

Latest TDS/TCS Related Provisions



Taxation is the price which civilized communities pay for the opportunity of remaining civilized!

The concept of TDS was introduced with an aim to collect tax from the very source of income. It is based on the principle “**Pay as you Earn**”.



As per this concept, when you receive payment, the tax element is deducted and directly routed to the government and what you receive is the net amount.



The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted. This is one way of collecting income tax.



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.

Section 192 TDS on Salary

Section 192

TDS at Average of Income-Tax Computed on Salary [Section 192(1)]

- **Who is required to deduct Tax?**

Employer-person responsible for paying any income chargeable under the head 'salaries'

- **Time of Deduction**

At the time of payment

- **Rate of Deduction**

Average Rate of income-tax computed on the basis of the rates in force for the financial year in which the payment is made.(including surcharge and cess)

Exemption limit -

- No Tax Required to be deducted if Income below amount chargeable to tax(NO PAN Cases)
- New Tax Regime Declaration to be provided to employer , at the beginning of the FY.

Section 192

TDS at Average of Income-Tax Computed on Salary [Section 192(1)]

- Furnishing of Evidence of Claims by Employee for TDS on Salary Calculation in Form No. 12BB [Rule 26C]
- Form 12B- Details of Income due or received from other employers
- Form 12BA- By Employer to employee if income more than 150000- details of perquisites

Sl. No	Nature of claims	Evidence or particulars
1.	HRA	Name, address and PAN Number of the landlord/landlords where the aggregate rent paid during the previous year exceeds rupees one lakh.
2.	Leave Travel Allowance	Evidence of Expenditure
3.	Deduction of interest under the head "Income from house property".	Name, address and permanent account number of the lender.
4.	Deduction under Chapter VI-A.	Evidence of investment or expenditure.

Section 192

Rate of Income Tax

Income slab	Upto 60 Years of Age	Senior Citizen(60 - 80 years)	Super Senior Citizen(More than 80 years)
Up to Rs.2.5 lakh	Nil	Nil	Nil
Above Rs.2.50 lakh - Rs.3.00 lakh	5%	Nil	Nil
Above Rs3 lakh - Rs.5.00 lakh	5%	5%	Nil
Above Rs.5 lakh - Rs.10 lakh	20%	20%	20%
Above Rs.10 lakh	30%	30%	30%

Section 192

Rate of Income Tax- Old/ New Tax Regime

Income slab	Upto 60 Years of Age
Rs.50 lakhs to Rs.1 crore	10%
Rs.1 crore to Rs.2 crore	15%
Rs.2 crore to Rs.5 crore	25%
Rs.5 crore to Rs.10 crore	37%

Health and Education Cess

4% on Amount calculated on Income tax+Surcharge

Section 192

Example

Particulars	Amount
Estimated Salary Income	9,60,000
Less :- Standard Deduction	50,000
Estimated Gross Total Income	9,10,000
Less : Deduction under Chapter VI-A	
Section 80C	1,50,000
Estimated Total Income	7,60,000
Estimated Tax Liability	64,500
Add : Health & education cess @ 4% on Rs. 64,500	2,580
Estimated Total Tax Liability (A)	67,080
TDS per month (A/12)	5,590

Section 193

TDS on Interest on Securities

Section 193

- **Deductor** – Any Person making payment of interest on securities
- **Deductee**- Resident Person
- **Rate of Tax**- 10%
- **Point of Deduction** – At the time of credit or payment whichever is earlier, credit to a suspension account or Interest Payable Account also considered
- Securities include- Debentures or Bonds or interest on any security of Central Government or State Government
- **Rate of TDS**- 10%

Section 194A

TDS on Interest Other than Securities

Section 194A

Deductor-Any Person other than those required to get BOA Audited

Deductee- Resident Person

Rate of TDS-10%

Section 194A

Thresh Hold Limit for Deduction of TDS

Payer	Threshold Payee Wise	
	Senior Citizen	Others
Banking Co.	50000	40000
Co-op Society in Banking Business	50000	40000
Post Office	50000	40000
Other case	5000	5000

Section 194A

No TDS will be applicable in the following cases :

- Interest Paid by Firm to Partner •
- Interest on Income Tax
- Interest on Saving Account
- Interest Paid by Bank/LIC/UTI/Insurer, Bank Opting Core Banking Solution (CBS), up to Rs. 40,000/- (Per Bank not Branch)
- Interest Paid by Co-Op Society (Other than Co-Op Bank) to its Member / Any Other Co-Op Society

Interest includes following payments:

- Inter - Corporate Deposits/Loans
- Public Deposits •
- Loans •
- Suppliers on late payment of bills (also where payments routed through the bank)

Section 194A

Payer	Interest Amount Paid	TDS Applicable	Interest Due	Interest Paid	TDS Payable on
XYZ Co.	INR 4000- on Public deposits	No	31.07.2021	31.07.2021	NA
XYZ Co	INR 7500- on Late Payment to MSME	Yes	31.07.2021	31.08.2021	07 th Aug.2021
Punjab National Bank	INR 32010- on FD	No	31.07.2021	31.07.2021	NA
Punjab National Bank	INR 63100-on FD	Yes	31.03.2021	27.04.2021	30 th April 2021

Section 194P

TDS in case Senior Citizens

Section 194P

Deductee-Senior Citizen (Resident)of Age more than or equal to 75 years

Deductor- Specified Bank after giving deductions under Chapter VIA and Rebate u/s 87A

Rate of Tax- Rates in Force

Section 194P

Provisions

Applicable w.e.f.: 1st April, 2021(AY 2022-23)

Conditions for deduction u/s 194P:

- 1.The senior citizen should have income only in the form of pension and interest from account maintained with the bank in which pension is received, and
2. The senior citizen has furnished a **declaration** to the specified bank along with proof of deduction under Chapter VIA.
- 3.Declaration in Form 12BBA
- 4.Declaration confirming receipt of only pension income and interest income.

Interest Income from other than specified bank: If a senior citizen is earning interest income from any bank other than the specified bank then he/ she shall not be covered u/s 194P and shall have to follow the normal procedure of filing ITR u/s 139.

Section 194

TDS on Dividend

Section 194

Provisions

What is threshold limit u/s 194 of Income Tax Act, 1961?

No deduction upto Rs. 5000, if dividend is paid by any mode, other than cash.

When to Deduct TDS under Section 194?

Such tax shall be deducted before making payment of dividend.

Rate of TDS under Section 194

Tax is to be deducted at the rate of 10% .

Other Points

- **Dividend on preference shares is also included**

Section 194 Not Applicable on dividend paid to

- the Life Insurance Corporation of India on shares owned by it or in which it has full beneficial interest;
- (b) the General Insurance Corporation of India on shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest;
- (c) any other insurer in respect of any shares owned by it or in which it has full beneficial interest;

Section 194C

TDS on Contractual Payments

Section 194C

Deductor- Any person other than those not required to get their Books of Account audited

Thresh Hold Limit
Single Invoice-30000
During the year- 100000

Rate of TDS- 1%- Individual/ HUF
2%- Others

Section 194C

Provisions

1. Applicable on payment made for carrying out any work including supply of labour in pursuance of contract
2. Work **includes**
 - Advertising
 - Broadcasting and telecasting including production of programs for such broadcasting or telecasting
 - Carriage of goods and passengers by any mode of transportation, other than railways
 - Catering
 - Manufacturing or supplying of a product according to the requirement or specification of a customer by using the materials purchased from such customer or its associate as defined in section 40A(2), But does not include manufacturing or supplying of a product according to the requirements or specifications of a customer by using the materials purchased from a person, other than such a customer.

Section 194C

No TDS Required

- Payment or credit to transporter for transportation
If transport operator furnishes PAN to the deductor and owns ten or less goods carriages at any time during the financial year is allowed such exemption. Transport operator has to furnish a declaration to this effect to the person paying him to get such exemption.
- Personal purposes
- Payment is made to bank listed in the Second schedule to the RBI act excluding foreign bank for
 - Cash management service charges
 - Depository charges on maintenance of DEMAT accounts
 - Charges for warehousing services for commodities
 - Underwriting service charges
 - Clearing charges (MICR charges)
 - Credit card or debit card commission for transaction between the merchant establishment and acquirement bank – Notification no. 56/2012, dated 31st December, 2012

Section 194C

Example

Deductor	Deductee	Nature of Transaction	Payment	TDS Rate
Individual	Individual	Advertisement	25000	NA
Company	Partnership Firm	Advertisement	32000	2%
Company	Individual	Supply of Labor	43000	1%

Section 194J

TDS on Professional Payments

Section 194J

Provisions

The type of payments to residents covered under this section are as follows:

Professional fees

Fees for technical services

Remuneration paid to directors excluding salary (For e.g., sitting fees to attend board meetings)

Royalty

Payments in the nature of non-compete fees (i.e., fees paid to not carry on any business or profession for a specified time and within certain geographical boundaries) or fees paid to not share any technical knowledge or know-how.

Threshold Limit- in case the payment is greater than Rs. 30,000 during the year.

Deductor- Any person except Individual or HUF not liable to get the BOA Audited

Section 194J

Provisions

Rate of Tax

Any payment covered under this section shall be subject to TDS at the rate of **10%**.

From 1 April 2020, the payment of fees for technical service shall be subject to TDS at the rate of **2%**.

With effect from 01.04.2017, the tax on payments made to operators of call centres shall be deducted at a reduced rate of **2%**.

In case the payee does not furnish his PAN then the rate of deduction would be **20%**.

No Requirement of TDS in case of following cases

Services used for personal use by Individual or HUF

Amount involved less than or equal to 30000

Section 194J

Example

Nature of Service	Payer	Amount	TDS Applicable
Consultancy Services- MrX	Company	16000	No
Consultancy Services- Mr X	Company	21000	Yes on 37000
Director Sitting Fees	Company	35000	Yes

Section 194I TDS on Rent

Section 194C

Deductor- Any person other than those not required to get their Books of Account audited

Thresh Hold Limit-240000

Rate of TDS- 10%- Land and Building and Furniture and Fittingd
2%- Plant and Machinery

Section 194C

- Rent' means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement
- If the landlord collects security or advance payment at the time of letting out a building to a tenant on the condition that the deposit will be refunded at the time of vacating the building, then such a receipt is not in the nature of income and, therefore, no tax is to be deducted at source u/s 194I.
- However, advance rent (not in the nature of refundable security deposit) paid is, subject to a tax deduction. Moreover, where any such rent is credited to 'suspense account' or to any other account shall also be liable to deduct tax at source.

Section 194-IA

TDS on Transfer of Immovable Property

Section 194-IA

Deductor- Any person

If Payment of made for purchase of Immovable Property exceeds INR 50 Lakhs

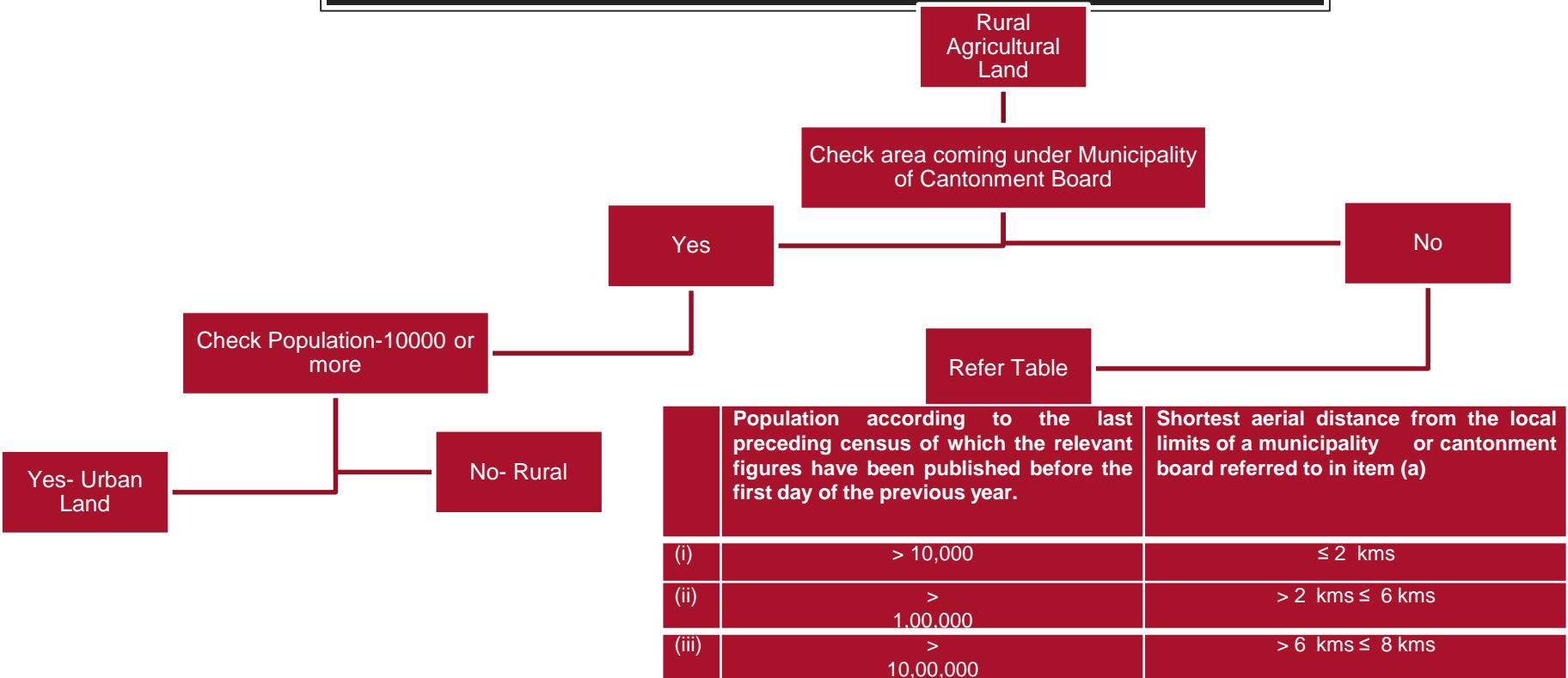
Rate-1%

Time of Deduction- At the time of Payment or Credit whichever is earlier

Section 194-IA

- TDS is required to be **deposited 30 days** from the end of the month in which TDS is deducted along with the Return cum Challan Statement in **Form 26QB**.
- **Club membership, car parking, maintenance fees, advance fees, electricity fees** have also been included under 'consideration for immovable property'. This means that such charges attached to the property will also be added to the taxable amount.
- If payment made in instalments , then TDS will be deducted on each instalment.
- Sale of **Rural Agricultural Land** is not included for the purpose of section 194-IA.
- In case of more than one transferee , then limit of 50 Lakhs has to be considered for each transferee and not total purchase consideration.

Section 194-IA



Section 194-IB

TDS on Rental of Immovable Property

Section 194-IB

Deductor- Individual or HUF- Not required to get BOA Audited

If Payment of Rent exceeding 50000 for a month or part of month

Rate-5%

Time of Deduction- At the time of credit of Last Month's Rent of Previous Year or Last Month of Tenancy whichever is earlier

- TDS is required to be deposited 30 days from the end of the month in which TDS is deducted along with the Return cum Challan Statement in Form 26QC
- In a case of section 206AA/206AB , such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

Section 194-IB

Cases	Rent Paid	TDS Applicable	TDS Amount
Case I	$40000 * 12 = 480000$	No	NA
Case-II	$50000 * 12 = 600000$	No	NA
Case-III	$54000 * 12 = 648000$	Yes	32400 ($648000 * 5\%$)
Case-IV- No PAN	$55000 * 12 = 660000$	Yes	55000*

*The TDS in case IV is more than last month's rent (being INR 132000), therefore it shall be restricted to Rs.55000

Section 194H

TDS on Commission

Section 194H

Deductor- Any person other than those not required to get their Books of Account audited

Thresh Hold Limit-15000

Rate of TDS- 5%

Section 194H

Other Provisions

- Principal and Agent Relation should exist between deductor and deductee
- NO TDS in following cases:
- No tax shall be deducted on any commission or brokerage payable by Bharat Sanchar Nigam Ltd. or Mahanagar Telephone Nigam Ltd. to their public call office franchises (Third proviso to section 194H)
 - The Bank guarantee commission.
 - The cash management service charges.
 - TDS on insurance commission is not deductible under section 194H, the same is specifically covered under section 194D.
 - Commission paid by Mother dairies to concessionaires no TDS applicable *CIT v. Mother Dairy India Ltd. * [2012] 18 taxmann.com 49 (Delhi),*

Section 194M

TDS by Individuals and HUF

Section 194M

Deductor- Individual/ HUF not required to get the accounts audited

Threshold Limit- INR 50 Lakhs

Rate of TDS-5%

Section 194M

Other Provisions

- TDS to be deducted at the time of payment or credit whichever is earlier.
- The deductor is not required to obtain the TAN Number
- Nature of Payments include payment for
 - professional services
 - Commission or Brokerage
 - Contractual services (for carrying out any work including supply of labour)
- Aggregate Limit of Rs. 50 lakhs has to be considered for all services per deductee during the Financial Year.

Section 194N

TDS on Cash Withdrawals

Section 194N

On Cash withdrawals from a Bank/ Co-op Bank/ Post-Office

Deductee includes all assesses

Withdrawal of Rs 1 crore in a financial year is with respect to per bank or post office account and not a taxpayer's individual account

Rate-2%

Section 194N

Conditions:

1. Threshold limit **reduced to Rs 20 lakh** for taxpayers who have **not filed their income tax returns for past three years.**
 - 2% -Cash Withdrawn between Rs 20 lakh and Rs 1 crore during the financial year; and
 - 5% Cash withdrawn exceeds Rs 1 crore during the financial year
2. Both current accounts and Saving Accounts to be considered to check the limit.
3. TDS not Deductible in case of following payees:
 - Any government body
 - Any bank including co-operative banks
 - Any business correspondent of a banking company (including co-operative banks)
 - Any ATM operator of any bank (including co-operative banks)
 - Any other person notified by the government
4. The recipient of cash cannot furnish form No. 15G/15H to the bank and cannot apply for lower deduction certificate u/s 197 and.

Section 194N

Mr. X withdraws cash from ABC Bank

Date of cash withdrawn	Withdrawal from the saving account (in Rs)	Withdrawal from the current account (in Rs)
01-06-2020	5,00,000	15,00,000
15-07-2020	1,00,000	15,00,000
30-07-2020	2,00,000	20,00,000
01-10-2020	50,000	40,00,000
01-11-2020	1,50,000	10,00,000
Total	10,00,000	1,00,00,000
Tax to be deducted	Rs 20,000 $(10,00,000 + 1,00,00,000 - 1,00,00,000) * 2\%$	

Section 194N

Mr. Akash has withdrawn cash from following banks during the financial year–

Bank	Total cash withdrawn during the FY 2020-21 (in Rs)
Axis Bank	₹60 Lakhs
SBI Bank	₹50 Lakhs
ICICI Bank	₹10 Lakhs

Section 194O

TDS on E-commerce Participants

Section 194O

Deductor- E-Commerce Operator shall deduct TDS on the amount of sale of goods or services by e-commerce participant

Deductee- E- Commerce Participant

Rate-1% - Payment or Credit whichever is earlier

Section 194O

Conditions:

1. Applicable from 01 October 2020.
2. No TDS Required if value of sale of goods or services or both does not exceed Rs 5 lakh and if the e-Commerce participant has furnished his PAN or Aadhaar.
3. If the e-Commerce participant does not furnish his PAN or Aadhaar, TDS must be deducted at the rate of 5%, as per provisions of Section 206AA.

E-Commerce participant being a non-resident

An e-Commerce participant must be a resident of India. Thus, no TDS will be deducted if the participant is a non-resident.

For example, a proprietary firm ABC (e-commerce participant) is selling its products through Amazon (e-commerce operator). Mr X buys this product online from ABC for Rs 50,000 on 1 October 2020. Flipkart credits the account of ABC on 1 October 2020, but the customer makes the payment directly to ABC on 15 October 2020.

Here, Flipkart is required to deduct TDS @1% on Rs 50,000 at the time of credit to the party or making payment, whichever is earlier i.e. 01 October 2020

Section 196
TDS not applicable

Section 206C TCS on Sale of Goods

Section 206C

Category- A (Sale Transactions)- At the time of Receipt	Category – B (Grant of Lease/ License)- AT the time of Debit or Receipt whichever is earlier	Category –C (Sale of following where amount exceed a specified limit)- At the time of Receipt
Alcoholic Liquor for Human Consumption-1%	Parking Lot-2%	Motor Vehicle-1% (on whole Amount if Value exceeding Rs 10 Lacs)
Minerals being coal/lignite/iron ore-1%	Toll plaza-2%	Others-0.1% *(Value exceeding Rs 50 Lacs)
Tendu leaves-5%	Mining & quarrying other than petroleum/mineral oil/natural gas-2%	
Timber -2.5%		
Any other forest produce-2.5%		
Scrap-1%		

Section 194Q

TDS on Sale of Goods

Section 194Q

Inserted vide THE FINANCE ACT, 2021 dated 28-03-2021 w.e.f. 01-07-2021

Deduction of tax at source on payment of certain sum for purchase of goods.

194Q. (1) Any person, being a **buyer** who is responsible for paying any sum to any **resident** (hereafter in this section referred to as the seller) for **purchase of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year**, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount **equal to 0.1 per cent.** of such **sum exceeding fifty lakh rupees as income-tax.**

Explanation.--For the purposes of this sub-section, "**buyer**" means a person whose total sales, gross receipts or turnover from the **business** carried on by him **exceed ten crore** rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out, not being a person, as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

Section 194Q

Inserted vide THE FINANCE ACT, 2021 dated 28-03-2021 w.e.f. 01-07-2021

(2) Where any sum referred to in sub-section (1) is credited to any account, whether called “**suspense account**” or by any other name, in the books of account of the person liable to pay such income, such credit of income shall be deemed to be the credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

(3) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty.

(4) Every guideline issued by the Board under sub-section (3) shall, as soon as may be after it is issued, be laid before each House of Parliament, and shall be binding on the income-tax authorities and the person liable to deduct tax.

(5) The provisions of this section shall not apply to a transaction on which--

(a) tax is deductible under any of the provisions of this Act; and

(b) tax is collectible under the provisions of section 206C other than a transaction to which **sub-section (1H) of section 206C** applies.

Provisions Uncloaked

When will this Provision be applicable:

- In case of Purchase of goods
- Exceeding INR 50 Lakhs

Who is required to deduct the Tax:

- Buyer
- Buyer means any person whose turnover in the preceding financial year exceeds INR 10 Crore

When is TDS Required to be covered:

- At the time of payment or credit, whichever is earlier.
- On the amounts exceeding Rs.50 lakh.

Provisions Uncloaked

Now one more thing to keep in mind that this limit of **Rs 50 lakh** is for one financial year for each seller, so now this provision is applicable from **1st July 2021**, hence TDS is required to be deducted only on purchases after **1st July 2021** but while ascertaining the limit of purchase **Rs. 50.00 Lakhs**, the purchases from **April 1, 2021**, the purchase will also have to be taken into account.

Provisions Uncloaked

Rate of TDS

- 0.1%
- In case seller does not provides his PAN , TDS will be deducted at 5%

When are the provisions applicable from:

- 01.07.2021

Provisions of Section 194Q are not applicable if:

- TDS deducted under any other provision of the Act or
- TCS Collected as per the provisions of the Act except for TCS under section 206C(1H) or
- In case of import of goods or
- In case of goods purchased from Non-Residents

Interlinking of Section 206C(1H) and section 194Q

Section 206C(1H)

1H) Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value **exceeding fifty lakh rupees** in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent. of the sale consideration exceeding fifty lakh rupees as income-tax:

Provided that if the **buyer** has not provided the **Permanent Account Number** or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of **section 206CC** shall be read as if for the words "**five per cent.**", the words "**one per cent.**" had been substituted:

Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

Section 206C(1H)

Overview of Section 206C(1H)- TCS on Sale of Goods

TCS under section 206C(1H) is applicable @ 0.1% on sale of Goods

Provided

- **the Value of Goods to a single buyer is exceeding INR 50 Lacs and**
- **the turnover of the seller is exceeding INR 1 Crore**

TCS u/s 206C(1H) is applicable only on goods for which TDS is not applicable under any other provision dealing with TDS/TCS

Section 206C(1H)

Both TDS u/s 194Q and TCS u/s 206C(1H) are applicable on Goods

For TCS Applicability

- ✓ **Turnover of Seller** should be more than **INR 10 Crores** in preceding FY and
- ✓ Value of Goods sold to a single buyer should be more than **INR 50 Lacs.**
- ✓ TCS is required to be collected by Seller over and above the Sale price of the Goods.

For TDS Applicability

- ✓ Turnover of Buyer should be more than **INR 10 Crores** preceding FY and
- ✓ Value of Goods purchased from a single seller should be more than **INR 50 Lacs.**
- ✓ TDS is required to be deducted by purchaser from the amount payable to the Seller.

Section 206C(1H)

In case the conditions applicable on seller are satisfied then TCS will be applicable

In case the conditions applicable on Buyer are satisfied then TDS will be applicable

In case the conditions applicable on both buyer and seller are satisfied then preference shall be given to TDS under section 194Q.

Example

Turnover of Buyer in PFY	Turnover of Seller in PFY	Value of Goods	Nature of Sale	TDS / TCS except 194Q/ 206C(1H)	206C(1H)	194Q
5 Crore	11 Crore	60 Lakhs	Sale of Laptops	No	Yes	No
11 Crore	5 Crore	60 Lakhs	Sale of Laptops	No	No	Yes
11 Crore	11 Crore	60 Lakhs	Sale of Laptops	No	No	Yes
11 Crore	11 Crore	20 Lakhs	Sale of Car	Yes	No	No
11 Crore	11 Crore	60 Lakhs	Sale of Car	Yes	No	No

Frequently Asked Questions

Q. Is there any reporting requirement if a transaction of purchase of goods is not liable to TDS by virtue of section 194Q(5)?

Ans. In respect of transaction of purchase of goods u/s 194Q(5), where tax is not deducted since the same is subject to TDS under any other section, the deductor shall separately furnish details of such transaction in Form 26Q though the same would amount to reporting of same transaction twice.

Q. Whether a seller of goods can apply for lower / non-deduction certificate from tax authorities?

Ans. Section 197/ 197A provide for lower or non-deduction of TDS, however the same have not been extended to the provisions of section 194Q, accordingly, one may not be able to apply for Lower Tax Deduction Certificate.

Frequently Asked Questions

Q. While computing the threshold of INR 5 million for FY 2021-22, whether the transactions carried out between April 2021- June 2021 are to be included?

Ans. The provisions of section 194Q are operative from July 01, 2021, the purchases during April 2021 to June 2021 are required to be included while computing the threshold of Rs. 50 Lakh.

Q. Whether the threshold of Rs. 50 Lakh is to be tested for all the sellers cumulatively or is it an individual limit applicable to each seller?

Ans. The threshold of Rs. 50 Lakh is applicable for each individual seller.

Frequently Asked Questions

Q. Whether a transaction of purchase of goods involving consideration other than cash or where consideration is paid by way of passing journal voucher attracts TDS?

The mode of payment will not impact the liability to deduct TDS and accordingly payment through journal entry or in kind will still attract TDS.

Frequently Asked Questions

Q13. In a case where buyer of goods is liable to deduct tax at source u/s 194Q but fails to do the same, whether seller of goods is liable to collect tax at source on same u/s 206C(1H)?

The seller of goods shall not be required to collect tax at source u/s 206C(1H) only when buyer is liable to deduct TDS and the buyer has in fact deducted the same. In case buyer fails to deduct tax u/s 194Q though liable to deduct, the seller in such case is required to collect tax at source u/s 206C(1H) of the Act.

Recent Circular for Applicability of Section 194Q Circular 13/2021

TDS Not Applicable on Transactions taking place through Exchanges

- TDS will not be applicable on securities or commodities traded through recognised stock exchanges or are cleared and settled through recognised clearing corporations including stock exchanges and clearing corporations in International Financial Service Centre.
- TDS will not be applicable on electricity, renewable energy certificates and energy saving certificates traded through power exchanges registered as per Regulations of CERC.

Thresh Hold Limit for FY 2021-22

- Thresh hold limit for FY 2021-22 of Rs. 50 lakhs for FY 2021-22 shall be computed from 01 April onwards even though the section is applicable from 01 July , 2021. In case the total purchase from a single seller is more than or equal to INR 50 lakhs during the period 01 April to 30 th June then TDS shall be deducted on all the amounts paid or credited after 01st July 2021.
- **TDS will not be applicable** in cases where the payment or credit , any one of the two events have occurred before 01 July 2021.

Recent Circular for Applicability of Section 194Q Circular 13/2021

Treatment of GST while Deducting TDS

There are two point of taxations for TDS ie. payment or Credit , whichever is earlier.

• **If TDS applicable at the time of Credit , since Credit was earlier-** TDS will be applicable on the amount excluding GST , if the GST amount is indicated separately , as per the agreement between Buyer and Seller.

• **If TDS applicable at the time of Payment , since Payment was earlier-** TDS will be applicable on the whole amount inclusive of GST as it is not possible to identify that payment with GST component of the amount to be invoiced in future .

TDS Applicability in case of Purchase Returns

- **Money Returned for the Purchases Returned:** TDS will be adjusted for future purchases from the same seller.
- **Goods Replaced for the Purchases Returned :** No adjustment is required if the purchase return is replaced by the goods by the seller as in that case the purchase on which tax was deducted under section 194Q of the Act has been completed with goods replaced.

Recent Circular for Applicability of Section 194Q Circular 13/2021

Whether TDS will be applicable in case the Buyer is a Non-Resident

- Provisions of section 194Q of the Act shall not apply to a non-resident whose purchase of goods from seller resident in India is not effectively connected with the permanent establishment of such non-resident in India. Accordingly, a Non- Resident Buyer not having PE in India will not be required to comply with 194Q .
- Further in case of Buyers being Non- Residents having Permanent Establishment in India, only those Non-Residents will be required to comply 194Q who have made the purchases in relation to their Permanent Establishments.

TDS/ TCS in case of Persons who have their Incomes Exempt under IT Act

- TDS will not apply in case of person who is exempt from income tax under the Act (like person exempt under section 10) or under any other Act passed by the Parliament (Like RBI Act, ADB Act etc.).
- TCS will also not apply in case of Buyers who have their income exempt from Income Tax Act or under any other Act passed by Parliament.
- The above exemption will not apply if only part of the income of the person (being a seller or being a buyer, as the case may be) is exempt.

Recent Circular for Applicability of Section 194Q Circular 13/2021

TDS Applicability on Advance Payments

- Since TDS is applicable at the time of payment or credit whichever is earlier, accordingly TDS will be applicable in case of Advance Payment

TDS Applicability in the year of Incorporation

- TDS will be applicable only in case the Buyer has a turnover exceeding 10 crore in Preceding Financial Year to the year in which goods were purchased, and in case of Newly incorporated year since this condition will not be satisfied therefore in the first year of incorporation of Buyer, TDS will not be required to be deducted

Whether TDS required to be deducted in case the Buyer has a turnover of Rs. 10crores or less

- A buyer is required to have total sales or gross receipts or turnover from the **business carried** on by him exceeding ten crore rupees during the financial year immediately preceding the financial year in which the purchase of good is carried out.

Recent Circular for Applicability of Section 194Q Circular 13/2021

- Hence, the sales or gross receipts or turnover from business carried on by him must exceed Rs 10 crore. His turnover or receipts from non-business activity is not to be counted for this purpose.

TDS Applicability of Section 194O read with 194Q read with 206C(1H)

- As per section 194O , TDS is required to be deducted by the electronic operators.
- As per section 194Q(5), 194Q will not apply in case TDS is required to be deducted under any other provision of the Act.
- As per second proviso to section 206C(1H), TCS will be required to be collected only if TDS/TCS is not applicable under any other information is required.
- Primary responsibility of deduction of Tax under section 194Q and e-commerce operator cannot be relieved from his responsibility to deducted Tax even if the seller has collected the tax under sub-section (I H) of section 206C of the Act.

Recent Circular for Applicability of Section 194Q Circular 13/2021

Transaction on which both TDS u/s 194Q and TCS u/s 206C(1H) are applicable

- Generally if both TDS and TCS are applicable on the transaction , then preference shall be given to TDS u/s 194Q.
- However, if TCS was already collected on the transactions , before the buyer could deduct tax under section 194-Q of the Act on the same transaction, such transaction would not be subjected to tax deduction again by the buyer.
-

TDS / TCS in case of Non- Filers of Income Tax Return rates-Section 206AB & 206CCA

Provisions

The Finance Bill 2021, inserted two new section 206AB & 206CCA. The said section provide for higher rate of TDS/TCS to be applied for the non-filers of income tax return.

1. TDS/TCS was already deducted or collected at higher rates u/s 206AA & 206CC respectively for “NON-FURNISHING OF PAN”.
2. The difference between the 206AA & 206CC:

Tax is required to be deducted	Tax is required to be collected
(i) at the rate specified in the relevant provision of this Act;	(i) at twice the rate specified in the relevant provision of this Act;
(ii) at the rate or rates in force; or	(ii) at the rate of 5%:
(iii) at the rate of 20%:	

For TDS

The section 206AB is applicable to specified person as defined in the provisions. The provision of sub-section (1) of 206AB provides for TDS rate to be applied if the amount is paid or credited to a specified person being higher of the below rates:-

- ✓ at twice the rate specified in the relevant provision of the Act; or
- ✓ at twice the rate or rates in force; or
- ✓ at the rate of 5%

The provision of sub-section (1) of section 206AB does not apply in case where tax is required to be deducted under 192, 192A, 194B, 194BB, 194LBC or 194N.

Specified Persons

Further, **sub-section 2 of 206AB** provides that where both the **section 206AA & 206AB** are applicable i.e. the specified person has not submitted PAN as well as not filed the Income tax return, the tax shall be deducted at higher rate amongst the both section respectively.

“Specified Persons” means who satisfies the following conditions:

- ✓ A person who has not filed the Income Tax Return for two previous years immediately prior to the previous year in which tax is required to be deducted;
- ✓ The time limit of filing return of income under sub-section (1) of section 139 is expired; and
- ✓ The aggregate tax deducted at source or tax collected at source, as the case maybe, is Rs. 50,000 or more in each of the two previous years.
- ✓ However, the specified persons shall not include a **Non-resident** who does not have **Permanent Establishment (PE) in India.**

For TCS

Section 206CCA is proposed to be inserted which provides for TCS rate where tax is required to be collected from the specified person being higher of the rates:

- (i) at twice the rate specified in the relevant provision of the Act; or
- (ii) at the rate of 5%.

Further, the sub-sections (2) & (3) of section 206CCA are similar to the provision of sub-sections (2) & (3) of section 206AB as explained above.

Section 139AA read with Rule 114AAA

Provisions

1. **Finance Act, 2017** inserted **section 139AA** in the Income-tax Act, 1961 where by a person shall quote Aadhaar Number for obtaining PAN Number and for persons who already have the PAN Number shall intimate the Aadhaar Number to the relevant Authority.
2. As per **Notification 11/2020** , CBDT introduced Rules for quoting of PAN Number and Rule 114AAA was inserted and it was provided that in case the Aadhaar Number is not intimated (the Aadhaar and PAN are not linked) then the PAN shall become inoperative and shall be deemed that he has not furnished, intimated or quoted the PAN Number and he shall be liable for all the consequences under the Act for not furnishing, intimating or quoting the permanent account number.

Consequences of Failure u/s 139AA(2)

- The tax shall be deducted at **a higher rate as per Section 206AA**;
- The tax shall be collected at **a higher rate as per Section 206CC**;
- Taxpayers will not be able to file the return of income. Consequently, payment of late fee under **section 234F**, interest under **section 234A**, forfeiture of current year's losses, best judgment assessment, the penalty for concealment of income, prosecution for failure to furnish return of income, are some of the related outcomes;
- A penalty under Section 272B shall be levied for non Compliance of Section 139A which requires quoting of PAN in certain financial transactions.

Burden on Tax Deductors/Collectors

1. The deductors (collectors) shall ensure that the PAN Number of the deductee (collectee) is linked with the Aadhaar Number to avoid application of **Rule 114AAA**.
2. In case the same are not linked **TDS/ TCS shall be deducted at a higher rate of 20%**
3. In case the deductor fails to ensure the compliance of deductee with section 139AA ,and deducts TDS at the normal rates, then:
 - **The Expense on which TDS was required to be deducted will be disallowed.**
 - **Deductor shall be considered “Assessee in Default” and interest u/s 201(1A) shall apply for short Deduction of TDS @1% per month or part of a month.**

Section 234H

1. The Finance Bill 2021 has inserted a new **Section 234H** to levy a fee **for default in intimating the Aadhaar Number**.
2. If a person is required to intimate his Aadhaar under **Section 139AA(2)** and such person fails to do so, he shall be liable to pay a fee, as may be prescribed, not exceeding **Rs. 1,000** at the time of making such intimation.
3. The last date to link the PAN and Aadhaar had been extended to **30.09.2021**.

Compliance Check Facility released by Income Tax Department

Compliance Check Facility released by Income Tax
Department

The recent **Circular 11/2021** released by CBDT on **22.06.2021**, has introduced the new facility to check the applicability of **section 206AB and 206CC and section 139AA** read with **Rule 114AAA**.

The facility is available on the portal
“<https://report.insight.gov.in>”

Compliance Check Facility released by Income Tax
Department

Certain Clarifications made in the Circular with respect to Sec. 206AB and 206CCA:-

- a) Preceding two FYs for the purpose of applicability of section 206AB(206CCA) for FY 2021-22 are **FY 2018-19 and FY 2019-20.**
- b) The deductor (collector) shall check the applicability of section 206AB in the **beginning of each year** and **during the year no new names will be added to the list.**

Compliance Check Facility released by Income Tax Department

However, a name may be removed from the list if :

1. **Specified person** files and verifies the return for preceding two FYS during the year in which TDS/TCS is required to be deducted/collected ,or
2. If the aggregate TDS/ TCS comes out to be less that **INR 50,000** after revision of TDS Return.
3. Each year the list will be drawn afresh for identifying the “specified person”.
4. This functionality will also help the deductors to check whether PAN and Aadhar are linked.

Section 197/ 197A

Section 197

- Section 197 of the Income Tax Act provides for taxpayers with NIL TDS or less rate of TDS. Form 13 is required to be submitted to the AO.
- **Any Person** earning income as specified in Section 192, 193, 194, 194A, 194C, 194D, 194G, 194H, Section 194-I, 194J, 194LA, 194LBB, 194LBC, 195, 194M, 194-O, of the Income Tax Act such as income by way of salary, dividends, insurance commission, rent, etc. can apply for TDS exemption/lower rate.

Section 197A

- **Individuals** can file Form 15G/ 15H(for senior citizen) for non-deduction of TDS .
- **PAN** along with the Forms are required to be mentioned
- These Forms can be used for no TDS in case of income from interest, income from dividend, interest on securities, on payment from mutual funds etc.
- Form filed is Valid for 1 FY.

Due Dates

Filing of Return

Quarter Ended	To be filed by
June	31 st July
September	31 st October
December	31 st January
March	31 st May

Issuance Of TDS Certificate

Certificate of TDS is required to be issued by buyer to a seller in Form No.16A, 16B, 16C, 16D within 15 days from the due date of filing TDS return as mentioned above., Transaction Based Report in case of assesses with No PAN in case of NR.

Due Dates

Filing of Return

Return Forms	Description
24Q	TDS on Salary
26Q	TDS Deduction for Residents
26QB	TDS on Sale of Property- 194-IA
26QC	TDS on Rent on Property-194IB
26QD	TDS Return by Individual/ HUF for deduction of TDS u/s 194M
27Q	TDS Deduction in case of Non-Residents
27EQ	TCS

Payment of Tax

Payment of Tax

Tax deducted or collected at source shall be deposited to the credit of the Central Government by following modes:

1) Electronic mode: E-Payment is mandatory for

- a) All corporate assesses; and
- b) All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable.

2) Physical Mode: By furnishing the Challan 281 in the authorized bank branch

Month	Payment Due Date
Apr-Feb	07 th day of the subsequent month
March	30 th April

* In case of TDS u/s 194IB and 194IA due date of payment is 30 days from the end of the month in which TDS is deducted

What will be the result of not deducting/depositing/ Late Filing of TDS Return

- **Disallowance of Expenditure**
- As per **Section 40(ia)** of the Income Tax Laws an amount has been paid to a resident on which TDS is to be deducted but not deducted and if deducted and the same is not deposited before the expiry of the time provided for furnish of ITR under section 139(1) then the 30% of the amount on which TDS is to be deducted and deposited will be added to the income of that person.
- **Interest under section 201:** if a deductor fails to deduct tax at source or after the deducting the same fails to deposit it to the account of Central Government then he shall be deemed to be an assessee-in-default and liable to pay simple interest as follows:(i) 1% for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and(ii) at one and 1.5% for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.

What will be the result of not deducting/depositing/ Late Filing of TDS Return

- **Penalty u/s 271C-** Penalty shall be levied equal to the amount of tax involved if failure to deduct TDS.
- **Penalty u/s 221-** In case of assessee in default penalty applicable as the AO may direct upto amount of tax involved.
- **Prosecution-** If a person fails to pay to the credit of the Central Government the tax deducted at source by him 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.
- **Penalty -234E-** where a person fails to file the TDS/TCS return on or before the due date prescribed in this regard, then he shall be liable to pay, by way of fee, a **sum of Rs. 200 for every day during** which the failure continues. The amount of late fees shall not exceed the amount of TDS.
- **If Delay in issuing Form 16/ 16A-** Rs.100 per day

Thank You!
Have any Queries ?
Please feel free to contact us

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