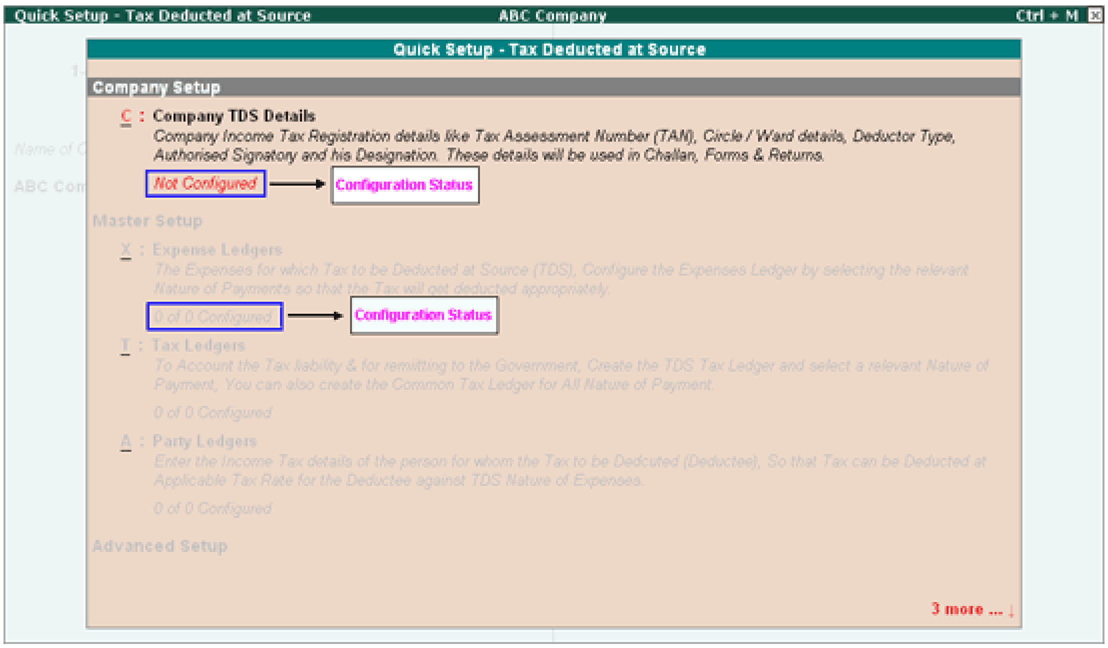
Quick Setup for **Tax Deducted at Source** in Tally.ERP 9 helps you to configure statutory setup required to maintain the financial records of TDS.

To configure statutory setup for **Tax Deducted at Source**

Go to **Gateway of Tally > Quick Setup > Tax Deducted at Source**. **Quick Setup** screen for **Tax Deducted at Source** will be displayed as shown




From this screen you can make required **basic configurations** like, **company TDS details** and **masters** to account statutory transactions. It also allows making **advance configurations** wherever applicable.

Configuration details will be displayed below the setup options once the configuration is done. Otherwise application will display the status as **Not Configured** for **Company Setup** and **0 of 0 Configured** for **other setups** (Masters/Advanced setup).

# Procedure to Quick Setup for Tax Deducted at Source

1. Company Setup

Company Setup guides you to update relevant TDS details . To know how to update TDS details **Click** on the link, **C:Company TDS Details Setup** screen

C : Company TDS Details

**Note**: To move from one setup to another setup use **Arrow (up and down) Keys**.

## 2. Master Setup

Master Setup guides you to create masters like Expenses ledgers, Party ledgers and Tax ledgers by enabling relevant TDS options in the masters. For more details on master creation Click on the below links.

X : Expense Ledgers

T : Tax Ledgers

A : Party Ledgers

## 3. Advanced Setup

**Advance Setup** is an **optional** (not a must) setup. Advance set up is required, only when you want configure for Lower/Zero deduction, to calculate surcharge or income tax by ignoring the exemption limit and to deduct TDS in the same voucher if applicable.

Advanced Setup guides you to configure for lower/zero Deduction, calculate surcharge or income tax by ignoring the exemption limit and to deduct TDS in the same voucher if applicable. For more details on advance setup Click on the below links.

**Note**: To view the advance setup options press **Enter** from **Advanced Setup or** press **F5** key or click on **F5: Show Adv config** button in the buttons bar.

L : Configure Lower Rate Deduction (Sec 197)

Assessing Officer shall issue a certificate for deduction of Tax at Lower rate than the relevant rate specified under the section, Where the assessing officer is satisfied that the total income of the recipient (Assessee) justifies the deduction of income tax at any lower rates than the rate specified under the sections specified under the act and has received an application in **Form 13** from the assessee under sub-section (1) of section 197.

The certificate granted shall be valid for the assessment year specified and is valid only for the person named therein.

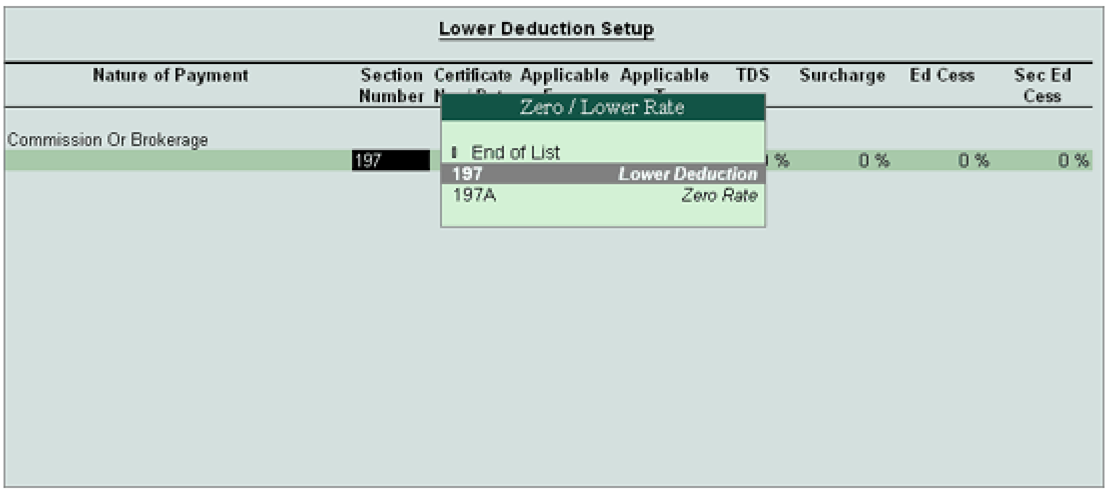
In Tally.ERP 9, the user can record and compute TDS on transactions, on which lower rate of deduction is applicable.

To configure party ledger for Lower rate of Deduction press **Alt+L** or select **L: Configure Lower Rate Deduction (Sec 197)** and press Enter to view **Lower Rate Deduction (Sec 197) Setup** sub-form

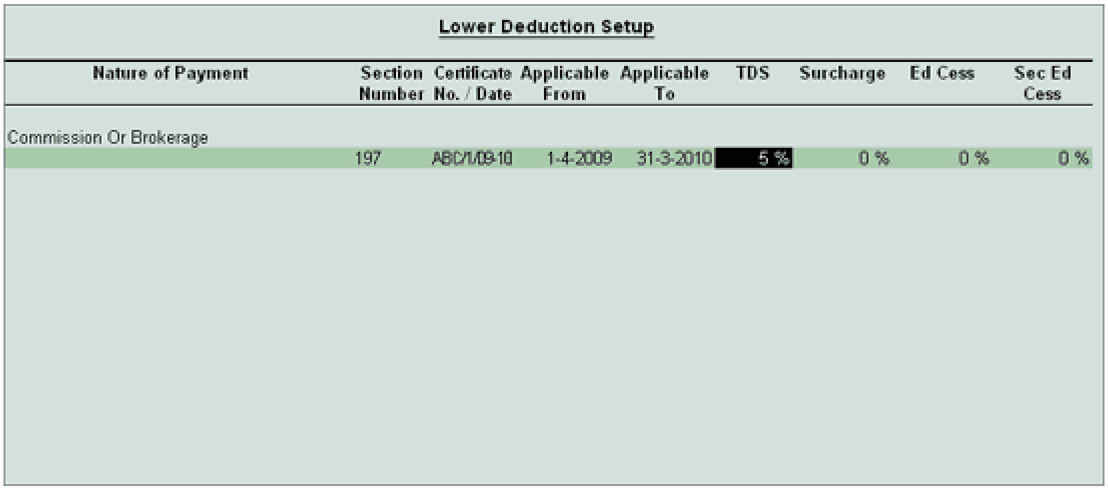
Example: **ACE Computers** has a certificate for deduction of Income tax at **Lower rate @ 5%**, on **Commission or Brokerage**.

In Lower Rate Deduction (Sec 197) Setup screen

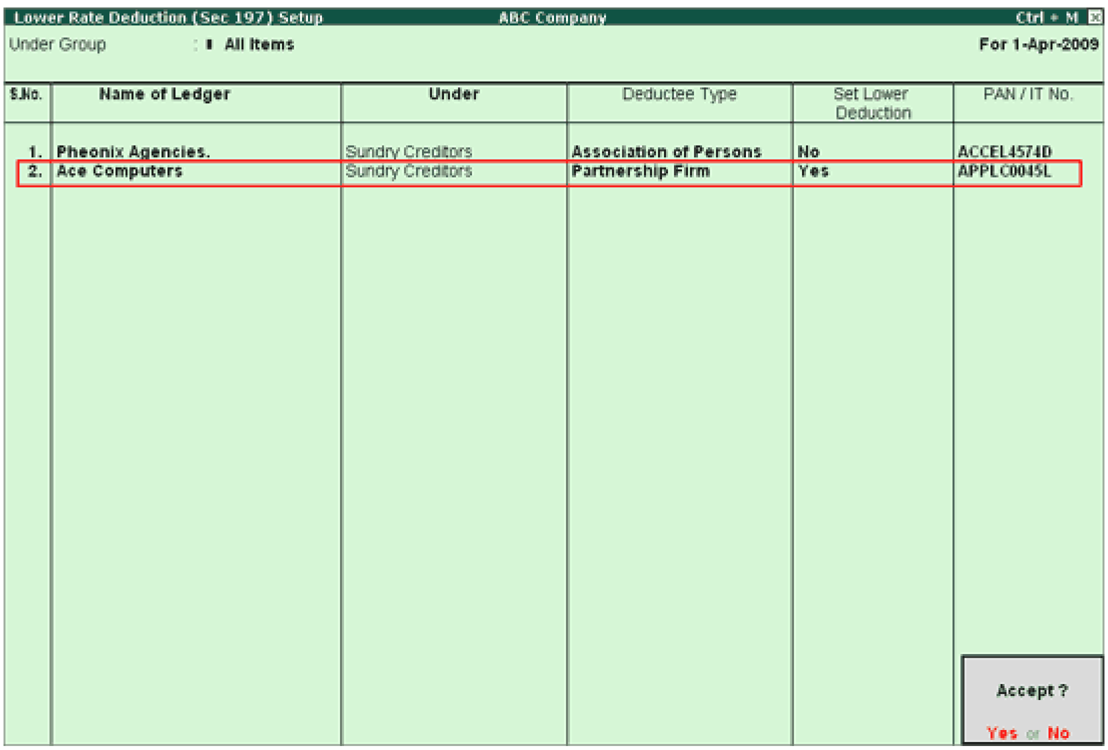
1. Enter the name of the Party Ledger in **Name of Ledger** field e.g. **Ace Computers**.
2. Select **Sundry Creditors** from the List of Groups in the **Under** field.
3. In **Deductee Type** field select **Partnership Firm** from **List of Deductee Types**
4. Enable the field **Set Lower Deduction** to **Yes** and press enter to view **Lower Deduction Setup** screen
5. In **Lower Deduction Setup** screen
6. In **Nature of Payment** field select the nature of payment - **Commission or Brokerage** for which lower deduction is allowed.
7. **Section Number**: Tally.ERP 9 displays the Sections, under which an application for lower rate (**section 197**) or Zero rate (**197A**) are approved. Select section 197 for lower deduction.




- **Certificate No./ Date**: Enter certificate number under which the lower rate of TDS was allowed and the date of issue.
- **Applicable From**: Mention the date (as per the certificate) from when the lower rate is approved.
- **Applicable To**: Mention the date till when the certificate of Lower rate will remain in force.
- **TDS**: Mention the Rate of Income Tax allowed - **5%**
- **Surcharge, Ed Cess and Sec Ed Cess**: In these field Tally.ERP 9 defaults the percentage to **Zero**.




- Press **Enter** to save **Lower Deduction Setup** screen
- In **PAN/IT No.** field enter party PAN Number




6. Press **Enter** to save.

**Note**: You can also create Party ledgers and configure for lower rate from **Gateway of Tally > Accounts Info. > Ledgers**

To know more on configuring party ledger for lower rate refer the topics - **Creating Party Ledger- Lower Rate**

Z : Configure Zero Rate Deduction (Sec 197A)

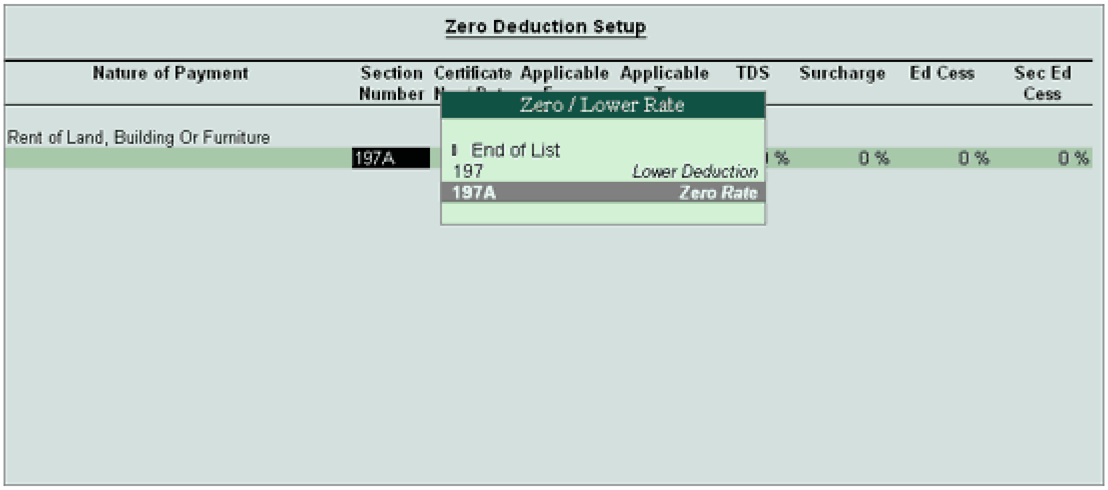
A Deductee (other than Company or Firm) can submit a declaration in Form 15G under sub section (1) of section 197A, for TDS deduction at Zero Rate. Declarations can be given only by those deductees whose income is below the taxable limit and the income falls under section 193, 194, 194A, 194EE and 194K. The certificate granted shall be valid for the assessment year specified and is valid only for the person named therein.

To configure party ledger for zero rate of deduction press **Alt+Z** or select **Z: Configure Zero Rate Deduction (Sec 197A)** and press Enter to view **Zero Rate Deduction (Sec 197A) Setup** sub-form

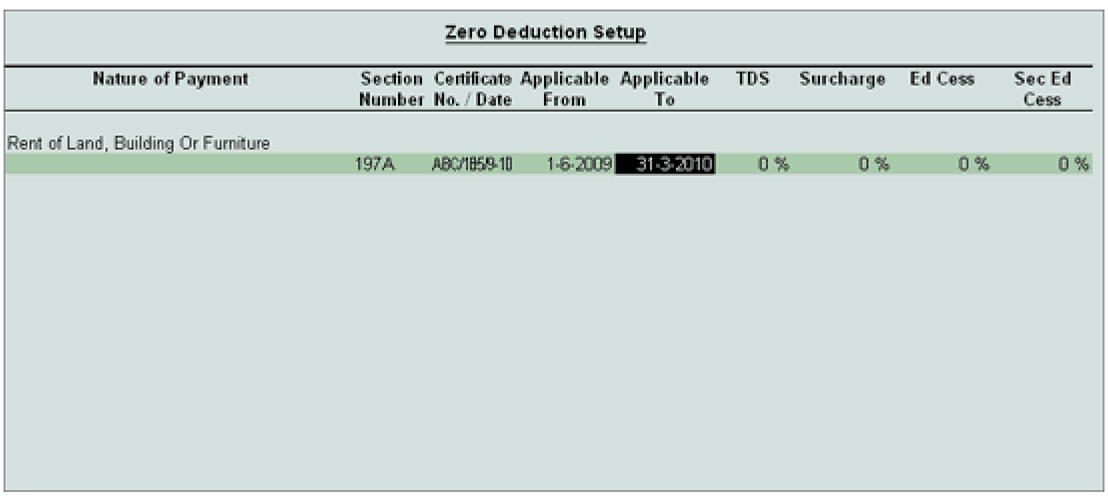
Example: **Gokul Co-operative Building Society** has a certificate for non-deduction (zero rate) of **Income tax on Rent**.

In Zero Rate Deduction (Sec 197A) Setup screen

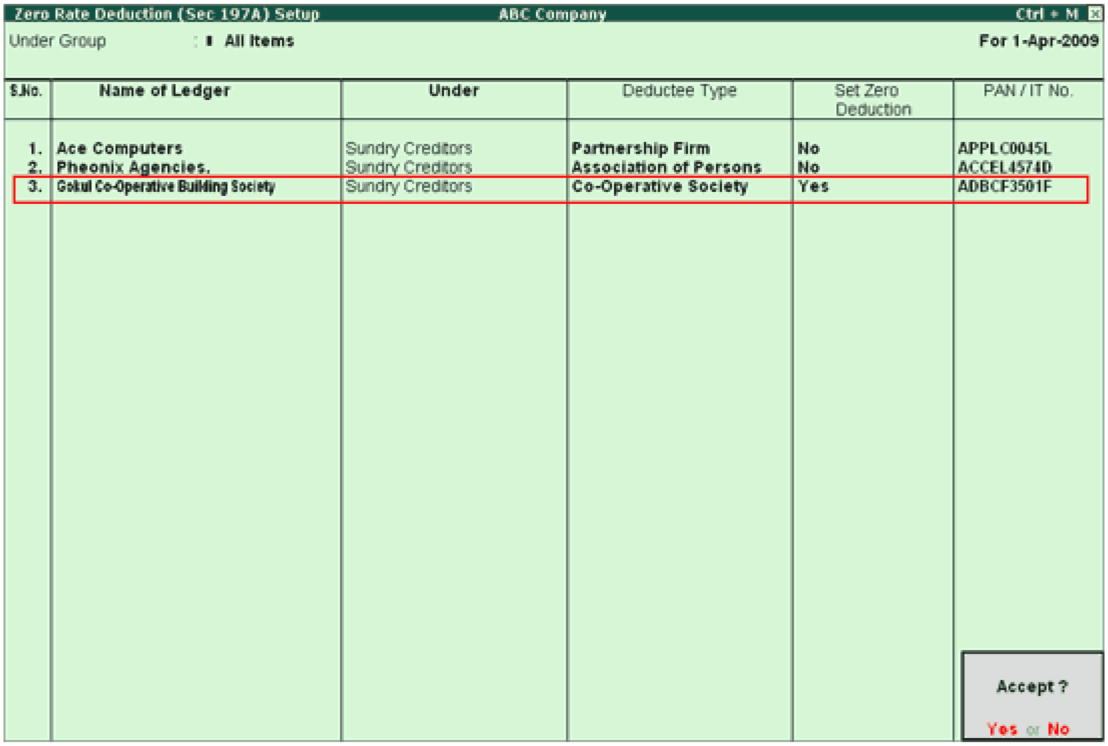
1. Enter the name of the Party Ledger in **Name of Ledger** field e.g. **Gokul Co-operative Building Society**.
2. Select **Sundry Creditors** from the List of Groups in the **Under** field.
3. In **Deductee Type** field select **Co-Operative Society** from **List of Deductee Types**
4. Enable the field **Set Zero Deduction** to **Yes** and press enter to view **Zero Deduction Setup** screen
5. In **Zero Deduction Setup** screen
6. In **Nature of Payment** field select the nature of payment - **Rent of Land, Building Or Furniture** for which zero deduction is allowed.
7. **Section Number**: Tally.ERP 9 displays the Sections, under which an application for lower rate (**section 197**) or Zero rate (**197A**) are approved. Select section **197A** for zero deduction.




- **Certificate No./ Date**: Enter certificate number under which the lower rate of TDS was allowed and the date of issue.
- **Applicable From**: Mention the date (as per the certificate) from when the lower rate is approved.
- **Applicable To**: Mention the date till when the certificate of Lower rate will remain in force.
- **TDS**: Mention the Rate of Income Tax allowed **- 0%**
- **Surcharge, Ed Cess and Sec Ed Cess**: In these field Tally.ERP 9 defaults the percentage to **Zero**.




- Press **Enter** to save **Zero Deduction Setup** screen.
- In **PAN/IT No.** field enter party PAN Number




6. Press **Enter** to save.

**Note**: You can also create Party ledgers and configure for zero rate from **Gateway of Tally > Accounts Info. > Ledgers**

To know more on configuring party ledger for zero rate refer the topics - **Creating Party Ledger- Zero Rate**.

S : Ignore Surcharge Exemption

As per Income Tax Act, Surcharge on TDS is applicable for the payment(s) exceeding Rs.10 lakhs (for Individual, HUF and Association of Persons) and Rs 1 Crore (for Companies, Artificial Judicial Person and Partnership Firm). However it is not applicable for Deductee Types such as Co-Operative Society and Local Authority.

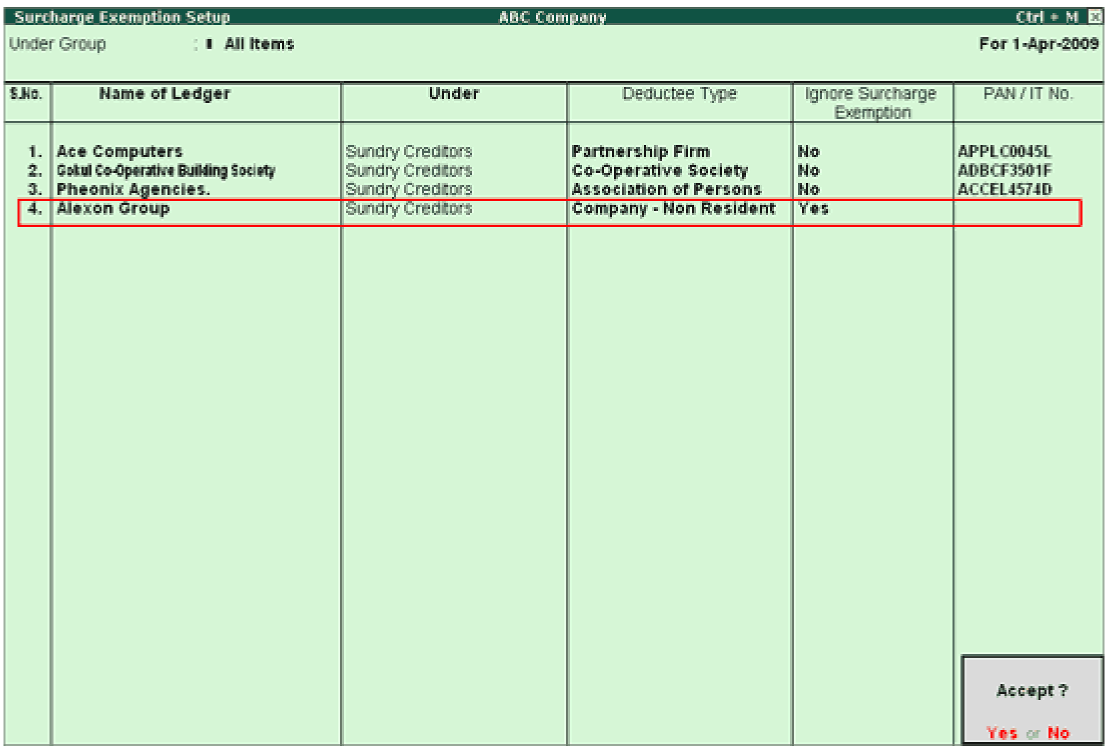
In TDS, when the payment exceeds the Surcharge exemption Limit, Surcharge is applicable on the entire amount right from the first transaction and such past transactions will have to be shown in the e-TDS statements. In this scenario it is always suggested that a realistic estimation of total amount, to be made right in the beginning and deductor should deduct TDS without considering the Surcharge Exemption Limit.

To configure party ledger to ignore surcharge exemptions press **Alt+S** or select **S: Ignore Surcharge Exemption** and press **Enter** to view **Surcharge Exemption Setup** screen.

**Example**: For **Alexon Group** realistic estimation has been made. The total payments exceeds the exemption limit and hence want to configure the party ledger to deduct surcharge from first transaction

In **Surcharge Exemption Setup** screen

1. Enter the name of the Party Ledger in **Name of Ledger** field e.g. **Alexon Group**.
2. Select **Sundry Creditors** from the List of Groups in the **Under** field.
3. In **Deductee Type** field select **Company - Non Resident** from **List of Deductee Types**
4. Set the field **Ignore Surcharge Exemption** to **Yes**.
5. Skip **PAN /IT No.** field.




5. Press **Enter** to save.

**Note**: You can also configure party ledger to ignore surcharge exemption from **Gateway of Tally > Accounts Info. > Ledgers > Create/Alter**.

I : Configure Income Tax Exemption

As per Income tax TDS is Deductable only when the TDS amount exceeds the specified Income Tax Exemption Limit.

When the TDS amount exceeds income tax exemption Limit, TDS will be applicable on the entire amount right from the first transaction and such past transactions will have to be shown in the e-TDS statements. In this scenario it is always suggested that a realistic estimation of total amount, to be made right in the beginning and deductor should deduct TDS without considering the income tax exemption limit.

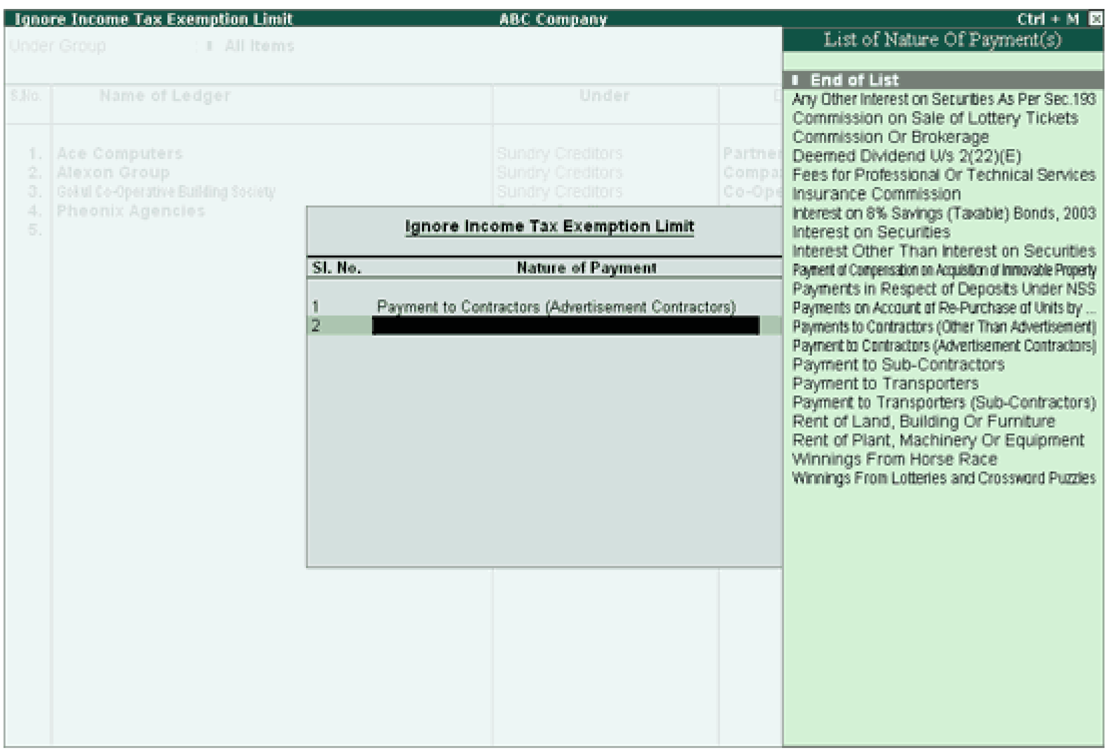
To configure party ledger to ignore TDS exemption press **Alt+I** or select **I: Configure Income Tax Exemption** and press **Enter** to view **Income Tax Exemption Setup** sub-form

Example: For **Pheonix Agencies** realistic estimation has been made. The total payments exceeds the TDS exemption limit and hence want to configure the party ledger to deduct TDS from first transaction.

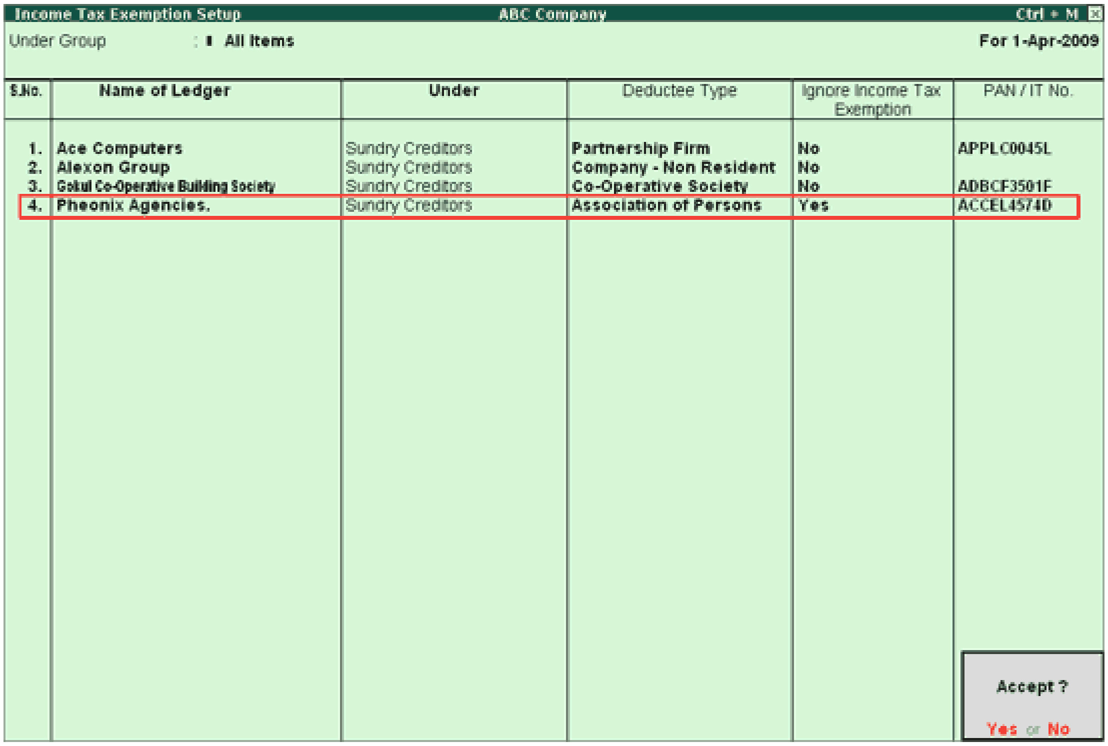
In **Income Tax Exemption Setup** screen

1. Select **Pheonix Agencies** and tab down to **Ignore Income Tax Exemption** field and set the option to **Yes** and press enter to view Ignore Income Tax Exemption screen
2. In **Ignore Income Tax Exemption** screen
3. In **Nature of Payment** field

- **All Items** to Ignore income tax exemption on **all the nature of Payments**
- Any **specific** Nature of Payment (s) e.g. **Payment to Contractors (Advertisement Contractors)** to ignore income tax exemption **only for the selected nature of payment (s)**.




- Press enter to save Ignore Income Tax Exemption screen




3. Press **enter** to save.

**Note**: You can also configure party ledger to ignore income tax exemption from **Gateway of Tally > Accounts Info. > Ledgers > Create/Alter**.

A : Configure Auto Deduction in same voucher if applicable

Most of the company's Deduct TDS in the same voucher where the due/payment is booked. In Tally.ERP 9 you can configure the party ledger to deduct TDS in the same voucher where the due/payment is booked without asking for confirmation.

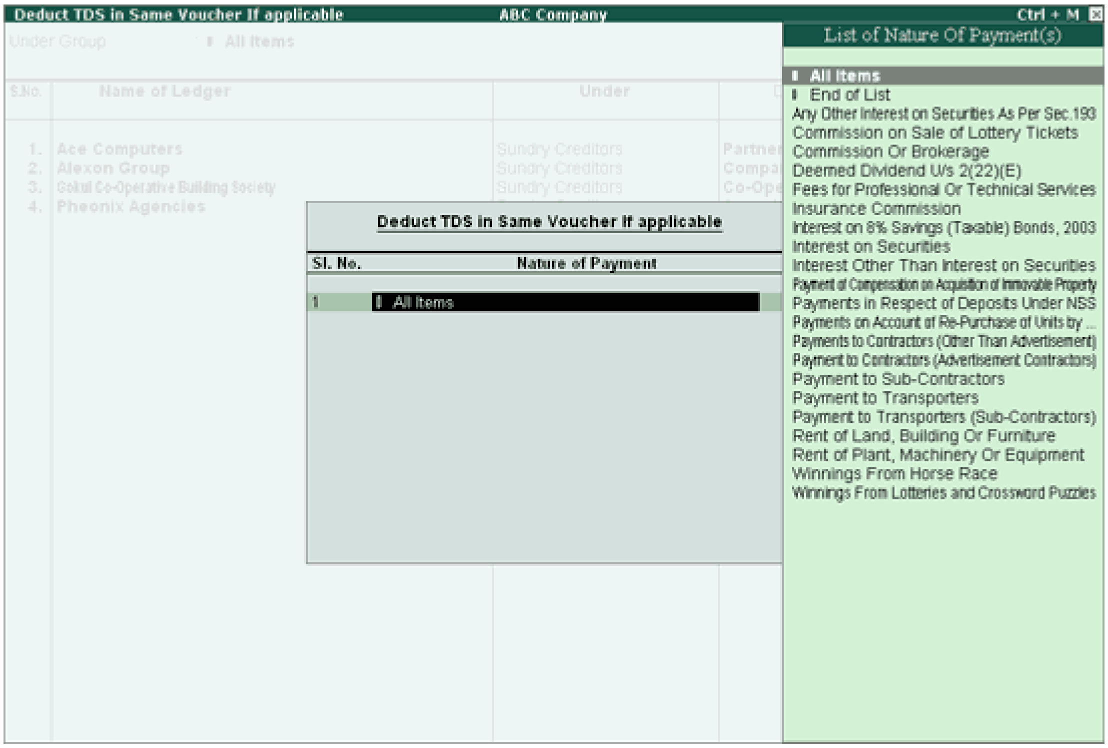
To configure party ledger to deduct TDS in same voucher press **Alt+A** or **A: Configure Auto Deduction in same voucher if applicable** and press Enter to view **Auto Deduction Setup** screen

Example: **ABC Company** follows the procedure of deducting TDS for all parties when the due/payment entry is recorded.

In **Auto Deduction Setup** screen

1. Select **ACE Computers** and tab down to **Set Auto Deduction in same voucher** field and set the option to **Yes** and press enter to view **Deduct TDS in Same Voucher If Applicable** screen.
2. In **Deduct TDS in Same Voucher If Applicable** screen

3. In **Nature of Payment** field select
4. **All Items** to deduct TDS on **all the nature of Payments** if applicable
5. Any **specific** Nature of Payment (s) e.g. **Payment to Contractors (Advertisement Contractors)** to deduct TDS only for the selected nature of payment (s).




- Press enter to save **Deduct TDS in Same Voucher If Applicable** screen.

Similarly you can configure all the party ledgers to deduct TDS in the same vouchers if required.

3. Press **Enter** to save **Auto Deduction Setup** screen.

**Note**: You can also configure party ledger to deduct TDS in the same voucher if applicable from **Gateway of Tally > Accounts Info. > Ledgers > Create/Alter**.

4. Q : Quit

To quit from Quick Setup- Tax Deducted at Source screen press Alt+Q or select Q: Quit and press enter.