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Advance Certificate Course on TDS



Recent Amendments in TDS & TCS



To rationalize the Tax Deducted at Source (TDS) rates across various sections of the Income-tax Act. Below are the key changes:

Section	Nature of Payment	Present TDS Rate	Proposed TDS Rate	Effective Date
194D	Payment of insurance commission (in case of person other than company)	5%	2%	1st April 2025
194DA	Payment in respect of life insurance policy	5%	2%	1st October 2024
194G	Commission, etc., on sale of lottery tickets	5%	2%	1st October 2024
194H	Payment of commission or brokerage	5%	2%	1st October 2024
194-IB	Payment of rent by certain individuals or HUF	5%	2%	1st October 2024
194M	Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1st October 2024
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1st October 2024
194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India	-	Proposed to be omitted	1st October 2024

Amendment in Section 194 -TDS on Dividend

- Section 194 of the Income-tax Act deals with the deduction of tax at source on dividend income. The Finance Act 2024 proposes a minor technical amendment to this section,
- . Specifically, the amendment inserts the words, brackets, and letter “or sub- clause (f)” after “sub-clause (e)”. While this may seem like a small change, it is part of a broader policy shift concerning the taxation of income from the buyback of shares by companies.

Implications of the Amendment:

- Shift in Tax Burden: The amendment marks a significant shift in how buyback income is taxed. Previously, the company bore the tax burden in the form of additional income tax, while the shareholders received the buyback proceeds tax-free. Under the new regime, the tax burden shifts to the shareholders, who will now pay tax on the buyback proceeds as dividend income, which could result in higher taxes for those in higher income tax slabs.

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Amendment in Section 192 - TDS on Salary

TCS (Tax **Collected at Source**): The new amendment requires that any TCS paid by the taxpayer and TDS deducted under other sections of the Income-tax Act must now be taken into account when calculating the TDS on the employee's salary income.

Amendment in Section 194 -TDS on Dividend

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- Specifically, the amendment inserts the words, brackets, and letter “or sub- clause (f)” after “sub-clause (e)”. While this may seem like a small change, it is part of a broader policy shift concerning the taxation of income from the **buyback of shares** by companies.

Amendment in Section 194-IA - TDS on the purchase of immovable property

- Provided that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property."

Introduction of New Section 194T: - TDS on Payments to partners of firms

Who is Responsible: The section applies to any person or entity classified as a firm.

Type of Payments Covered: The payments covered under this section include salary, remuneration, commission, bonus, or interest paid to a partner of the firm.

Timing of TDS Deduction: The firm is required to deduct income tax at the time of crediting the sum to the partner's account (including the partner's capital account) or at the time of payment, whichever is earlier.

Rate of TDS: The TDS rate under Section 194T is fixed at 10% of the sum paid or credited.

Exemption Limit: No TDS is required to be deducted if the total sum paid or credited to the partner during the financial year does not exceed R20,000.

This section will come in to effect w.e.f. 01.04.2025.

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THANK YOU!