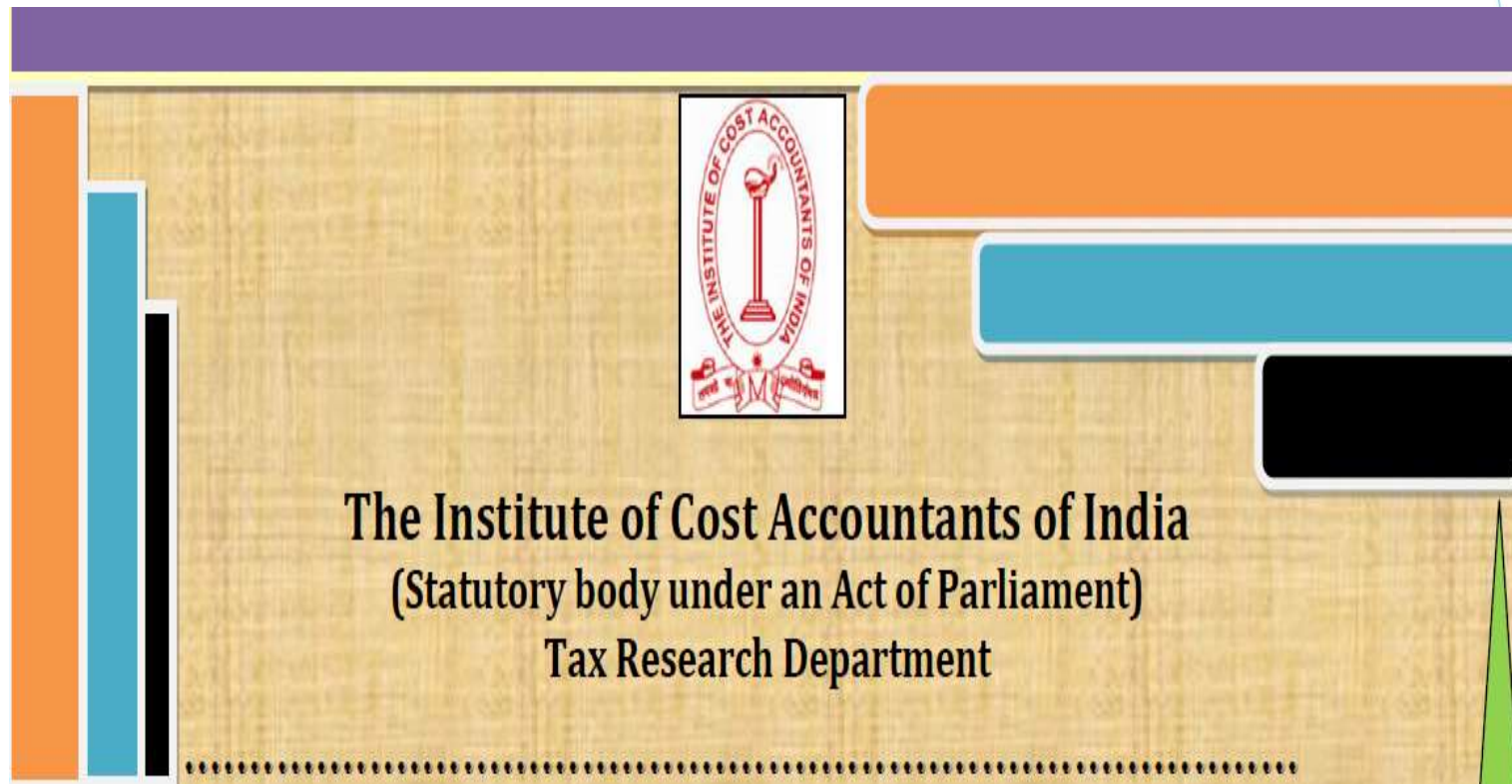




CA CMA Kedarnath

Hyderabad

ONLINE CERTIFICATE COURSE ON TDS - CCTDS-6th Batch



Tax deducted at Source



Agenda

- ✓ **S.194E** : TDS on Payments to **non-resident** sportsmen or sports associations
- ✓ **S.195** : TDS on any sum payable to NR or Foreign Company
- ✓ **S.196C** : TDS on Income from foreign currency bonds or shares of Indian company
- ✓ **S.196D** : TDS on Income of Foreign Institutional Investors from securities

S.194E :

- ✓ S.194E refers to “TDS on Payments to **non-resident** sportsmen or sports associations”
- ✓ Payer: Any Person
- ✓ Payee: NR Sportsmen (including an athlete)/ NR Entertainer / NR Sports Association
- ✓ Payee shall not be a citizen of India
- ✓ Rate: **20% + 4% HEC**
- ✓ Payment for incomes referred u/s 115BBA
 - Participation in any game in India (Example: Cricket, Hockey)
 - Participating in an Advertisement
 - Contribution of any article in newspaper, magazines or journals;
 - Performance in India (Ex: Concert, Music Show, Dance)

S.194E :

- ❖ When to Deduct TDS
 - At the time of Payment
 - (or)
 - At the time of credit of such income to the account of the payee (when you account in the books)
- ❖ Effective Rate of TDS : 20.80% (20% + 4% HEC)
- ❖ Mode of Payment covered:
 - ✓ Cash
 - ✓ Cheque
 - ✓ DD
 - ✓ Any other mode

Basic Concepts:

Resident:

❖ Basic Conditions S.6(1)

✓ He is in India for a period of **182 Days** or more in Relevant PY

(Or)

✓ He has been in India for a period of **60 Days** in RPY & **365 Days** or more in Last **4 PPY's**

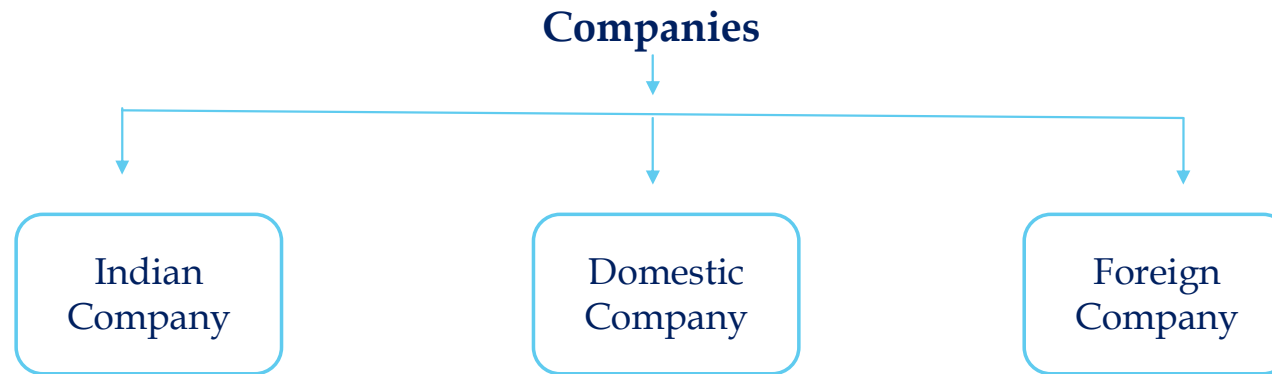
Non-Resident:

If an Individual NOT satisfies any one above condition, then he will be treated as **NR**

Q&A: S.194E

1. Mr. Steve Smith of Australian cricket player came to India and participated on IPL match and received an amount of Rs 10,00,000/- what is the TDS deducted?
2. Mr. Williamson of New Zealand participated in ODI match in India and received an amount of Rs 5,00,000/- apart from this he also contributed an article to Hindu news paper on “how to play cricket” and received Honorarium of Rs 1,00,000/- what is the TDS implications ?
3. Mr. Justin Bieber participated in a concert organized by M/s ABC Ltd in Delhi, and paid an amount of Rs 50,00,000 to him. What is the amount of TDS deducted ?
4. Mr. Lionel Messi came to India and participated on various events and earned amounts as follows
 - Participated in Football Match: Rs 5,00,000
 - Advertisement : Rs 8,00,000
 - Contributed an article in Journal: Rs 2,00,000
5. Mr. Virat Kohil participated in IPL match and BCCI paid an amount of Rs 10,00,000 to Mr. Virat, what is the TDS rate and amount required to be deducted by the BCCI?

Types of Companies:



Nutshell:

All Indian companies = Domestic companies

But

All Domestic companies \neq Indian Companies

Types of Companies:

❖ Indian Company:

Indian Co. means a “Company which is registered under the Co’s Act, 1956/2013”

❖ Domestic Company:

A domestic company is a company “which makes a prescribed and necessary arrangements for declaration of dividends in India” (even a co. incorporated outside India)

❖ Foreign Company:

A foreign company is a company which is not a domestic company.

Basic Concepts:

- ❖ **Indian Company:** Indian company means a company registered in India

- ❖ **Domestic Company:**
 - ✓ A Domestic company means an **Indian company or any other company** which in respect of its income, liable to tax under the Income-tax Act, 1961
 - ✓ And has made the prescribed arrangements for the declaration and payment of **dividends** within India,
 - ✓ Thus, all Indian Company are treated as Domestic Company but all Domestic Company are not Indian Company.

- ❖ **Foreign Company:**
 - ✓ Foreign company means a company which is not a domestic company, i.e. a company registered outside India in any other foreign country.
 - ✓ The Foreign Company may be treated as Domestic Company **if such company makes prescribed arrangement** in India for declaration and payment of **dividends** within India

S.195

- ✓ S.195 refers to TDS on any sum payable to NR or Foreign Company
- ✓ Payer: Any Person responsible for paying to a NR / FC
- ✓ Payee: NR or Foreign Company
- ✓ Rate: DTAA rate or Rate in force
- ✓ **Nature of Payments:**
 - Any Interest (other than S.194LB, LC, LD)
 - Any other sum which is chargeable to tax in India (except S.192, 194B, 194BB, 194E)
- ✓ Form - 27Q & Quarterly Filing
- ✓ **When to deduct TDS:**
 - *Earlier of*
 - At the time of Payment
 - At the time of credit of such income to the account of payee

S.195

✓ **Threshold limit**

- No threshold limit.
- However, tax shall be deducted on sum chargeable to tax.
- Therefore, if no sum is chargeable to tax in India, then no tax is required to be deducted.

✓ **Rates in force:**

- Dividend: 20%
- Income from investments made by a NRI: 20%
- Royalty: 10%
- Fees for technical services: 10%
- Interest (other than 194LB / 194LC / 194LD) : 20%
- Income from long-term capital gains under Section 115E for a NRI: 10%
- Short-term capital gains under Section 111A: 15%
- Income from long-term capital gains: 20%
- Any other source of income : 30%
- Note: HEC @ 4% applicable for all payments

Q&A

1. M/s ABC Ltd declared dividend of Rs 10,00,000 for the FY 2020-21, in which Mr. John of America holds 10% of stake, what is the amount of TDS required to be deducted?
2. M/s PQR Ltd required to make a royalty payment of Rs 1 Cr to Mr. Trump
3. M/s LMN Ltd obtained a Technical service for its Plant and Machinery from Mr. Tom of Australia
4. Mr. Robert invested shares in India for a period of 6months and subsequently he transferred the shares and earned a gain of Rs 1,00,000/-
5. Mr. Smith invested Rs 1 Cr in SBI and earned interest income of Rs 10,00,000 for the FY 2020-21
6. Mr. Raju of India makes a payment to John (NR) Rs 1,00,000/- towards a rent of the property which is located in India
7. M/s XYZ ltd declared dividend of Rs 10 Cr and where M/s PTC INC invested 30% stake
8. Mr. John purchases a L&B in the year 2015 and makes a sale in FY 2020-21 earned a Capital Gain of Rs 10,00,000.
9. Mr. Abraham of USA won lottery amount of Rs 1 Cr in India and what is the TDS deducted on the same?
10. Mr. Bill Gates of USA made investment in RIL and earned dividend income of Rs 4,000/- what is the TDS implications?



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



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TDS UNDER SECTION 196C AND 196D

S.196C: Income from foreign currency bonds or shares of Indian company

- ❖ Where any income by way of interest or dividends
- ❖ in respect of bonds or Global Depository Receipts (GDR's) referred to in S.115AC (or)
- ❖ By way of long-term capital gains arising from the transfer of such bonds or GDR's
- ❖ which is payable to a non-resident,
- ❖ Then 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
- ❖ by any mode, whichever is earlier,
- ❖ Deduct TDS @ 10%

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE
196C	(A)Interest on Notified Bonds referred to in section 115AC (B)Dividends on GLOBAL DEPOSITORY RECEIPTS referred to in section 115AC (C)Long term capital gain arising on transfer of such Bonds or Global Depository receipts	ANY PERSON	NON-RESIDENT	10%
196D	Income in respect of securities referred to in section 115AD	ANY PERSON	FOREIGN INSTITUTIONAL INVESTOR	20%

NOTE: 4% Health and Education cess is to be added to the above percentages while deducting TDS

S.196D: TDS on Income from foreign currency bonds or shares of Indian company

- ✓ Where any income in respect of securities referred to in S.115AD(1)(a),
- ✓ Not being income by way of interest referred to in section 194LD,
- ✓ Which is payable to a Foreign Institutional Investor (FII),
- ✓ 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
- ✓ by any mode, whichever is earlier,
- ✓ Deduct TDS @ 20%

Q & A S.196C	Mr. John of America invested in Indian Company Bonds and the Indian company made interest payment of ₹1,00,000. What is the amount of TDS deducted and amount paid to John?
Q & A S.196D	FII'S made purchase of Indian company bonds and Indian company made payment of ₹1,00,000. What is the amount of TDS deducted and amount paid to FII's?

Note:

SEC 115AC:

Tax on income from bonds or shares purchased in foreign currency or capital gains arising from their transfer by a Non-Resident

SEC 115AD:

Where the Total Income of a FII includes income received in respect of securities listed in recognized stock exchange and also income by way of **short term** or **long term** capital gain arising from transfer of such securities.

GLOBAL DEPOSITORY RECEIPTS:

A global depository receipt (GDR) is a type of bank certificate that represents shares in a foreign company, such that a foreign branch of an international bank then holds the shares. The shares themselves trade as domestic shares, but, globally, various bank branches offer the shares for sale. Private markets use GDRs to raise capital denominated in either U.S. dollars or euros. When private markets attempt to obtain euros instead of U.S. dollars, GDRs are referred to as EDRs.

SECURITIES:

Securities are the negotiable financial instruments issued by a company or government that give ownership rights, debt, or rights to buy, sell, or trade an option.

In a Nut Shell:

Special Provisions in relation to certain income of Non-residents [Sec. 115A to Sec.115AC] ^{Amended}

Following table enumerated the provisions relating to sec.115A to 115AC

Sec. Particulars	115A(1)(a)	115A(1)(b)	115AB	115AC
Applicable on	Non-resident	Non-resident	Overseas financial organization [§]	Non-resident
Income covered	a) Dividends; or b) Interest received from notified infrastructure bonds or Govt. or an Indian concern on money borrowed in foreign currency; or c) Interest of the nature and extent referred to in sec. 194LC/ 194LD/194LBA(2)	Royalty or fees for technical services (other than income covered u/s 44DA) received as per agreement entered with Government or an Indian concern ² on or after 1-4-1976	Long-term capital gains arising from the transfer of units of UTI or mutual fund specified u/s 10(23D) purchased in foreign currency	a) Interest on notified foreign currency bonds of Indian/ public sector company b) Dividend on GDR c) LTCG arising on transfer of such bonds or Global Depository Receipts (GDR)
Special tax rate	5% or 4% or 10% (respective rates referred to in sec. 194LC or 194LD or 194LBA) / 20% (other cases)	10%	10%	10%
Allowability of expenditure u/s 28 to 44C & sec. 57	No	No	Not Applicable	No
Deduction under Chapter VIA	Not available Exception Deduction u/s 80LA can be claimed by a Unit of an International Financial Services Centre	Available	Not available	Not available
Index benefit	Not Applicable	Not Applicable	Not Available	Not Available
Requirement to furnish return*	No	Yes	Yes	No

* If total income consists of such income only and appropriate tax has been deducted from such income

Special Provisions in relation to certain Income of Non-residents [Sec. 115ACA to Sec.115BBD]

Following table enumerated the provisions relating to sec.115ACA to 115BBD

Sec. Particulars	115ACA	115AD	115BBA(1)(a)	115BBA(1)(b)	115BBD
Applicable on	Resident individual	Specified Fund ³ or Foreign Institutional Investor	Non-resident sportsman or entertainer being foreign citizen	Non-resident sports association	Indian Company
Income covered	a) Dividend on GDR ¹ of an Indian company engaged in specified knowledge based industry or service* issued as ESOP b) Long-term capital gains on transfer of such GDR	a) Income on securities (other than unit referred to in sec. 115AB) b) STCG or LTCG on transfer of such securities	Income by way of: a) participation in India in any game or sport; or b) advertisement; or c) contribution of articles relating to any game or sport in India in newspapers, magazines or journals. In case of entertainer, any income received or receivable from his performance in India. Taxpoint: Match Referee is not considered as sportsmen.	Any amount guaranteed to be paid or payable to such association for any game or sport played in India	Dividend [excluding dividend covered u/s 2(22)(se)] from specified foreign company. Specified foreign company means a foreign company in which the Indian company holds 26% or more in nominal value of the equity share capital of the company.
Special tax rate	10%	Interest u/s 194LD STCG u/s 111A Other STCG LTCG* Other Income	5% 15% 30% 10% 20% (10% in case of specified fund)	20%	15%
Allowability of expenditure u/s 28 to 44C & sec. 57	No	No	No	No	No
Deduction u/ch VIA	Not available	Not available	Not available	Not available	No
Index benefit	Not Available	Not Available	Not Applicable	Not Applicable	Not Applicable
Requirement to furnish return ⁴	Yes	Yes	No	No	Yes
Others	Assessee must be an employee of such company or its subsidiary		Winning from lottery, cross-word puzzles etc. is taxable @ 30% u/s 115BB		

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