CHANGES IN E-TDS/TCS RPU & FVU VALIDATION

Dear Sir/Madam,

It is proposed to release new version of NSDL Return Preparation Utility (RPU) and File Validation Utility (FVU) incorporating the below features:

Features of NSDL RPU

- Allow update in field in Form no. 27Q "Whether TDS rate of TDS is IT act (a) and DTAA (b)" where the tax has been deducted at higher rate.

- Incorporation section code:

    - "194LBA" & "194DA" have been added for below forms which will be applicable for a statement pertaining to FY 2014-15 & Q3 onwards.

    - Section code 194LBA will be applicable for Form 26Q and 27Q.

    - Section code 194DA will be applicable only for Form 26Q.

    - For section code "194LBA", select "4BA" from the dropdown of section code column in Annexure I sheet.

    - For section code "194DA", select "4DA" from the dropdown of section code column in Annexure I sheet.

- Latest FVU versions incorporating latest validations.

Features of FVU

- Incorporation section code"194LBA" & "194DA" for Form 26Q

- The said section codes will be applicable for TDS statement pertaining to FY 2014-15 (Q3 onwards).

Utilities incorporating the above features will be available for download at TIN website (www.tin-nsdl.com) from download section on December 20, 2014.

For any further queries/ feedback, kindly send email to tin_returns@nsdl.co.in

For and on behalf of Tax Information Network

Thanks,

- Sec.194LBA & 194DB inserted in The Finance (No. 2) Bill, 2014 dated 10.07.2014 as introduced in Lok Sabha.

Insertion of new section 194LBA.

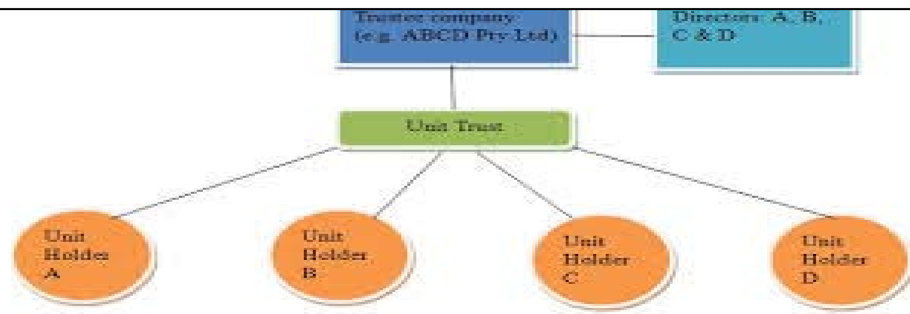
58. After section 194LB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of the October, 2014, namely:—

"194LBA. *Certain income from units of a business trust*.—

(1) Where any distributed income referred to in section 115UA, being of the nature referred to in clause (*23FC*) of section 10, is payable by a business trust to its unit holder being a resident, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent.

(2) Where any distributed income referred to in section 115UA, being of the nature referred to in clause (*23FC*) of section 10, is payable by a business trust to its unit holder, being a non-resident, not being a company or a foreign company, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of five per cent.".

ANALYSIS OF SECTION 194LBA



Sec	Particulars	Payable to	Event to deduct TDS	Who is responsible to deduct	Rate of TDS
194LBA (1)	Where any distributed income referred to in section 115UA, being of the nature referred to in clause (*23FC*) of section 10 is payable by a business trust to its unit holder	➢ To a resident	➢ At the time of credit of such payment to the account of the payee or ➢ At the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier	the person responsible for making the payment	10%
194LBA(2)		➢ To a non-resident, not being a company or ➢ A foreign company			5%

Insertion of new section 194DA.

57. After section 194D of the Income-tax Act, the following section shall be inserted with effect from the 1st day of October, 2014, namely:—

"194DA. *Payment in respect of life insurance policy*.— Any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (*10D*) of section 10, shall, at the time of payment thereof, deduct income-tax thereon at the rate of two per cent:

Provided that no deduction under this section shall be made where the amount of such payment or, as the case may be, the aggregate amount of such payments to the payee during the financial year is less than one hundred thousand rupees.(One Lacs rupees)".

ANALYSIS OF SECTION 194DA

Payable to	Event to deduct TDS	Who is responsible to deduct	The amount on which TDS Require to deduct	Rate of TDS	Exception of this sec.
To a resident	At the time of payment.	the person responsible for making the payment	➢ any sum under a life insurance policy, ➢ including the sum allocated by way of bonus on such policy	2%	1. The policies maturing on or before October 1, 2014. 2. If the Maturity amount is less than Rs.1Lakh. 3. Sum received on the death of the insured is still not taxable.

Note: If the policy payout is taxable and the person (non corporate) is non-resident, then effective rate of TDS under section 195 of Income Tax Act will be applicable.

Before Change made in Budget 2014	Change Made in Budget 2014	Text of the Amendment
➢ Currently, under section 10(10D) any sum received from life insurer is not taxable if the premium paid **does not exceed 10% of the sum assured**. ➢ Taxpayer would be liable only if he has paid premium more than 10% of the sum assured in any financial year. In that case the sum received would be added to his **income under the head "Income from Other Sources" and taxed as per the slab**.	➢ Since there was no TDS, many taxpayers used to avoid the tax by not disclosing it in ITR. ➢ To overcome this issue Finance Minister in Budget has proposed to insert a new section 194DA under which **TDS of 2%** would be deducted by the insurer on the proceeds of life insurance policy (for both unit-linked insurance plans and traditional plans), if the premium paid by assessee **exceeds 10% of the sum assured in any financial year.** ➢ The deduction will be made on the entire amount including any sum allocated by the way of bonus. ➢ However, only the policies maturing on or after October 1, 2014 will come under the purview of this amendment. ➢ Also, the **TDS will not be attracted if the maturity amount is less than Rs. 1 lakh**. Sum received on the death of the insured is still not taxable.	"In order to have a mechanism for reporting of transactions and collection of tax in respect of sum paid under life insurance policies which are not exempted under section 10(10D) of the Act, it is proposed to insert a new section in the Act to provide for deduction of tax at the rate of **2 per cent on sum paid under a life insurance policy, including the sum allocated by way of bonus, which are not exempt under section 10(10D) of the Act**."