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TDS Section 194A

Section 194A - Interest Other Than "Interest on Securities"

- **Sec.194A provides** provisions relating to Tax Deduction at Source from interest other than interest on securities.
- The provisions which are given in sec.194A shall apply ONLY to interest paid or credited TO RESIDENTS.
- In respect of payments of interest TO NON-RESIDENTS, the provisions are given under section 195.

- **Sec.194A** applies **only to INTERESTS, other than "Interest On Securities",**
  - Which are credited or paid
  - By the assessees other than individuals or HUFs not subject to tax audit under section 44AB in the immediately preceding financial year.

- **In other words,**
  - Individuals and HUFs subject to tax audit in the immediately preceding financial year,
  - Companies,
  - Firms,
  - Association of persons,
  - Local authorities and
  - Artificial juridical persons
  - are under a **Legal Obligation** to deduct tax at source in respect of the interest other than "interest on securities" paid by them.

- Tax is required to be deducted
  - either at the time of credit of such income to the payee's account
  - or at the time of payment,
  - whichever is earlier.

- In case of **TERM DEPOSITS** with banks or Cooperative Society and Housing Finance Companies, NO tax is required to be deducted **up to an aggregate interest of Rs.10,000/-.**
- The rate at which tax is to be deducted is 10%, both in the case of Resident Non-Corporate Assessees and Domestic Companies.

More clearly;

- The provisions of section 194A **SHALL NOT apply**
  - ✓ where the Interest Credited or Paid
  - ✓ **does not exceed Rs.10,000**
    - Where the **PAYER** is a **BANKING COMPANY** or a **COOPERATIVE SOCIETY** engaged in the business of banking or
    - Where the interest is on any deposit with **POST OFFICE** under any scheme framed by the Central Government and notified by it.

- In respect of **OTHER CASES,**
  - TDS provisions under section 194A **SHALL NOT apply**
  - where the interest credited or paid or likely to be credited or paid
  - during the financial year
  - **Does not exceed Rs.5, 000.**

In short;

Sec.	**Description**	**Threshold Amount Rs.**	**TDS rate If PAN provided**	**TDS rate if PAN not provided or Invalid PAN**
194A	Interest payable by the Banks	10,000	10%	20%
	Interest payable by the others	5,000	10%	20%

- Where any such interest is credited to **ANY ACCOUNT** in the books of account of the person liable to pay such income, such crediting is deemed to be credit of such income to the account of the payee and the tax has to be deducted at source.
  - o The account to which such interest is credited may be called “Interest Payable account” or “Suspense account” or by any other name.

The **Provisions of Section 194A shall Not Apply** in the **following cases** where

- **The Interest is credited or paid by A FIRM to the Partners of that firm;**

- **The Interest is credited or paid**
    - **TO** any **Banking Company** or
    - **TO** any **Financial Corporation** established by or under a Central, State or Provincial Act or
    - **TO Life Insurance Corporation Of India** or
    - **TO Unit Trust Of India** or
    - **TO** any **Company** or **TO Co-Operative Society** carrying on the business of insurance or
    - **TO** such other Institution, Association or Body or class of institutions, associations or bodies notified by the Central Government;

      In Short;
        - **NO** tax is required to be deducted in case of interest paid/credited **TO** any Banking Company/Financial Corporation, LIC, UTI, etc.

- **Interest credited or paid**
    - **By** a Co-Operative Society
        - **To** a member thereof or
        - **To** any other Co-operative Society;

- **Interest credited or paid in respect of**
    - deposits with
        - Primary Agricultural Credit Society or
        - a Primary Credit Society or
        - a Co-Operative Land Mortgage Bank or
        - a Co-Operative Land Development Bank;

- **Interest income credited or paid**
    - by the central government
    - under any provision of
        - **The Income-Tax Act,**
        - **The Estate Duty Act,**
        - **The Wealth-Tax Act** etc.;