**Scope and Applicability**

Section 194C of the Income-tax Act, 1961, deals with the deduction of tax at source (TDS) on payments to contractors and sub-contractors for carrying out any work, including the supply of labor for carrying out any work. The key points of this section are as follows:

1. **Deductor**: Any person, including individuals and HUFs who are required to get their accounts audited under section 44AB in the preceding financial year, is liable to deduct TDS under this section.
2. **Deductee**: Any resident contractor or sub-contractor is covered under this section. It includes payments to transport contractors for hiring or renting of goods carriages.

**Rate of TDS**

* **1%** on payments made to individual or HUF contractors.
* **2%** on payments made to other contractors (other than individuals and HUFs).

**Threshold Limit**

* TDS under Section 194C is required to be deducted if the amount paid or credited to a contractor in a single payment exceeds ₹30,000.
* If the aggregate of amounts paid or credited during the financial year exceeds ₹1,00,000, TDS must be deducted.

**Time of Deduction**

* TDS must be deducted at the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.

**Exemptions**

* Payments made to a contractor by an individual or HUF for personal purposes are not liable to TDS.
* Payments made to transport contractors who own ten or fewer goods carriages at any time during the previous year and who furnish a declaration with their PAN.

**Practical Examples**

1. **Payment to a Contractor**
	* Suppose a company makes a payment of ₹50,000 to a contractor for construction work. Since the payment exceeds ₹30,000, TDS @ 2% (as the contractor is not an individual or HUF) amounting to ₹1,000 should be deducted.
2. **Multiple Payments**
	* If a company makes three payments of ₹40,000, ₹35,000, and ₹30,000 to a contractor during a financial year, the total payments amount to ₹1,05,000. Since the aggregate amount exceeds ₹1,00,000, TDS @ 2% on ₹1,05,000 amounting to ₹2,100 should be deducted.
3. **Payment to a Transport Contractor**
	* If a company hires a transport contractor who owns ten or fewer goods carriages and the contractor provides a PAN along with a declaration, no TDS is required to be deducted irrespective of the amount paid.

**Compliance and Reporting**

* The deducted TDS must be deposited with the government within the due dates specified.
* The deductor must file TDS returns (Form 26Q) quarterly.
* The deductor must issue a TDS certificate (Form 16A) to the deductee within the specified time.

**Consequences of Non-Compliance**

* Failure to deduct TDS or deposit the same with the government attracts interest and penalties under Sections 201 and 271C.
* The expenditure on which TDS was required to be deducted but not deducted or deposited is disallowed under Section 40(a)(ia) while computing the income under the head “Profits and gains of business or profession”.

Here are some important case laws related to Section 194C of the Income-tax Act, 1961:

1. **Associated Cement Co. Ltd. v. CIT (1993) 201 ITR 435 (SC)**
	* **Facts**: The company had made payments to various transport contractors for transporting goods.
	* **Issue**: Whether the payments made for transportation contracts were subject to TDS under Section 194C.
	* **Decision**: The Supreme Court held that TDS is applicable on payments made to transport contractors for transportation contracts under Section 194C.
2. **Birla Cement Works v. CBDT (2001) 248 ITR 216 (SC)**
	* **Facts**: Payments were made to contractors for loading and unloading services.
	* **Issue**: Whether the payments made for loading and unloading services were subject to TDS under Section 194C.
	* **Decision**: The Supreme Court held that TDS is applicable on payments made for loading and unloading services under Section 194C.
3. **CIT v. Poompuhar Shipping Corporation Ltd. (2006) 282 ITR 3 (Mad)**
	* **Facts**: The assessee made payments to shipping agents for transporting goods.
	* **Issue**: Whether payments made to shipping agents for transport of goods attract TDS under Section 194C.
	* **Decision**: The Madras High Court held that payments made to shipping agents for transportation of goods are subject to TDS under Section 194C.
4. **Glenmark Pharmaceuticals Ltd. v. ITO (2008) 119 ITD 339 (Mum)**
	* **Facts**: The company made payments to courier agencies for delivery services.
	* **Issue**: Whether payments made to courier agencies are liable for TDS under Section 194C.
	* **Decision**: The ITAT Mumbai held that payments made to courier agencies for delivery services are subject to TDS under Section 194C.
5. **ITO v. Rama Nand & Co. (2004) 141 Taxman 64 (Asr. Trib.)**
	* **Facts**: The assessee made payments for printing materials.
	* **Issue**: Whether payments made for printing materials were subject to TDS under Section 194C.
	* **Decision**: The ITAT Amritsar held that payments for printing materials are subject to TDS under Section 194C, considering it as a contract for work.
6. **CIT v. Dabur India Ltd. (2005) 283 ITR 197 (Delhi)**
	* **Facts**: The company made payments to advertising agencies.
	* **Issue**: Whether payments made to advertising agencies attract TDS under Section 194C.
	* **Decision**: The Delhi High Court held that payments made to advertising agencies are subject to TDS under Section 194C.
7. **CIT v. United Rice Land Ltd. (2008) 174 Taxman 286 (P&H)**
	* **Facts**: The assessee made payments to truck operators for transportation of rice.
	* **Issue**: Whether TDS under Section 194C is applicable to payments made to truck operators.
	* **Decision**: The Punjab and Haryana High Court held that TDS is applicable on payments made to truck operators under Section 194C.