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MB FC02 / UNIT-2 / MBA SEM III

DATE OF CLASS: 02/09/2020

TOPICS : (TDS)

DEDUCTION OF TAX AT SOURCE

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Deduction of tax at source is very important topic of Income tax study. Its short name is TDS

Meaning:

The tax deduction at source means that the person responsible for making payment of certain incomes to the income earners deduct tax at the prescribed rate on such incomes before payment is made to them. The amount so deducted at source shall be deposited by the deductor in the government Treasury within the prescribe time limit. The tax so deducted is called "Deduction of tax at source"

A "deductor" is a person responsible for deducting tax. The person who receives the payment after the deduction of tax is called "deductee".

TDS is not deducted at the same rate from all incomes which are subject to TDS. There are different ~~types~~ TDS rates

for different types of incomes.

TDS is applicable on various incomes such as salaries, interest received, commission, dividend etc.

- How can you check if TDS is deposited with the government

Once government by the deductor, the the TDS amount deposit will be reflected in your form 26 AS. Further, the deductor is required to issue you a TDS certificate.

An individual can, therefore, check the TDS from incomes paid to him by viewing this form 26 AS. Each deductor is also duty bound to issue a TDS Certificate certifying how much amount is deducted in the deductee's name and deposited with the government.

■ RATES prescribed for different types of payments

There are different rates for TDS described in the different sections of the act depending on the nature of the payments.

The Government with effect from May 14, 2020, has reduced the TDS rates by 20% on non-salaried payments such as rent,

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Payments subject to deduction of tax at source
The following types of income are subject to deduction of tax at source:

	see
1. Salaries	(192)
2. Payment of recognised PF	(192A)
3. Interest on securities	(193)
4. Dividends	(194)
5. Interest other than interest on securities	(194A)
6. Winnings from lotteries or crossword puzzles	(194B)
7. Winnings from horse races	(194B)
8. Payments to resident contractors	(194D)
9. Payment to resident of insurance commission	(194D)
10. Payment under a LP	(194DA)
11. " to non-resident sportman or sports Association	(194E)
12. Payment to N.S.S	(194EE)
13. Payment of amount of repurchase of unit by MF or UTI	(194F)
14. " amount of commission on sale of lottery	(194G)
15. Payment of Brokerage	(194H)
16. Payment of Rent	(194-I)
17. Transfer of immovable property	(194-IA)
18. Payment of fee for performance technical service	(194J)
19. " " Compensation	(194CA)
20. Income for unit of a business trust	(194LBA)
21. Income from unit of Investment fund	(194LBB)
22. Income from investment in securitization	(194LBC)

Section	Nature of Payment	Threshold Limit	Applicable from		Applicable to	
			01/04/20 to 13/05/20	14/5/20 to 31/3/21	RES	NON RES
			RESIDENT	NON RESID	RES	NON RES
192	Salaries		NSR	NSR	NSR	NSR
192A	With drawal from EPF	50000	10	10	10	10
193	Int on Sec - 8% Saving Bond or 7.75 Saving Bond 2018	10000	10	-	7.5	-
193	Interest on Securities - for money issued by or on behalf of Local Authority / Statutory Corporations, Trsted Debenture of a company, any other					
	Interest on securit	5000	10	-	7.5	-
194	Dividends	5000	10	-	7.5	-
194A	Int (Bank, Cooperatives, PO)	40000	10	-	7.5	-
194A	Interest (Any other person)	5000	10	-	7.5	-
194B	Winning from lotteries	10000	30	30	30	30
194BB	Winning from horse race	10000	30	30	30	30
194C	Contractor - Single transaction → Ind/HUF/ other	30000	1	-	0.75	-
	→ Others		2	-	1.5	-
194C	Contractor - consolidated Payment	10000				
	IND/HUF		1	-	0.75	-
	OTHERS		2	-	1.5	-

Sectm			13/05/20		31/3/21	
			R	NR	R	NR
194D	Insurance Company - Company INSURANCE CO - OTHER THAN COMPANY - COMPANY	15000				
			5	-	3.75	-
			10	-	10	-
194DA	Markets of LIFE (LIP)	100,000	5	-	3.75	-
194E	NR sportmen or association	-	-	-	20	-
194EE	NSS	2500	10	10	7.5	10
194F	Repurchase units by MFs	-	20	20	15	20
194G	Commission - Lottery	15000	5	5	3.75	5
194H	Commission / Brokerage	15000	5	-	3.75	-
194i	Rent of → Plant & Mach / Equipment → Land Buildup / Fur & Fix	240,000	2	-	1.5	-
			10	-	7.5	-
194IA	Transf of certain immovable property	50/cap	1	-	0.75	-
194IB	Rent by IND/HUF	50,000/M	5	-	3.75	-
194IC	Payment under joint Development Agreement to IND/HUF	50000	10	-	7.5	Blank
194J	Professional fee	30,000	10	-	7.5	-
194J	Technical fees (WEF 01/4/20)	30,000	2	-	1.5	-
194J	Payment to Call Centre operator (1/6/17)	20,000	2	-	1.5	-
194J	Director's fee	-	10	-	7.5	-
194K	Payment of any income in respect of (a) unit of a mutual fund [10 (23D)] (b) units for the administrator (c) unit from specified Co (1/4/20)	5000	10	-	7.5	-
194LA	Compensation or equivalent of Immovable property other than agricultural land	250,000	10	-	7.5	-
194LB	Income by way of interest from infrastructure of Debt fund	-	-	5	-	5

Threshold
Limit

194LBA	Income from unit of business trust					
	- Int received or receivable for vehicle	-	10	5	7.5	5
	- Div referred to Sec 1150 (7)	-	10	10	7.5	10
194LBA	Distribution of rental Income to unit holder					
	- Other than company	-	10	30	7.5	30
	- Company	-	10	40	7.5	40
194LBB	Income from unit of investment fund					
	- Other than company	-	10	30	7.5	30
	- company	-	10	40	7.5	40
194LBC	Income from securitization fund					
	- IND/HUF	-	25	30	18.75	30
	- company	-	30	40	22.5	40
	- other person	-	30	30	22.5	30
194LBC	Income by way of int domestic company & NR / foreign Co					
	LT Bond from outside India	-	-	5	-	5
194LD	Int on certain bonds from Govt/Security	-	-	5	-	5
194M	Certain Payment by IND/HUF	50 lakh	5	-	3.75	5
194N	Payment of certain Annuity in Cash	1 crore	2	2	2	2
194O	E-commerce operator for sale of goods service facilities by it through Electronic Gateway		NA	-	7.5	-
195	Income of Inv. made by NRI	-	-	20	-	20
195	LTCG - U/S 115E)	-	-	-	-	-
	- Any other Gain	-	-	10	-	10
195	Short-term CG - III A	-	-	20	-	20
195	Royalty	-	-	10	-	10
196B	Income for unit to an offshore	-	-	10	-	10
196C	Income from foreign currency fund	-	-	10	-	10
196D	foreign institutional investor for securities	-	-	20	-	20

Other important point

→ Sec 196

No tax will deducted at source if the payment is made to

(i) the Government or

(ii) the RBI or

(iii) Any statutory Corporation

(iv) a Mutual Fund specified in Sec 70(23D)

→ Due date of Issue of the TDS Certificate

(1) Form NO 16 - Annual up to 31st May

(2) " " 16A Quarterly within 15 days

- from the due date of furnishing the Statement of TDS under Rule 31A

→ Time limit for depositing the sum

1. Same day where the tax is paid without the production of IT Challan

2. Within 7 days from the end of month in which tax is deducted - where tax is paid by IT Challan

3. In any case - ^{within} 7th day