

TDS/TCS – Return Filing Procedure

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Tax Collection Methods – DIRECT TAX

- INCOME TAX
 - ADVANCE TAX – PAYABLE IN THE FINANCIAL YEAR
 - TDS/TCS – DEDUCTED AND COLLECTED IN THE FINANCIAL YEAR ON TRANSACTIONS – BUSINESS AND OTHERS
 - TAX PAYABLE BY THE TAX PAYERS AT THE TIME TIME FILING THE RETURNS (LEGAL COMPLINCE). THIS IS CALLED SELF ASSESSMENT TAX

TDS

- TDS or Tax Deducted at Source is the tax deduction that occurs at the source itself. For instance, if you are a salaried employee, your employer will deduct TDS and give the same to the government. TDS is calculated as per your income tax slab.

Apart from your salary, TDS is also deducted from interest payments, rent, professional fees, commission, etc. Depending on who is deducting the TDS, you will either receive Form 16 or Form 16A with detailed information about the deducted tax. You will need this form while filing your **income tax** returns.

TCS

- Sellers collect TCS or Tax Collected at Source from buyers. All the goods for which TCS is applicable are mentioned under Section 206C of the IT Act. The TCS rates vary based on the product sold. For instance, TCS on Tendu leaves is 5%, and the same for liquor of alcoholic nature is 1%.

It is important to note that the seller here is not paying any kind of tax. He/she is only collecting it from the buyers and passing the same to the government. Sellers are required to deposit TCS collected from buyers within a week from the last day of the month when the tax was collected.

TDS

- TDS stands for tax deducted at source. As per the Income Tax Act, any company or person making a payment is required to deduct tax at source if the payment exceeds certain threshold limits.
- TDS has to be deducted at the rates prescribed by the tax department.
- The company or person that makes the payment after deducting TDS is called a deductor and the company or person receiving the payment is called the deductee.
- It is the deductor's responsibility to deduct TDS before making the payment and deposit the same with the government.
- TDS is deducted irrespective of the mode of payment—cash, cheque or credit—and is linked to the [PAN](#) of the deductor and deducted.

TDS on what

- Payments:
 - Salaries
 - Interest payments by banks
 - Commission payments
 - Rent payments
 - Consultation fees
 - Professional fees
 - However, individuals are not required to deduct TDS when they make rent payments or pay fees to professionals like lawyers and doctors.
 - TDS is one kind of advance tax. It is tax that is to be deposited with the government periodically and the onus of the doing the same on time lies with the deductor. For the deductee, the deducted TDS can be claimed in the form of a tax refund after they file their [ITR](#).

Provisions of IT Act

- Sec.192 Salary
- Sec.193 Interest
- Sec.194 Dividend
- Sec.194A Interest other than banking
- Sec.194B Lottery
- Sec.194BB Race Horse
- Sec.194C Contractors/Sub Contractors
- Sec.19D Insurance Commission
- Sec.194DA Insurance Policy Maturity
- Sec.194E Non Resident Sports Association

TDS – Provisions

- Sec.194EE NSS
- Sec.194 MFs
- Sec.194G Lottery Commission
- Sec.194H General Brokerage/Commission
- Sec.194I Rent
- Sec.194IA Transfer of Property (Above Rs.50 lakhs)
- Sec.194IB Rent – by Individual (above Rs.50000 pm)
- Sec.194IC Payments under JDA
- Sec.194J Technical/Professional Fees
- Sec.194Q TDS on Purchase of Goods (new)
- Sec.195 NR

TCS-Basics

- TCS
 - The supplier of goods collects an additional amount from buyer of goods over and above the sale consideration.
 - Not applicable to services
- Section 206C Existing Provisions
 - Existing TCS on Sale of Certain Goods – applicable on sale of
 - Liquor
 - Tendu leaves
 - Timber/Forest Produce
 - Scrap
 - Parking lot
 - Toll plaza
 - Minerals (Coal, lignite, iron ore)
- Hence the new provisions is not applicable to the above goods.

Procedures -Summary

- DeductionCollection (TDS/TCS)

When and What

- Remittance

Due Date/How to Deposit

- File Quarterly Returns

How/When

- Issue Certificates

- TDS/TCS Credits – 26as

- Default - Legal Issues

Responsibility of person deducting tax

- Obtain Tax Deduction Account Number and mention it in all the documents pertaining to TDS.
- Deduct the TDS at the applicable rate.
- Deposit the TDS amount with the Government within the specified due date.
- File TDS returns within the specified due date.
- Issue the TDS certificate to the payee within the specified due date.

Pre-Requisites - Registration

- **TAN/TDS > TAN Registration**
- **Introduction**
- **TRACES provides many features at its website to a registered deductor. The features includes: view challan status, download Conso File, Justification Report and Form 16 / 16A, view TDS / TCS credit for a PAN as well as verify PAN of Tax Payers linked to the deductor / collector. In order to take advantage of above features, it is mandatory to a deductor to register their TAN at www.tdscpc.gov.in.**
- **Procedure for registering with www.tdscpc.gov.in**
- **Step – I**
- **Visit www.tdscpc.gov.in and click on Register as Tax Deductor or Go to <https://www.tdscpc.gov.in/app/dedregs1.xhtml> to register;**
- **Step – II**
- **Fill out the requisite details and your Login Credentials and click on Create Account**
- **Step – III**
- **On clicking of Create Account a confirmation screen will appear in order to validate the inputs correctness, in case amendment is required to the data displayed in the confirmation screen, edit option may be chosen**
- **Step – IV**
- **On confirming the data, the account will be created an activation link and codes will be sent to the applicant email id and mobile number.**

TDS/TCS Deposit

- Visit <http://www.tin-nsdl.com> and under the 'Services' section click on 'e-payment Pay Taxes Online'
- Now under the TDS/TCS section click on the 'CHALLAN NO./ITNS 281' option.
- Now be redirected to a new page where you must fill in the necessary details.
- If deduct TDS while making a payment to a company, click 'Company Deductees' under 'Tax Applicable.' Otherwise, choose 'Non-Company Deductees.'
- will be asked to enter TAN and select the Assessment Year for which you are going to make the payment.
- Now select your state and enter the PIN Code of your area.
- Now select type of payment from (200) TDS/TCS Payable by Taxpayer or (400) TDS/TCS Regular Assessment.
- Now select the nature of payment and mode of payment from the given options.

continue

- Enter Tax Deduction Account Number (if any) and click on 'Submit'. The TAN will be validated after the form is submitted.
- The taxpayer's full name will be displayed on the screen after successful authentication.
- You will be redirected to your bank's net banking page once the entered details are confirmed by you.
- Then, using the user ID and password, sign in to your net banking account to complete the payment procedure.
- A counterfoil challan will be generated and displayed on the screen after an effective payment.
- The Corporate Identity Number (CIN) and payment details, as well as the name of the bank from which the payment was issued, will be recorded on this challan.

Quarterly Returns

- | | |
|--|-----------|
| • Salary (Sec.192) | Form 24Q |
| • Other Payments (Sec.193 to 194) <ul style="list-style-type: none">• (Payments to Residents) | Form 26Q |
| • Others Payments to Non Residents <ul style="list-style-type: none">• (Sec.195) | Form 27Q |
| • TCS – Section 206C | Form 27EQ |
| • 27D <ul style="list-style-type: none">• Tax Collection Certificate in respect of deductees, reported in Form 27EQ Statements | |

24Q- Details

- 1. Three month's TDS Challans
- 2. Three month's Salary Registers
- 3. Acknowledgement of Previous Quarter Return

How to download

- **How to Download TDS Return Forms**

- TDS Return Form has been sub-divided into four categories. A taxpayer needs to choose the particular category for which he/she has to file TDS Returns accordingly. Here are steps through which a taxpayer can download the TDS return forms:
- **Step 1:** Visit the official website of NSDL at <https://www.tin-nsdl.com/>
- **Step 2:** Click the “Downloads” tab and choose E-TDS/E-TCS from the drop down list menu
- **Step 3:** Click “Quarterly Returns” and then choose “Regular”
- **Step 4:** You will be redirected to the new page
- **Step 5:** Choose the TDS Return Form as per the requirement mentioned under section “Form”

TDS/TCS Filing online

- **Step – I**
- The data structure (file format) in which the e-TDS / e-TCS return is to be prepared has been notified in <https://www.tin-nsdl.com/services/etds-etcs/etds-rpu.html>
- **Step – II**
- e-TDS/e-TCS return in accordance with the file formats is to be prepared in clean text ASCII format with 'txt' as filename extension. e-TDS/e-TCS return can be prepared using Return Preparation Utility provided by NSDL or any other third party software
- **Step – III**
- Once the file has been prepared as per the file format, it should be verified using the File Validation Utility (FVU) provided by NSDL
- **Step – IV**
- In case file has any errors the FVU will give a report of the errors. Rectify the errors and verify the file again through the FVU.
- **Step – V**
- Generated .fvu file can be submitted at TIN-FC or uploaded at <https://www.incometax.gov.in/iec/foportal/> website
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- For Online upload of TDS/TCS Statement, registration of organisation at <https://www.incometax.gov.in/iec/foportal/> is mandatory

TDS/TCS – Due dates

1st Quarter	April – June	30 June	31 July
2nd Quarter	July – September	30 September	31 October
3rd Quarter	October – December	31 December	15 January
4th Quarter	January – March	31 March	15 May

Late Filing Fee

- Sec.201A
- Non deduction of TDS

1% Per month or part of the month for the period of default

- Non Payment

1.5% per month or part of the month of default

Penalty for late filing

- Under Section 234E, have to pay a fine of Rs 200 per day (two hundred) until your return is filed.
- have to pay this for every day of delay until the fine amount is equal to the amount you are supposed to pay as TDS.
- In case of Nil Return, for 26Q Declaration is given through traces online.
- But it is not compulsory to give the declaration for nil return.

- In case, if in any of the quarter the return for 24Q is submitted and in 4th Quarter there is no TDS deducted then also it is compulsory to file the nil return. If there is any delay in filling nil return or in giving declaration then, there is no penalty of tax.

TDS/TCS Certificates

- Form no. 16 for TDS from Salary - Annual
Form no. 16B for TDS under [section 194-IA](#)
Form no. 16A for any other TDS - Quarterly
Form no. 27D for [TCS](#)
 - This certificate has to be issued within 15 days from the date of filing TCS quarterly returns.

Time Limit

Form no.	Period	Due Date	
Form No. 16	Annual	On or before 31st May of the financial year immediately following the financial year in which tax is deducted.	
Form No. 16A/ 27B	Quarterly	Within 15 days from the due date of furnishing quarterly TDS/TCS.	
Form No. 16B	—	Within 15 days of furnishing challan in Form No. 26QB	

TRACES - TDS Reconciliation Analysis and Correction Enabling System

- **TDS certificate form 16/16A:**
- Form 16/ 16A is the certificate of deduction of tax at source and issued on deduction of tax by the employer on behalf of the employees. These certificates provide details of TDS / TCS for various transactions between deductor and deductee. It is mandatory to issue these certificates to Tax Payers.
- **Deductor logs in to TRACES.**
- **Go to Downloads tab.**
- **Select Form 16/16A.**
- **Enter the details and click on go**

Penalty

- **Penalty (Section 271H)**
- Under this Section, an individual who fails to file the TDS statement within due date will be liable to pay a minimum penalty of INR 10,000 which may be extended to INR 1,00,000.
- The penalty under this section is in addition to the late filing fee under Section 234E.

Reasons for Penalty

- The penalty provisions of section 271H are applicable under any of the following circumstances –
 - 1. The Deductor fails to submit the TDS return within the prescribed time limit.
 - 2. The Collector fails to submit the TCS return within the prescribed time limit.
 - 3. The Deductor furnishes incorrect information while filing the TDS return.
 - 4. The Collector furnishes incorrect information while filing the TCS return.
- The person who commits any of the above defaults would be liable to pay the penalty under section 271H.

Penalty cannot be waived

- The penalty under section 234E of the Income Tax Act is mandatory and it cannot be waived under any circumstances.
- The Government has used the term “Fee” in 234E. It is a statutory levy. It is not a penalty but a late fee. As such waiver is not possible since it is levied in the form of fee and not in the form of penalty.
- However the validity of section 234 E of the Income Tax Act, 1961 has been challenged in the High Court of Kerala. The levy of penalty in the form of ‘fee’ has been opposed stating the same as illegal and unreasonable in a writ petition filed before the Honorable High Court. The writ petition has been admitted and all the proceedings initiated against the petitioner as per section 234E of the Income Tax Act have been stayed for two months.

When Penalty cannot be levied

- The penalty under section 271H of the Income Tax Act cannot be levied if all the following conditions are satisfied –
 - 1. The TDS or TCS is paid to the credit of the Government;
 - 2. The Deductor / collector has paid late filing fees and applicable interest to the credit of the Government; and
 - 3. The TDS or TCS return is filed before the expiry of one year from the specified due dates.
- Further, provisions of section 273B of the Income Tax Act states that in case the defaulter (Deductor / Collector) provides reasonable cause for the failure, then no penalty can be levied under section 271H

Sec.40 – Impact in computation of business income – Non Resident

Nature of default	Expenditure deductible in current year	Expenditure deductible in any previous year
Tax is deductible but not deducted	100% of such expenditure is disallowed	If deducted in the subsequent year, expenditure is allowed in the year in which tax is deducted and deposited
Tax is deducted but not deposited before the due date or date of I.T. return	100% of such expenditure is disallowed	If deposited after due date or date of IT return, expenditure is allowed in the year in which tax is deposited

Sec.40(a)(ia)

- Payment (for other than salaries) outside India or to a non-resident or foreign company (for example payments for interest, royalty, technical fee, etc.)
- If any amount is paid as salaries to a person outside India or a non-resident without deduction of TDS, the amount so paid is disallowed as expenditure.

Payments to Residents

ure of default	Expenditure deductible in current year	Expenditure deductible in any previous year
Tax is deductible but not deducted	30% of such expenditure is disallowed	If deducted in the subsequent year, expenditure is allowed in the year in which tax is deducted and deposited
Tax is deducted but not deposited before the due date or date of I.T. return	30% of such expenditure is disallowed	If deposited after due date or date of IT return, expenditure is allowed in the year in which tax is deposited

Duties of Person Deducting TDS (Sec.200)

- Deposit TDS before due date
- Submit Statement by Government Deductor (No Challan)
- Prescribed Statements
- Correction of the statement, add, delete, update and verification

Assessee in default (Sec.201)

- Deemed to be assessee in default if
 - TDS is not made
 - Default in remittance after deducting
 - Fail to deduct tax on perquisites by the employer u/s.192(1A)
- No penalty unless the Assessing Officer is satisfied that the person has defaulted.
- Time Limit to deem the assessee in default
 - 7years
 - 2 years if the corrected statement is submitted

Scope of the Provision

- TDS Deducted but not deposited results in misuse of government dues.
- If the deductee is a non-resident – difficult to recover the tax.
- Time limit is not applicable in the above cases

Processing the statement of TDS (Sec.200A)

- To verify the following
 - Arithmetical error
 - Incorrect claim
 - Interest – correct computation as per Sec.234E
- To check the refund
- To prepare intimation of refund, if any.
- Time Limit: 1 year from the end of the financial year

Issue of Certificate – Sec.203

- To furnish the certificate of deduction within the time limit
- To furnish certificate of tax on non monetary perquisites provided to the employee.
- Penalty for failure to furnish certificate (sec.272A(2))
- 100 Delay in TDS Deposit results in delay in issue of certificates.
- Penalty Rs.100 per day
- Maximum penalty equal to TDS Amount

TDS is deposited without challan

- If TDS has been deposited without a challan, the person to whom TDS has been reported for depositing to the government – such a person has to submit a statement in Form 24G to the agency authorised by the Principal Director of income tax (systems). [Rule 30(4)]
- Such Form 24G must be submitted issued within 15 days from the end of the relevant month. For the month of March, the form should be submitted by 30 April 2019
- Form 24G must be submitted (a) electronically under digital signature (b) electronically along with verification in Form 27A (c) or verified through an electronic process as prescribed
- A person referred to in bullet 1 shall inform the Book Identification number generated to each of the deductors for whom the sum deducted has been deposited.
- The Principal Director General of Income Tax (Systems) shall specify the procedure for furnishing and verification of statement Form 24G.

TCS under section 206C is deposited without challan

- If TCS has been deposited without a challan, the person to whom the collector has reported the TCS for depositing to the government – such a person will submit Form 24G to the agency authorised by the Principal Director of income tax (systems).
- Such Form 24G must be submitted within 15 days from the end of the relevant month.
- If Form 24G pertains to the month of March, it must be submitted on or before 30th April.d. Form 24G must be issued :
 - electronically under digital signature
 - electronically along with verification in Form 27A or
 - verified through an electronic process as prescribed
- A person referred to in bullet 1 shall inform the Book Identification number generated to each of the deductors for whom the sum deducted has been deposited.
- The Principal Director General of Income Tax (Systems) shall specify the procedure for furnishing and verification of statement Form 24G