹10,000
Crossword puzzle	₹10,000
Game show / online game	₹10,000
Any other game	₹10,000

### ***Summary Points***

- Flat 30% TDS on lottery, game shows, puzzles, etc.
- Applies only if **winning > ₹10,000**
- No deductions, exemptions, or rebate
- TDS applies even on **non-cash prizes**
- Payer must ensure TDS is paid **before** giving out prize
- Prizes from **online gaming** (like fantasy sports, real money games) are now **covered under Section 194BA**

### **Conclusion**

**Section 194B ensures upfront taxation on prize money and windfall gains. It helps the Income Tax Department collect tax on non-recurring incomes and prevents evasion. Every person or company offering prizes must be careful in complying with this provision.**

## Section 194BB – TDS on Winnings from Horse Races

### *Objective*

Section 194BB provides for **Tax Deducted at Source (TDS)** on income earned through **winning a horse race**. The purpose is to ensure **tax is collected in advance** on such windfall earnings.

🔗 This section is similar in spirit to Section 194B (TDS on lottery/game show winnings), but it deals **specifically with horse racing**.

### *Applicability*

This section applies when **any person** pays to **any resident** an amount as **winnings from a horse race**, and:

- The amount exceeds **₹10,000**.

🔗 *Applicable only to residents under Section 194BB. For non-residents, Section 195 applies.*

### *Who Has to Deduct TDS?*

Any person (usually a **bookmaker** or **licensed horse race organizer**) responsible for paying winnings from a horse race **to a resident**, must deduct TDS.

📄 Examples:

- Turf clubs
- Race course authorities
- Bookmakers registered with horse racing associations

### *TDS Threshold*

TDS is applicable only if the amount of **winnings exceeds ₹10,000** per instance.

### **Winnings from Horse Race TDS Applicable?**

₹9,500

✗ No

### Winnings from Horse Race TDS Applicable?

₹10,500

☒ Yes

### TDS Rate

Condition	TDS Rate
PAN furnished	30%
PAN not furnished (Sec 206AA)	30%
Non-filer (Sec 206AB applicable)	Higher of 30% or 2× rate

⚠ **No deductions** or basic exemption limit applies. It's a **flat rate**.

### Time of Deduction

TDS must be deducted:

- **At the time of payment**, whether the payment is made in:
  - Cash
  - Cheque
  - Online transfer
  - Any other mode

### Summary Table

Particular	Section 194BB
Applicable to	Winnings from horse races
Recipient	Resident only
Threshold	₹10,000 per instance
TDS Rate	30% flat
Deductions/Exemptions	Not allowed
TDS Return Form	Form 26Q

<b>Particular</b>	<b>Section 194BB</b>
TDS Certificate	Form 16A
Time of deduction	At the time of payment

### **Conclusion**

**Section 194BB is a specific provision for taxing winnings from horse races at source. Like other sections dealing with windfall income, it applies a flat 30% TDS, with no deductions allowed. This ensures that income from gambling or chance-based activities is taxed immediately and fairly.**

## **Section 194BA – TDS on Online Gaming Winnings**

### ***Objective***

Section 194BA was introduced by the **Finance Act, 2023** and is **effective from 1st April 2023**.

🔗 It mandates **Tax Deduction at Source (TDS)** on **net winnings** from **online gaming platforms**, ensuring tax compliance from the rapidly growing digital gaming industry.

### ***What Is Covered?***

TDS under Section 194BA applies to **any winnings from “online games”**, including:

- Fantasy sports (e.g. Dream11)
- Card games (e.g. rummy, poker)
- Online quizzes
- E-sports tournaments
- Gambling or betting platforms
- Any other digital games offering monetary rewards

🧠 Whether it's a **game of skill** or **chance**, it is **covered**.

### ***Who Is Liable to Deduct TDS?***

**Any person responsible for paying** net winnings from online games to a **user** is liable. Typically, this is the **operator/platform** (like MPL, WinZO, My11Circle, etc.).

### ***Threshold for Deduction***

🎯 **No threshold** — even **₹1** of net winnings is subject to TDS.

This is stricter than Section 194B (lottery/game show), which applies only if winnings exceed ₹10,000.



### ***TDS Rate***

<b>Case</b>	<b>Rate of TDS</b>
PAN furnished	30%
PAN not furnished (Sec 206AA)	30%
Non-filer (Sec 206AB)	Higher of: 30% or twice the prescribed rate

⚠ **Flat 30% rate** – no exemption, no deductions, no slab benefit.

### ***What Is “Net Winnings”?***

**Net winnings** = The **actual profit** made by the player on the platform.

### ***Time of TDS Deduction***

TDS must be deducted:

- **At the time of withdrawal** of net winnings by the user
- OR
- **At the end of the financial year**, even if nothing is withdrawn

🔗 This ensures **unclaimed or retained winnings are also taxed**.

### **Comparison: 194B vs 194BA**

<b>Feature</b>	<b>Section 194B</b>	<b>Section 194BA</b>
Applies to	Lotteries, game shows, etc.	Online gaming platforms
Threshold	₹10,000 per instance	No threshold
Timing	At time of payment	At withdrawal or year-end
Net Winnings concept	✗ No	☑ Yes
Effective from	Existing	1st April 2023

### *Summary*

- Applies to **net winnings** from **online games**
- **No threshold, flat 30% TDS**
- **Platform/operator** is responsible
- TDS applies at **withdrawal or year-end**
- Ensures **taxation of digital gaming income**



