Date: 26.11.2023 (Sunday)
Topic: Sec 194K, 194LB, 194LBA, 194LBB, 194LBC,194LC and 194LD
Timing: 9.00 AM to 11.00 AM

READING MATERIAL

**Sec.194K**

Section 194K of the Income Tax Act, 1961 provides for a deduction of [TDS](https://scripbox.com/tax/tds/) at a fixed rate of 10% on dividend income from mutual funds. Hence, the income provider will deduct TDS from the income generated by the mutual fund investor. The investor will receive income from the scheme minus the TDS. The investor or the taxpayer can claim a tax refund of the TDS at the time of filing the [income tax return](https://scripbox.com/tax/income-tax-return/).

Generally, a person can generate two forms of income by investing in mutual funds and paying [tax on mutual funds](https://scripbox.com/mf/tax-on-mutual-funds/). The following are those incomes:

1. Dividend Income
2. Capital Gains Income

Let’s talk about both the incomes one by one:

1. **Dividend Income-** The existing income tax law taxes the dividends ([Dividend Distribution Tax](https://scripbox.com/tax/dividend-distribution-tax-ddt/)) paid on behalf of investors by fund houses (asset management companies). According to Budget 2020, DDT has been discontinued. [Dividend income](https://scripbox.com/pf/dividend/) will be taxable in the hands of the receiver/investor beginning in FY 2020-21.

However, the new Section 194K of the Finance Act of 2021 compels mutual funds to withhold TDS when issuing dividends to unit holders in excess of Rs 5,000.

1. **Capital Gains Income-**According to the existing tax laws, [capital gains](https://scripbox.com/tax/capital-gain/) are taxable in the hands of the taxpayer. If long-term capital gains from equity-oriented mutual funds exceed Rs 1 lakh in a year, the profits will be taxable at a rate of 10%. Short-term capital gains on equity-oriented mutual funds that are subject to STT is taxable at a rate of 15%. However, under the new Section 194K of the Finance Act of 2021, a mutual fund is not required to pay TDS on capital gains deriving from unitholder redemption.

Section 194K allows for a tax deduction at source at 10%. The person responsible for TDS deduction is any person responsible for paying such income to a resident.

* Mutual fund units as defined in section 10 (23D)
* Units from the specified undertaking’s administrator
* Units from the specified enterprise.

The deduction must be made either when the money is credited to the payee’s account or when it is paid by any method, whichever comes first.

**Sec.194LB**

194LB. *Income by way of interest from infrastructure debt fund.—*Where any income by way of interest is payable to a non-resident, not being a company, or to a foreign company, by an infrastructure debt fund referred to in clause (*47*) of section 10, 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 rate of five per cent.".

Conditions under which the provisions of section 194LB of the Income Tax Act, 1961 attracts – If the following conditions are satisfied, then, the payer would be liable to deduct TDS – The interest income is paid by an infrastructure debt fund referred to in section 10 (47); and The interest income is paid to a non-resident (not being a company) or to a foreign company.
**Section 194LBA: TDS on Certain Income from Units of a Business Trust**

**TDS u/s 194LBA**

Any person who makes payment of income [as per section 115UA] which is payable by a business trust to its unitholder is required to deduct tax at source. Such unit holder can be a resident, non-resident (but not a company).

**What is the rate & time of tax deduction u/s 194LBA?**

The rate of tax u/s 194LBA is 10% (if the payee is resident) and 5% (if the payee is non-resident).
The time of deduction is earlier of, the credit of income to the account of the payee (receiver) or actual payment (in cash, cheque, draft or another mode).

**Section 194LBB: TDS on Income in Respect of Units of Investment Fund**

**Who has the need to deduct TDS u/s 194LBB?**

Any person who gives an income (as referred u/s 115UB) to a unitholder in respect of units held in an investment trust has to deduct tax under this section.

**What is the rate & time of tax deduction u/s 194LBB?**

The rate of tax u/s 194LBB is 10% (if the payee is resident) and if the payee is non-resident (not a company) or a foreign company then tax will be as per the rates in force during FY.
The time of deduction is earlier of, the credit of income to the account of the payee (receiver) or actual payment (in cash, cheque, draft or another mode).

**Section 194LBC: TDS on Income in Respect of Investment in Securitisation Trust**

**Who has the need to deduct TDS u/s 194LBC?**

Any person who gives income to an investor with respect to investment in securitization trust is required to deduct tax under this section.

**What is the rate & time of tax deduction u/s 194LBC?**

The rate of tax u/s 194LBC is:

* 25% (if the payee is resident Individual & HUF)
* 30% (if the payee is another person)
* At the rates in force [if the payee is non-resident (not being a company) or foreign company].

The time of deduction is earlier of, the credit of income to the account of the payee (receiver) or actual payment (in cash, cheque, draft or another mode).

Section 194LC: TDS on Income by way of Interest from Indian Company or Business trust

**TDS u/s 194LC?**

If an Indian company or a business trust pays income by way of interest to non-resident (not being a company) or foreign company, has to [deduct TDS](https://tax2win.in/guide/tds) under this section.

**Interest on which TDS is to be deducted**

The Interest must be in respect of money borrowed by the specified company or business trust from a source outside India by the way of issue of rupee-denominated bond.

**What is the rate & time of tax deduction u/s 194LC?**

The rate of tax u/s 194LC is 5% (plus Health & Education Cess @ 4%). The time of deduction is earlier of, the credit of income to the account of the payee (receiver) or actual payment (in cash, cheque, draft or another mode).

Section 194LD: TDS on Income by way of Interest on Certain Bonds and Government Securities

**TDS u/s 194LD**

If any person pays to FII (Foreign Institutional Investor) or QFB (Qualified Foreign Investor) income by way of interest has to deduct tax at source.

**Interest on which TDS is to be deducted**

Interest must be in respect of investment made by the payee in a rupee-denominated bond of Indian Company or a government security.

**What is the rate & time of tax deduction u/s 194LD?**

The rate of tax u/s 194LD is 5% (plus Health & Education Cess @ 4%). The time of deduction is earlier of, the credit of income to the account of the payee (receiver) or actual payment (in cash, cheque, draft or another mode).