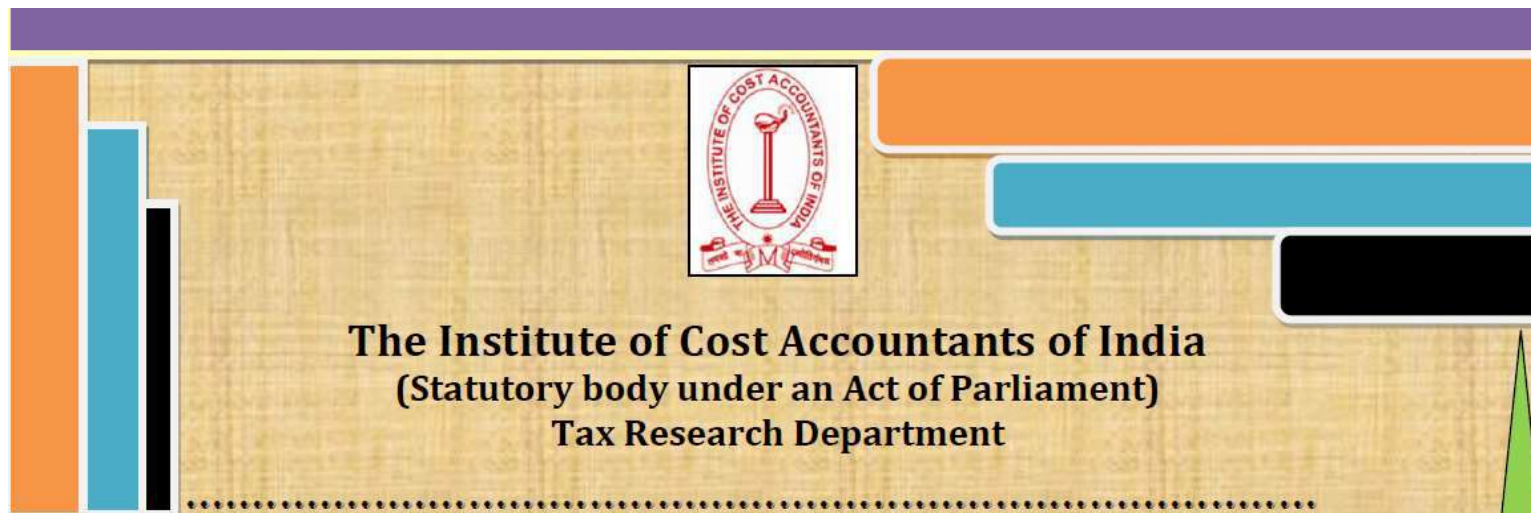


ONLINE CERTIFICATE COURSE ON TDS - CCTDS - 9th Batch



The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
Tax Research Department

A Session on Introduction to TDS

- by CMA Kedarnath

Tax deducted at Source



Introduction to TDS

- ❖ What is the meaning of TDS ?
- ❖ Why the concept of TDS ?
- ❖ What is the Importance of TDS ?
- ❖ Who are the parties involved in TDS ?
- ❖ What are the consequences for failure to comply TDS provisions ?
- ❖ Will there be any number for TDS similar to PAN for Income Tax ?
- ❖ How to deposit TDS ?
- ❖ In case failure to deposit. will it leads to any penalty ?
- ❖ Will there be any returns mechanism ?

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 in the society into taxation nest
- ❖ Tax is deducted only if amount is Taxable in the hands of the receiver
- ❖ Parties involved in TDS

I. Deductor / Payer

II. Deductee / Payee

- ❖ As per this concept, a person (Deductor) who is liable to make payment of specified nature to any other person (Deductee) shall deduct tax at source and remit the same into the account 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.

Introduction to TDS

- ❖ Even as per the individual point of view also if Tax payment, needs to make at single time is also a burden
- ❖ Monthly deduction of tax would be a great relief to the salaried employees
- ❖ It does not pinch more on them
- ❖ TDS is covered under CHAPTER XVII of Income Tax Act, 1961
- ❖ In the name of COLLECTION AND RECOVERY OF TAX
- ❖ Note: The Income Tax Act of 1961 is a comprehensive statute that sets the rules and regulations that govern taxation in India.
- ❖ The Income Tax Act contains a total of **23 chapters** and
- ❖ 298 sections according to the official website of the Income Tax Department of India.

Introduction to TDS

INTRODUCTION

What is Tax Deducted at source ?

Income – Tax is Collected/recovered at two stages, namely pre-assessment stage and post assessment stage. The method by which pre-assessment tax are collected is in the following manner at different stages namely,

Advance Tax.

Tax Deducted at source.

Tax Collected at Source.

Introduction to TDS

Introduction

- It is not another type of Tax rather a way of collection of Income tax.
- A form of advance tax.
- This concept was first introduced in 2004 on the principle of "pay as you earn"
- Onus of compliance on Payer (who makes the expenditure) instead of actual taxpayer i.e assessee under Income Tax Act 1961.

<http://www.CAging.com/gp/10>

Introduction to TDS

TDS - Objective

- TDS is tax deducted at source.
- The objective is to check tax evasion by people. Only 1% of the Indian Population files an Income tax return.
- That means it's this 1% who is paying for the politicians and development of the nation!
- The Income Tax Department introduced the concept to check tax evasion and create a situation where people file return of income.

Introduction to TDS

OBJECTIVES OF INTRODUCTION OF TAX DEDUCTED AT SOURCE.

- It helps in reporting the correct Incomes.
- It helps in checking Tax evasion.
- Early collection of revenue by the Government.
- It is the cheapest mode of collection of tax.
- It helps to widen the tax base as more and more people are covered.



3

Introduction to TDS

WHAT IS TDS ?

- ✦ Tax Deducted at Source is a mean of collecting income tax in India, under the Indian Income Tax Act of 1961. Any payment covered under these provisions shall be paid after deducting at prescribed percentage / rate.
- ✦ The government uses TDS as a tool to collect tax evasion by taxing the income (partially or wholly) at the time it is generated rather than at a later date.

Introduction to TDS

Understanding Important terms in TDS

- ❖ Form-26AS
- ❖ Form-16
- ❖ Form-16A
- ❖ Form-15G
- ❖ Form-15H
- ❖ Form-24Q
- ❖ Form-26Q
- ❖ Form-26QB

When to Deduct TDS

- ❖ TDS requirement arise: *Earlier of*
- ✓ 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*
- ❖ *After Introduction of S.194Q TDS applicable on goods subject to certain conditions w.e.f 01st July 2021

TDS Applicability

- ❑ TDS applicable for not only Commercial purpose but also for other payments (Personal transactions)

- Example: Buying a L&B for Rs 80 Lakhs (sale deed value)

Buyer has to deduct TDS u/s 194IA @ 1% on consideration i.e., Rs 80,000

- ❑ 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-I: If payment made to NR/Foreign Co. or payment of Salary then Surcharge & HEC shall be considered

Payment / Deposit of TDS:

Tax deducted or collected at source shall be deposited to the credit of the Central Government by following modes:

❖ **Electronic mode:** E-Payment is mandatory for

- a) All Corporate Assesses
- b) All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable.

✓ Website: <https://onlineservices.tin.egov-nsdl.com>

❖ **Physical Mode:** By furnishing the Challan 281 in the authorized bank branch

Due Dates for deposit of TDS:

- ❑ The Deducted Tax (TDS) shall be deposited to the credit of the Central Government as follows:
- ❑ TDS deposit to central government shall be monthly

If deducted tax,

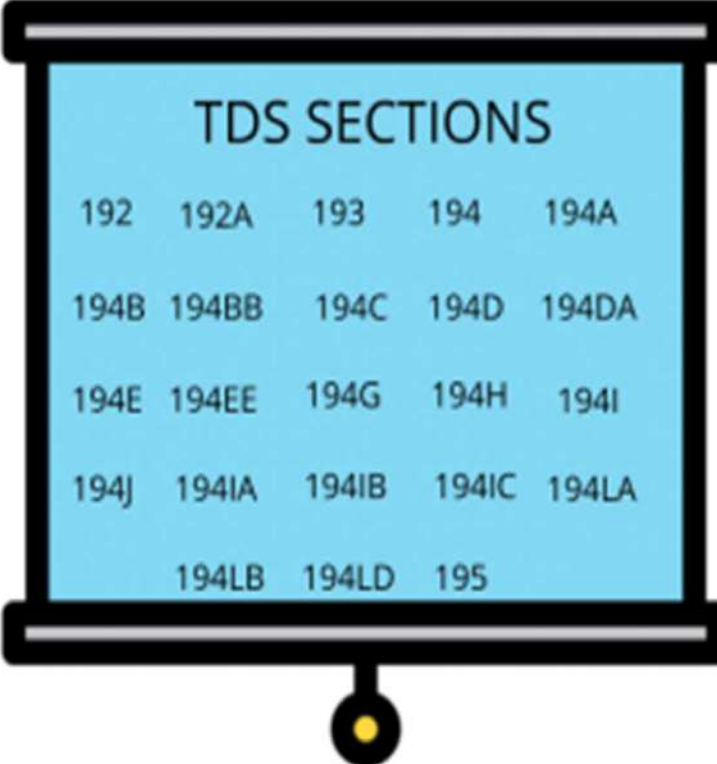
- ❖ During (For) the months of “April to February” : TDS deposited on or before the **7th** of the **next month**
- ❖ During “March” month : TDS deposited on or before the **30th April** of next FY.

Due Dates for Filing of TDS Returns:

- ❖ TRACES: TDS Reconciliation Analysis and Correction Enabling System
- ❖ www.tdscpc.gov.in : TDS Certificates downloaded and correction returns
- ❖ www.Incometax.gov.in: TDS Payments and CSI Files download

QUARTER ENDED	TDS RETURN DUE DATE	TCS RETURN DUE DATE
30 TH JUNE	31 ST JULY	15 TH JULY
30 TH SEPT	31 ST OCT	15 TH OCT
31 ST DEC	31 ST JAN	15 TH JAN
31 ST MAR	31 ST MAY	15 TH MAY

TDS Sections:



TDS SECTIONS				
192	192A	193	194	194A
194B	194BB	194C	194D	194DA
194E	194EE	194G	194H	194I
194J	194IA	194IB	194IC	194LA
194LB	194LD	195		

TDS Consequences:

Section	Nature of Default	Amount of Interest/ Fee/ Penalty/ Term of imprisonment	Period for which amount is to be paid
Interest u/s 201(1A)	Non deduction of tax at source, either in whole or in part	1% for every month or part of the month	From the date on which tax deductible to the date on which tax is actually deducted
	After deduction of tax, non-payment of tax either in whole or in part	1.5% for every month or part of the month	From the date of deduction to the date of payment
Late fees u/s 234E	Delay in furnishing of TDS statements	Rs.200 per day subject to a maximum of the taxes deducted in that quarter	Every day during which the failure continues
Penalty u/s 271H	Failure or incorrect furnishing of TDS Statements	Rs.10,000 to Rs.1,00,000.	Fixed penalty as determined by the tax officer
Penalty u/s 272BB	Failure to apply for TAN or quoting of false TAN	Rs. 10,000	The Assessing officer shall pass the penalty order, after giving the person an opportunity of being heard.
Prosecution u/s 276B	Failure to deposit TDS amount to the Central Government	Rigorous imprisonment from 3 months to 7 years with fine	If determined by tax officer that such prosecution is necessary based on the facts of each case



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



By

CA CMA Kedarnath

#9985162155

kedarnath.potnuru@gmail.com