



## CERTIFICATE COURSE ON TDS

### *Today's Content -1.*

### **Process in Deposit of Tax, procedures filing of Returns, processing of TDS and TCS Statements (200A & 206CB)**

#### **Section 200A – Processing of TDS Statements**

##### **Objective of Section 200A**

Section 200A provides the **procedure for processing** TDS statements filed by the deductor under Section 200(3). It enables the Income Tax Department to process the TDS returns and compute any interest, fees, or other sums payable or refundable.

##### **Statutory Provision (Simplified Version)**

When a deductor files a TDS return under Section 200(3), the return is processed under Section 200A in the following manner:

##### **Processing Includes:**

1. **Checking arithmetical errors or incorrect claims** that are apparent from the statement.
2. **Computation of interest** under Section 201(1A).
3. **Levy of late filing fees** under Section 234E.
4. **Determination of sum payable/refundable.**
5. **Intimation of the amount** determined under (4) to the deductor.

##### **Step-by-Step Process of Section 200A:**

###### **Step**

###### **Activity**

- 1 TDS return is filed by the deductor (e.g., Form 24Q/26Q/27Q/27EQ).

Step	Activity
2	Return is processed through CPC-TDS or by the Assessing Officer.
3	Arithmetical and data inconsistencies are identified.
4	Interest under Section 201(1A) is calculated, if any delay in deduction or payment.
5	Late filing fees under Section 234E are computed, if applicable.
6	Final amount payable/refundable is determined.
7	Intimation under <b>Section 200A(1)</b> is sent to the deductor.

### Key Components in the Computation

Component	Section	When Applicable
Interest	201(1A)	Delay in deduction/payment of TDS
Late Filing Fee	234E	₹200 per day of delay in filing TDS return
Fee Limit	234E	Maximum = amount of TDS

### Intimation of Processing [Section 200A(1)]

The department must send an intimation within **one year** from the end of the financial year in which the TDS statement was filed.

### No Levy of Penalty under 200A

Only **fee under Section 234E and interest under Section 201(1A)** can be levied while processing under 200A. **No penalty or other disallowance** can be made under this section.

### Timeline for Processing

- Return must be processed within **1 year** from the end of FY in which the return was filed.
- If not processed in time, **no intimation can be issued**, and **demand becomes invalid**.

## Related Sections

Section	Description
200	Duty to deduct and deposit TDS
200(3)	Filing of TDS returns
201(1A)	Interest for delay in deduction/payment
234E	Fee for late filing of TDS statement

### Example

**Scenario:** A company deducted TDS on 15 May 2024 and deposited on 30 June 2024. The TDS return was filed on 10 September 2024 instead of the due date of 31 July 2024.

#### Processing Under 200A:

- Interest under 201(1A) for late payment (from date of deduction to deposit).
- Fee under 234E for delay in filing return = ₹200/day × 41 days = ₹8,200.
- Intimation sent under Section 200A for ₹8,200 + interest.

### Concept Check

**Q1:** Can penalty under 271H be levied through Section 200A?

**✗** No, penalty under 271H cannot be levied through Section 200A. That needs a separate order after proceedings.

**Q2:** Can a refund be issued through 200A?

Yes, if excess tax is deducted and deposited, refund can be processed.

### Summary Table

Particular	Section 200A
Applies to	TDS Returns filed u/s 200(3)
Function	Processing of TDS statements
Charges Computed	Interest (201(1A)), Fee (234E)
Intimation	Within 1 year from end of FY of filing
Refund	Allowed
Penalty	Not leviable here

<b>Particular</b>	<b>Section 200A</b>
Appeal	Lies to CIT(A) u/s 246A

## **Section 206CB – Processing of TCS Statements**

### **Objective of Section 206CB**

Section 206CB provides the **mechanism for processing the TCS statements** filed by a collector under Section 206C(3). It allows the Income Tax Department to **compute the correct amount of tax collected, interest, late fees**, and issue **intimations for payable or refundable amounts**.

### **Statutory Provision (Simplified)**

When a person collects tax at source and files a statement under Section 206C(3), the **statement is processed under Section 206CB** in the following way:

### **Processing Includes:**

1. **Checking of arithmetical errors or inconsistent entries** in the TCS statement.
2. **Computation of interest** under Section 206C(7) for late collection/payment.
3. **Levy of late filing fee** under Section 234E.
4. **Determination of sum payable or refundable**.
5. **Issuance of intimation** to the collector about the final calculation.

### **Step-by-Step Processing Under 206CB**

<b>Step</b>	<b>Description</b>
<b>1</b>	Collector files TCS return (Form 27EQ) under Section 206C(3).
<b>2</b>	CPC-TDS or Assessing Officer processes the return.
<b>3</b>	Errors in data or inconsistencies are identified.

Step	Description
4	Interest under Section 206C(7) is calculated (for delays in collection/payment).
5	Fee under Section 234E is calculated (₹200/day for late filing).
6	Computation of total payable/refundable amount.
7	Intimation sent under Section 206CB(1).

### 🔗 Key Components in the Processing

Component	Section	Conditions
Interest	206C(7)	Delay in collection/payment of TCS
Late Filing Fee	234E	₹200 per day of delay in filing TCS return
Max Fee	234E	Cannot exceed amount of TCS collectible

### Time Limit for Intimation

As per **Section 206CB(2)**:

The intimation must be sent **within one year from the end of the financial year** in which the TCS statement was filed.

If not sent within this time, **no demand or refund can be issued** based on that processing.

### Scope Limitations

- **No penalty or disallowance of expenditure** can be made under Section 206CB.
- Only **interest and fees under Section 234E** can be levied through this automated processing.

## Relevant Judicial Notes

- Like Section 200A, **Section 206CB is procedural.**
- Any **appeal** against intimation under Section 206CB can be filed before the **Commissioner of Income Tax (Appeals)** under **Section 246A.**

## Due Dates for Filing TCS Returns (Form 27EQ)

Quarter	Due Date
Q1 (Apr–Jun)	15 July
Q2 (Jul–Sep)	15 October
Q3 (Oct–Dec)	15 January
Q4 (Jan–Mar)	15 May

## Example Case

**Scenario:** A trader collects TCS on sale of scrap in August 2024 but deposits it in October 2024. TCS return for Q2 is filed on 20 November 2024.

### Processing under Section 206CB:

- Interest under Section 206C(7) for delay in deposit.
- Late fee under Section 234E: ₹200/day × 36 days (from 15 Oct to 20 Nov) = ₹7,200.
- Intimation issued within 1 year from FY 2024–25.

## Connected Sections

Section	Description
206C	Provisions for collection of tax at source
206C(3)	Filing of TCS statement
206C(7)	Interest on late collection/payment
234E	Fee for late filing of TCS return

<b>Section</b>	<b>Description</b>
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246A	Appeal provisions
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### **Summary Table**

<b>Particular</b>	<b>Section 206CB</b>
Applies to	TCS Returns filed u/s 206C(3)
Form	27EQ
Functions	Processing of TCS returns
Charges Computed	Interest (206C(7)), Fee (234E)
Intimation Time Limit	1 year from FY-end
Penalty	Not applicable
Refunds	Allowed
Appeals	Allowed under Section 246A

## *Today's Content -2.*

### **TDS & TCS Changes from 1st April 2025**

The Budget 2025 introduced major changes to the existing Tax Deduction at Source (TDS) and Tax Collected at Source (TCS) provisions of the Income Tax Act, 1961. These amendments were introduced with the objective of simplifying tax compliance for businesses and individuals.

These changes focus mainly on a higher threshold limit, removal of TCS on certain transactions and introduction of new provisions to streamline compliance and smoothen taxation processes.

### **Enhanced Threshold Limits For TDS**

The applicability of TDS or TCS is only attracted when the transaction is above the threshold limit. With effect from April 1, 2025, the threshold limits for a few sections have been increased from their previous limits.

The previous and enhanced limits for TDS are given in the following table:

<b>Section</b>	<b>Before 1st April 2025</b>	<b>From 1st April 2025</b>
193 - Interest on Securities	NIL	10,000
194A - Interest other than Interest on securities	(i) 50,000/- for senior citizens; (ii) 40,000/- in case of others when the payer is the bank,	(i) 1,00,000/- for senior citizen (ii) 50,000/- in case of others when the payer is a bank,

	cooperative society and post office (iii) 5,000/- in other cases	cooperative society and post office (iii) 10,000/- in other cases
194 - Dividend, for an individual shareholder	5,000	10,000
194K - Income in respect of units of a mutual fund	5,000	10,000
194B - Winnings from lottery, crossword puzzle Etc. 194BB - Winnings from horse race	Aggregate of amounts exceeding 10,000/- during the financial year	10,000/- in respect of a single transaction
194D - Insurance commission	15,000	20,000
194G - Income by way of commission, prize etc. on lottery tickets	15,000	20,000
194H - Commission or brokerage	15,000	20,000
194-I - Rent	2,40,000 (in a financial year)	50,000 per month
194J - Fee for professional or technical services	30,000	50,000

194LA - Income by way of enhanced compensation	2,50,000	5,00,000
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### Enhanced Threshold Limit For TCS

The threshold limit for TCS for remittance under Liberalised Remittance Scheme (LRS) and foreign tour packages has been increased to Rs. 10 Lakhs from the previous limit of Rs. 7 Lakhs.

Further, TCS will not be applicable on LRS for education if financed through education loan. Section 206C(1G) covering TCS on educational loans has been removed from April 1, 2025.

The enhanced threshold for TCS is given in the following table:

Section	Before 1st April 2025	From 1st April 2025
206C(1G) - Remittance under LRS and overseas tour program package	7,00,000	10,00,000
206C(1G) - Remittance under LRS for education if financed through educational loans	7,00,000	Nil (No TCS Applicable)
206C(1H) - Purchase of Goods	50,00,000	Nil (No TCS Applicable)

## **Removal of TCS On Sale Of Goods**

Previously, the seller had to collect a TCS under section 206C(1H) on the sale of goods if the aggregate value of goods sold exceeded Rs. 50 lakhs with other conditions. This created compliance issues with section 194Q where the buyer had to deduct TDS on the purchase of goods with the same conditions.

Section 206C(1H) has been removed from April 1, 2025, and the seller will not have to collect TCS on goods sold.

## **Omission Of Sections 206AB & 206CCA**

Sections 206AB & 206CCA required a higher TDS and TCS rates for Non-filers i.e, individuals who do not file tax returns. It was a burden on the deductors and collectors to identify such non-filers and furnish returns within the specified due date.

From April 1, 2025 both the sections will be removed. Hence, there is no need now for businesses to verify if the person has filed tax returns or not in order to determine the TDS or TCS rates. This simplifies compliance and reduces the burden of the businesses.

## **Reduced TCS Rates For Forest Produces**

The TCS rates for Timber and other forest produce, other than tendu leaves under section 206C(1) has been reduced to 2% from the previous limit of 2.5%.

Further the definition of forest produce will have the same meaning as per that of the Indian Forest Act 1927 or any State Act.

## **No Criminal Charges for Delay in Depositing TCS**

Under the previous tax regime, failure to deposit collected TCS on time could result in legal consequences, including imprisonment for up to seven years.

Budget 2025 modifies this rule, ensuring that if the pending TCS is deposited within the stipulated time, no criminal action will be taken.

This amendment removes the fear of harsh legal consequences for businesses dealing with cash flow issues.

By eliminating extreme penalties, this reform ensures that businesses have adequate time to comply without undue pressure.

### **Changes in TDS Rates during Budget 2024**

Budget 2024 reduced the TDS rates on specified payments to facilitate business and improve taxpayer compliance. However, TDS rates are effective only either after 1st Oct 2024 or 1st April 2025. The table below shows the specified payments.

<b>TDS Sections</b>	<b>Current TDS Rate</b>	<b>Proposed TDS Rate</b>	<b>Effective from</b>
<i>Section 194D</i> - Payment of insurance commission in case of other than company	5%	2%	1st April 2025
<i>Section 194DA</i> - Payment in respect of life insurance policy	5%	2%	1st Oct 2024
<i>Section 194G</i> - Commission on sale of lottery tickets	5%	2%	1st Oct 2024
<i>Section 194H</i> - Payment of commission or brokerage	5%	2%	1st Oct 2024
<i>Section 194-IB</i> - Payment of Rent by certain individuals or HUF	5%	2%	1st Oct 2024

<u>Section 194M</u> - Payment of certain sums by certain individuals or HUFs	5%	2%	1st Oct 2024
<u>Section 194-Q</u> - Payment of certain sum by e-commerce operator to e-commerce participants	1%	0.1%	1st Oct 2024
<u>Section 194F</u> - Payment on account of repurchase of units by mutual funds or UTI	Proposed to be Omitted		1st Oct 2024

### **Introduction of TDS on Payments Made to Partners by Firms(Section 194T)**

This budget introduced a new TDS provision for payments made by the firms (i.e., it covers both partnership firms as well as LLPs), to the partners by way of salary, remuneration, interest, bonus or commission.

So, now any payment by a firm of the above nature exceeding Rs. 20,000 shall be subjected to the TDS at the rate of 10% u/s 194T.

### **Conclusion**

TDS and TCS are mandatory provisions that have to be complied with. Failure to comply will attract penalty and interest. It is important for taxpayers to have knowledge of TDS and TCS provisions in order to plan finances and adhere to the relevant provisions. With the revised limits, introductions of new sections and removal of older sections, one should ensure proper compliance with the amended provisions and should not be confused with the earlier ones.

Discussion on any questions

