



TAX DEDUCTOR'S/ COLLECTOR'S GUIDE

What is TDS/ TCS ?



Income Tax Department
Central Board of Direct Taxes

WHAT IS TDS/ TCS?

Tax Deducted at Source (TDS) is income tax reduced/deducted from the amount paid/payable at the time of making (or making provisions) of specified payments such as Interest, commission, brokerage, rent etc. The person making payment is required to deduct tax at source at prescribed rate. Payer is known as **deductor** and the payee, who receives the net payment is called the **deductee**.

TCS is Tax Collected at Source by seller from buyers at the time of selling some prescribed goods. Seller is called '**collector**' and the buyer is called '**collectee**'.

The applicable sections for the same are mentioned in Chapter XVII of the Income Tax Act, 1961.

WHAT IS TAN?

Tax deduction Account Number (TAN) is a 10 digit alphanumeric number issued by the Income Tax Department and every person deducting/collecting tax at source is required to obtain and quote it in every correspondence/communication related to TDS/TCS.

Note: Not mandatory in case of tax deduction on

1. Purchase of immovable property u/s 194IA
2. Payment of rent (paid by non-auditable Individual & HUF) u/s 194IB
3. Payment of Contractual/ Commission/ Brokerage/ Professional Services (paid by non-auditable Individual & HUF) u/s 194M

INTERNET BASED FUNCTIONALITIES FOR TDS/ TCS COMPLIANCE BY DEDUCTORS/ COLLECTORS:

- ▶ Mandatory to register on TRACES (www.tdscpc.gov.in) before use.
- ▶ View "Deductor Dashboard" to know about TDS performance (Statement status, Challan Status, Default payable, Deductor Compliance Profile).
- ▶ View "TDS CPC Communications" on TRACES Homepage to access communications sent by CPC (TDS).
- ▶ Online/ Offline TDS Statement Corrections directly on TRACES.
- ▶ Downloads-TDS/TCS Certificates, Transaction Based Report (TBR) for non-PAN deductees reported in Form 27Q, Consolidated file, Justification Report, TAN-PAN Consolidated File.
- ▶ Intermediary Communication- Alerts (SMS/email) in case of challan and PAN errors identified in regular TDS Statements during preliminary screening, to avoid Default Intimation from CPC (TDS).
- ▶ Aggregated TDS Compliance Report-Consolidated default summary of all TANs corresponding to a PAN in case of corporates/banks (available in taxpayer login on TRACES).
- ▶ e-Tutorials, FAQs, Circulars & Notifications and CPC (TDS) Communications.
- ▶ Deductor Grievance Module - Request for Resolutions online on TRACES.

WHEN TO DEDUCT/ COLLECT TAX?

- ▶ At the time of making the prescribed payment or credit of the income/ payment to the deductee, whichever is earlier. In case of TCS, tax has to be collected by the seller at the time of debiting account of buyer or at the time of receipt of such amount from buyer in cash or issue of cheque/draft, or by any other mode, whichever is earlier.
- ▶ In case of TDS on salary, tax is to be deducted at the time of actual payment.
- ▶ In case of TDS on rent (paid by non-auditable Individual & HUF), at the time of credit of rent for the last month of the year u/s 194IB only.

WHEN TO DEPOSIT THE TAX DEDUCTED/COLLECTED AT SOURCE TO THE CREDIT OF THE GOVERNMENT?

Table No. 1

Mode of TDS/ TCS Payment	Due Date of Payment
Where tax is paid without an Income Tax Challan	On same day (applicable in case of book adjustment.)
TDS/TCS made during the month of March	On or before 30 th April.
TDS/TCS made during the months other than March	On or before 7 days from the end of the month.
TDS on purchase of immovable property (194IA)*	On or before 30 days from the end of the month of deduction.
TDS on rent (194IB)*	On or before 30 days from the end of the month of deduction.

(*challan cum statement in Form 26QB / 26QC needs to be filed)

Note: In certain cases, quarterly payment of TDS can be permitted with the prior approval of the Assessing Officer.

WHICH CHALLAN IS USED FOR PAYMENT OF TDS/ TCS?

TDS/TCS is to be deposited to the credit of the Government by using Challan No. ITNS-281

WHAT IS CHALLAN IDENTIFICATION NO. (CIN)?

Every Income Tax Challan is identified by CIN which contains Bank BSR Code, Date of Payment and Challan serial no.

HOW TO DEPOSIT TAX?

TDS / TCS is required to be deposited in cash/cheque in Bank through Challan manually or electronically. Electronic payment of TDS/TCS is mandatory for:

- All corporate assesseees;
- Non-corporate assesseees who are subject to audit under section 44AB.

WHAT IS THE FORM OF TDS/TCS CERTIFICATE AND WHAT SHOULD BE THE FREQUENCY FOR ISSUANCE OF TDS/ TCS CERTIFICATE?

Every deductor/collector has to issue a certificate to the deductee/collectee in respect of tax deducted / collected by him in following form:

- ▶ Download TDS/TCS certificate (Form 16/16A/27D) (www.tdscpc.gov.in) bearing unique TDS certificate number and issue to the taxpayers within due date.
- ▶ Part A of Form 16 shows PANs that are reported in Annexure II of 24Q statement for 4th Quarter. Salary details for whole or part of the year in Annexure II of Quarterly TDS Statement for 4th Quarter is mandatory.



Table No. 2

Particulars	Form No.	Frequency of Certificate Issuance
TDS certificate on salary	Form 16	Annually
TDS certificate on payments other than salary	Form 16A	Quarterly
TCS certificate	Form 27D	Quarterly
TDS certificate on purchase of immovable property	Form 16B	15 days of filing 26QB
TDS certificate on rent	Form 16C	15 days of filing 26QC

Multiple payments can be clubbed in quarterly TDS/ TCS certificate

WHAT IS THE DUE DATE FOR ISSUANCE OF TDS/TCS CERTIFICATE?

Table No. 3

Form No.	Due date
Annual Form No.16 Quarterly F 16A/F 27D	15th June following the financial year. See column 3 and 5 of table no. 5

W.e.f. 01/04/2012 it is mandatory to issue only downloaded TDS certificate (16A) from www.tdscpc.gov.in. The deductor shall verify the correctness of contents & authenticate it by digital or manual signature. It is only then a valid certificate.

WHAT ARE THE CONTENTS OF A TDS/TCS CERTIFICATE?

The TDS/TCS certificate contains the following details:

- Valid PAN of the deductee;
- Valid TAN of the deductor/collector;
- Challan Identification Number (CIN), which is a number generated by a combination of BSR code of the bank where tax is deposited, date of deposit and the challan serial number allotted by the bank;
- Receipt number of the relevant quarterly statement of TDS/TCS (i.e., TDS/TCS return).

WHAT IS STATEMENT OF TDS/TCS AND IN WHICH FORM IT IS TO BE FURNISHED?

- ▶ Every person responsible for deducting/collecting tax at source must furnish TDS/TCS statement.
- ▶ **Correct Reporting:** Cancellation of TDS/TCS statement and deductee now is no longer permissible. Accordingly, it is very important now, to report correct and valid particulars (PAN/TAN/category etc) in the quarterly TDS/TCS statement.
- ▶ Quote correct and valid lower rate TDS/TCS Certificate Number in TDS/ TCS statement in case of lower deduction. The deductor/collector can verify the lower TDS/TCS Certificate number online on the TRACES website www.tdscpc.gov.in.
- ▶ **Last provisional receipt number to be quoted in regular TDS/TCS statements:** While filing new regular (original) TDS/TCS statement, it is mandatory to quote the last accepted provisional receipt number of the regular quarterly TDS/TCS statement of any form type.
- ▶ TDS/ TCS statement cannot be filed without quoting any valid challan and deductee row.

- ▶ Download TAN-PAN Master from TRACES and use the same to file new statement to avoid quoting of incorrect and invalid PAN.
- ▶ Validate PAN and name of fresh deductees from TRACES before quoting it in TDS statement.
- ▶ File correction statements promptly in case of incomplete and incorrect reporting. The TRACES website www.tdscpc.gov.in provides the facility for Online Correction of Statements.
- ▶ Government deductors should obtain BIN (Book Identification Number) from their Accounts Officer (AIN holder) in time and quote the same correctly in TDS/TCS statement.

Table No. 4

Statement in respect of TDS/ TCS	TDS/ TCS Statement Form
TDS on Salary	Form No. 24Q
TDS on payment other than salary to a non-resident or a foreign company or a resident but not ordinarily resident.	Form No. 27Q
TDS on payment other than salary to any person other than above.	Form No. 26Q
TCS	Form No. 27EQ
TDS on sale of immovable property	Form No. 26QB
TDS on payment of rent by certain individual or HUF	Form No. 26QC

WHAT IS THE FREQUENCY & DUE DATE OF SUBMISSION OF TDS/ TCS STATEMENT ?

Due dates for filing of TDS/ TCS statement

Table No. 5

Quarter Ending on	Due date of TDS statement	Due date for 16A	Due dates of TCS Statement	Due date for 27D
30 th June	31 st July	15 th Aug.	15 th July	30 th July
30 th Sept.	31 st Oct.	15 th Nov.	15 th Oct.	30 th Oct.
31 st Dec.	31 st Jan.	15 th Feb.	15 th Jan.	30 th Jan.
31 st March	31 st May	15 th June	15 th May	30 th May

WHAT ARE THE CONSEQUENCES OF TDS/ TCS DEFAULTS AND NON-PAYMENT TO GOVERNMENT?

- ▶ Failure to deduct tax or short deduction of tax or failure/delay in payment of the tax deducted to the credit of Government by the due date, would make the deductor an assessee in default in respect of such tax and also liable to penalty which is equal to the amount for which the assessee is a deemed defaulter.
- ▶ In case of non-deduction/short deduction or delay in deduction of tax, interest @ 1% per month or part of the month is levied on the tax deductible and in case of delay in payment of tax after deducting, interest @ 1½% per month or part of the month, till such time the tax deducted is not credited to the Government shall also be payable.
- ▶ In case of delay in payment of tax after collecting, interest @1% per month or part of the month till such time the tax is not paid.
- ▶ Failure on part of the deductor to pay the tax deducted at source, to the credit of Central Government makes him liable to rigorous imprisonment of a minimum period of three months but which may extend to seven years.

- ▶ Delay in filing TDS/TCS quarterly statements attracts:
 - (i) late fee of Rs. 200/- per day for each day of default, subject to certain limits, but not more than the TDS amount (u/s 234E).
 - (ii) Minimum Penalty of Rs. 10,000/- (may be extended to Rs. 1 Lakh). (u/s 271H).

Download the justification report to know the details of TDS/TCS defaults, if any, on processing of TDS/TCS statement from the TRACES website www.tdscpc.gov.in

WHAT ARE THE CONSEQUENCES OF DEFAULT IN FURNISHING STATEMENT/FILING INCORRECT INFORMATION THEREIN?

- ▶ With effect from 1st July 2012, failure to file TDS/TCS statement within the prescribed time shall make the deductor/collector liable to pay by way of fee u/s 234E, a sum of two hundred rupees for each day during which the default continues.
- ▶ With effect from 1st July 2012, furnishing of incorrect information in the statement by the deductor/collector would make him liable to penalty, which shall not be less than ten thousand rupees but which may extend to one lakh rupees.
- ▶ In case the delay in filing TDS/TCS statement is more than one year from the prescribed date, then the deductor shall be additionally liable to pay a minimum penalty of ten thousand rupees which may extend to one lakh rupees.
- ▶ Failure to apply for TAN or quote correct TAN by the deductor may result in levy of penalty of ten thousand rupees.
- ▶ Late filing fee u/s 234E, being statutory in nature, cannot be waived off.

AGGREGATED TDS COMPLIANCE

- ▶ The PAN of an entity (Central Office, Headquarter etc.), having more than one TAN of its branches, associated with the referenced PAN, can review the "Aggregated TDS Compliance" report on a regular basis for a summary TDS compliance at Organization level.
- ▶ This feature provides for a summary of TDS defaults of all respective TANs across all Financial Years, which assists in effective TDS administration, monitoring, control and compliance at Organization level.
- ▶ The feature will be extremely useful for the purpose of complying with the provisions of Section 40 (a) (ia) of the Income Tax Act, 1961 by the concerned entity, to ensure that correct information is disclosed in paragraph 21(b) & 34(b) of the Tax Audit Report (Form 3CD u/s 44AB of the Act).
- ▶ To use this feature, the deductor needs to register on TRACES with its PAN.

WHAT IS THE FORM OF FILING STATEMENT OF TDS/TCS?

The statement of TDS/TCS can be filed either in:

1. Paper form (for less than 20 deductees), now discontinued in all cases.
2. Electronic form: Form No. 27A is also to be furnished along with return on electronic form.

Following deductors/collectors have to file the statement of TDS/TCS in the form specified in electronic form only.

- (a) Deductor who is an office of the Government; or
- (b) Deductor who is a company; or
- (c) Deductor who is a person who is required to get his accounts audited under section 44AB in the immediately preceding financial year; or
- (d) Deductor in whose case the number of deductee's records in the

quarterly statement for any quarter of the financial year is equal to or more than twenty.

Note: In case of any other deductor/collector, furnishing the quarterly statement in electronic form is optional.

WHAT IS THE DUTY OF DEDUCTOR/COLLECTOR, IF THE DEDUCTEE DOES NOT FURNISH HIS PAN?

If the deductee does not furnish PAN or furnishes incorrect PAN to the deductor/collector, the deductor/collector shall deduct tax at source at higher of the following rates:

- (a) the rate prescribed in the Act; or
- (b) at the rate in force, i.e., the rate mentioned in the Finance Act; or
- (c) at the rate of 20%

WHAT IS LOWER DEDUCTION CERTIFICATE?

A Certificate issued for Deduction of Tax at Lower/ NIL Rates under section 197/197A of the Income Tax Act, 1961. Assessing Officer can issue a certificate for lower or no deduction of tax: to the deductor, where the deductee is a non-resident

CIRCUMSTANCES IN WHICH CERTIFICATE OF LOWER DEDUCTION OF TDS MAY BE OBTAINED

- Business is expected to incur losses
- Huge Losses are being carried forward from previous year
- TDS is being deducted at a high rate but tax slab attracted by assessee's income is lower
- Assessee is entitled to claim certain deductions/exemptions in that year

INCOMES COVERED BY CERTIFICATE UNDER SECTION 197

Certificate for lower deduction of TDS can be obtained for incomes covered by following provisions:

- Sec 192 (Salary)
- Sec 193 (Interest on securities)
- Sec 194 (Dividend)
- Sec 194A (Other interests)
- Sec 194C (Contract)
- Sec 194D (Insurance Commission)
- Sec 194G (Commission etc. on sale of the lottery)
- Sec 194H (Commission/brokerage)
- Sec 194-I (Rent)
- Sec 194J (Income from Professional/technical services)
- Sec 194LA (Compensation on an acquisition of immovable property)
- Sec 194LBB (Income from units in investment fund)
- Sec 194LBC (income from investment in securitization fund)
- Sec 194O TDS on payment by e-Commerce operator to e-Commerce Participant and
- Sec 195 (Income of non-residents)

SECTION 197-PROCEDURE TO SUBMIT FORM 13

- Any assessee who wishes to apply for the certificate of No deduction of TDS or deduction at lower rate shall have to make an application in Form No. 13 as prescribed under the Income Tax rules, 1962.
- Enabled online filing of Form 13 in order to facilitate faster processing of applications.
- AO is required to dispose off the application within a time period of 30 days from the end of the month in which application is received by him.
- If the application submitted is complete and AO is satisfied with the information and justification provided for deduction of lower TDS, he shall approve it and issue the certificate to the assessee. Every certificate issued has a unique 10 digit alpha-numeric no.
- To avoid deduction of TDS at a higher rate, the assessee will have to furnish a copy of AO's certificate (attached to the invoice raised) to the payer and if

the payer is satisfied that his name is specifically stated in the certificate, he will deduct TDS at the rate mentioned in the certificate.

- While filing his TDS return, deductor is required to mention the TDS certificate no. & PAN of the deductee and validate it on the TRACES website.

DOCUMENTS & OTHER DETAILS TO BE SUBMITTED ALONG WITH FORM 13

- Copy of PAN card
- A projected income statement for the current financial year
- Copies of Returns of income (filed along with enclosures) & copies of assessment orders if assessed, for the last 3 assessment years
- Copies of Financial Statements along with Audit Reports, if audited of last 3 years
- Details of tax paid in last 3 assessment years
- Details of payment of advance tax/TDS/TCS relating to current previous year till date
- Details relating to various incomes and their sources of the assessee
- TAN of parties who make payments to the assessee

VALIDITY OF CERTIFICATE

The certificate issued for nil/lower deduction of TDS pertains to that particular Financial year for which application has been made by the assessee. It is valid from the date of issue and expires at the end of that year (unless it is cancelled by AO before its expiry)

Although Form 13 application can be submitted at any time during the year, it is recommended to furnish it at the commencement of the year itself.

OPTION OF SELF DECLARATION (FORM 15G/ 15H) IN CERTAIN CASES

As per Sec 197A, in case of certain incomes such as:


- (a) Withdrawal of Provident fund (Sec 192A)
- (b) Receipt of Life Insurance proceeds (Sec 194DA)
- (c) Rental income (Sec 194-I)
- (d) Interest from securities (Sec 193)
- (e) Interest other than from securities (Sec 194A)

Assessee can give a self-declaration to the deductor in the prescribed form (Form 15G/15H) in order to avail nil deduction of TDS provided he satisfies the following conditions:

- Assessee is a resident individual/HUF
- Tax liability is nil
- If he is of age less than 60 years, his gross income (before deductions) must be less than the basic exemption limit (Rs 2.5 Lakh)



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This Brochure should not be construed as an exhaustive statement of the law. For details reference should always be made to the relevant provisions in the Acts and the Rules

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