# TAX DEDUCTED AT SOURCE

## *Introduction to TDS:-*

TDS is one of the modes of collection of taxes, by which a certain percentage of amounts are deducted by a person at the time of making/crediting certain specific nature of payment to the other person and deducted amount is remitted to the Government account. It acts as a powerful instrument to prevent tax evasion as well as expands the tax net.

## *Who will deduct TDS:-*

Every person responsible for making payment of nature covered by TDS provisions of Income Tax Act shall be responsible to deduct tax.However in case of payments made under sec. 194A, 194C, 194H, 194I and 194J in respect of individual and HUF, only if the turnover or professional receipt exceeds sum of Rs. 40 lakh or Rs. 10 lakh respectively (the limits will be Rs.60 Lakh or Rs. 15 Lakh respectively w.e.f. 01.07.2010) in previous year, he is required to deduct tax at source.

### *Important aspects to be remembered at the time of deduction of TDS:-*

1. Every deductor is required to obtain a unique identification number called TAN (Tax Deduction Account Number) which is a ten digit alpha numeric number e.g.DELH90468K. That TAN number is disclosed at every time towards all matters of TDS by the deductor.
2. Deductor should obtain pan number of the person while he was deducting the amount.
3. Deduction should be done at the specified rate in the income tax act 1961.
4. If Pan is not available deduction is to be done as per provisions dealing that situation

   All that provisions that deal each situations of TDS are explained below

### *TDS Rate on Payment of Salary and Wages:-*

| **Section 192** | **Payment of Salary and Wages** |
|---|---|
| Criterion of Deduction | TDS is deducted if the estimated income of the employee is taxable.<br><br>Employer must not deduct tax on non-taxable allowances like conveyance allowance, rent allowance, medical allowance and deductible investments under sections like 80C, 80CC, 80D, 80DD, 80DDB, 80E, 80GG and 80U.<br><br>No tax is required to be deducted at source if the estimated total income of the employee is less than the minimum taxable income (Rs. 2,20,000/- in case of Individual, HUF, AOP, BOD and AJP. Nil for others.) |

***TDS Rates on Payments other than Salary and Wages to Residents (including domestic companies):-***

| Section | For Payment of | On Payments Exceeding | Individual/HUF | Others |
|---|---|---|---|---|
| **193** | Interest on Debentures | Rs. 5000/- | 10% | 10% |
| **194** | Deemed Dividend | No minimum | 10% | 10% |
| **194 A** | Interest other than on securities by banks | Rs. 10000/- | 10% | 10% |
| **194 A** | Interest other than on securities by others | Rs. 5000/- | 10% | 10% |
| **194 B** | Winnings from Lotteries / Puzzle / Game | Rs. 10000/- | 30% | 30% |
| **194 BB** | Winnings from Horse Race | Rs. 5000/- | 30% | 30% |
| **194 C (1)** | Payment to Contractors | Rs. 30000/- for single payment | | |
| **194 C (2)** | Payment to Sub-Contractors / for Advertisements | Rs. 75000/- for aggregate payment during Financial Year | 1% | 2% |
| **194 D** | Payment of Insurance Commission | Rs. 20000/- | 10% | 10% |
| **194 EE** | Payment of NSS Deposits | Rs. 2500/- | 20% | NA |
| **194 F** | Repurchase of units by Mutual Funds / UTI | Rs. 1000/- | 20% | 20% |
| **194 G** | Commission ons Sale of Lottery tickets | Rs. 1000/- | 10% | 10% |
| **194 H** | Commission or Brokerage | Rs. 5000/- | 10% | 10% |
| **194 I** | Rent of Land, Building or Furniture | Rs. 180000/- | 10% | 10% |
| | Rent of Plant & Machinery | Rs. 180000/- | 2% | 2% |
| **194 IA** | Transfer of Immovable Property (w.e.f. 01.06.2013) | Rs. 50 lacs | 1% | 1% |
| **194 J** | Professional / technical services, royalty | Rs. 30000/- | 10% | 10% |
| **194 J (1)** | Remuneration / commission to director of the company | - | 10% | 10% |
| **194 J (ba)** | Any remuneration / fees / commission paid to a director of a company, other than those on which tax is deductible u/s 192. | - | 10% | 10% |
| **194 L** | Compensation on acquisition of Capital Asset | Rs. 100000/- | 10% | 10% |
| **194 LA** | Compensation on acquisition of certain immovable property | Rs. 200000/- | 10% | 10% |

## ***Other miscellaneous topics relating to TDS:-***

**The tax deducted has to be deposited in the designated banks within specified time.** (Govt. deductors shall transfer the tax deducted through book entry in Government account).This is detailed below:

- By or on behalf of the Government: **on the same day**,

- By or on behalf of any other person: **before the 7th of the following month.**

However, if the amount is credited in the books on 31st March then the tax should be remitted by 31st May.

Note: w.e.f., 01.04.2008 **electronic payment** of tax has to be done by **all corporate assesses** and all persons whose cases are auditable under section 44B.

***The due dates for filing of TDS/TCS statement are :-***

**15th of July** for **Quarter 1,**

**15th of October** for **Quarter 2,**

**15th of January** for **Quarter 3** and

**15th June for last Quarter** however for TCS statements the due date is **30th April.**

Specific forms are to be used by deductor at the time of filing the return they are:

Form 24Q for salaries

Form 26Q for non salaries

Form 27EQ for TCS

Form 27A/27B Control sheet for electronic TDS/TCS

**It may be noted that the following persons have to compulsorily file e-TDS /e-TCS statements**

- All government offices/Departments
- All companies /corporations
- All persons whose cases are auditable
- All persons whose TDS statements contain more than 50 deductees.