

An illustration on the left side of the slide. It features a hand holding several green banknotes. To the left of the hand is a grey calculator. Behind the hand and calculator is a white document with the word 'TAX' at the top and several horizontal lines below it. The entire illustration is set against a light blue circular background.

TAX

TDS on Salary

CMA AMIT DEY,
M.COM, **LLB.**



- Section 192 deals with the **TDS on salary**. It mandates every employer to deduct TDS on salary payments in case the salary of the employee exceeds the **basic exemption limit**.
- **This section impacts** the in-hand salary of **most salaried people in India**.
- **In this PPT**, we will discuss together all the important provisions of TDS under section 192.

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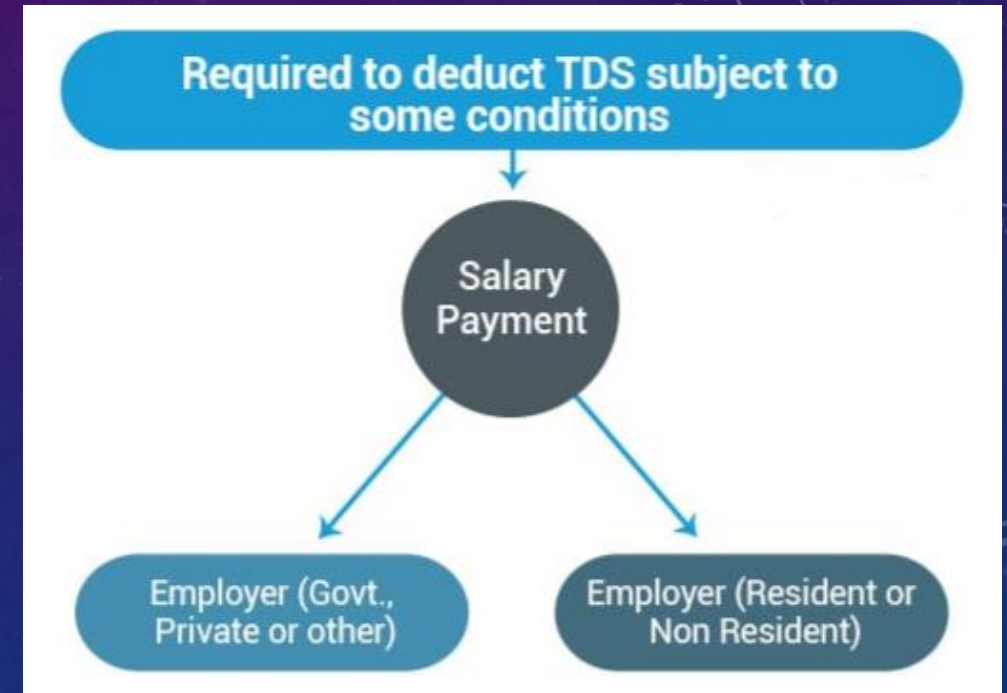
- **Who** is required to deduct TDS u/s 192 of the Income Tax Act?
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WHO IS REQUIRED TO DEDUCT TDS U/S 192 OF THE INCOME TAX ACT?

Any employer who pays salary to an employee(resident or non-resident) is required to deduct TDS every month under section 192

Employer here means:

- Individual
- HUF
- Firm
- Company
- Trusts
- AOP, BOI
- Local Authority
- Every Artificial judicial person



The important condition for TDS deduction under section 192 is the presence of an Employer-Employee relationship (irrespective of the **government employee, private or other**).

WHEN IS TDS ON SALARY DEDUCTED U/S 192?

TDS is required to be deducted by the employer **at the time of payment of salary**, and the salary income is taxable (i.e., Gross Total Income fewer Deductions under Chapter VIA) of an employee exceeds the basic exemption limit, which is

- Rs. 2,50,000/- in case age is below 60 years
- Rs. 3,00,000/- in case age is 60 years or more but below 80 years
- Rs. 5,00,000/- in case age is 80 or above

The basic exemption limit under the new regime as per Union Budget 2024 is Rs. 3,00,000 for all individuals.

- In the case of **advance salary and arrears of salary**, TDS is required to be deducted by the employer **at the time of payment**.
- TDS on salary is required to be deducted **even if the employee does not have PAN** if the salary exceeds the basic exemption limit.

WHAT IS THE **RATE OF TDS** U/s 192?

TDS under this section is calculated on the **estimated income earned during the year** at an average tax rate.

Unlike other sections of TDS under Income Tax, **there is no fixed rate of TDS under section 192**. To compute the rate of TDS, the estimated total tax liability on such estimated income is divided throughout employment, i.e., months.

$$\text{TDS on salary} = \frac{\text{Estimated Total Tax Liability}}{\text{Period of Employment (months)}}$$

HOW TO CALCULATE TAX DEDUCTIONS UNDER SECTION 192 ?

For the calculation of TDS on salary, the following points shall be considered:

- Income other than salary, like rent income, etc., shall also be considered by the employer for calculation of TDS on salary if details of such income are submitted by the employee.
- Interest on home loan (if any) will be set off from salary income to arrive at estimated income for TDS calculation if the evidence is given in Form 12BB by the employee.
- It also happens that many employees make investments to avail of tax benefits, i.e., to reduce their tax liability. But, as the employer does not know about such investment, the TDS amount increases than the actual tax liability. In such cases, you can declare information about all your tax-saving investments to the employer using Form 12BB. When an employer sees this, he/she will consider these investments and calculate your TDS amount accordingly.

EXAMPLE TO EXPLAIN SECTION 192 DEDUCTION:

Particulars	Amount
Income from salary	4,00,000
Other income	20,000
Interest on a home loan on self-occupied property (actual)	2,15,000
Taxable Income : (420000 – 200000) (Interest up to Rs. 2 lakh will be set off from salary income)	2,20,000

In the above case, no TDS is required to be deducted by the employer, as the income is below the basic exemption limit.

LET US UNDERSTAND **TDS** CALCULATION ON SALARY WITH ONE **EXAMPLE** :

Particulars	Amount
Estimated Salary Income	9,60,000
Less :- Standard Deduction	50,000
Estimated Gross Total Income	9,10,000
Less : Deduction under Chapter VI-A	
Section 80C	1,50,000
Estimated Total Income	7,60,000
Estimated Tax Liability	62,000
Add : Health & education cess @ 4% on Rs. 62,000	2,480
Estimated Total Tax Liability (A)	64,480
TDS per month (A/12)	5,373
Monthly in hand salary of Mr. Win	
Salary per month	80,000
Less :- TDS per month	5,373
Net salary in hand	74,627

How is TDS DEDUCTED IN CASE OF MULTIPLE EMPLOYERS?

There may be **two situations**:

- Change of job during the year
- Engaged with two or more employers simultaneously

Change of job during the year

There may be a situation where there is more than **one employer in one particular financial year**. If the employee resigns and joins another employer during the FY, **then the details of his previous employment are required to be given in Form 12B to his new employer to deduct TDS properly**. Accordingly, the next employer will consider his previous salary and TDS deducted while calculating TDS for the remaining months of the financial year.

Engaged with two or more employers simultaneously

Similarly, when an employee is engaged with more than one employer simultaneously, he should provide details about his salary and TDS in Form 12B **to any one of the employers**. And one of the employers is required to deduct TDS on aggregate salary.

Example: A is employed simultaneously by A Ltd and B Ltd on a part-time basis. Salary income from A Ltd. is Rs. 55,000 per month, and Rs. 50,000 per month from B Ltd. A may select any two companies for a TDS deduction on aggregate salary. Let's assume A selected B Ltd for TDS calculation on aggregate salary income.

Particulars (A Ltd)	Amount (Rs.)
Taxable salary from A Ltd after standard deduction ($55,000 \times 12 - 50,000$)	6,10,000
TDS deducted by A Ltd	30,769
Net amount payable by A Ltd. To Mr. A every month ($55000 - 2564$)	52436
Particulars (B Ltd)	Amount (Rs.)
Aggregate taxable salary after standard deduction ($55,000 \times 12 + 50,000 \times 12$) - 50,000	12,10,000
Tax on total income	1,79,920
Less : TDS deducted by A Ltd	30,769
TDS to be deducted by B Ltd	1,49,151
Net amount payable by B Ltd. To Mr. A every month ($50000 - 12429$)	37571

SECTION 192(2B) AND RULE 26B

If an employee has **any other income** (except a loss) in the same financial year, which is taxable under a different head, **he can give the details of such income and tax deducted from it to his employer.** The employer will then consider them while deducting tax from his salary. **However, the tax deducted at source should not be lower than what it would have been without considering such other income and tax deducted on it.**

ADJUSTMENT OF LOSS FROM HOUSE PROPERTY (RULE 26B):

The employee cannot declare the loss under any other head, **but he can declare the loss from house property.**

If he gives the statement of such loss to his employer, **the tax deducted at source can be lower than what it would have been without considering such loss.**

HOW TO CALCULATE TDS IN CASE SALARY IS PAYABLE IN FOREIGN CURRENCY?

When the salary is paid in foreign currency, the **tax deduction** amount is computed by converting the salary amount into Indian currency using the telegraphic transfer buying rate (**TTBR**) **on the date of the tax deduction**. This is as per Rule 26 and Section 192(6) of the Act. This rule is only for TDS calculation. **For salary income calculation, the conversion rate to be used is the telegraphic transfer buying rate on the last day of the immediately preceding month in which the salary is due or paid in advance or arrears.** This is as per Rule 115.

For instance, If your monthly salary is **\$10,000 USD**, and you are paid on the last day of each month. The telegraphic transfer buying rate for USD to INR on **July 31, 2023**, is **75.23**, and the rate on **June 30, 2023**, is **74.86**.

For instance, salary is due or paid **for the month of July**

For TDS calculation, you need to convert your salary amount into INR using the rate on the date of tax deduction, which is July 31, 2023. So, your salary in INR for TDS purposes is $\$10,000 \times 75.23 = ₹752,300$.

For salary income calculation, you need to convert your salary amount into INR using the rate on the last day of the previous month in which the salary is due or paid in advance or arrears, which is June 30, 2023. So, your salary in INR for income tax purposes is $\$10,000 \times 74.86 = ₹748,600$.

WHAT IS THE TIME LIMIT TO DEPOSIT TDS UNDER SECTION 192?

TDS deducted from salary by the employer is required to be deposited to the government within the given below timeline to avoid interest :

- TDS deducted for **April-Feb** : **7th of subsequent month**
- TDS deducted for **March** : **30th April**

WHEN IS TDS STATEMENT ISSUED AND BY WHOM?

When the **employer** deducts TDS, he is **responsible for providing a TDS certificate to the employee**. Form 16 is provided to the employee, which contains Part-A & Part-B. Form 16 contains the information related to tax deducted by the employer, salary details & deductions.

[**Part A** has information about the employer & employee, like name & address, PAN and TAN details, the period of employment, and details of TDS deducted & deposited with the government. **Part B** includes details of salary paid, other incomes, deductions allowed, tax payable, etc.]

WHAT ARE THE CONSEQUENCES OF NON-COMPLIANCE UNDER SECTION 192?

1. Levy of Interest : If the employer does not deduct the TDS on salary or deduct the TDS but does not deposit it to the government, **then interest is required to be paid on such amount.**

2. Disallowance of expenses : Also, the employer is only eligible to claim the deduction of salary expense from PGBP income if TDS is deducted on time.

The amount of disallowed salary expenses shall be

- **30%** of the salary payment goes to the **resident.**
- **100%** of Salary payment to **Non-Resident.**

Some Important Points to remember:

- I. If **tips are paid to the waiter** directly or through the employer (which may be paid by the customers in the form of a service charge), in that case, the **employer is not responsible for deducting TDS** from the tip amount since it does not become part of salary income.
- II. **Remuneration paid to directors** by the company is **not covered under section 192**. Generally, TDS on remuneration paid to the director shall be deducted under section **194J** **provided there is no employee-employer relationship exist**.
- III. **Payments made to doctors by the hospital are considered professional fees**; hence, TDS u/s 192 shall not be deducted. **But, if it is a contract of service, then TDS u/s 192 shall be deducted**.
- IV. If the tax on **non-monetary perquisites** is borne by the employer, then **no TDS** is required to be deducted from salary to that extent.

FREQUENTLY ASKED QUESTIONS

Q 1- Is TDS deducted every month from salary?

As per Section 192, tax is required to be deducted at source from salary at the time of its payment. Hence, we can say that TDS must be deducted monthly from the salary if the estimated salary income exceeds the basic exemption limit.

Q 2- What percentage of TDS is deducted from salary?

There is no fixed rate of TDS to be deducted from salary. TDS on salary is deducted at the average income tax rate for that financial year. The average rate of income tax has to be calculated based on income tax slab rates in force for that year.



Thank You!

By **CMA** Amit Dey,
M.com, **LLB**.