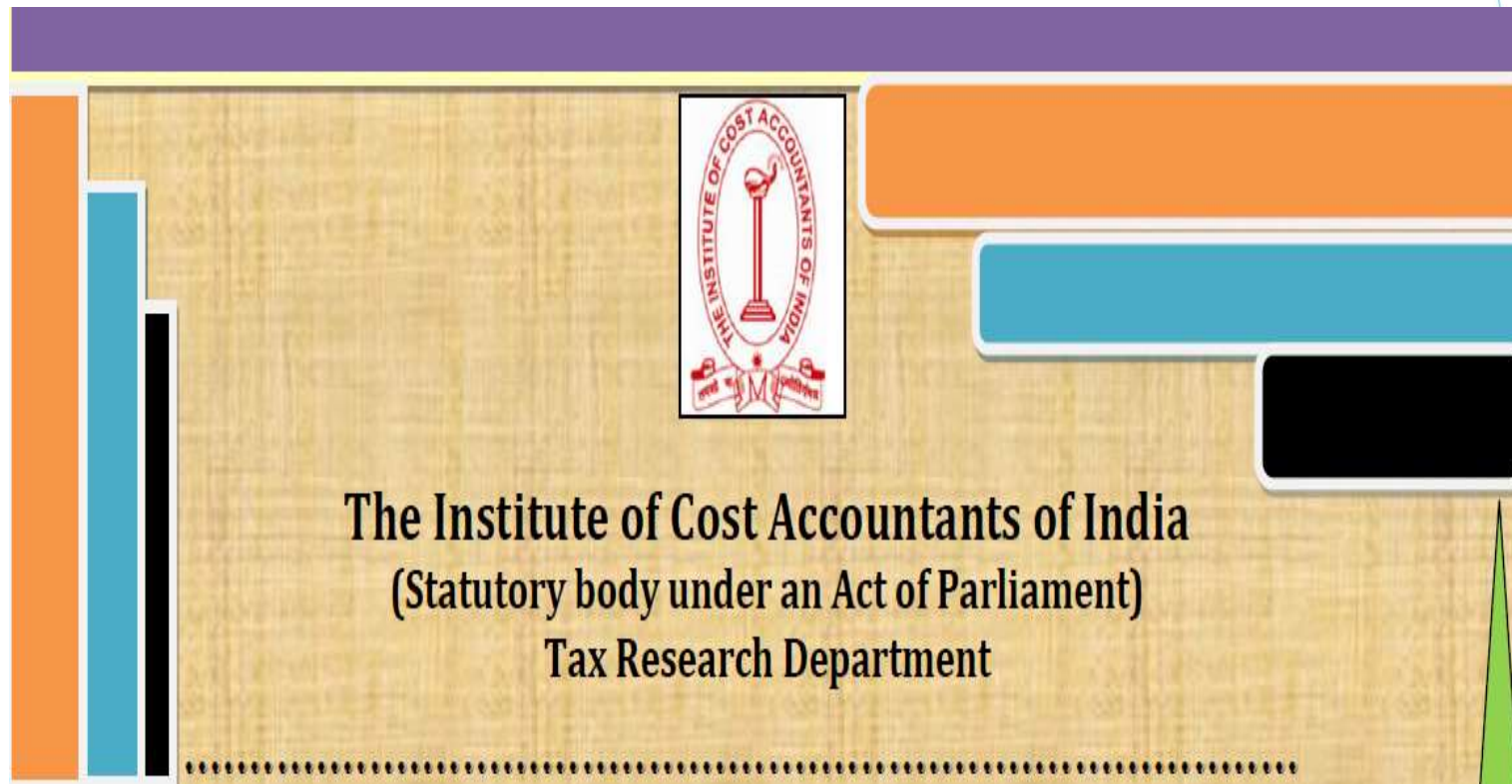




CA CMA Kedarnath

Hyderabad

ONLINE CERTIFICATE COURSE ON TDS - CCTDS-5th Batch



Tax deducted at Source



Introduction to TDS

- ❖ The concept of **TDS** was **introduced** with an aim to collect tax from the **very source of 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 TDS concept **Deductor** is liable to
 - Deduct
 - Deposit
 - File TDS Returns

- ❖ The TDS amount will be reflected in the **Form-26AS** of the Deductee

When to Deduct TDS

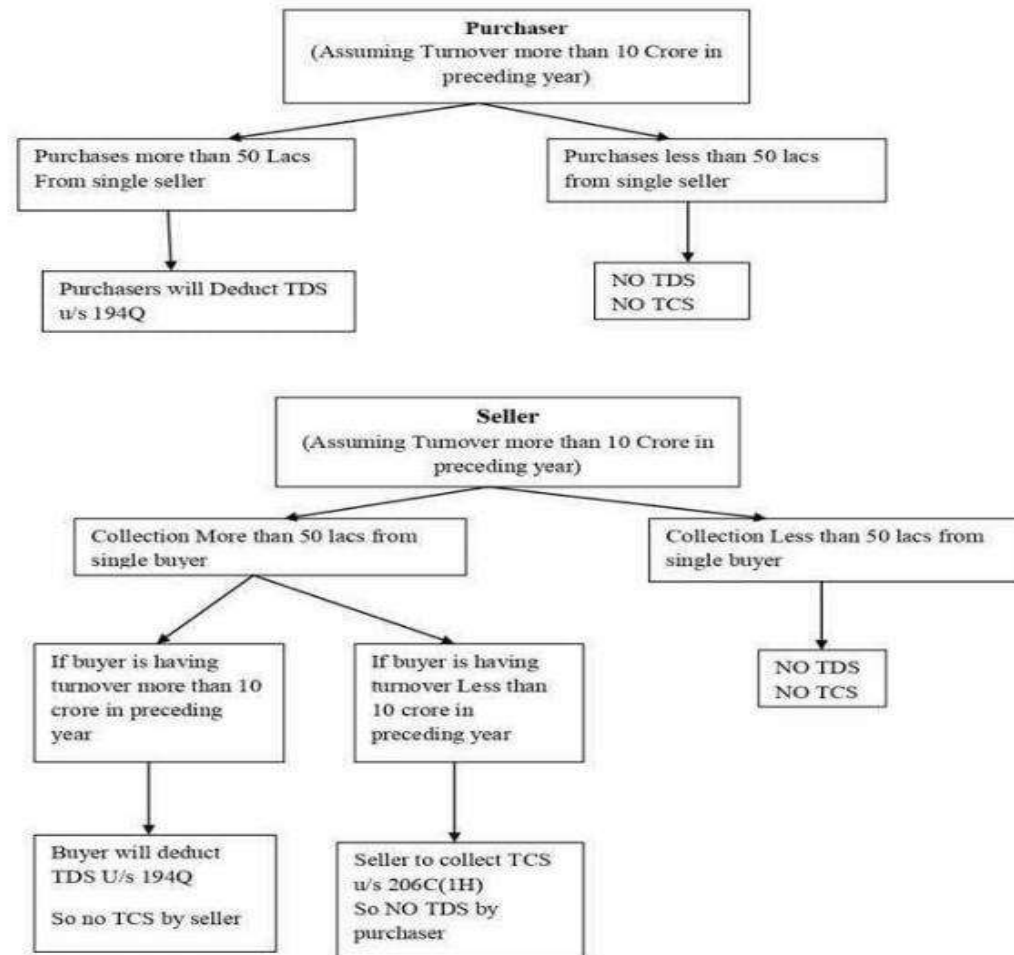
- ❖ TDS requirement arise:
 - ✓ At the time of **Payment**
 - (or)
 - ✓ At the time **crediting** the a/c of payee (in the books of payer)
- ❖ But in the following cases TDS deducted only **at the time of payments**:
 - ✓ Salary
 - ✓ EPF Payment
 - ✓ Winnings
 - ✓ Maturity of Life Insurance Policy
 - ✓ Compensation on compulsory acquisition of property

TDS Applicability

- ❖ TDS will be applicable on
 - ✓ Services
 - ✓ Expenses
 - ✓ TDS will NOT be applicable on Goods
- ❖ TDS applicable for not only Commercial purpose but also for other payments,
 - Ex: 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
- ❖ LA
 - *w.e.f 01.07.2021*
 - **S.194Q : TDS applicable on Purchase of Goods**

194Q Vs 206C(1H)

194Q VS 206C(1H)



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, **Surcharge & HEC** shall be added

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
- ✓ Rate: **20% + 4% HEC**
- ✓ Payment for certain incomes referred u/s 115BBA
 - Participation in any game in India (Example: Cricket)
 - Advertisement
 - Contribution of any article in newspaper, magazines or journals;
 - Performance in India

Q&A: TDS u/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/-
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/-
3. Mr. Justin Bieber participated in a concert organized by M/s ABC Ltd in Delhi, M/s ABC Ltd 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
1. 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?

Basic Concepts:

Resident:

❖ Basic Conditions S.6(1)

- ✓ He has been 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

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 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.



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



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29-Jul-21

17

TDS UNDER SECTION 196C AND 196D

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: TDS will be deducted at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

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

Q & A S.196C	Mr. John of America invested in Indian Company Bonds and the Indian company made interest payment of ₹1,00,000 Then Indian company is liable to deduct TDS @10% i.e ₹10,400 and pay remaining amount of ₹89,600 to Mr. John
Q & A S.196D	FII'S made purchase of Indian company bonds and Indian company made payment of ₹1,00,000. Then Indian company is liable to deduct TDS @20% and pay remaining amount i.e ₹79,920 to those 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.

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Running Notes:

Capital Asset

Shares

HP ≤ 12 Months →>> STCA /STCG/STCL

HP > 12 Months →>>> LTCA /LTCG/LTCL

L&B

HP ≤ 24 Months →>> STCA /STCG/STCL

HP > 24 Months →>>> LTCA /LTCG/LTCL

Any other Asset

HP ≤ 36 Months →>> STCA /STCG/STCL

HP > 36 Months →>>> LTCA /LTCG/LTCL

STCG u/s 111A @ 15%

Any transfer of **Shares**

- ✓ Listed on Recognized stock exchange
- ✓ On which STT (Securities transaction Tax) is paid
- ✓ STCG @ 15%

$$1,00,000 \times 30\% = 30,000$$

$$\text{HEC @ 4\%} = 30,000 \times 4\% = 1200$$

$$\text{TDS} = 30,000 + 1200 = \text{Rs } 31,200/$$

ADR:

ADR's are those issued by the American company to raise funds in "other than America"

GDR:

GDR are those issued by Non-American company to raise funds any where in the world