

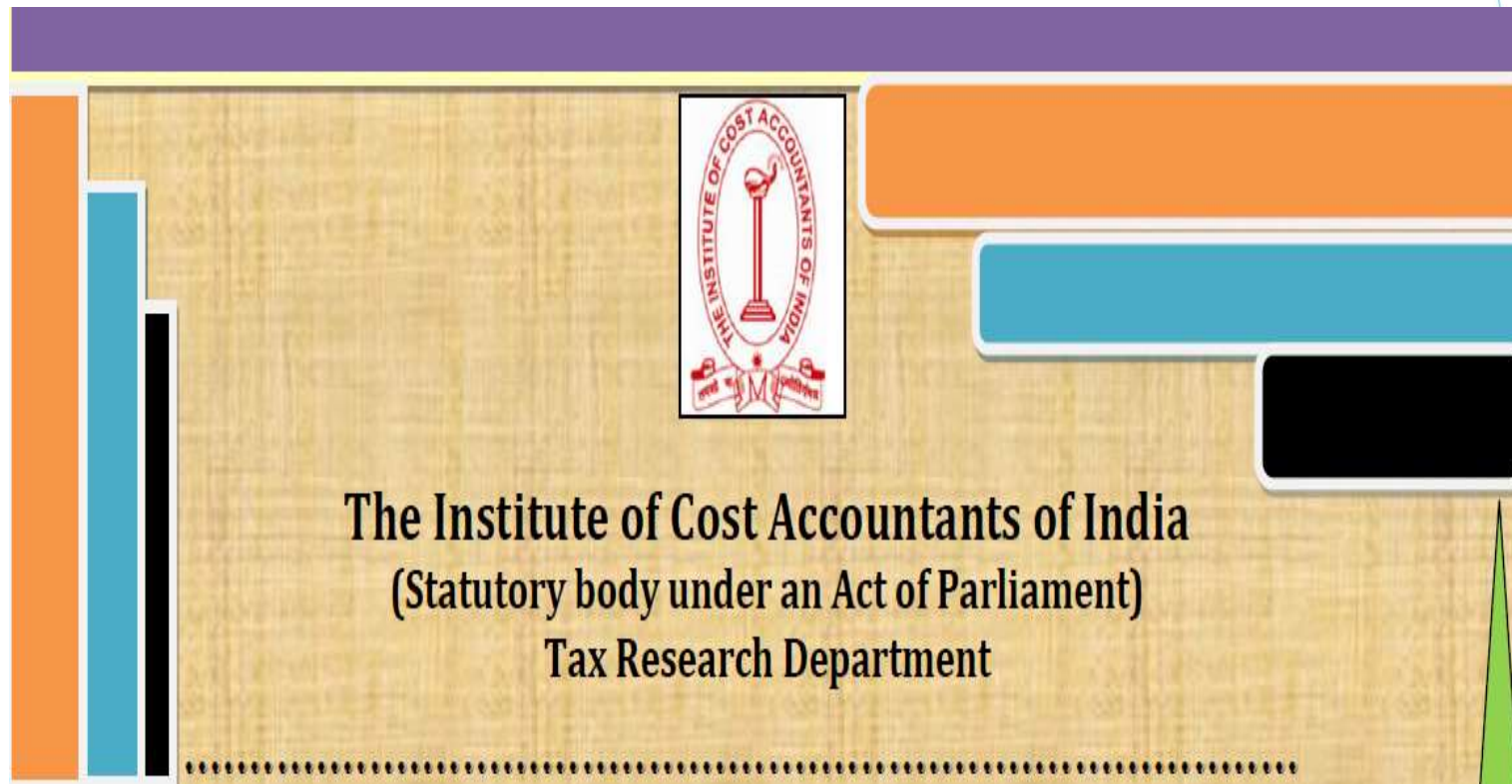


CA CMA Kedarnath

Hyderabad

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## ONLINE CERTIFICATE COURSE ON TDS - CCTDS-6<sup>th</sup> Batch



TDS @

# Tax deducted at Source





# Introduction to Income Tax

## ❖ What is a Tax :

- ✓ Tax is Fees, Component or charges collected by Govt from the public
  - ✓ For the welfare of the society
  - ✓ Inflow & Outflow to the Govt.
- 
- ❖ Taxes are levied by governments on their citizens
  - ❖ To generate income for undertaking projects and to boost the economy

## **S.4 of Income Tax Act, 1961**

**As per section 4 of Income Tax Act, 1961 the** total income of the previous year of every person shall be chargeable to income tax in the Assessment Year

Income tax shall be collected as follows by the department

1. Advance Tax
2. TDS
3. TCS
4. Self - Assessment Tax
5. In response to the notice issued by the department

## Income Tax Act, 1961

### □ **Person S.2(31): Includes**

- ✓ Individual
- ✓ HUF
- ✓ Firm
- ✓ Company
- ✓ AOP/BOI
- ✓ Co-operative Society
- ✓ Local Authority
- ✓ AJP (Trust, Temples, Political Parties etc.,)

## Introduction to TDS

- ❖ The concept of **TDS** was **introduced** with an aim to collect tax from the 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. Payer / Deductor
  - II. Payee / Deductee
- ❖ As per TDS concept, a person (Deductor) who is liable to make payment of specified nature to any other person (Deductee) shall deduct tax at source and Deposit the same into the a/c 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:
  - ✓ 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 except S.194Q
- ✓ S.194Q : 0.1% on payment > 50 Lakhs, If buyer turnover > 10 Cr in the PPY

### Note:

- ❑ TDS generally applicable for Commercial / Business Transactions
- ❑ Exceptions to the above rule:
- ❑ TDS is also applicable for personal purposes
  
- ❑ S.194IA: TDS on Transfer of Immovable Property
- ✓ Buyer has to deduct TDS @ 1% if consideration is > 50 Lakhs

## TDS Applicability

- ❑ S.194IB: TDS on Rent of Immovable Property by Individual / HUF
  - ✓ Individual / HUF paying rent > 50,000 per month has to deduct TDS @ 5%
  
- ❑ S.194M: TDS on Contract, Commission or Brokerage or Fees for Professional Services
  - ✓ Individual / HUF other than covered u/s 194C, 194H & 194J
  - ✓ TDS @ 5%
  - ✓ If sum or aggregate of sum paid or credited > 50 Lakhs

## TDS Rates

❖ TDS Rates are Fixed:

- ✓ 1%
- ✓ 2%
- ✓ 5%
- ✓ 10%

❖ If a person **NOT** furnishing PAN Copy

### Higher of

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

### Note:-

If payment made to NR/Foreign Co. (or)

Payment of Salary

TDS shall include Surcharge & HEC accordingly

## S.192: TDS on Salary

- ❖ Section : 192
- ❖ Nature of Payment: Salary
- ❖ Payer: Any Person who is an employer
- ❖ Payee: Employee (Resident or Non-Resident)
- ❖ Rate of TDS: Normal Slab Rates
- ❖ No. of months: 12 (or) No. of months in employment during the PY
- ❖ How: Average of net tax liability payable

### S.192: TDS on Salary

#### Computation of Total Income and Tax Payable:

Income from Salary:	XXX
Income from H.P:	XXX
Income from P.G.B.P :	XXX
Income from C.G:	XXX
Income from IFOS:	<u>XXX</u>
<b>Gross Total Income:</b>	<b>XXX</b>
Less: Chapter VI-A Deductions:	<u>XXX</u>
<b>Total Income:</b>	<b>XXX</b>
Tax Liability:	XXX
No. of Months in employment	12 (Estimated)
<b>Average of Tax Liability</b>	<b>XXX</b>



## S.192: TDS on Salary

### Additional Note:

- ❖ Employer shall consider the details of other income and deduction of employee if furnished by employee
- ❖ Employer shall not consider any loss **except** loss under the head income from house property
- ❖ In case employee worked under more than one employer during the previous year, the employee should furnish previous employee details to the new employer and appropriate TDS shall be deducted
- ❖ In case such details not furnished then the same shall be considered at the time of filing of Income tax return u/s 139(1)
- ❖ TDS shall include Tax, Surcharge and Education cess for deduction u/s 192
- ❖ Any amount flowing from employer to employee will form part under the head Salary and TDS deducted accordingly.

## Q & A

1. Mr. X is a Central Government employee, does TDS is applicable to him?
2. Mr. A is an employee of Reliance Industries Ltd and earning salary of Rs 10,000 per month, does RIL needs to deduct the TDS on the salary paid to Mr. A?
3. Mr. B is doing part time employment with KFC, does KFC needs to deduct the TDS on the salary paid to Mr. B
4. Mr. C is a senior citizen working with TCS salary of Rs 1,00,000 per month, does TDS needs to be deducted by the TCS?
5. M/s ABC Ltd given an amount of Rs 1,00,000 in cash as marriage gift to Mr. K, does it considered for TDS calculations

## Q & A

6. During the previous year Mr. X worked with HP from Apr-2020 to Dec-2020 and next he joined with Dell for the balance period of the year (Jan-2021 to Mar-2021). Who is responsible to deduct TDS?
7. During the previous year Mr. Y worked only for a period of 6 months, does this amount is liable for TDS?
8. M/s ABC Pvt Ltd has given a TV worth of Rs 1,00,000 instead of salary, does it liable for TDS?
9. Mr. D received an amount of Rs 50,000 as Diwali Bonus apart from the salary, does it liable for TDS?
10. Mr. R is an employee of ABC Pvt Ltd, while computing TDS liability do we need to consider standard deduction under salary Rs 50,000/- and Chapter VI-A Deductions ?
11. Mr. X informs to his employer that he incurred “Loss from transfer of shares” Can the employer needs to consider such loss while calculating the TDS ?
12. Mr. P informs his employer, that he earned part time consultancy services income, can the employer consider the same for TDS calculations ?

## S.192A: TDS on Accumulated Balance of Provident Fund

- ❖ Section : 192A
- ❖ Nature of Payment: TDS on Withdrawal of Accumulated Balance of Provident Fund
- ❖ Payer: Any Person (PF Authorities)
- ❖ Payee: Employee
- ❖ Rate of TDS: 10%
- ❖ TDS applicable only if, Accumulated PF is taxable in the hands of employee
- ❖ No TDS if amount less than Rs 50,000/-
  - PF withdrawn from EPF A/c before completing 5 years of continuous service, TDS will be deducted.
  - In calculating 5 years of service, tenure with the previous employer is also included.

### S.192A: TDS on Accumulated Balance of Provident Fund - Taxability

Sl No	Scenario	Taxability
1	Amount withdrawn is < Rs 50,000 before completion of 5 continuous years of service	No TDS. However, If the individual falls under the taxable bracket, he has to offer such EPF withdrawal in his return of income
2	Amount withdrawn is > Rs 50,000 before completion of 5 years of continuous service	TDS @ 10% if PAN is furnished; No TDS in case Form 15G/15H is furnished
3	Withdrawal of EPF after 5 years of continuous service	No TDS. Further, the individual need not offer the same in the return of income as such withdrawal is exempt from tax
4	Transfer of PF from one account to another upon a change of job	No TDS. Further, the individual need not offer the same in return of income as it is not taxable.
5	Before completion of 5 continuous years of service\if employment is terminated due to employee's ill health\The business of the employer is discontinued\the reasons for withdrawal are beyond the employee's control	No TDS. Further, the individual need not offer the same in the return of income as such withdrawal is exempt from tax



## Q & A

1. Mr. X is an employee who worked for a period 15 years and now he withdraws his accumulated PF, does it liable for TDS?
2. Does your answer changes, In the above question if Mr. X worked with multiple companies
3. Mr. X withdraws his accumulated balance of Rs 45,000 does it attract and liable for TDS?
4. Mr. X withdrawn his PF due to closure of the company ?
5. Mr. X is withdrawing Rs 3,00,000 from accumulated balance from EPF after working 4 years of service does it liable for TDS?
6. Mr. X withdraws accumulated balance of PF an amount of Rs 1,50,000 as the entity discontinued its business operations.



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



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