19

DEDUCTION AND COLLECTION OF TAX AT SOURCE

<table>
<tr><th>Section</th><th colspan="2">TDS Provisions</th></tr>
<tr><td>192</td><td>TDS on Salaries</td><td><u>Deductor</u> – Any Person.
<u>Deductee:</u> Resident or Non-resident
<u>Time of Deduction</u> – At the time of payment.
<u>Rate of TDS</u> – Slab rate applicable to the estimated income of the employee.
<u>Note:</u>
- Income from previous employer may be considered.
- Relief u/s 89(1) shall also be considered while deducting TDS.
- Income from all sources, other than salary, may be considered. And any TDS thereon shall also be considered.
- Only loss under the head house property shall be taken into account for the purpose of TDS.</td></tr>
<tr><td>193</td><td>TDS on Interest on Securities</td><td><u>Deductor</u> – Any Person.
<u>Deductee</u> – Resident
<u>Time of Deduction</u> – At the time of credit or payment, whichever is earlier.
<u>Note:</u>
TDS shall not be deducted in following cases:
- Interest paid to resident individual, on listed debentures of widely held company, by account payee cheque of an amount not exceeding Rs. 2,500/- during a Financial Year.
- Interest payable on Central Govt. or State Govt. Securities except where the interest paid exceeds Rs. 10,000 in case of 8% Saving (Taxable Bonds), 2003 during a Financial Year.
- Interest paid to LIC, GIC or any other insurer, in respect of securities owned by it or held by it as beneficiary.</td></tr>
<tr><td>194</td><td>TDS on Dividend</td><td>Since dividend under section 115-O are exempt in the hands of shareholders, therefore, NO TDS is required to be deducted, except on deemed dividend under section 2(22)(e).</td></tr>
<tr><td>194A</td><td>TDS on interest other than “Interest on Securities”</td><td><u>Deductor</u> – Any Person, [other than individual or HUF (not liable to tax audit)].
<u>Deductee</u> – Resident
<u>Time of Deduction</u> – At the time of credit or payment, whichever is earlier.</td></tr>
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<tr><td></td><td></td><td><u>Note:</u>
TDS shall not be deducted in following cases:
- Interest paid does not exceed:
(a) Rs. 10,000/- where payer is Banking Company.
(b) Rs. 10,000/- where payer is a Co-operative Society Bank.
(c) Rs. 10,000/- on deposit with post office.
(d) Rs. 5,000/- in any other case.
- Interest is credited or paid by the firm to its partner.</td></tr>
<tr><td>194B</td><td>TDS on winning from lottery or crossword puzzle or card game and other game of any sort</td><td><u>Deductor</u> – Any Person.
<u>Deductee</u> – Any person
<u>Time of Deduction</u> – At the time of payment.
<u>Rate of TDS</u> – 30%
<u>Note:</u>
- No TDS where amount does not exceed Rs. 5,000/- during a Financial Year.
- In a case where:
(i) the winnings are wholly in kind or
(ii) partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of the winnings,
the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the winnings.</td></tr>
<tr><td>194BB</td><td>TDS on Winning from Horse Race</td><td><u>Deductor</u> – Any Person being the holder of license for the horse racing
<u>Deductee</u> – Any person
<u>Time of Deduction</u> – At the time of payment.
<u>Rate of TDS</u> – 30%
<u>Note:</u>
- No TDS where amount does not exceed Rs. 2,500/- during a Financial Year.</td></tr>
<tr><td>194C</td><td>TDS on payment to contractors and sub-contractors</td><td><u>Deductor</u> – Any Person, [other than individual or HUF (not liable to tax audit)].
<u>Deductee</u> – Any resident
<u>Time of Deduction</u> – At the time of credit or payment, whichever is earlier.
<u>Rate of TDS</u>
• In case of contractor:
– 1% in case of advertising
– 2% in any other case

• In case of sub-contractor: 1% in all cases.

<u>Note:</u>
- No TDS where amount payable does not exceed:
• Rs. 20,000/- in case of a single contract.
• Rs. 50,000/- in case of aggregate of contracts during a Financial Year.</td></tr>
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		- **No TDS** is required to be deducted **by individual or HUF** under a contract for **personal purpose**, even if he is subject to tax audit.
194D	**TDS on Insurance Commission**	Deductor – **Any Person** Deductee – **Any resident** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. **Note:** - **No TDS** where amount **does not exceed Rs. 5,000/-** during a Financial Year.
194E	**TDS on payment to non-resident sportsmen or sportsmen association**	Deductor – **Any Person** Deductee – **Any non-resident sportsmen not citizen of India and non-resident sports association** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10%**.
194G	**TDS on commission, etc. on the sale of lottery tickets**	Deductor – **Any Person** Deductee – **Any person** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10%**. **Note:** - **No TDS** where amount **does not exceed Rs. 1,000/-** during a Financial Year.
194H	**TDS on Commission (other than insurance commission) or Brokerage**	Deductor – **Any Person, [other than individual or HUF (not liable to tax audit)].** Deductee – **Any resident** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10%**. **Note:** - **No TDS** where amount **does not exceed Rs. 2,500/-** during a Financial Year. - **No TDS is required to be deducted by BSNL or MTNL** on commission or brokerage paid to their PCO franchisees. - Commission to employees and employee directors will form part of salary income and is liable to TDS under section 192 of the Act and not under this section.
194-I	**TDS on rent**	Deductor – **Any Person, [other than individual or HUF (not liable to tax audit)].** Deductee – **Any resident** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10% for the use of any machinery or plant or equipment;**

		– 15% for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings where the payee is an individual or a HUF; and **– 20% for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings where the payee is a person other than an individual or a HUF.** **<u>Note:</u>** - **No TDS** where amount **does not exceed Rs. 1,20,000/-** during a Financial Year. - **"rent" means any payment, by whatever name called, under any lease, sublease, tenancy or any other agreement or arrangement for the use of (either separately or together) any,** (*a*) land; or (*b*) building (including factory building); or (*c*) land appurtenant to a building (including factory building); or (*d*) machinery; or (*e*) plant; or (*f*) equipment; or (*g*) furniture; or (*h*) fittings, **whether or not any or all of the above are owned by the payee.** - **TDS should also be deducted on advance rent, warehousing charges and non–refundable deposits.**
194J	**TDS on:** - **fees for professional services, or** - **fees for technical services, or** - **royalty, or** - **any sum referred to in clause (va) of section 28 i.e., non-compete fees**	<u>Deductor</u> – **Any Person, [other than individual or HUF (not liable to tax audit)].** <u>Deductee</u> – **Any resident** <u>Time of Deduction</u> – At the time of **credit or payment,** whichever is **earlier**. <u>Rate of TDS</u> – **10%**. **<u>Note:</u>** - **No TDS** where amount **does not exceed Rs. 20,000/-** during a Financial Year **for each type of payment.** - If any fees is paid through regular banking channels to any chartered accountant, lawyer, advocate or solicitor who is resident in India by the non-residents who do not have any agent or business connection in India, then no TDS is required to be deducted on such fees. - **No TDS** is required to be deducted **by individual or HUF** for **professional fees** paid for **personal purpose**, even if he is subject to tax audit.
194K	**TDS on income in respect of Units**	Income from units of Mutual Funds and units of UTI is **exempt** from tax in the hands of the unit holder under section 10(35) and consequently **no tax at source has to be deducted.**

194LA	**Payment of compensation on compulsory acquisition of any immovable property (Other than agricultural land)**	Deductor – **Any Person.** Deductee – **Any resident** Time of Deduction – At the time of **payment.** Rate of TDS – **10%**. **Note:** - **No TDS** where amount **does not exceed Rs. 1,00,000/-** during a Financial Year.
195	**TDS on any interest or other sum chargeable under the I.T. Act other than salaries**	Deductor – **Any Person.** Deductee – **Non-resident or a foreign company** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**.
196A	**TDS on income in respect of units of Non-resident**	Since income from units is **exempt** under section 10(35), **no TDS** is required to be deducted.
196B	**TDS on LTCG from Units referred to in Section 115AB**	Deductor – **Any Person.** Deductee – **Offshore Fund** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10%** on LTCG referred to in section 115AB. **Note:** - Income on units referred to in section 115AB is **exempt** under section 10(35) and hence, **no TDS.** - **No TDS** shall be deducted on Long term capital gains **exempt under section 10(38).**
196C	**TDS on Income from foreign currency bonds or shares of Indian company**	Deductor – **Any Person.** Deductee – **Non-resident** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **10%** on interest income or LTCG in respect of Bonds and GDR referred to in section 115AC. **Note:** - Dividend income on GDR is **exempt under section 10(34)** and therefore **no TDS** on such dividend.
196D	**TDS on income of foreign institutional investors from securities**	Deductor – **Any Person.** Deductee – **FIIs** Time of Deduction – At the time of **credit or payment,** whichever is **earlier**. Rate of TDS – **20%** on interest income in respect of securities referred to in section 115AD. **Note:** - Dividend income is **exempt under section 10(34)** and therefore, **no TDS** on such dividend income. - **No TDS** is to be deducted on **LTCG or STCG** on transfer of securities referred to in section 115AD.

Note 1: ***The rates of TDS shall be increased by surcharge of 10% and education cess of 3% for assessment year 2008-09 in case the payee is other than an individual or HUF and the payment made or to be made to payee and which is subject tax deduction during the Financial Year exceeds Rs. 1 crore. The rates of TDS shall be increased by 10% and education cess of 3% in case the payee is an individual or HUF and the payment made or to be made to the payee and which is subject to tax deduction during the financial year exceeds Rs.10, 00,000/-.***

Where the payment to be made to the individual or HUF which is subject to tax deduction does not exceed Rs. 10,00,000/-, the rate of TDS shall be increased by education cess of 3%.

In case the payee is a foreign company, the rate of TDS shall be increased by surcharge of 2.5% and education cess of 3% if payment made or to be made to the payee and which is subject to tax deduction during the Financial Year exceeds Rs. 1 crore.

Note 2: Where any income is **credited** to any account, whether called **"Suspense Account"** or by any other name, in the books of account of the person liable to pay such income, such crediting shall be **deemed to be credit of such income to the account of the payee.**

TIME LIMITS

Tax deducted at source is required to be paid to the credit of the Central Government within the time given below-

Different Situation	Time limit for deposit of tax
When payer is the Government or when payment is made on behalf of the Government.	**Same day**
When tax is deducted by a person other than Government under sections 193, 194A, 194C, 194D, 194E, 194G, 194H, 194-I, 194J, 195, 196A, 196B, 196C and 196D and the amount is **credited to the account of the recipient as on the last date of the accounting year.**	Within **two months** from the last date of the accounting year.
Any other case	Within **one week** from the last date of the month in which tax deduction is made.

Quarterly return is also required to be furnished within 15 days from the end of the quarter.

SECTION 201: CONSEQUENCES OF FAILURE TO DEDUCT OR PAY TDS

(1) Deemed to be an assessee in default in respect of the tax. Consequently he shall be liable to pay interest under section 220 and penalty under section 221 for being an assessee in default.

(1A) Without prejudice to the provisions of sub-section (1), he shall be liable to pay simple interest at **1% per month or part of the month** on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid and **such interest shall be paid before furnishing the quarterly return of TDS.**

(2) Where the tax has not been paid as aforesaid after it is deducted, the amount of the tax together with the amount of simple interest thereon referred to in sub-section (1A) shall be a charge upon all the assets of the person, referred to in sub-section (1).

SECTION 276B: PROSECUTION

- If a person fails to pay the TDS deducted by him,
- then he shall be punishable with rigorous imprisonment
- for a term which **shall not be less than three months**
- but which **may extend to seven years** and **with fine**.

SECTION 206C: TAX COLLECTION AT SOURCE

SECTION 206C(1): PROFIT AND GAINS FROM BUSINESS OF TRADING IN ALCOHOLIC LIQUOR, FOREST PRODUCE, SCRAP, ETC.

- Every person, being a seller shall,
- at the time of debiting of the amount payable by the buyer to the account of the buyer, or
- at the time of receipt of such amount from the said buyer,
- whichever is earlier,
- collect from the buyer,
- a sum equal to the following percentage of the purchase price, as income-tax:

	Nature of goods	*Percentage of Purchase Price*
(i)	Alcoholic liquor for human consumption	1 %
(ii)	Tendu leaves	5 %
(iii)	Timber obtained under a forest lease	2.5 %
(iv)	Timber obtained by any mode other than under a forest lease	2.5 %
(v)	Any other forest produce not being timber or tendu leaves	2.5 %
(vi)	Scrap	1 %

SECTION 206C(1C)

Every person, who grants a lease or a licence or enters into a contract or otherwise transfers
- any right or interest in any parking lot or toll plaza or mine or quarry
- to another person, other than a public sector company (herein after called as “Licencee or Lessee”)
- for the **use of such parking lot** or **toll plaza** or **mine or quarry** for the purposes of business
- shall,
- at the time of **debiting** of the amount payable by the licencee or lessee to the account of the licencee or lessee
- or at the time of **receipt** of such amount from the licencee or lessee,
- **whichever is earlier,**
- collect from the licencee or lessee.
- **2% of of such amount as income-tax.**