

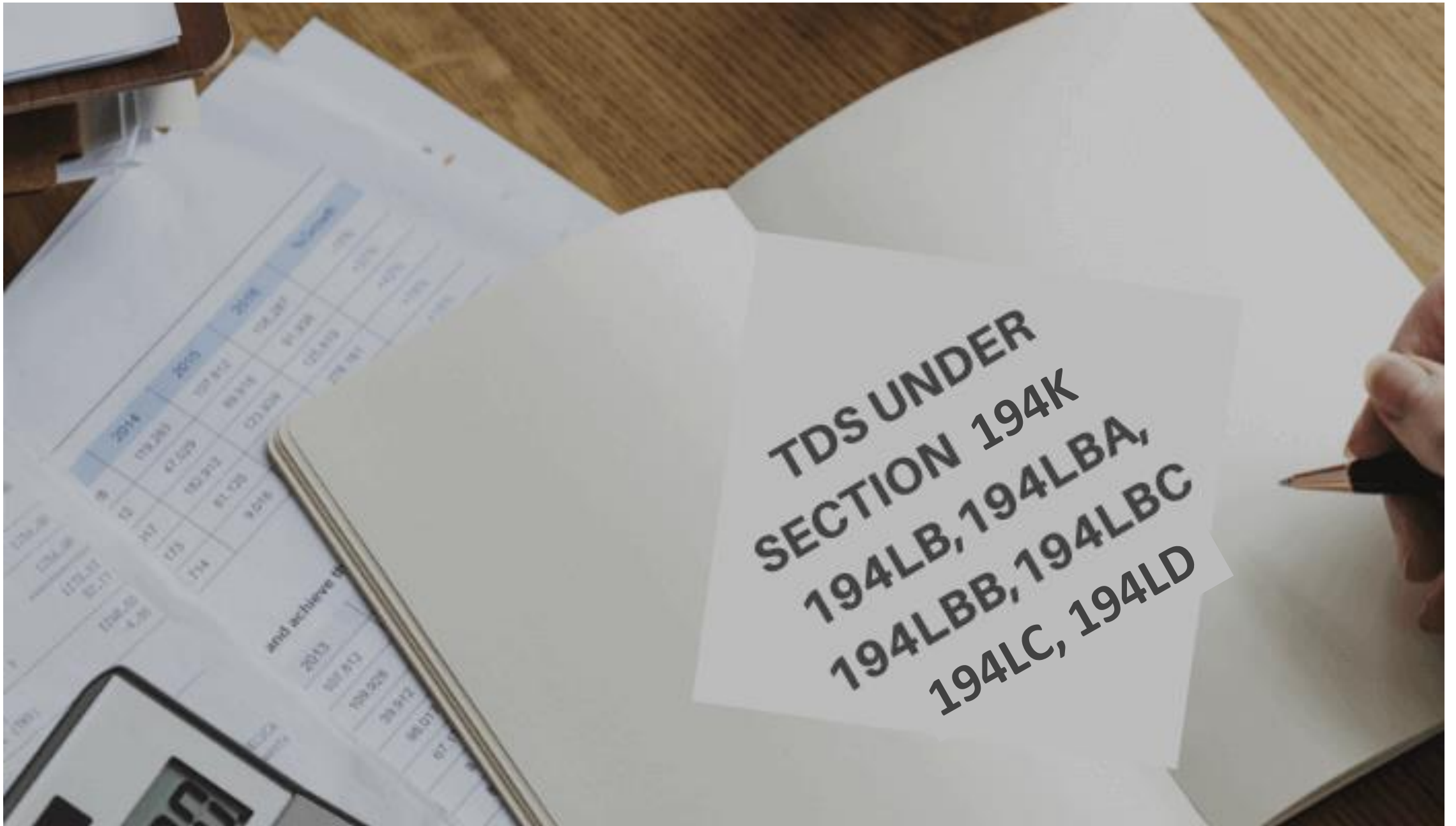


# **TDS UPDATES**

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**TDS UNDER  
SECTION 194K  
194LB, 194LBA,  
194LBB, 194LBC  
194LC, 194LD**



SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	LIMIT	REMARKS
194K	Units of Mutual Fund specified u/s 10(23D)	Any Person	Resident	at 10 %	₹ 5,000 /-	a mutual fund is required to deduct TDS @ 10% only on dividend payment

## **Section 194 K – Income in respect of units**

### **1. Which type of Income is covered under section 194K?**

- a) CBDT clarified that TDS will be applicable only on dividend payment & no tax shall be required to be deducted by the mutual fund on income which is in the nature of capital gains.
- b) Hence TDS is required to be deducted on dividend payment by mutual funds only and not on gain arising out of redemption of units.

### **2. Who is responsible to deduct TDS under section 194K?**

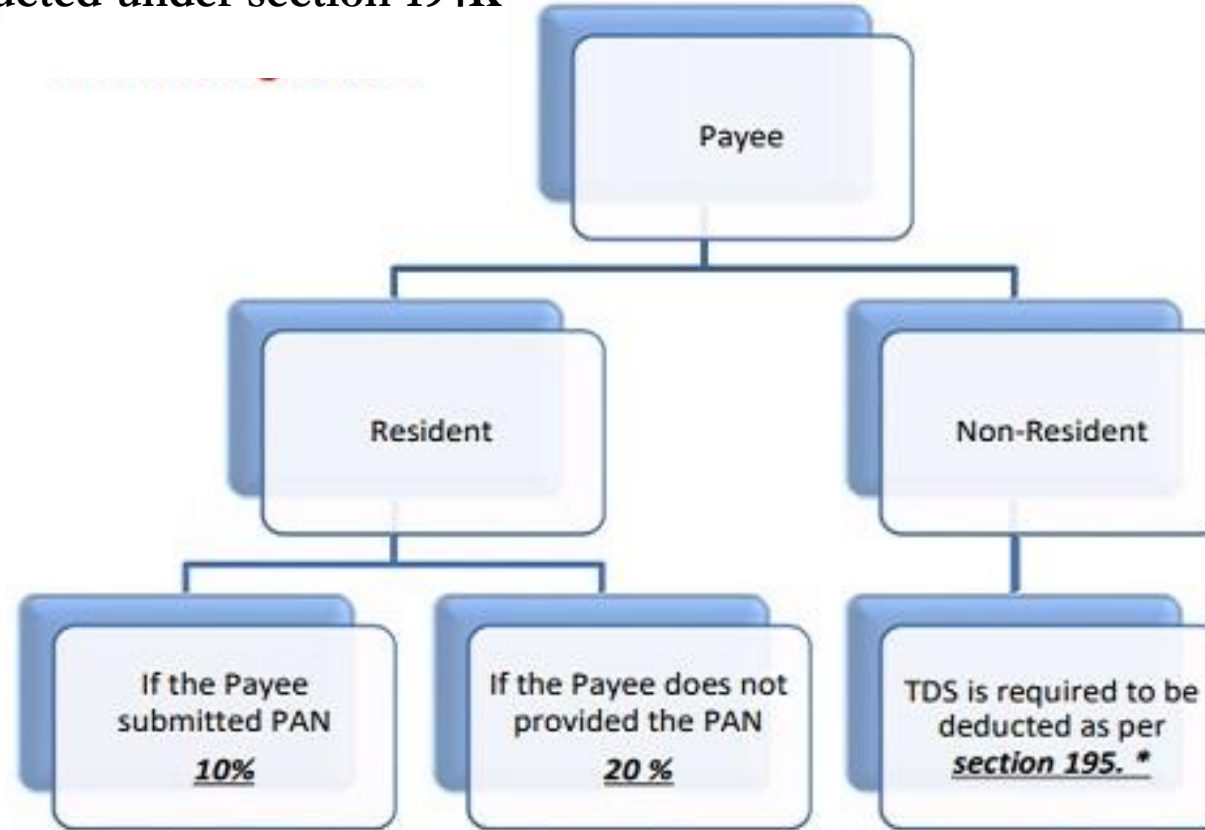
Any person who is responsible for paying to a resident any income in respect of

- a) Units of a Mutual Fund or
- b) Units from the Administrator of the specified undertaking; or
- c) Units from the specified company,

### **3. Time of deduction of TDS under section 194K**

- a) at the time of credit of income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier
- b) when payer credited such income to any other account whether called “suspense account” or by any other name, it is considered as deemed income and TDS required to be deducted

#### 4. Rate at which TDS to be deducted under section 194K



#### 5. Threshold Limit for TDS deduction under section 194K

TDS is required to deduct if the aggregate amounts of such income which is credited or paid during the financial year exceeds **Rs. 5,000/-**

## 6. TDS return and Certificates

- ☐ The statement of return in **form No. 26Q** is required to be filled quarterly.
- ☐ The TDS certificate i.e **Form No. 16A** is required to be issued quarterly within 15 days from the due date for furnishing the quarterly TDS statements

## 7. Consequences for Non deducting / delay in depositing TDS

Failure to deduct the TDS or to remit tax deducted in the governments account within stipulated time limit would attract interest and penalty as follows: -

- a. **Disallowance** of Expenditure as per Section 40(a)(ia)
- b. **Interest @ 1%** for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted
- c. **Interest @ 1.5%** for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid
- d. **Penalty** of an amount equal to tax not deducted or paid could be imposed under section 271C



## 8. Comparison of Existing & New Regime:

Existing Regime	New Regime
<b>1. Capital Gain</b>	
<p>a) <u>Capital gains are taxable in the hands of the taxpayer.</u> Any long-term capital gains earned from the equity-oriented mutual funds will be taxed at the rate of 10% if the gains exceed Rs 1 lakh in a year.</p> <p>b) <b>Short-term capital gains</b> from the mutual funds, subject to STT, will be taxed at the <u>rate of 15%.</u></p>	<p>A <u>mutual fund is not liable to deduct TDS</u> on capital gains arising on redemption of units by unit holders.</p>
<b>2. Dividend</b>	
<p><u>Tax on the dividend (DDT)</u> which is paid by the Fund Houses (AMC) on behalf of the investors.</p>	<p><u>DDT has been abolished</u> as per the <b>Budget 2020</b>; from FY 2020-21, dividend income will be taxable in the hands of the receiver/investor.</p>

A composite image featuring a giant hand in a white suit holding a construction crane against a city skyline. The hand is positioned as if it is about to drop or release the crane. The background shows a dense urban landscape with various skyscrapers and buildings under a cloudy sky. The overall theme suggests infrastructure, construction, and financial matters.

## **TDS on Income by way of Interest from Infrastructure Debt Fund**

**194LB**



## ❖ NATURE & SCOPE

Amount paid in the nature of interest on infrastructure debt fund to a non-resident (other than a company or foreign company).

## ❖ RATE OF DEDUCTION

➤ **5 %** on the interest amount

➤ Surcharge shall be added if applicable.

➤ **Health & Education Cess @ 4%** shall be added to the above rates plus surcharge if applicable.

➤ The provisions of section **206AA** shall not apply to a non-resident, not being a company, or to a foreign company, in respect of payment of such interest subject to such conditions as may be prescribed.

**(206AA - TDS on payments made to non-residents and residents not having a PAN)**

## ❖ WHO CAN DEDUCT TAX ?

Any person who makes payment of interest to a Non – Resident ( Not a Company / Foreign Company)

## ❖ WHEN TO DEDUCT ?

Amount Credited  
to the account of  
the payee

Time of payment in  
Cash/Cheque/draft

whichever is earlier

# Section 194LBA

## TDS on Certain Income From Units of a Business Trust



## ❖ NATURE & SCOPE

On amount paid as Income under section **115UA** by a Business trust to its unit holder.

## ❖ 115UA

- Notwithstanding anything contained in any other provisions of this Act, any income distributed by a business trust to its unit holders shall be deemed to be of the same nature and in the same proportion in the hands of the unit holder as it had been received by, or accrued to, the business trust.
- Subject to the provisions of section 111A and section 112, the total income of a business trust shall be charged to tax at the maximum marginal rate.
- If in any previous year, the distributed income or any part thereof, received by a unit holder from the business trust is of the nature as referred to in 97[sub-clause (a) of] clause (23FC) 98[or clause (23FCA)] of section 10, then, such distributed income or part thereof shall be deemed to be income of such unit holder and shall be charged to tax as income of the previous year.





## 115UB

- Any income (other than business income) earned by a SEBI registered Category I and II AIF, is exempt from tax in the hands of the AIF under Section 10(23FBA) of the Act. Such income shall be taxable directly in the hands of the investors of the AIF under Section 115UB of the Act.
- The investors shall be chargeable to tax in the same manner as if it were the income accruing or arising to, or received by, such investor had the investments, made by the AIF, been made directly by such investor. Income taxable in investors' hands shall be deemed to be of the same nature and proportion as in the hands of the AIF.
- Further, in terms of Section 115UB(2) of the Act, in case there is a loss at the fund level (i.e. current loss or loss which remained to be set off), such loss shall not be allowed to be passed through to the investors but would be carried forward at AIF level to be set off against income of future years in accordance with the provisions of Chapter VI of the Act



## ❖ SECTION 10(23) FCA

Any income of a business trust, being a real estate investment trust, by way of renting or leasing or letting out any real estate asset owned directly by such business trust.

## ❖ RATE

Income	Rate of Tax
Income paid to Resident unit holder u/s 115UA, being of a nature referred to in section 10 (23FC)(a) or section 10 (23FCA)	10%
Income paid to a non-resident (not being a company) or a foreign company unit holder u/s 115UA, being of nature referred to in section 10 (23FC)(a)	5%
Income paid to a <b>non-resident</b> (not being a company) or a foreign company unit holder u/s 115UA, being of nature referred to in section 10 (23FCA)	30% (the rate in force)

## ❖ WHEN TO DEDUCT ?

At the time of making payment of such income.

## **TDS on Income in Respect of Units of Investment Fund**

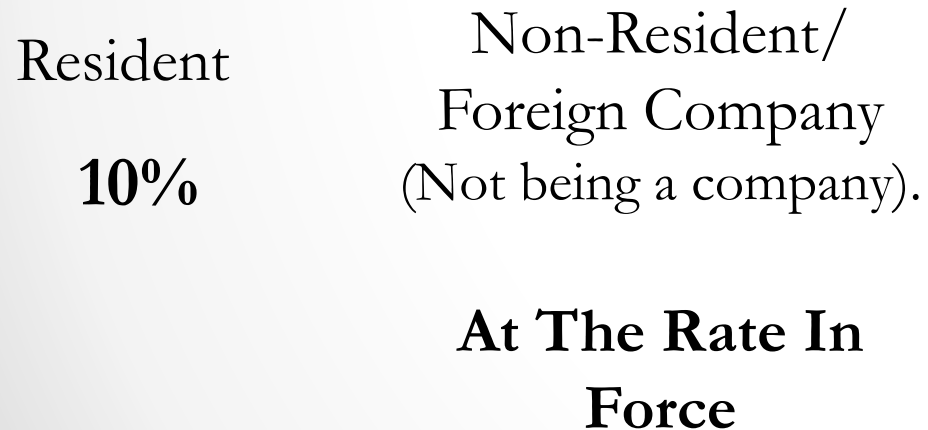
**194LBB**



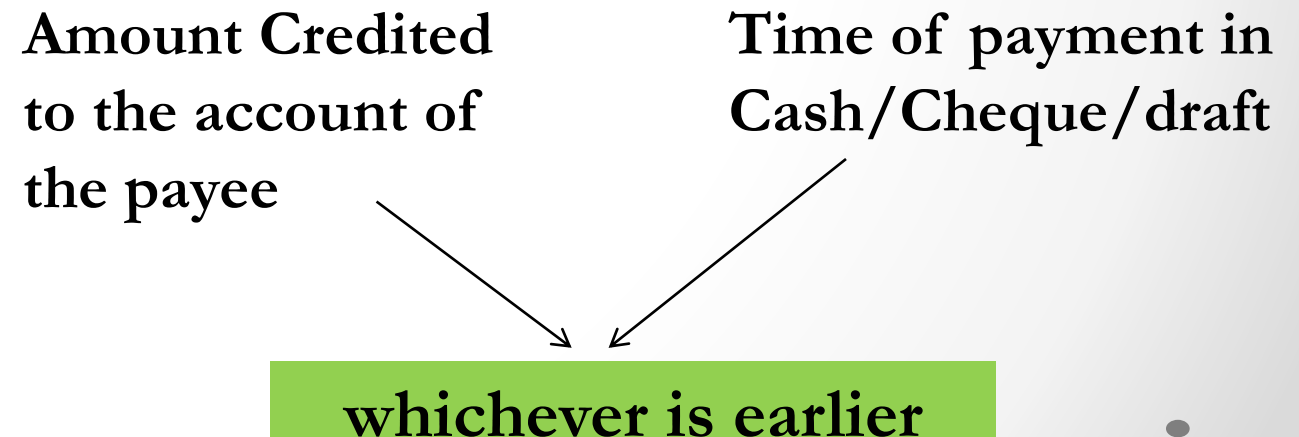
## ❖ NATURE & SCOPE

Amount paid as income in respect of an Investment Fund specified under section 115UB to a unit holder.

### ❖ RATE



### ❖ WHEN TO DEDUCT



A graphic of a house with a family inside, representing a Securitization Trust. The house is outlined in orange. Inside, there are four stylized human figures: a blue male figure on the left, a purple child figure in the center-left, a green child figure in the center-right, and a pink female figure on the right. They are all holding hands and looking up at a small orange heart floating above them. The text "Securitization Trust" is written in white inside the house.

**Securitization  
Trust**

**TDS on Income in  
Respect of Investment  
in Securitization Trust**

**194LBC**



SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	LIMIT
194LBC	Income in Respect of Investment in Securitization Trust	Any person who gives income to an investor with respect to investment in securitization trust	Any Person	<ul style="list-style-type: none"> <li>• 25% (resident Individual &amp; HUF)</li> <li>• 30% (other than resident individual &amp; HUF)</li> <li>• 40% (foreign company)</li> <li>• 30% (Non-resident not being a foreign company)</li> </ul>	-

- **Scope of Section 194LBC**

Section 194LBC applies to the amount paid as an income to an investor in respect of an investment in a securitization trust as specified u/s 115TCA.

- **When to deduct TDS u/s 194LBC**

Tax u/s 194LBC shall be deducted at the earlier of, the credit of such income to the account of the payee or at the time of making payment either in cash or by way of issuing cheque or draft or by any other mode.

## Who is responsible to Deduct TDS under Section 194LBC?

(a) Where such income is payable to a resident investor [Section 194LBC(1)]

Where any income is payable to an investor, being a resident, in respect of an investment in a securitisation trust specified in clause (d) of the Explanation occurring after section 115TCA, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon.

(b) Where such income is payable to a Non-Resident Investor [Section 194LBC(2)]

Where any income is payable to an investor, being a non-resident (not being a company) or a foreign company, in respect of an investment in a securitisation trust specified in clause (d) of the Explanation occurring after section 115TCA, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon, at the rates in force.

**Securitisation trust means:**

a trust, being a—

- (i) "special purpose distinct entity" as defined in clause (u) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the Securities Contracts (Regulation) Act, 1956 (42 of 1956), and regulated under the said regulations; or
- (ii) "Special Purpose Vehicle" as defined in, and regulated by, the guidelines on securitisation of standard assets issued by the Reserve Bank of India; or
- (iii) trust set-up by a securitisation company or a reconstruction company formed, for the purposes of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002), or in pursuance of any guidelines or directions issued for the said purposes by the Reserve Bank of India, which fulfils such conditions, as may be prescribed.

## Section 194 LC – Income by way of interest from Indian company.

The section deals with TDS deduction on income by way of interest from an Indian Company or a business trust and the provisions relating to the same has been explained in the current article.

### Basic Applicability:

- The Indian Company or a business trust paying interest income to a non-resident, not being a company, or to a foreign company is liable to deduct TDS.
- Interest income payable by the Indian Company or the business trust on the following is covered under section 194LC –
  - i. Interest in respect of money borrowed by the Indian Company or the business trust in foreign currency from a source outside India –
    - Under a loan agreement between 1<sup>st</sup> July 2012 to **1<sup>st</sup> July 2023.**
    - By issuing long term infrastructure bonds between 1<sup>st</sup> July 2012 to 1<sup>st</sup> October 2014.
    - By issuing long term bond including long term infrastructure bonds between 1<sup>st</sup> October 2014 to **1<sup>st</sup> July 2023.**



- ii. Interest in respect of money borrowed by the Indian Company or the business trust in foreign currency from a source outside India by way of issue of rupee denominated bond before **1<sup>st</sup> July 2023.**
- iii. To the extent, the interest income does not exceed the amount of interest calculated at the rate approved by the Central Government.

### **Time of TDS deduction –**

- At the time of payment thereof in cheque or cash or draft or any other mode of payment; or
- At the time of credit of interest income to the account of the payee.

### **Rate of deduction of TDS –**

The Deductor is liable to deduct TDS @ **5%**. In addition to the same, the **Education Cess** and **SHE Cess** is to be added to the base rate. Further, if the Surcharge gets applicable the same is also to be added.

**Section 194 LD – Income by way of interest on certain bonds and  
Government securities.**



## **1) Who is responsible to deduct tax u/s 194LD?**

Any person who is responsible for paying to a person being a Foreign Institutional Investor or a Qualified Foreign Investor any income by way of interest.

## **2) Nature of Payment**

- a) Interest payable on or after the 1st day of June, 2013 but before the 1st day of July, 2023 (Amended in Finance Act, 2020) in respect of investment made by the payee in —
  - i. a rupee denominated bond of an Indian company ; or
  - ii. a Government security.
- b) on or after the 1st day of April, 2020 but before the 1st day of July, 2023 in respect of the investment made by the payee in municipal debt securities

### 3) When to Deduct TDS under Section 194LD?

At the time of credit of such income to the account of payee or at the time of payment whichever is earlier.

### 4) Applicable Rate of TDS

The rates of TDS shall be 5%.

- Surcharge, wherever applicable plus Health & Education Cess @ 4% shall be added to the above rates.
- The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee.
- The provisions of section 206AA shall not apply to a non-resident, not being a company, or to a foreign company, in respect of income by way of interest under this section subject to such conditions as may be prescribed.

