

Reading Material on Sec.193 and 194A

Sec.193

As per provisions of **Section 193**, any person who is paying interest on securities to a resident is required to deduct TDS. Thus, the provisions of **section 193** do not apply to the payment of interest on securities to a non-resident.

Rate of TDS on interest on Securities –

The Deductor is liable to deduct TDS @ 10%. However, if the payee fails to furnish his **Permanent Account Number (PAN)**, then, in that case, the Deductor would be liable to deduct TDS at the maximum marginal rate.

Meaning of interest on securities

Section 2(28B) defines interest on securities. It means:

- a) interest on any security of Central Government or State Government
- b) interest on debentures or
- c) 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.

Who is responsible to deduct tax under Section 193 of Income Tax Act, 1961?

Any person responsible for paying any interest on securities to a resident is required to deduct tax at source.

2) When to Deduct TDS under Section 193?

Tax shall be deducted under this section, either at the time of credit to the account of the payee or at the time of payment thereof, whichever is earlier.

For this purpose, credit to “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 by issue of a cheque or draft or by any other mode.

Sec.194A

Section 194A deals with deduction of TDS on interest other than interest on securities like Interest on [Fixed Deposits](#), Interest on Loans and Advances other than banks.

Section 194A of the Income Tax Act deals with the provisions relating to deduction of TDS on interest (other than interest on securities). Interest like interest paid on an unsecured loan, interest paid by banks on fixed

deposits, interest paid on loans and advances, etc. are covered under the provisions of section 194A.

The present article helps to understand the provisions attached with Section 194A of the Income Tax Act, 1961.

Basic Provisions of **Section 194A** –

Essential features of **section 194A** are summarized hereunder –

- Any person, other than individual or HUF, who is paying interest (other than interest on securities) to a resident is required to deduct TDS.
- If the individual or HUF are liable to get their accounts audited as per section 44AB [clause (a) or (b)], then, such individual or HUF would be required to deduct TDS on payment of interest (other than interest on securities) to a resident as per provisions of section 194A.
- Section 194A is applicable only in case of payment of interest to a resident i.e., the provisions of section 194A doesn't apply to the payment of interest to a non-resident. The same is covered within the purview of section 195.

Point of time when TDS is to be deducted –

The Deductor liable to deduct TDS as per provisions of **section 194A** is required to deduct TDS within earlier of the following dates –

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

Rate of TDS on interest other than interest on securities –

If the provisions of **section 194A of the Income Tax Act** gets attracted, the Deductor is liable to deduct **TDS on interest other than interest on securities @10%**.

However, if the **Permanent Account Number** is not furnished, in that case, the Deductor would be liable to deduct TDS @20% i.e., maximum marginal rate.

The Time limit of depositing the deducted TDS –

The Deductor who has deducted TDS as per provisions of **section 194A** are required to deposit the same within the following due dates –

Months	Due date
April to February	7 th of the next month
March	On or before 30 th April

Threshold Exemption limit under section 194A –

TDS is not to be deducted under the following case –

Amount	Category of Payer
An aggregate amount of interest doesn't exceed INR 40,000 [INR 50,000 in case of a senior citizen]	Bank
An aggregate amount of interest doesn't exceed INR 40,000 [INR	Co-operative Society

50,000 in case of a senior citizen]	
An aggregate amount of interest doesn't exceed INR 40,000 [INR 50,000 in case of a senior citizen]	Post office
An aggregate amount of interest doesn't exceed INR 5,000	In any other case

List of interest exempted under Section 194A –

Some of the important lists of interest which is exempted under section 194A are –

- Interest paid to any bank, financial corporation, Life Insurance Corporation Unit Trust of India, any company or a co-operative society engaged in the insurance business.
- Interest paid by a partnership firm to the partners.
- Interest paid by co-operative society to its members.

Question –

What is Section 194A?

Section 194A covers provisions relating to deduction of TDS on interest other than interest on securities. If the provisions gets attracted, the TDS @10% is to be deducted by the Deductor.

What is 194A payment?

Section 194A payment is in the form of interest (other than interest on securities). Interest payment like interest

on fixed deposit, interest on any loan or interest on recurring deposits are covered within the same.

Is TDS deducted on interest paid to bank?

No, when interest is paid to bank against the loan taken, TDS provisions are not applicable, and hence TDS is not deducted on interest paid to the bank.

Who is liable to deduct TDS under 194A?

The person who is paying interest (other than interest on securities) is liable to deduct TDS if the provisions of section 194A get attracted.

Is TDS deducted on interest to partners?

No interest paid by the partnership firm to partners are not covered within the purview of section 194A, and hence TDS is not required to be deducted