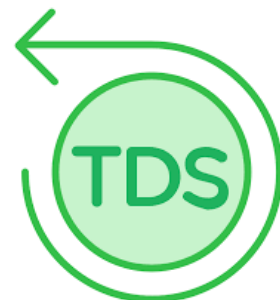


TAX DEDUCTED AT SOURCE (TDS) A Ready Reckoner



INTRODUCTION

- ✓ Tax Deducted at Source (TDS) is a one of the mode or mechanism of collecting income tax under the Indian Income Tax Act of 1961.
- ✓ The concept of TDS was introduced with an aim to collect tax from the very source of income as per which, 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.
- ✓ Tax deducted at source (TDS) is an indirect mechanism of collecting tax which combines twin concepts of “pay as you earn” and “collect as it is being earned.”

OBJECTIVES OF TAX DEDUCTED AT SOURCE

- ✓ Government requires funds throughout the year. The provision of tax deducted at source help the government to get funds throughout the year and run the government smoothly.
- ✓ To enable the salaried people to pay the tax as they earn every month. This helps the salaried persons in paying the tax in easy installments and avoids the burden of a lump sum payment.
- ✓ To check that tax payment is not avoided by income tax assesses.

SCHEME OF TAX DEDUCTION AT SOURCE

The obligation to deduct/collect tax at source is upon the person responsible for paying the income/amount which is subject to TDS. Therefore such person i.e. the payer is required to follow the procedure for deducting/collecting tax at source mentioned as under:

Step – 1

The payer has to apply for tax deduction account number (TAN) in Form No-49B.

Step – 2

He is to deduct tax from the income/payment mentioned in the various sections i.e. Section 192 to 196D.

Step – 3

The amount so deducted/collected should be deposited within the requisite stipulated time to the credit of central government.

Step – 4

The payer should prepare TDS Return statements for every quarter and file the same with the authority designated by the Income-Tax department (NSDL in this case) in such form and verified in such manner as may be prescribed.

Step – 5

Lastly, the payee should be issued certificate of tax deduction/collected at source within the specified date. The TDS certificate to be downloaded from tax portal.

FORM CATEGORY

Type of TDS Return Forms	Particulars of the TDS Return Forms
Form 24Q	Statement for tax deducted at source from salaries
Form 26Q	Statement for tax deducted at source on all payments other than salaries.
Form 27Q	Statement for tax deduction on income received from interest, dividends, or any other sum payable to non-residents.
Form 27EQ	Statement of collection of tax at source.

Sec. 194F - Payment on account of repurchase of MF or UTI	20
Sec. 194G - Commission on sale of lottery tickets	5
Sec. 194H - Commission or Brokerage	5
Sec.194I-I - Rent- a. rent of plant and machinery b. rent of land or building or furniture or fitting	2 10
Sec.194-IA - Payment/ credit of consideration to a resident transferor for transfer of any immovable property(other than rural agricultural land)	1
Sec.194-IB - Payment/credit of rent by an individual/HUF (if not subject to tax audit under section 44AB in immediately preceding financial year)	5
Sec.194-IC- Payment under joint development agreement to a resident individual/HUF (who transfer land/building)	10
Sec.194J - Professional fees, technical fees, royalty or remuneration to a director-- If payee is engaged only in business of operation of call center - any other payment/ credit	2 10
Sec.194LA - Payment of compensation on acquisition of certain immovable property	10
Sec.194LBA (1) - Payment of the nature referred to in section 10(23FC) section 10(23FC) (a / (23FCA) by business trust to resident unit holders.	10
Sec.194LBB - Payment in respect of units of investment fun specified in section 115UB	10
Sec.194LBC(1) - Payment in respect of an investment in a securitization trust specified in clause (d) of the Explanation occurring after section 115TCA- - If recipient is individual or a Hindu Undivided Family - If recipient is any other person	25 30

Due Date of Payment of TDS to the credit of the Government

The tax deducted by the payer (i.e., a non-Government payer) is to be paid to the credit of the Government as follows:

- ✓ Tax deducted during the month of April to February should be paid to the credit of the Government on or before 7 days from the end of the month in which the deduction is made.

- ✓ Tax deducted during the month of March should be paid to the credit of the Government on or before 30th day of April.

- ✓ Note: Tax deducted under section 194-IA (i.e., on immovable property) & Section 194-IB (i.e. on rent) should be paid to the credit of the Government on or before 30 days from the end
Of the month in which deduction is made including the Month of March.

INTEREST

Section	Nature of Default	Interest subject to TDS/TCS amount	Period for which interest is to be paid
201	Non-deduction of tax at source, either in whole or in part	1% for every month or part of a month	From the date on which tax deductible to the date on which tax was deducted.
	After deduction of tax, non-payment of tax either in whole or in part	1.5% for every month or part of a month	From the date on which such tax was deducted to the date on which such tax was paid.

Note: The above interest should be paid before filing of TDS return.

Example

TDS-Interest on late Payment	
TDS Amount	Rs.10,000
Date on which TDS is required to be deducted	31 st December,2018
Date on which TDS is Deducted	15 th January,2019
Actual Date of Deposit of TDS	9 th February,2019
Due Date of TDS Deposit	7 th January,2019
Interest Payable	
1% Interest for the period Dec 2018 to Jan 2019.	$(10,000 * 1\% * 2 \text{ month}) = \text{Rs.}200$
1.5% Interest for the period Jan 2019 to Feb 2019.	$(10,000 * 1.5\% * 2 \text{ month}) = \text{Rs.}300$
Total Interest Payable	Rs.500

Interest in case deductee pays the tax

As per section 201, a payer who fails to deduct whole or any part of the tax at source is treated as an assessee-in-default. However, by virtue of proviso inserted to section 201 by the Finance Act, 2012 with effect from 1-7-2012 the payer who fails to deduct the whole or any part of the tax on the payment made to a resident payee shall not be deemed to be an assessee-in-default in respect of tax not deducted by him, if the following conditions are satisfied:

- ✓ The resident recipient has furnished his return of income under section 139.
- ✓ The resident recipient has taken into account the above income in its return of income.
- ✓ The resident recipient has paid the taxes due on the income declared in such return of income.
- ✓ The resident payee furnishes a certificate to this effect from an accountant in Form No. 26A.

In other words, in case of non-deduction of tax at source or short deduction of tax, in case of a resident payee, if all the discussed conditions are satisfied, then the payer will not be treated as an assessee-in-default. However, in such a case, even if the payer is not treated as an assessee-in-default, he will be liable to pay interest under section 201(1A).

In this case, interest shall be payable from the date on which such tax was deductible to the date of furnishing of return of income by such resident payee. Interest in such a case will be levied at 1% for every month or part of the month.

Due Dates for Filing TDS Return

<u>Quarter ending</u>	<u>Due Dates for Filing of TDS return</u>
<u>30th June</u>	<u>31st July</u>
<u>30th September</u>	<u>31st October</u>
<u>31st December</u>	<u>31st January</u>
<u>31st March</u>	<u>31st May</u>

LATE FILLING FEES

As per section 234E, where a person fails to file the TDS 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.**

For example:

Mr. X has filed TDS Return on 31st August, 2018 for the Period April 2018 to June 2018. Tax deducted at source during the quarter amounting to Rs.4500.

Due date for TDS Return filing for the Quarter ending 30th June 2018 is 31st July, 2018, thus there is a delay of 31 days. Late filing fees under section 234E will be charged at Rs.200 per day so late filing fees will come to Rs.6200.

However, the late filing fees cannot exceed the amount tax deducted at source. TDS for the quarter is Rs.4500 and hence late filing fees shall be Rs.4500.

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