



# **INTRODUCTION AND PROCEDURE OF**

## **Tax Deducted at Source**

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# WHAT IS TDS ?

- The concept of TDS was introduced with an aim to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor.
- Taxes shall be deducted at the rates specified in the relevant provisions of the Act or the First Schedule to the Finance Act. However, in case of payment to non-resident persons, the withholding tax rates specified under the Double Taxation Avoidance Agreements shall also be considered



# When should TDS be deducted and by whom?

**Any person making specified payments mentioned under the Income Tax Act is required to deduct TDS at the time of making such specified payment. However, in case of rent payments made by individuals and HUF exceeding Rs 50,000 per month, are required to deduct TDS @ 5% even if the individual or HUF is not liable for a tax audit. Also, such Individuals and HUF liable to deduct TDS @ 5% need not apply for TAN. Your employer deducts TDS at the income tax slab rates applicable. Banks deduct TDS @10%. Or they may deduct @ 20% if they do not have your PAN information**

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For most payments **rates of TDS** are set in the income tax act and TDS is deducted by the payer basis of these specified rates. If you submit investment proofs (for claiming deductions) to your employer and your total taxable income is below the taxable limit – you do not have to pay any tax. And therefore no TDS should be deducted from your income. **Similarly, you can submit Form 15G and Form 15H** to the bank if your total income is below the taxable limit so that they don't deduct TDS on your interest income. In case you have not been able to submit proofs to your employer or if your employer or bank has already deducted TDS and your total income is below the taxable limit) – you can file a return and claim a refund of this TDS. The complete list of Specified Payments eligible for TDS deduction along with the rate of TDS.

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What is TDS rate during the financial year

**TDS rate is applicable as per prescribed rate in income tax act. However when recipient does not furnish his/its PAN to the deductor tax will be deducted by virtue of section 206AA at the normal rate or 20 percent whichever ever is higher.**

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# How to deposit TDS?

**Tax Deducted at Source has to be deposited using Challan on the government portal.**

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**What is the due date for depositing the TDS to the government**

**The Tax Deducted at Source must be deposited to the government by the 7th of the subsequent month.**

**TDS deducted in the month of June must be paid to the government by the 7th of July. However, the TDS deducted in the month of March can be deposited till 30th April. For TDS deducted on rent and purchase of property, the TDS payment due date is 30 days from the end of the month in which TDS is deducted.**

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Shine Pvt Ltd make a payment for office rent of Rs 80,000 per month to the owner of the property. TDS is required to be deducted at 10%. Shine Pvt ltd must deduct TDS of Rs 8000 and pay the balance of Rs 72,000 to the owner of the property. Thus, the recipient of income i.e. the owner of the property in the above case receives the net amount of Rs 72,000 after deduction of tax at the source. He will add the gross amount i.e. Rs 80,000 to his income and can take credit of the amount already deducted i.e. Rs 8,000 by shine Pvt ltd against his final tax liability.

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Sec	Particulars
192	Salary
192A	Payment of accumulated balance due to an employee
193	Interest on securities
194A	Interest other than Interest on securities
194B	Winnings from lottery or crossword puzzle
194BB	Winnings from horse race
194C	Payments to contractors
194D	Insurance commission
194DA	Payment in respect of life insurance policy
194E	Payments to non-resident sportsmen or sports associations
194EE	Payments in respect of deposits under National Savings Scheme, etc
194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India
194G	Commission, etc., on the sale of lottery tickets
194H	Commission or brokerage
194I	Rent
194IA	Payment on transfer of certain immovable property other than agricultural land



Secs	Particulars
194IB	Payment of rent by certain individuals or HUF
194IC	Payment under specified agreement
194J	Fees for professional or technical services
194LA	Payment of compensation on acquisition of certain immovable property
194LB	Income by way of interest from infrastructure debt fund
194LBA	Certain income from units of a business trust
194LBB	Income in respect of units of investment fund
194LBC	Income in respect of investment in securitization trust
194LC	Income by way of interest from Indian company
194LD	Income by way of interest on certain bonds and Government securities
194M	Payment of certain sums by certain individuals or HUF
194N	Payment of certain amounts in cash
194 O	Electronic Commerce Operator
194 P	Specified Non Senior Citizen
194 Q	Buyer of goods

# TDS credits in Form 26AS

- It is important to understand how TDS is linked to your PAN. TDS deductions are linked to PAN numbers for both the deductor and deductee. If TDS has been deducted from any of your income you must go through the Tax Credit Form 26AS. This form is a consolidated tax statement that is available to all PAN holders.
  - Since all TDS is linked to your PAN, this form lists out the details of TDS deducted on your income by each deductor for all kinds of payments made to you – whether those are salaries or interest income – all TDS linked to your PAN is reported here. This form also has income tax directly paid by you – as advance tax or self-assessment tax. Therefore, it becomes important for you to mention your PAN correctly, wherever TDS may be applicable to your income.
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# IDENTIFICATION

- First check whether the payment made is attracts TDS liability or not, then classify the payment into two categories
  - 1. Salary
  - 2. Non-Salary (*Contract Payments, Professional Fees, Parking lot lease etc.,*)
  - Note: Even payable entries(transactions) also attracts Tax deduction at source.
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- It is the duty of the deductor (who is responsible of signing the bills or the paying authority) to deduct income tax at the time of payment as per the prevailing rates and make sure correctness of the details of PAN which is submitted by the deductee/payee.

# RESPONSIBILITIES OF DEDUCTOR

- **1. Obtain TAN**
- Every deductor is required to obtain a unique identification number called TAN (Tax Deduction Account Number) which is a ten digit alpha numeric number e.g.DELH90468K.
- This number has to be quoted by the deductor in every correspondence related to Income Tax matters concerning TDS.
- **2. He/She should obtain PAN of the deductee.**
- **3. File statements of tax deduction in the prescribed time**



# Remittance:

- He/She should **deduct the tax at correct rate.**
- **The tax deducted has to be deposited in the designated banks within specified time.** (Govt. deductors shall transfer the tax deducted through book entry in Government account). This is detailed below:
  - — By or on behalf of the Government : **on the same day,**
  - — By or on behalf of any other person : **before the 7th of the following month.**
- However, if the amount is credited in the books in the month of March then the tax should be remitted by 30th April.
- Note: w.e.f., 01.04.2008 electronic payment of tax has to be done by all corporate assesses and all persons whose cases are auditable under section 44B.
- **Use challan no. 281 for depositing TDS amount.**

# What is TAN

**Tax Deduction Account Number or Tax Collection Account Number is a 10 - digit alpha-numeric number issued by the Income-tax Department. TAN is to be obtained by all persons who are responsible for deducting tax at source (TDS) or who are required to collect tax at source (TCS).**

**As per Section 203A of the Income Tax Act 1961, it is mandatory for all asseesee's liable to deduct TDS to quote this TAN Number in all communications regarding TDS with the Income Tax Department and failure to do so attracts a penalty of Rs. 10,000. TDS Returns and Payments would not be received by the Banks if TAN No. is not quoted.**

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## How to apply for TAN Number

**TAN Number can be applied for online as well as offline. A Payment of Rs. 62 is required to be made for application of TAN No. The Payment can be made by Demand Draft/Cheque/ Credit Card/Debit Card/Net Banking. For making a TAN Application online, a person shall file his application in Form No. 49B on the following website of NSDL**

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## What is the difference between TAN and PAN

**PAN is a Permanent Account Number and TAN stands for Tax Deduction Account Number.**

**TAN should be obtained by the person responsible to deduct TDS, i.e., the deductor. The deductor is required to quote TAN in all the documents relating to TDS.**

**However, there is an exception- in the case of TDS on the purchase of land and building under Section 194-IA, the deductor is not required to obtain TAN and can use PAN for remitting the TDS.**

**Also, in the case of TDS on rent as per Section 194-IB, and TDS on payment of certain sums by Individuals or HUFs as per Section 194M, the deductor can use PAN instead of TAN for remitting TDS.**

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## TDS Refund – How to claim TDS Refund

**Tax Deducted at Source (TDS) is the sum that is deducted from a taxpayer's income like salary, interest from bank accounts, rent etc. If the TDS collected is more than what you owe to the government, you can get a TDS Refund. Let us explore this concept in detail.**

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A TDS Refund arises when the taxes paid by way of TDS are greater than the actual tax payable calculated for the Financial Year. It is calculated after consolidating income earned from various sources.

We all, as taxpayers, are categorized under various tax slabs. Say, you have an FD and earn an interest income out of it. Banks levy a basic 10% TDS on the interest accumulated. Now, if you belong to the 5% tax bracket, you can claim a TDS refund for the additional amount deducted.

Similarly, you can also claim a TDS refund of excess TDS deducted on salary due to non-submission of 80C investment proofs or rent receipts towards house rent allowance to the employer.

At the time of filing ITR, you would sum up all your income from various sources, find out the tax liability, and subtract the TDS applied to your income. If the TDS is higher than your total tax liability for the financial year, it means a refund is due from the government.



# How to claim TDS Refund Online

**To file your TDS online, you have to first register yourself on the IT department's website: <https://incometaxindiaefiling.gov.in/>.**

**After registration, you can file your income tax return by downloading the relevant ITR form.**

**Fill in the requisite details, upload the Form and click on submit.**

**Upon filing the [ITR](#), an acknowledgement is generated for the ITR submitted, which you must [e-verify](#). You can do e-verification by using a digital signature, an Aadhaar-based OTP or your net banking account.**

**However, if you haven't been able to e-verify the ITR, then you can complete the verification by sending a signed physical copy of the same to the [IT department](#)**

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# Due dates for furnishing the quarterly returns

Periodicity	TDS Return	TCS return
Q1 (Quarter 1) 1 <sup>st</sup> Apr – 30 <sup>th</sup> Jun	31 <sup>st</sup> JULY	15 <sup>th</sup> JULY
Q2 (Quarter 2) 1 <sup>st</sup> Jul – 30 <sup>th</sup> Sep	30 <sup>th</sup> OCTOBER	15 <sup>th</sup> OCTOBER
Q3 (Quarter 3) 1 <sup>st</sup> Oct – 31 <sup>st</sup> Dec	31 <sup>st</sup> JANUARY	15 <sup>th</sup> JANUARY
Q4 (Quarter 4) 1 <sup>st</sup> Jan – 31 <sup>st</sup> Mar	15 <sup>th</sup> MAY	15 <sup>th</sup> MAY

# **Furnishing of TDS statement electronically**

- The quarterly TDS statement shall be furnished electronically in any of the following mode:
- a) Furnishing the statement electronically under digital signature; or
- b) Furnishing the statement electronically along with the verification of the statement in Form 27A or verified through an electronic process



# RETURNS

01

**Form 24Q** – for salaries ( Section 192 )

02

**Form 26Q** – Tax deduction in any other case

03

**Form 27Q** – For payment made to NRI

## Other Case

- TDS on Property (Form 26QB)
- In case tax is deducted under [section 194-IA](#), the deductor shall furnish a challan-cum-statement in Form 26QB within a period of 30 days from the end of the month in which the deduction is made. In this case, no statement shall be filed separately.
- TDS on Rent of Property (Form 26QC)
- In case tax is deducted under [section 194-IB](#), the deductor shall furnish a challan-cum-statement in Form 26QC within a period of 30 days from the end of the month in which the deduction is made. In this case, no statement shall be filed separately.
- TDS on Payment to Resident Contractors and Professionals (Form 26QD)
- In case tax is deducted under [section 194M](#), the deductor shall furnish a challan-cum-statement in Form 26QD within a period of 30 days from the end of the month in which the deduction is made. In this case, no statement shall be filed separately.

# CERTIFICATIONS

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i) For TDS on salary	Form No. 16. Form No. 12BA (statement of the value of perquisites and profit in lieu of salary) Annual
(ii) For TDS on other income	Form No. 16A Quarterly (15 days from due date of filing return)
(iii) For TDS on purchase of immovable property as per section 194-IA	Form No. 16B. (Within 15 days of furnishing in form no 26QB)
(iv) For TDS under section 194B	Form No. 16C (Within 15 days of furnishing in form no 26QC)



## Time Limit for Issue of TDS Certificate [Rule 31(3)]

SL. No.	Form No.	Periodicity	Due date
(1)	(2)	(3)	(4)
1.	16	Annual	By 15th day of June of the financial year immediately following the financial year in which the income was paid and tax deducted
2.	16A	Quarterly	Within 15 days from the due date for furnishing the statement of tax deducted at source under rule 31 A. In other words, certificate in Form No. 16A should be issued within the time limit specified as under:
3	16B	Monthly	Within 15 days from the due date for furnishing the challan-cum-statement in Form No. 26QB after generating and down-loading the same from the web portal specified by the DGIT (System) or person authorized by him.
4	16C		Within 15 days from the due date for furnishing the challan-cum-statement in Form No. 26QC under rule 31A after generating and downloading the same from

# Assessee to be Deemed as Assessee in TDS Default [Section 201(1)]

- Where any person, including the principal officer of a company, —
- who is required to deduct any sum in accordance with the provisions of this Act; or referred to in section 192(1A), being an employer,
  - — does not deduct, or
  - — does not pay, or
  - — after so deducting fails to pay,
- the whole or any part of the tax, as required by or under this Act, then, such person, be deemed to be an assessee in default in respect of such tax and hence shall be liable to penalty under section 221.

# CONSEQUENCES A DEDUCTOR WOULD FACE IF HE FAILS TO DEDUCT TDS OR AFTER DEDUCTING THE SAME FAILS TO DEPOSIT IT TO THE GOVERNMENT'S ACCOUNT

## Disallowance of expenditure

- [section 40\(a\)\(i\)](#)
- [section 40\(a\)\(ia\)](#)
- [Section 58\(1A\)](#)

## Levy of interest

- [Section 201A](#)
- [Section 221\(1\)](#)

## Levy of Penalty

- [section 271C](#)
- [Section 271H](#)
- [Section 234E](#)
- [Section 270A](#)

## Prosecution

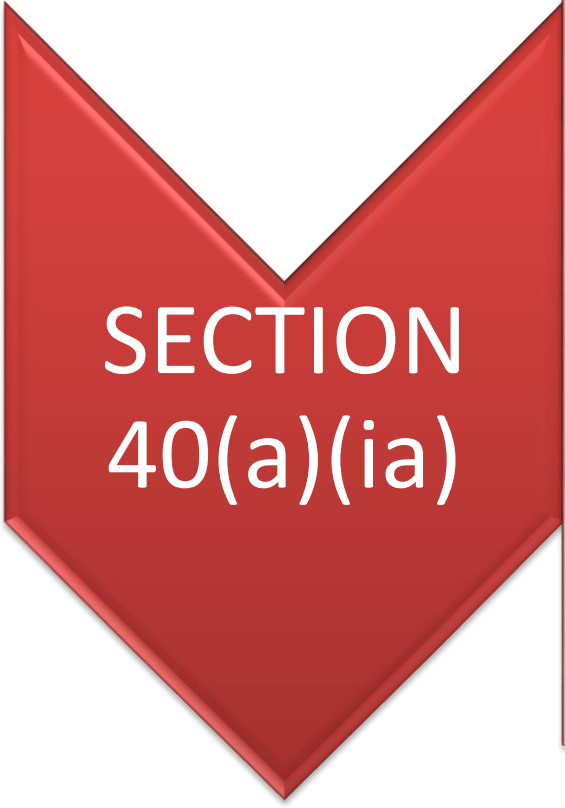
- [Section 276 B](#)



## DISALLOWANCE OF EXPENDITURE

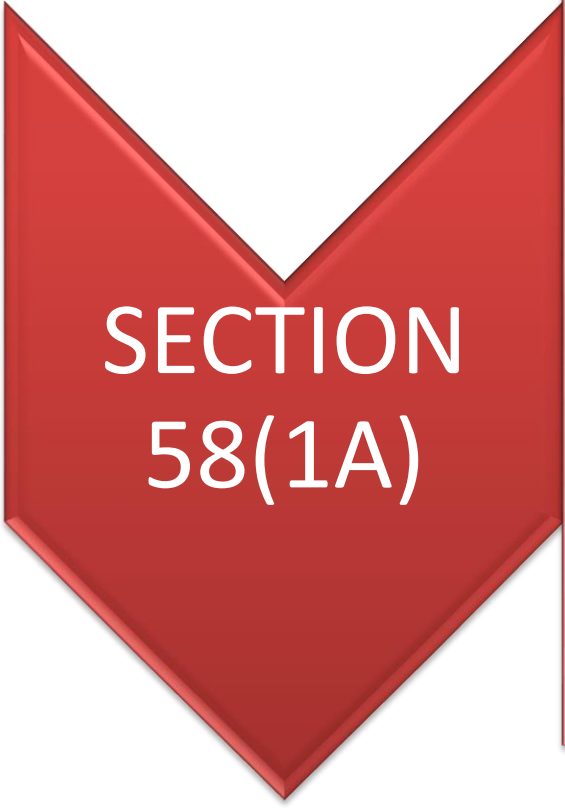
### SECTION 40(a)(i)

- Notwithstanding anything to the contrary in sections 30 to [2][38], the following amounts **shall not be deducted** in computing the income chargeable under the head Profits and gains of business or profession in the case of any assessee any interest (not being interest on a loan issued for public subscription before the 1st day of April, 1938), royalty, fees for technical services or other sum chargeable under this Act, which is payable, **(A)** outside India;
- or **(B)** in India to a non-resident, not being a company or to a foreign company, on which tax is deductible at source under Chapter XVII-B and such **tax has not been deducted or, after deduction, has not been paid** [4][on or before the due date specified in sub-section (1) of section 139]



## SECTION 40(a)(ia)

- **Thirty per cent** of any sum payable to a resident, on which tax is deductible at source under Chapter XVII-B and such tax has not been deducted or, after deduction, has not been paid on or before the due date specified in subsection (1) of section 139



## SECTION 58(1A)

- (1A) The provisions of [8][sub-clauses (ia) and (iia)] of clause (a) of section 40 shall, so far as may be, apply in computing the income chargeable under the head Income from other sources as they apply in computing the income chargeable under the head Profits and gains of business or profession .]



# LEVY OF INTEREST

## SECTION 201 A

- Non-deduction of tax at source, either in whole or in part
  - Interest 1% Per Month
  - **Period for which interest is to be paid:** From the date on which tax-deductible to the date on which tax is actually deducted.
- After deduction of tax, non-payment of tax either in whole or in part
  - Interest 1.5% Per Month
  - **Period for which interest is to be paid:** From the date of deduction to the date of payment

## SECTION 221(1)

- When an assessee is in default or is deemed to be in default in making a payment of tax, he shall, in addition to the amount of the arrears and the amount of interest payable under sub-section (2) of section 220, be liable, by way of penalty, to pay such amount as the [3][Assessing] Officer may direct, and in the case of a continuing default, such further amount or amounts as the [4][Assessing] Officer may, from time to time, direct, so, however, that the total amount of penalty does not exceed the amount of tax in arrears

# LEVY OF PENALTY

## SECTION 271

### C

- If any person fails to deduct the whole or any part of the tax as required by or under the provisions of Chapter XVII-B; or pay the whole or any part of the tax as required by or under, --sub-section (2) of section 115-O; or second proviso to section 194B, then, such person shall be liable to pay, by way of penalty, a sum equal to the amount of tax which such person failed to deduct or pay as aforesaid.
- Any penalty imposable under sub-section (1) shall be imposed by the [4][Joint Commissioner

## SECTION 271 H

- Penalty for failure to furnish statements, etc
- The penalty referred to in sub-section (1) shall be a sum **which shall not be less than ten thousand rupees but which may extend to one lakh rupees**
- no penalty shall be levied for the failure referred to in clause (a) of sub-section (1), if the person proves that after paying tax deducted or collected along with the fee and interest, if any, to the credit of the Central Government, he had delivered or cause to be delivered the statement referred to in sub-section (3) of section 200 or the proviso to sub-section (3) of section 206C before the expiry of a period of one year from the time prescribed for delivering or causing to be delivered such statement.



## SECTION 234E

- Without prejudice to the provisions of the Act, where a person fails to deliver or cause to be delivered a statement within the time prescribed in sub-section (3) of section 200 or the proviso to sub-section (3) of section 206C, he shall be liable to pay, by way of fee, a sum of two hundred rupees for every day during which the failure continues



## SECTION 270 A


- Penalty for under-reporting and misreporting of income
- UNDER REPORTING- The penalty referred to in sub-section (1) shall be a sum equal to fifty per cent of the amount of tax payable on under-reported income
- MIS REPORTING- Notwithstanding anything contained in sub-section (6) or sub-section (7), where under-reported income is in consequence of any misreporting thereof by any person, the penalty referred to in sub-section (1) shall be equal to two hundred per cent. of the amount of tax payable on under-reported income




# PROSECUTION

## SECTION 276 B

- If a person fails to pay to the credit of the Central Government-the tax deducted at source by him as required by or under the provisions of Chapter XVII-B; or the tax payable by him, as required by or under, -- sub-section (2) of section 115-O; or the second proviso to section 194B, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.



• **Provided** that any person, including the principal officer of a company, who fails to deduct the whole or any part of the tax in accordance with the provisions of this Chapter on the sum paid to a resident or on the sum credited to the account of a resident shall not be deemed to be an assessee in default in respect of such tax if such resident —

- (i) has furnished his return of income under section 139;
  - (ii) has taken into account such sum for computing income in such return of income; and
  - (iii) has paid the tax due on the income declared by him in such return of income,
  - and the person furnishes a certificate to this effect from an accountant in such form as may be prescribed<sup>68</sup>.]
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# Certificate for Deduction at Lower rate



- ☐ The payee feels that there will not be any tax liability, even after receiving the payment
- ☐ He can file an application to his Assessing Officer (AO), giving all details of income
- ☐ AO if satisfied that total income justifies non-deduction or lower deduction , can give a certificate
- ☐ Payer can give the amount after making nil-deduction or deduction at lower rate, on the basis of the certificate produced before him
- ☐ Certificate is valid for the financial year, unless it is cancelled by the AO during the year.



Regards  
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