



**THE INSTITUTE OF  
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# Certificate Course on TDS



**TDS under several sections**

TDS on Payment in Respect of Life Insurance Policy	194DA
Payments to Non-Resident Sportsmen or Sports Association	194E
Repurchase of Units of MF or UTI	194F
Payment for Deposit Under NSS	194EE
Commission on Sale of Lottery Tickets	194G
Commission or Brokerage	194H

## **Section 194DA - TDS on life insurance policy proceeds:**

This section applies to any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus.

It is applicable when the sum received under such policy is not exempt under Section 10(10D).

# Rate of TDS under Section 194DA

- The tax must be deducted at the rate of 5% on only the 'income part' of the payment. This means TDS will be applicable only on the amount exceeding the total of the premiums paid by the insured.
- This rate has been proposed to be reduced to 2% with effect from 1st October 2024.
- TDS rate increased to 20% in case the deductee fails to submit the PAN number.
- There is no need to deduct taxes if the aggregate payable amount is within Rs 1 lakh. If the person has received the amount under the keyman insurance policy, the amount is taxable.

# Exemptions

- If the sum received is exempt under Section 10(10D), then no TDS will be deducted.
- Section 10(10D) exemptions typically cover policies where the premium payable does not exceed 10% of the actual sum assured for policies issued on or after April 1, 2012. For policies issued between April 1, 2003, and March 31, 2012, the limit is 20% of the sum assured.

## **Section 194E - TDS on Payments to Non-Resident Sportsmen or Sports Association**

- As per section 194E of the Income Tax Act, 1961, any person making payment of income referred to in section 115BBA of the Income Tax Act, 1961 to the following persons shall be liable to deduct TDS –
  - A non-resident sportsman (including an athlete);
  - or An entertainer who is not a citizen of India;
  - or A non-resident sports association / institution.

# **Rate of TDS under Section 194E**

- The Deductor liable to deduct TDS under section 194E, is required to deduct TDS @ 20%.
- **Unlike some other sections, there is no minimum threshold for deducting TDS under Section 194E. Any amount paid is subject to TDS at the specified rate.**



# Section 115BBA- Tax on non-resident sportsmen or sports associations

This section applies to non-resident sportsmen (including athletes), non-resident sports associations or institutions, and non-resident entertainers (such as musicians, actors, or theater artists).

- Flat Rate Taxation:** The specified income is taxed at a flat rate of 20%, regardless of the amount.
- Gross Basis Taxation:** No deductions are allowed from the income, meaning it is taxed on a gross basis without accounting for any expenses.
- Broad Applicability:** This section broadly covers various forms of income related to participation in sports and entertainment events in India by non-residents.
- Compliance Requirements:** Non-residents covered under this section are required to comply with Indian tax laws, including the possible requirement to file tax returns in India.

# Example

- Suppose an Indian company organizes a cricket match in India and pays a non-resident cricketer \$10,000 for participation. The company must deduct TDS at 20% (i.e., \$2,000) and deposit it with the Indian government before paying the remaining \$8,000 to the cricketer.
- Understanding Section 194E is crucial for any **entity involved in making payments to non-resident sports professionals or associations** to ensure compliance with tax regulations.

## **Section 194EE - TDS on Payments in respect of Deposit under NSS**

- The person responsible for paying to any person any amount standing to the credit of such person under National Savings Scheme (to which section 80CCA was applicable) together with interest accrued thereon, shall deduct income-tax thereon on such amount at the time of its payment.

# **Rate of TDS under Section 194EE**

- Rate of TDS under Section 194EE will be 10%

# **When No TDS is Deductible under Section 194EE**

Where the amount of payment or the aggregate amount of payments in a financial year is less than ₹ 2,500, tax is not deductible under section 194EE.

Where the payment is made to the heirs of the deceased assessee (depositor), no tax shall be deducted at source.

DECLARATION TO THE PAYER IN FORM NO. 15G OR 15H [Section 197A] If a declaration is submitted under section 197A by the recipient to the payer, then no tax is deductible in a few cases.

## **Section 194F- TDS on Payments on account of repurchase of units by Mutual Fund or UTI**

- Section 194F of the Income Tax Act, 1961 pertains to Tax Deducted at Source (TDS) on payment of repurchase of mutual fund units.
- This section mandates that if an individual receives any amount as consideration for the repurchase of units of mutual funds, TDS must be deducted at the specified rates.

# Important points

**1. Applicability:** Section 194F applies to any person who is responsible for paying to a resident any sum by way of consideration for transfer of units of a mutual fund referred in section 80CCB. This typically includes mutual funds registered with the Securities and Exchange Board of India (SEBI).

**1. TDS Rate:** The TDS rate under Section 194F is 20%

**1.Threshold Limit:** There is no threshold limit specified under Section 194F. TDS is applicable regardless of the amount of consideration for the repurchase of mutual fund units.

**2.Exemptions:** Certain exemptions or lower TDS rates may be applicable if the payee meets specific conditions, such as being a resident senior citizen or if the income is below the taxable threshold.



# **Section 194G TDS on Commission on Sale of Lottery Tickets**

- Section 194G requires the person, who is paying any income by way of commission / remuneration / prize on lottery tickets to the person who has been stocking / distributing / purchasing / selling the lottery tickets, to deduct TDS.
- Tax shall be deducted under this section, either at the time of credit to the account of the payee or at the time of payment thereof, whichever is earlier.

## **Rate of TDS u/s 194G**

- The provision of section 194G requires the Deductor to deduct TDS @ 5%.
- However, in case the PAN is not furnished, the Deductor is liable to deduct TDS @ 20% (maximum marginal rate).

# **Exemption limit under section 194G**

- The Deductor would be liable to deduct TDS under section 194G only if the income amount exceeds INR 15,000.

# **Section 194H - TDS on Commission and Brokerage**

- Section 194H provides for Tax Deduction at the Source on commission or brokerage to a resident individual.
- **Any person not being an individual or HUF paying any commission or brokerage is liable for TDS under section 194H since commission or brokerage serves as a source of income.**

# What is the Meaning of Commission and Brokerage?

- Commission or brokerage includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person.
- **TDS on commission or brokerage includes,**
  - for services rendered (not being professional services), or
  - for any services in the course of buying or selling of goods, or
  - in relation to any transaction relating to any asset, valuable article or thing, except securities

# Exemption on TDS Deduction on Commissions and Brokerages

- Brokerage or commission is less than or equal to Rs.15,000 in a financial year.
- The employer is paying a commission to the employee, which is covered under Section 192 of the IT Act.
- Commission on insurance and loan underwriting.
- Individuals with a NIL TDS certificate from an authorized body will get a TDS exemption for all services.
- Payments made by television channels/newspaper companies to the advertising agency for booking or procuring of or canvassing for advertisements.
- Turnover Commission payable by the RBI to the Agency Banks.
- Brokerage or commission for providing securities to the public.
- Any payment of commission or brokerage payable by Bharat Sanchar Nigam Limited or Mahanagar Telephone Nigam Limited to their public call office franchisees..

# **Rate of TDS u/s 194H**

- **The rate of TDS is 5%.**
- **This rate is proposed to be reduced to 2% with effect from 1st October 2024**

## **Points to Remember about TDS on Commission and Brokerage**

- If the commission or brokerage comes under the GST, TDS is deducted from its primary value and is exclusive of the GST component.
- TDS is deducted if the aggregate earnings are more than Rs.15,000.
- Even if the agent retains the commission amount while setting payment, the TDS will be deposited to the government.
- When a TDS deduction is made on behalf of or by the government, it is deposited on the same day.







**THANK YOU!**