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TDS Rate for financial Year 2010-11/ Assessment year 2011-12 and Amendment made by union budget 2010

Increase in thresholds limit of deduction of tax from various payments

This bill proposes to increase various thresholds limit for deduction of tax from various payments like Winning from Lottery or Crossword Puzzle, Winning from Horse Race, Payment to Contractors, Insurance Commission, Commission or brokerage, Rent, Fees for Professional and Technical Services. The proposed amendments w.e.f 1st July, 2009 made under the new provision are summarized as under:

(Amounts in Rs.)

Section	Nature of Payment	Existing	Proposed
194B	Winning from Lottery or Cross word puzzle	5,000	10,000
194BB	Winning from Horse Race	2,500	5,000
194C	Payment to Contractors [per Transaction]	20,000	30,000
194C	Payment to Contractors [Annual Limit]	50,000	75,000
194D	Insurance Commission	5,000	20,000
194H	Commission or Brokerage	2,500	5,000
194I	Rent	1,20,000	1,80,000
194J	Fees for Professional and Technical Services	20,000	30,000

Consequences of failure to deduct tax, or after deducting failure to pay tax deducted/tax collected at source u/s. 201(1A)

Under the existing provision of section 201(1A) of the Act, where the person does not deduct the tax or after deducting fails to pay the tax, he is required to pay simple interest at the rate of 1% for every month or part of the month. Amendments are proposed to treat the cases of failure to make payment, after deducting the tax at source more severally then the cases of pure failure. The proposed amendment to this section w.e.f. 1st July, 2010 has increased the rate of interest in cases of failure of payment after deduction to 1 1/2% for every month or part of the month till the date on which such tax is actually paid. The rate of interest will remain same at one percent for the cases of actual default of deduction of tax itself.

Certificate for tax deducted or collected u/s. 203 and u/s. 206C

The tax department was proposing to grant the credit of tax at source under their Online Tax Accounting System (OLTAS), completely obviating the necessity to issue certificate of deduction of tax at source and furnishing the same with the tax returns. Accordingly, the Finance Act, 2005, section 203 and section 206C(5) were amended for abolishing the requirement for issuance of the TDS and TCS certificate.

Considering the practical difficulties being encountered, the earlier procedure of issuance of TDS/TCS certificate has been restored.

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TDS RATE FOR THE ASSESSMENT YEAR 2011-2012 (in %)
(TDS rates with effect from 1st April 2010)

Section	Nature of Payment	Threshold limit upto 30th June, 2010 (in Rs.)	Threshold limit w.e.f. 1st July, 2010 (in Rs.)	Individual/ HUF/ BOI/ AOP	Firm	Co?operative Society / Local Authority	Company
192	Salary	As per slab	As per slab	Normal Rate (incl. cess)	N.A.	N.A.	N.A.
193	Interest on Securities						
	(1) Interest on Debentures or Securities (Listed)	2500*	2500*	10.00	10.00	10.00	10.00
	(2) Interest on 8% Savings (Taxable) Bonds, 2003	10000	10000	10.00	10.00	10.00	10.00
	(3) Any Other Interest on Securities (Unlisted)	0	0	10.00	10.00	10.00	10.00
194	Dividend other than dividend covered by Section 115-O	2500*	2500*	10.00	10.00	10.00	10.00
194A	Interest other than Interest on Securities (other than below)	5000	5000	10.00	10.00	10.00	10.00
	Where the payer is						
	(1) Banking Company	10000	10000	10.00	10.00	10.00	10.00
	(2) Co-operative Society engaged in banking business	10000	10000	10.00	10.00	10.00	10.00
	(3) Post Office (deposit scheme framed by Central Government)	10000	10000	10.00	10.00	10.00	10.00
194B	Winning from Lotteries	5000	10000	30.00	30.00	30.00	30.00
194BB	Winnings from Horse Races	2500	5000	30.00	30.00	30.00	30.00
* in case of resident only							
194C	Payments to Contractors						
	(1) In case of Contract/ Sub-Contract/ Advertising	20000 (Note 1)	30000	1.00	2.00	2.00	2.00
	(2) Contractor/ Sub-Contractor in Transport Business	20000 (Note 1)	30000	NIL (Note 2)	NIL (Note 2)	NIL (Note 2)	NIL (Note 2)
194D	Insurance Commission	5000	20000	10.00	10.00	10.00	10.00
194E	Non-Resident sportsman/ sports association	0	0	10.00	10.00	10.00	NA

194EE	Deposits under NSS to Resident/Non-Resident	2500	2500	20.00	20.00	20.00	NA
194F	Repurchase of Units of Mutual Fund/UTI from Resident / Non-Resident	0	0	20.00	20.00	20.00	NA
194G	Commission on Sale of lottery tickets to Resident / Non-Resident	1000	1000	10.00	10.00	10.00	10.00
194H	Commission or Brokerage to Resident	2500	5000	10.00	10.00	10.00	10.00
194I	Rent to Residents						
	(a) Rent for Machinery/ plant/equipment	120000	180000	2.00	2.00	2.00	2.00
	(b) Rent for other than in (a)	120000	180000	10.00	10.00	10.00	10.00

Note:-

1. This limit is for individual transaction. However, if aggregate payment to a contractor during the year exceed Rs. 50,000 (Rs. 75,000 w.e.f 1'st July, 2010), then tax will be required to be deducted, even where individual transaction is less than the threshold of Rs. 20,000 (Rs. 30,000 w.e.f. 1st July, 2010).

2. The Nil rate will be applicable if the transporter quotes his PAN. If PAN is not quoted the rate will be 20%. (Transporter means persons engaged in plying, hiring and leasing of Goods Carriages)

194J	Fees for professional / technical services to residents	20000	30000	10.00	10.00	10.00	10.00
194LA	Compensation to Resident on acquisition of immovable property	100000	100000	10.00	10.00	10.00	10.0
195	Payment of other sums to a non-resident		0	Rate specified under Part II of First Schedule of Finance Bill, 2010 subject to provisions of DTAA			
196B	Income from units (including long term Capital Gain on transfer of such units) to an offshore fund	0	0	10.00	10.00	10.00	10.00
196C	Income from foreign currency bonds or GDR of Indian Company	0	0	10.00	10.00	10.00	10.00

196D	Income of FII from securities not being dividend, long term and short term capital gain	0	0	20.00	20.00	20.00	20.00

Note:

In order to strengthen the PAN mechanism, it is proposed to make amendments in the Income Tax Act to provide that any person whose receipts are subject to deduction of tax at source i.e., the deductee, shall mandatorily furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates:

(i) the rate prescribed in the Act;

(ii) at the rate in force i.e., the rate mentioned in the Finance Act; or

(iii) at the rate of 20 percent

The above provisions will also apply in cases where the taxpayer files a declaration in form 15G or 15H (u/s 197A) but does not provide his PAN. Further, no certificate under section 197 will be granted by the Assessing Officer unless the application contains the PAN of the applicant.

TCS RATE FOR THE ASSESSMENT YEAR 2011-2012 (in %)
(TCS rates with effect from 1st April 2010)

Section	Nature of Payment	Threshold Limit (in Rs.)	Individual/ HUF/ BOI/ AOP	Firm	Co? operative Society / Local Authority	Company
206CA	Alcoholic liquor for human consumption and Indian made foreign liquor	0	1.00	1.00	1.00	1.
206CB/ CC/ CD	Timber obtained by any mode and any other forest produce	0	2.50	2.50	2.50	2.50
206CE	Scrap	0	1.00	1.00	1.00	1.00
206CF/ CG/ CH	Parking lot / toll plaza / mining and quarrying	0	2.00	2.00	2.00	2.00
206CI	Tendu leaves	0	5.00	5.00	5.00	5.00