

TDS COURSE

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BASICS

What is TDS

- TDS (Tax Deducted at Source) is income tax reduced from the money paid at the time of making specified payments such as rent, commission, professional fees, salary, interest etc. by the persons making such payments (Deductor).
- Usually, the person receiving income is liable to pay income tax. But the government with the help of Tax Deducted at Source provisions makes sure that income tax is deducted in advance from the payments being made by you.
- The recipient of income (Deductee) receives the net amount (after reducing TDS). The recipient will add the gross amount to his income and the amount of TDS is adjusted against his final tax liability. The recipient takes credit (26AS/AIS) for the amount already deducted and paid on his behalf.

What is TDS

- Example: Firm ABC takes office on rent from Mr.B for Rs.80000 per month. TDS is required to be deducted at 10%.
- Rent is covered under Specified section of TDS, so Every month ABC (Deuctor) must deduct TDS of Rs.8000 and pay the balance of Rs.72,000 to Mr.B (Deductee)
- Thus, Mr.B receives Rs.72,000 per month after deduction of tax at the source and Rs.8000 will be reflected in his 26AS/AIS after ABC file his TDS return.
- At the time of filing of ITR Mr.B will add the gross amount to his income and can take credit of TDS deucted by ABC against his final Income tax liability.

Important Points

- TDS is deducted by the payer/Deductor and he need TAN number also
- TDS is deducted if amount is taxable in hands of receiver/Deductee
- TDS is deducted at the time of payment or credit the a/c of payee, whichever is earlier, However in following cases, TDS is deducted only at the time of payment:
 - ❖ Salary (192)
 - ❖ EPF (192A)
 - ❖ Casual Income (194B & BB)
 - ❖ Maturity of policy (194DA)
 - ❖ Compensation on compulsory acquisition (194LA)
 - ❖ Cash withdrawal (194N)

Important Points

- No TDS on GST component on services
- No TDS to be deducted if the person making the payment (Deductor) is an Individual/HUF whose books of accounts are not required to audit. (Except: Section 194IA, 194IB, 194M)
- No TDS if payee/deductee is Central Govt., State Govt., RBI, Statutory Corp, any mutual fund (Sec.196)
- Where total income or receipt of income is not liable to tax or taxable at lower rates then he can apply to AO to issue a certificate for No deduction/Lower deduction of TDS (Sec.197)
- Where income of assessee is below exemption limit then assessee can give a self declaration in form 15G/H to payer for non deduction of TDS. (Applicable only for section 192A, 193, 194A, 194DA, 194I)
- Mandatory requirement of PAN – if person not furnished his PAN than TDS is to deducted at Rate or 20% whichever is higher (Sec.206AA)

Due date to of TDS/TCS payment

(1) TDS/TCS deducted between 1 April to 28 Feb

By 7th of the next month

**For Sec. 194IA,
194IB, 194M = within
30 days from the end
of month in which TDS
is deducted**

(2) March month

**TDS: By 30th April of next FY
TCS: By 7th April of next FY**

Use Challan No. 281 for TDS/TCS payment other than Sec. 194IA (Challan 26QB), 194IB (Challan 26QC), 194M (Challan 26QD), 194S (Challan 26QE) etc.

Due date of TDS/TCS return

Quarter ended	TDS Return due date	TCS return due date
30 th June	31 st July	15 th July
30 th September	31 st October	15 th October
31 st Dec	31 st Jan	15 th Jan
31 st March	31 st May	15 th May

Forms for TDS/TCS returns

Form No.	Applicable for
24Q	TDS on Salary
26Q	TDS other than Salary
27Q	TDS on payment to non resident Except salary
26QB	TDS on property
26QC	TDS on Rent of property
26QD	TDS on Payment to Resident Contractors and Professionals
26QE	TDS on cryptocurrency
27EQ	TCS

TDS Certificates

Form No.	Certificate of	Frequency	Due date
Form 16	TDS on Salary	Yearly	31 May
Form 16 A	TDS other than Salary	Quarterly	15 days from due date of filing return
Form 16 B	TDS on Property	Challan wise	15 days from due date of Deposit of Challan
Form 16 C	TDS on Rent of Property	Challan wise	15 days from due date of Deposit of Challan

Consequences

- **Disallowance of Expenditure**
- **Levy of Interest**
- **Levy of Late fee and penalty**

Section 201(A): Late deduction/Late payment of TDS

- **Late Deduction:** Interest @1% per month or part of a month on an amount of TDS from the date of tax was deductible till the date of tax actually deducted
- **Late payment:** Interest @1.5% per month or part of a month on an amount of TDS from the date on which tax was deducted till date on which such tax is actually paid
- **Section 234E: Fee for default in furnishing of TDS/TCS return:**

Fee is payable @200 per day for every day during which the failure continues, Fee cannot be more than amount of TDS/TCS



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