

Introduction:

To check evasion of tax and for collecting tax on the income at the time of its accrual or receipts to the assessee, the government has made provisions to collect tax at source. Under these provisions, the person responsible for making payment or receipts of incomes covered under the Chapter XVII-B and XVII-BB respectively, is charged with a liability to deduct or collect tax at source and deposit the same to the government treasury within the stipulated time.

Surcharge and Education Cess on TDS Rates prescribed:

Generally, NO surcharge and cess are added on the TDS rates prescribed.

Where payment is made to Residents [i.e. Resident Payee/deductee]

- NO Surcharge or Education Cess or SHEC shall be added on the TDS rates prescribed.
- However, for TDS on salary, where total income of the payee exceeds ₹ 50 lakh but does not exceed ₹ 1 crore of the payee, surcharge @ 10% will be added; but if total income exceeds ₹ 1 crore, surcharge @ 15% will be added

Also, Education Cess and SHEC are to be added in case of TDS on Salary paid (any amount).

Where payment is made to Non - Residents (other than Foreign Company)

- (A) In case of non-resident, being an individual or HUF or AOP or BOI or artificial juridical person –
- Where the payment made or to be made, subject to tax deduction during the year, exceeds ₹ 50 lakh but does not ₹ 1 crore – Surcharge @ 10% will be added on rate of TDS.
 - Where the payment made or to be made, subject to tax deduction during the year, exceeds ₹ 1 crore – Surcharge @ 15% will be added on rate of TDS.
- (B) In case of non-resident, being a co-operative society or a firm –
- Where the payment made or to be made, subject to tax deduction during the year, exceeds ₹ 1 crore – Surcharge @ 12% will be added on rate of TDS.

Also, Education Cess and SHEC is to be added in all cases (i.e. any amount).

Where payment is made to Foreign Company:

Surcharge

- (i) @ 2% will be added on TDS, where the payment made or to be made and subject to tax deduction during the Financial Year exceeds ₹ 1 crore but does not exceed ₹ 10 crores; or
- (ii) @ 5% will be added on TDS, where the payment made or to be made and subject to tax deduction during the Financial Year exceeds ₹ 10 crores.

Education Cess and SHEC is to be added in all cases (i.e. any amount).

TDS where income is payable in Foreign currency: [Rule 26]

For the purpose of deduction of tax at source on any income payable in foreign currency, the rate of exchange for calculating the rupee value of such income shall be the **telegraphic transfer buying rate** of

such currency **as on the date on which the tax is required to be deducted at source** under the provisions of Chapter XVIIIB (i.e. Deduction of tax at source) by the person responsible for paying such income.

No TDS on 'GST on Services Component' on payments made to Residents:

[Circular No. 23/2017]

Wherever in terms of the agreement between the payer and payee, the component of 'GST on Services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XVII-B on the amount paid/payable without including such 'GST on Services' component. GST for these purposes shall include IGST, CGST, SGST & UGST.

TDS Provisions
[Chapter XVII-B]

Sec. 192: TDS on Salaries:

By any Employer → To Employees (Resident or Non-resident)

Time of deduction: At the time of payment, i.e. as and when salary is paid.

Rate of TDS: At the average income-tax rate computed on the basis of rates in force for the financial year in which payment is made, on the estimated total income of the employee.

Tax is **not deductible**, if the **estimated** income of an employee **does not exceed basic exemption limit**.

POINTS TO NOTE:

- The employee may at his option, furnish statement of his other incomes and any tax deducted thereon to his employer on a plain paper. In such case, the employer shall deduct tax considering the incomes from other heads also as verified in the statement filed by the employee, but **no losses shall be considered other than the loss under the head "Income from House Property"**.

However, the resultant tax deductible at source cannot be less than the amount that would have been deductible if such other income and tax deducted thereon had not been taken into account, except in case when loss under the head "Income from House Property" has been considered.

[Section 192(2B) read with Rule 26B]

- Relief u/s 89(1) shall also be considered while deducting TDS on a declaration being filed by the employee in Form 10E.
- Employer should take into consideration amount deductible u/s 80C, 80CCC, 80CCG, 80D, 80DD, 80E, 80GG, 80TTA and 80U. The employer should not give any deduction in respect of donation given by an employee to a notified public charitable institute u/s 80G. However, where donations / contributions are made to other funds (e.g., the Prime Minister's Drought Relief Fund, the National Children's Fund, etc.) deduction should be allowed.
- The employer shall, for the purposes of estimating income of the assessee or computing tax deductible, obtain from the assessee the evidence or proof or particulars of prescribed claims (including claim for set-off of loss) under the provisions of the Act in such form and manner as may be prescribed.

[Inserted by Finance Act, 2015]

ANALYSIS:

The employer is under a duty to obtain the necessary evidence or proof from the employee in support of the claims made by him. However, employer is not expected to step into the shoes of the A.O. and verify the genuinity of the evidence or the proof submitted. Employer's duty would be limited to collection of necessary evidence and to exercise reasonable care.

- When a person is employed by two or more employers during the financial year, tax will be deducted by each employer separately. However, the employee is under obligation to declare salary received (and tax deducted thereon) from other employers **to one of the employers in Form no. 12B**. The employer to whom Form No. 12B is submitted shall deduct tax on the aggregate salary of such employee.
- The employer should also give a statement of perquisites/profits in lieu of salary in **Form No. 12BA** (if salary exceeds ₹ 2,50,000).
- TDS certificate will be given to the employee in **Form No. 16** annually on or before 15th June after the end of financial year.

Furnishing of evidence of claims by employee for deduction of tax under section 192 [Notification No.30/2016 dated 29.4.2016]:

New Rule 26C has been inserted in the Income-tax Rules, 1962, with effect from 1st June, 2016, to require furnishing of evidence of the following claims by an employee to the person responsible for making payment under section 192(1) in Form No.12BB for the purpose of estimating his income or computing the tax deduction of tax at source:

Nature of Claim	Evidence or particulars
1. House Rent Allowance	Name, address and PAN of the landlord(s) where aggregate rent paid during the previous year exceeds ₹ 1 lakh.
2. Leave Travel Concession or Assistance	Evidence of expenditure
3. Deduction of interest under the head "Income from house property"	Name, address and PAN of the lender
4. Deduction under Chapter VI-A	Evidence of investment or expenditure.

Tax on Non-Monetary perquisites:

Sec. 192(1A): The person responsible for paying any income by way of a non-monetary perquisite referred to in section 17(2), may pay, at his option, tax on the whole or part of such income without making any deduction therefrom at the time when such tax was otherwise deductible under the provisions of section 192(1).

Sec. 192(1B): The tax payable by employer u/s 192(1A), shall be determined at the average of income-tax computed on the basis of the rates in force for the financial year, on the income chargeable under the head "Salaries" including the income referred to in sub-section (1A), and the tax so payable shall be construed as if it were a tax deductible at source from the income under the head "Salaries".

NOTE: As per sec. 10(10CC), any income by way of the tax on the non-monetary perquisites paid by the employer shall be exempt in the hands of the employee.

Sec. 192A: TDS on Pre-mature withdrawal from accumulated balance of RPF by the Employee: Rate 10 %

Trustees of the Employees' Provident Fund Scheme, 1952

or Any Person authorized under the scheme

→ To any employee covered under RPF

Time of Deduction: At the time of payment.

Payment covered: "Taxable pre-mature withdrawal" from the accumulated balance due to an employee participating in a Recognised Provident Fund (RPF) includible in his total income owing to the non-applicability of Rule 8 of Part A of the Fourth Schedule. [Refer the **ANALYSIS** given below]

Tax is **not deductible** if "taxable pre-mature withdrawal" is less than ₹ 50,000.

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

The person entitled to receive such amount shall **furnish his PAN**, otherwise tax shall be deducted at the **MMR** (i.e. 35.535% for P.Y. 2017-18).

To reduce the compliance burden of such employees, the facility of making self-declaration for non-deduction of TDS u/s 197A has been extended to payments covered u/s 192A i.e. Form 15G or 15H, as the case may be, can be furnished for non-deduction of TDS if the conditions of Sec. 197A are met.

ANALYSIS:

Under Rule 8 of Part A of the Fourth Schedule to the income tax Act, 1961, the withdrawal of accumulated balance by an employee from the RPF is exempt from tax. But, for the purpose of discouraging pre-mature withdrawal and promoting long term savings, if the employee makes withdrawal **before continuous service of 5 years (other than the cases of termination due to ill health, contraction or discontinuance of business, cessation of employment or any cause beyond the control of employee)** and does not opt for transfer of accumulated balance to new employer, the withdrawal would be subject to tax. Therefore, section 192A provides for deduction @ 10% on such premature withdrawal of amounts by the employee.

Sec. 193: TDS on Interest on Securities Rate 10 %

Any Person → To Residents holding securities.

Time of Deduction: At the time of credit or payment, whichever is earlier.

No TDS on any INTEREST payable:

- a) on 4¼% National Defence Bonds 1972, where the bonds are held by an individual not being a non-resident;
- b) on 4¼% National Defence Loan, 1968 or 4¾% National Defence Loan, 1972, where the interest is payable to an individual;
- c) on National Development Bonds;
- d) on 7-year National Savings Certificates (IV Issue);
- e) on debentures issued by any institution or authority or any public sector company or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as notified by the Central Government;

- f) on 6½% Gold Bonds, 1977 or 7% Gold Bonds, 1980, where the bonds are held by an individual (other than a non-resident), provided that the holders of the bonds make a written declaration that the total nominal value of the bonds held by him or on his behalf did not in either case exceed ₹ 10,000 at any time during the period to which the interest relates;
- g) on **any debenture** issued by a company in which public are substantially interested, provided that the interest is paid
 - to a **resident individual or resident HUF**,
 - by an **account payee cheque**; and
 - the aggregate amount of such interest paid or likely to be paid to such resident individual or resident HUF does **not exceed ₹ 5,000** during the financial year.
- h) on Central Government or State Government Securities. (But interest exceeding ₹ 10,000 on 8% Savings (Taxable) Bonds known as Relief bonds shall be subject to TDS);
- i) to LIC, GIC or any other insurer, in respect of securities owned by it or held by it as beneficiary.
- j) on any listed security held in dematerialized form.

Sec. 194: TDS on Dividend Rate 10%

Since dividend u/s 115-O is **exempt** in the hands of shareholders, **no TDS is required to be deducted**. However, **deemed dividend u/s 2(22)(e)** is taxable in the hands of shareholder and the **domestic company** is required to deduct TDS on the same if paid **to a resident shareholder**.

Sec. 194A: TDS on Interest Other than “Interest on Securities” Rate 10 %

Any person [But, individual/HUF, only if sales or gross receipts of his business/profession exceed the limits under clause (a) or (b) of section 44AB in the immediately preceding financial year]

→ **To any Resident**

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

NO TDS on following payments:

- Interest paid (on time deposits *including recurring deposits, w.e.f. 1st June, 2015*) does not exceed:
 - **₹ 10,000**, where the payer is a **Banking Company or a Co-operative Bank or in respect of deposit with Post Office under notified schemes**.
 - **₹ 5,000 in any other case**.

In case of Banking Company or Co-operative Bank or public company, the aforesaid amount shall be computed with reference to the income credited or paid by a **branch** of such Bank or public company as the case may be.

However the aforesaid amount shall be computed with reference to the income credited or paid by banking company or the co-operative society or the public company, as the case may be, (**i.e. payment made as a whole and not branch wise**) where such banking company or the co-operative society or the public company has adopted **core banking solutions**.

- Interest is credited or paid **to any** Banking company, Co-operative bank, PFI, LIC, UTI, an insurance company or co-operative society carrying on Insurance business, or **notified institutions**. India

Infrastructure Finance Limited, Rural Electrification Corporation Limited, and National Skill Development Fund have been notified.

- **Interest is credited or paid by the firm to its partner.**
- Interest is credited or paid by a co-operative society (*other than a co-operative bank*) to its members or interest is credited or paid by any co-operative society (including a Co-operative Bank) to any other Co-operative society.
- Interest on deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank.
- Interest on Zero Coupon Bond.
- Interest paid by Government under Income Tax Act or Wealth Tax Act.
- Income **credited** by way of interest on compensation amount awarded by **Motor Accident Claim Tribunal**.
- Income **paid** by way of interest on compensation amount awarded by **Motor Accident Claim Tribunal**, where the aggregate amount of such **income paid during the financial year does not exceed ₹ 50,000**.
- Interest is credited or paid in respect of deposits under the schemes of Post Office (Time Deposit), Post Office (Recurring Deposits), Post Office Monthly Income Account, Kisan Vikas Patra, National Saving Certificates VIII issue, and Indira Vikas Patra.
- Interest on Saving Account with banks or co-operative banks.
- Income referred to in Sec. 10(23FC)(a) i.e. Interest income of business trust received or receivable from special purpose vehicle.

POINTS TO NOTE:

1. The definition of 'time deposits' in section 194A has been amended to **include "recurring deposits" for tax deduction u/s 194A by Finance Act, 2015 w.e.f. 1st June 2015**. Thus, now TDS will be deducted on interest on recurring deposits also by the Banking Company or a Co-operative Bank.
2. **Interest on Time Deposit by Bank on daily/monthly basis in Core-branch Banking Solutions (CBS) software. [Circular No.3/2010 dated 02.03.2010]**
Section 194A will not apply in cases of banks, where credit is made to provisioning account on daily/monthly basis only for the purpose of macro monitoring by the use of CBS software, since no constructive credit to the depositor's/payee's account takes place while calculating interest on time deposits on daily or monthly basis in the CBS software used by banks. In such cases, tax shall be deducted at source on accrual of interest at the end of financial year or at periodic intervals, as per practice of the bank.

Practical Question:

Maya Bank credited ₹ 73,50,000 towards interest on the deposits in a separate account for macro-monitoring only by using Core-branch Banking Solutions (CBS) software. No tax was deducted at source in respect of interest on deposits so credited even where the interest in respect of some deposits exceeded the limit of ₹ 10,000. The Assessing Officer disallowed the entire interest expenditure where the interest on time deposits credited exceeded the limit of ₹ 10,000 and also levied penalty under section 271C.

Decide the correctness of action of the Assessing Officer.

[CA Final May 2011]

Solution:

Explanation to Section 194A provides that where any interest income (other than interest on securities) is credited to any account, whether called 'Interest payable account' or '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 and provisions of section 194A shall apply accordingly.

However, CBDT vide Circular No. 3/2010 dated 02.03.2010 has clarified that **Explanation to section 194A will not apply** in cases of banks where credit is made to provisioning account on daily/monthly basis for the purpose of macro monitoring only by the use of CBS software, since no constructive credit to the depositor's / payee's account takes place while calculating interest on daily / monthly basis in the CBS software used by banks. In such cases, tax shall be deducted at source on accrual of interest at the end of the financial year or at periodic intervals as per practice of the bank or as per the depositor's or payee's requirement or on maturity or on encashment of time deposit, whichever event takes place earlier.

In view of above, the action of the A.O. in disallowing the interest expenditure credited in a separate account for macro monitoring purpose is not valid and consequent penalty proceedings are also not tenable in law.

Judicial Decisions:

UCO Bank v. Dy. CIT (2014) 369 ITR 335(Delhi)

Tax is not required to be deducted on the deposits in banks in the name of the Registrar General / Prothonotary and Senior Master attached to the Supreme Court / High Court during pendency of litigation of claim/compensation.

Facts: The assessee-bank accepted ₹ 707.46 lakhs as fixed deposit in the name of Registrar General of the High Court and issued a fixed deposit receipt in compliance with a direction passed by the court in relation to certain proceedings.

Later on, the Assistant Commissioner of Income-tax issued a show cause notice to the bank for non-deduction of TDS on the interest accrued and to show cause as to why it should not be treated as an assessee-in-default u/s 201(1)/201(1A). The bank replied that the FDRs were in the name of Registrar General of the Court who was simply held it as a custodian and the actual beneficiary was unknown as the matter was before the judge. The bank further added that tax at source would be deducted when the payment is made to beneficiary as and when it is decided by the court. The Assistant Commissioner, not being satisfied with the assessee's reply, passed an order treating the bank as assessee-in-default and raised a demand u/s 201(1) and 201(1A). He also initiated penalty proceedings u/s 271C.

Decision: The High Court opined that the actual payee is not ascertainable and the person in whose name the interest is credited is not a person liable to pay tax under the Act. The deposits kept with the bank under the orders of the court were, essentially, funds which were in custodia legis, that is, funds in the custody of the court. **The interest on that account was also part of funds under the custody of the Court although it was credited in the name of the Registrar General.**

The High Court observed that in the absence of a payee, the machinery provisions for deduction of tax to his credit are ineffective. The expression "payee" u/s 194A would mean the recipient of income whose account is maintained by the person paying interest. The Registrar General is neither recipient of the amount credited to his account nor to interest accruing thereon. **Therefore, he cannot be considered as a**

“payee” for the purposes of section 194A. Thus, the credit by the bank in the name of the Registrar General would not attract the provisions of section 194A.

The CBDT has accepted the aforesaid judgment of UCO Bank v. Dy. CIT (2014). Accordingly, it is clarified that interest on FDRs made in the name of Registrar General of the Court or the depositor of the fund on the directions of the Court, will not be subject to TDS till the matter is decided by the Court. However, once the Court decides the ownership of the money lying in the fixed deposit, the provisions of section 194A will apply to the recipient of the income. [Circular No. 23/2015, dated 28-12-2015]

Sec. 194B: TDS on Winnings from Lottery, Crossword Puzzle or Game of any Sort

Rate 30%

Any person → To any person

Time of deduction: At the time of **Payment**.

No TDS where amount does **not exceed ₹ 10,000** during a financial year.

In case where:

- (i) the winnings are wholly in kind; or
 - (ii) partly in cash and partly in kind and 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. (Proviso to Sec. 194B)

Sec. 194BB: TDS on Winning from Horse Race **Rate 30%**

Any person being the holder of license for the horse racing → **To any person**

Time of deduction: At the time of **Payment**.

No TDS where amount does **not exceed ₹ 10,000** during a financial year.

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

Sec. 194C: TDS on Payment to Contractors for “Work Contract”:

Any person [But, individual/HUF, only if liable to audit*

under clause (a) or (b) of section 44AB in

the immediately preceding financial year] → **To any Resident contractor/sub-contractor**

* Audit only by virtue of clauses (a) and (b) of section 44AB are covered, i.e. where audit is on account of turnover or receipts exceeding the specified limit. But, where tax audit is under clauses (c), (d) or (e) of sec. 44AB, i.e. where assessee claims profit to be lower than the presumptive income u/s 44AE, 44B, 44BBA or 44ADA or 44AD(4) it is not covered above and thus not required to deduct tax in such cases.

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

Rate of TDS:

1% in case **recipient is individual or HUF**
 2% in case of **any other assessee.**

No TDS where amount payable **does not exceed:**

- ₹ 30,000 in case of a **single contract.**
- ₹ 1,00,000 in case of **aggregate of contracts** during a financial year.

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

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.

No TDS in case of “Transport Operator” i.e. engaged in the business of plying & hiring of goods carriage where such contractor owns ten or less goods carriages at any time during the previous year and furnishes a declaration to that effect along with his PAN.

The definition of “work” shall also include the following:

- a. Advertising,
- b. Broadcasting, telecasting and production of programmes,
- c. Carriage of goods or passengers by any mode; other than railways,
- d. Catering,
- e. Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. **However, it shall not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer.**

Here, TDS shall be deducted *on the invoice value excluding the value of material*, if such value is mentioned separately in invoice; otherwise on the whole of the invoice value.

Practical Question:

Alap Ltd. has made payments on various dates in financial year 2017-18 to Vilambit Ltd. towards work done under different contracts as follows:

Contract Number	Date of payment	Amount (₹)
1	05.05.2017	20,000
2	06.06.2017	22,000
3	08.08.2017	21,000
4	10.12.2017	25,000
5	29.03.2018	24,000

Alap Ltd. claims that it is not liable for deduction of tax at source u/s 194C. Examine the correctness of the claim made by the company. What would be the position if the value of the contract no. 5 is ₹ 11,000 only and there is no other contract during the year.

[CA Final May 2005]

Solution:

As per section 194C, tax has to be deducted at source where the amount, credited or paid or likely to be credited or paid to a contractor or sub-contractor, exceeds ₹ 30,000 in a single payment or ₹ 1,00,000 in aggregate during a financial year.

Therefore, in the given case, even though the value of each individual contract does not exceed ₹ 30,000, the aggregate amount of the sums paid exceeds ₹ 1,00,000. Therefore, Alap Ltd's contention is not correct and tax is required to be deducted at source on the whole amount of ₹ 1,12,000 from the last payment of ₹ 24,000 which made the aggregate payment to exceed ₹ 1,00,000.

No tax deduction is to be made if the value of the last contract is ₹ 11,000 as the aggregate amount in such case would only be ₹ 99,000, which is below the aggregate monetary limit of ₹ 1,00,000.

Practical Question:

Bharathi Cements Ltd., the assessee, purchases jute bags from Raj Kumar & Co. The latter has to supply the jute bags with the logo and address of the assessee, printed on it. From 01.09.2017 to 20.03.2018, the value of jute bags supplied is ₹ 8,00,000, for which the invoice has been raised on 20.03.2018. While effecting the payment for the same, is the assessee bound to deduct tax at source, assuming that the value of the printing component involved is ₹ 60,000. The assessee has not sold any material to Raj Kumar & Co. and the latter has to manufacture the jute bags in its plant using raw materials purchased from outsiders. [CA Final May 2010]

Solution:

As per the definition u/s 194C "work" shall not include manufacturing or supplying a product according to the requirement or specification of a customer by using raw material purchased from a person, other than such customer, i.e. such a contract would be in the nature of contract for 'sale'. The problem clearly states that Raj Kumar & Co. have to manufacture the jute bags using raw materials purchased from outsiders and that the assessee has not sold any material to them. Therefore, in this case, it is a contract for sale. Hence, the provisions of section 194C would not be attracted and no liability to deduct tax at source would arise.

Applicability of TDS provisions on payments by broadcasters or Television Channels to production houses for production of content or programme for Telecasting

[Circular No. 04/2016, dated 29-2-2016]

The issue under consideration is whether payments made by the broadcaster/telecaster to production houses for production of content/programme are payments under a 'work contract' liable for TDS u/s 194C or a contract for 'professional or technical services' liable for TDS u/s 194J.

If the content is produced as per the specifications provided by the broadcaster/ telecaster and the copyright of the content/programme also gets transferred to the telecaster/ broadcaster, such contract is covered by the definition of the term 'work' in section 194C and, therefore, subject to TDS under that section.

However, in a case where the telecaster/broadcaster acquires only the telecasting/ broadcasting rights of the content already produced by the production house, there is no contract for "carrying out any work", as required in section 194C. Therefore, such payments are not liable for TDS under section 194C. However, payments of this nature may be liable for TDS under other sections of Chapter XVII-B of the Act.

Applicability of TDS provisions on payments by Television Channels and Publishing Houses to Advertisement companies for procuring or canvassing for Advertisements

[Circular No. 05/2016, dated 29-2-2016]

The CBDT noted that there are two types of payments involved in the advertising business:

- (i) Payment by client to the advertising agency, and
- (ii) Payment by advertising agency to the television channel/newspaper company.

The applicability of TDS on these payments has already been dealt with in Circular No. 715 dated 8-8-1995, where it has been clarified that while TDS under section 194C (as work contract) will be applicable on the first type of payment, there will be no TDS under section 194C on the second type of payment e.g. payment by advertising agency to the media company.

However, another issue has been raised in various cases as to whether the fees/charges taken or retained by advertising companies from media companies for canvassing/booking advertisements (typically 15% of the billing) is 'commission' or 'discount'.

The issue has been examined by the Allahabad High Court in the case of *Jagran Prakashan Ltd.* and Delhi High Court in the matter of *Living Media Limited* and it was held in both the cases that the relationship between the media company and the advertising agency is that of a 'principal-to-principal' and, therefore, not liable for TDS under section 194H. The SLPs filed by the Department in the matter of *Living Media Ltd.* and *Jagran Prakashan Ltd.* have been dismissed by the Supreme Court. Though these decisions are in respect of print media, the ratio is also applicable to electronic media/television advertising as the broad nature of the activities involved is similar.

In view of the above, the CBDT has clarified that no TDS is attracted on payments made by television channels/newspaper companies to the advertising agency for booking or procuring of or canvassing for advertisements.

Sec. 194D: TDS on Insurance Commission Rate 5 %

Any person → To any resident

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

No TDS where amount **does not exceed ₹ 15,000** during a financial year.

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

Sec.194DA: TDS on Payment in respect of Life Insurance Policy Rate 1%

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

Insurance Company → To any Resident

Nature of Payment: Amount under Life Insurance Policy (including bonus).

Time of Deduction: At the time of **payment**.

No TDS where amount **does not exceed ₹ 1,00,000** during a financial year.

No TDS where the payment is exempt in the hands of recipient u/s 10(10D).

Thus, in the following cases TDS u/s 194DA are applicable, as these are not exempt u/s 10(10D):

- a. Payment received under a Keyman insurance policy;
- b. Payment received u/s 80DD(3);
- c. Payment received under insurance policy issued during April 1, 2003 to March 31, 2012, where annual insurance premium is more than 20% of capital sum assured.
- d. Payment received under insurance policy issued after March 31, 2012, where annual insurance premium is more than 10% of capital sum assured.

- e. Payment received under insurance policy issued after March 31, 2013 to a person covered u/s 80U or 80DDB, where annual insurance premium is more than 15% of capital sum assured.

In cases covered by (c), (d) or (e) above, tax is not deductible if the payment is made on the death of a person.

Any payment under a policy [not being a Keyman insurance policy or a policy covered u/s 80DD(3)] issued prior to April 1, 2003, is not subject to TDS provisions of section 194DA.

Sec. 194E: TDS on Payment to Non Resident Sportsmen/Sports Association/ Entertainer Rate 20 %

**Any Person → To a Non-Resident Sportsman (including an athlete); or
a Non-Resident Sports Association ; or
an Entertainer who is not a Citizen of India.**

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

Non-resident match referees and umpires in the games played in India do not fall within the meaning of 'sportsmen' to attract taxability under the provisions of section 115BBA, and consequently does not attract any liability of the payer to deduct TDS u/s 194E. *[Indcom v. CIT (TDS) (2011) (Cal.)]*

It may be noted that in the present case, the TDS provisions u/s 195 would be attracted since income has accrued and arisen in India to the non-resident umpires and match referees and tax would be deductible at the rate or the rates in force.

Sec. 194EE: Payments in respect of NSS Deposits Rate 10 %

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

Any Person → To any Person

Time of Deduction: At the time of **payment**.

No TDS where amount **does not exceed ₹ 2,500** during a financial year.

No TDS on payment of the said amount to the heirs of the assessee.

Sec. 194G: TDS on Commission, etc. on Sale of Lottery Tickets Rate 5 %

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

Any Person → To any Person

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

No TDS where amount **does not exceed ₹ 15,000** during a financial year.

NOTE: If the lottery ticket agent purchases lottery ticket in bulk at a discount from the State Government and sells them at a higher price, the difference shall not be subject to TDS.

Sec. 194H: TDS on Commission (other than Insurance Commission) or Brokerage Rate 5 %

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

**Any Person [But, individual/HUF, only if sales or gross receipts
of his business/profession exceed the limits**

***under clause (a) or (b) of section 44AB
in the immediately preceding financial year] → To any Resident***

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

- **No TDS** where amount **does not exceed ₹ 15,000** during a financial year.
- **No TDS is required to be deducted by BSNL or MTNL** on commission or brokerage paid to their Public Call Offices (PCO) Franchisees.
- Commission to employees and employee directors will form part of salary income and is liable to TDS u/s 192 and not u/s 194H.

Sec. 194-I: TDS on Rent:

Any person [But, individual/HUF, only if sales or gross receipts of his business/profession exceed the limits under clause (a) or (b) of section 44AB in the immediately preceding financial year] → To any Resident

Time of Deduction: At the time of **credit or payment**, whichever is **earlier**.

Rate of TDS for RENT:

For use of Plant & Machinery – 2%
For use of Land, building, furniture or fitting – 10%

No TDS where amount of rent does not exceed ₹ 1,80,000 during a financial year.

Where the share of each co-owner in the property is definite and ascertainable, the **limit of ₹ 1,80,000 will be applicable to each co-owner separately.** *[CIT v. Senior Manager SBI (2012)(All.)]*

No TDS where income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in Section 10(23FCA), owned directly by such business trust.

For the purpose of this section, -

“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.

POINTS TO NOTE:

- **No TDS on GST component comprised in Rent payments:**

GST paid by the tenant does not partake the nature of income of the landlord. The landlord only acts as a collecting agency for Government for collection of GST. Therefore, tax deduction at source u/s 194-I would be required to be made on the amount of rent paid/payable without including the GST. *[CBDT Circular No. 23/2017]*

- **TDS shall be deducted on advance rent, warehousing charges and non-refundable deposits.**
- No TDS is required to be deducted on refundable deposits at the time of payment of security deposits. However, TDS has to be deducted when such deposits are adjusted against the rent.
- No TDS on Municipal Taxes borne by the tenant.
- **Payment of Cooling charges to Cold Storage Owners:** The main function of the cold storage is to preserve perishable goods by means of a mechanical process, and storage of such goods is only incidental in nature. The customer is also not given any right to use any demarcated space / place or the machinery of the cold store and thus does not become a tenant. Therefore, the **provision of 194-I is not applicable to the cooling charges paid by the customers of the cold storage.**
However, since the arrangement between the customers and cold storage owners are basically contractual in nature, the provision of Sec. 194C will be applicable to the amount paid as cooling charges by the customers of the cold storage. *[CBDT Circular 1/2008]*
- **Lump sum lease premium paid for acquisition of long term lease:**
Lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights over land or any other property are not payments in the nature of rent within the meaning of section 194-I. Therefore, such payments are not liable for TDS under section 194-I. *[CBDT Circular 35/2016]*
- **Passenger Service Fee (PSF) paid by the Airline to an Airline Operator:** In the case of **CIT v. Jet Airways (India) Ltd.**, the Bombay High Court declined to admit the ground relating to applicability of Sec. 194I on PSF charges holding that no substantial question of law arises. While doing so it relied on the judgment of Apex Court in the case of **Japan Airlines and Singapore Airlines** wherein it was held that though the normal meaning of the word 'rent' stand expanded in view of Explanation to Sec. 194I, the primary requirement is that payment must be made for the use of land and building and mere incidental/minor/insignificant use of the same while providing other facilities and service would not make it a payment for use of land and building so as to attract Sec. 194-I. The Court, therefore, held that Passenger Service Fee **are not liable for TDS u/s 194-I.**
The CBDT has accepted the above view of the Bombay High Court and therefore, the payment of Passenger Service Fee by an Airline to an Airport Operator are not liable for TDS u/s 194-I.

[CBDT Circular 21/2017]

Practical Question:

ABC Ltd. took on sub-lease a building from J, an individual, with effect from 1.9.2017 on a rent of ₹ 20,000 per month. It also took on hire machinery from J with effect from 1.10.2017 on hire charges of ₹ 15,000 per month. ABC Ltd. entered into two separate agreements with J for sub-lease of building and hiring of machinery. The rent of building and hire charges of machinery for the financial year 2017-18 amounting to ₹ 1,40,000 and ₹ 90,000, respectively, were credited by ABC Ltd. to the account of J in its books of account on 31.3.2018. Examine the obligation of ABC Ltd with regard to deduction of tax at source in respect of the rent and hire charges. *[CA Final May 2007]*

Solution:

Section 194-I dealing with deduction of tax at source from payment of rent, levies TDS @ 2% for machinery hire charges and 10% for building lease rent. The scope of the section includes within its ambit, rent for machinery, plant and equipment. Tax is required to be deducted at source from payment of rent, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of, inter alia, building and machinery, irrespective of whether such assets are owned or not by the payee.

The limit of ₹ 1,80,000 for tax deduction at source will apply to the **aggregate rent of all the assets**. Even if two separate agreements are entered into, one for sub-lease of building and the other for hiring of machinery, rent and hire charges under the two agreements have to be aggregated for the purpose of application of the threshold limit of ₹ 1,80,000. Therefore, ABC Ltd. has to deduct tax at source u/s 194-I in respect of the rent and hire charges aggregating to ₹ 2,30,000 (₹ 1,40,000 + ₹ 90,000) credited to the account of J, the payee. TDS would be deducted at 10% on ₹ 1,40,000 and at 2% on ₹ 90,000.

Sec. 194-IA: TDS on Transfer of Immovable Property: Rate 1 %

Any person being transferee

[other than the person

referred to in section 194LA] → **To any Resident transferor**

Nature of Payment: Consideration for transfer of any immovable property.

Time of Deduction: At the time of credit or payment, whichever is **earlier**.

No TDS where the **total amount of consideration** for the transfer of an immovable property **is less than ₹ 50,00,000**.

“Immovable property” means any land (other than rural agricultural land) or any building or part of a building.

POINTS TO NOTE:

- In the case of property whose sale price is ₹ 50 Lakhs or more and in the event part payment being made for the purchase, then such TDS would be required to be **deducted on every part payment** of consideration and not at the time of final payment.
- If sellers jointly own a property and sells for a **total consideration of ₹ 50 Lakhs or more**, the section **194-IA is attracted even if each co-owner’s share of consideration is less than ₹ 50 Lakhs**.
- It is not necessary that the land or building should be situated in India. If any person is purchasing **property outside India from a person resident in India, he is liable to deduct tax** at source on sale consideration @ 1%.
- Deductor is **not required to obtain TAN**, i.e. tax deduction and collection account number.
- TDS is required to be deducted irrespective of the fact that immovable property is held as capital asset or stock in trade by the buyer and seller.
- In case, immovable property is **compulsorily acquired under any law in force, the provisions of section 194-LA shall apply** and provisions of section 194-IA are not applicable.

Example:

Mr. Nirbhay and Mr. Kartik acquired a building located at Surat jointly. They purchased it from Mr. Sanu for a total consideration of ₹ 80 Lakhs. Mr. Nirbhay and Mr. Kartik will pay equal amount of consideration for the building. The total consideration for transfer of an immovable property exceeds ₹ 50 Lakhs. Therefore, Mr. Nirbhay and Mr. Kartik are required to deduct TDS @ 1% on the consideration paid by them.

Example:

Mr. Anand and Mr. Bimal are the co-owners of a land situated at Ahmedabad having share in the ratio of 2:3 in the land. They sold the land to Mr. Akshay on 08.05.2017 for a consideration of ₹ 70 Lakhs. The total consideration for transfer of an immovable property exceeds ₹ 50 Lakhs. Therefore, Mr. Akshay is required to deduct TDS u/s 194-IA @ 1% on the consideration paid by them.

Example:

BPL Pvt. Ltd. purchased the land situated at Baroda and issued 8,00,000 equity shares having face value of ₹ 10 each at a premium of ₹ 20 each in consideration for the land.

BPL Pvt. Ltd. is liable to deduct TDS @ 1% on ₹ 240 Lakhs at the time of issue of shares. If the agreement between BPL Pvt. Ltd. and the seller specifies that the burden of TDS shall be borne by the buyer, then in that case, grossing up shall be done.

Example:

Miss Dipika, an Indian Resident, owned a house in Rajkot. She sold the house to Mr. Patel, for a consideration of ₹ 45 Lakhs. However, the stamp duty value of the said house property is ₹ 58 Lakhs. Since the consideration does not exceed ₹ 50 Lakhs, Mr. Patel is not required to deduct TDS u/s 194-IA.

Example:

Mr. Parth, Non-Resident Indian, sold his land located at Gandhinagar to Mr. Sohel for a total consideration of ₹ 1.5 Crores. Mr. Sohel is required to make the payment to Mr. Parth after deducting TDS @ 20% plus surcharge and education cess (on the LTCG computed) u/s 195. The provisions of section 194-IA do not apply where the payment is made to a non-resident.

Notification no. 39/2013 – Procedures prescribed for TDS deduction and TDS Certificate u/s 194-IA:

1. Such sum deducted u/s 194-IA shall be paid to the credit of the Central Government within a period of **30 days** from the end of the month in which the deduction is made and shall be accompanied by a challan-cum-statement in Form No. 26QB. The amount so deducted has to be deposited to the credit of the Central Government by electronic remittance within the above mentioned time limit, into RBI, SBI or any authorized bank. [Rule 30].
2. Every person responsible for deduction of tax u/s 194-IA shall also furnish to the DGIT (Systems) or any person authorized by him, a challan-cum statement in Form No.26QB electronically within **30 days** from the end of the month in which the deduction is made [Rule 31A].

3. Every person responsible for deduction of tax u/s 194-IA shall furnish the TDS certificate in Form No.16B to the payee within 15 days from the due date for furnishing the challan-cum-statement in Form No.26QB under Rule 31A, after generating and downloading the same from the web portal specified by the DGIT (Systems) or the person authorized by him [Rule 31].

Sec. 194-IB: TDS on Payment of rent, by certain Individual or Hindu Undivided

Family (HUF): Rate 5 % [Inserted by Finance Act, 2017 w.e.f. 01-06-2017]

Any Individual or HUF [other than those Individual or HUF
whose total sales or gross receipts
from the business/profession exceed the limits
under clause (a) or (b) of section 44AB
in the immediately preceding financial year] → To any Resident

Time of Deduction: At the time of credit of rent for the last month of the previous year or the last month of tenancy (if the property is vacated during the year) to the account of payee OR at the time of payment, whichever is earlier.

No TDS where amount does not exceed ₹ 50,000 per month or part of a month during the P.Y.

Points to Note:

- Deductor covered under this section shall not be required to obtain Tax deduction Account Number (TAN) as per section 203A of the Act.
- Deductor shall be liable to deduct tax only once in the previous year.
- Where the tax is required to be deducted as per the provisions of section 206AA (Higher TDS Rate i.e. rate of relevant section or 20% on failure to furnish PAN to deductor), such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

For the purpose of this section, “rent” means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement for the use of any land or building or both.

Reason for Amendment:

Under the existing provisions, an Individual or HUF, being a payer (other than those liable for tax audit) are out of the scope of section 194-I of the Act. In order to widen the scope of tax deduction at source, the Finance Act, 2017 has inserted section 194-IB to provide that Individuals or HUF's (not liable to tax audit in preceding Financial Year), responsible for paying to a resident any income by way of rent exceeding ₹ 50,000 for a month or part of month during the previous year, shall deduct tax on such income @ 5%.

Procedure prescribed for TDS deduction and TDS Certificate u/s 194-IB: Notification No. 48/2017

1. Such sum deducted u/s 194-IB shall be paid to the credit of the Central Government within a period of 30 days from the end of the month in which the deduction is made and shall be accompanied by a challan-cum-statement in Form No. 26QC. The amount so deducted has to be deposited to the credit of the Central Government by electronic remittance within the above mentioned time limit, into RBI, SBI or any authorized bank. [Rule 30].

2. Every person responsible for deduction of tax u/s 194-IB shall also furnish to the DGIT (Systems) or any person authorized by him, a challan-cum statement in Form No. 26QC electronically within 30 days from the end of the month in which the deduction is made [Rule 31A].
3. Every person responsible for deduction of tax u/s 194-IB shall furnish the TDS certificate in Form No.16C to the payee within 15 days from the due date for furnishing the challan-cum-statement in Form No. 26QC under Rule 31A, after generating and downloading the same from the web portal specified by the DGIT (Systems) or the person authorized by him [Rule 31].

Practical Question:

Mr. Alpesh owns a building at MG Road, Ahmedabad. It is given on rent to Mr. Rizwan at a rent of ₹ 80,000 per month from 1st August, 2017. Discuss whether TDS provisions are applicable for the previous year 2017-18 in following situations:

1. Mr. Rizwan is a businessman and his annual turnover for the financial year 2016-17 is ₹ 85 lakh.
2. Mr. Rizwan is a salaried employee. He gets house rent allowance from the employer. On the basis of rent paid to Mr. Alpesh, he claims exemption under section 10(13A) pertaining to house rent allowance.

Solution:

In both the above situations, section 194-I is not applicable.

However, Mr. Rizwan is required to deduct tax under section 194-IB at the rate of 5% during the F.Y.2017-18. Suppose rent of March is paid on March 5, 2018, then tax is deductible on March 5, 2018.

Amount of TDS = ₹ 32,000 (5% of ₹ 80,000 x 8 months)

Practical Question:

Mr. A, a salaried individual, pays rent of ₹ 60,000 per month to Mr. B during the whole of F. Y. 2017-18. Is he required to deduct tax at source? If so, what will be the time and amount of deduction?

Would your answer be different if Mr. A vacated the premises on 31st January, 2018?

Also, what would be your answer (in both the above situations) if Mr. B does not provide his PAN to Mr. A?

Solution:

Since Mr. A pays rent exceeding ₹ 50,000 per month in the F.Y. 2017-18, he is liable to deduct tax at source @ 5% of such rent for F.Y. 2017-18 under section 194-IB. However, Sec. 194-IB is applicable from 01.06.2017. So tax has to be deducted for the rent paid from June, 2017 onwards. Thus, ₹ 30,000 [₹ 60,000 x 10 months x 5%] has to be deducted from rent payable for March, 2018.

If Mr. A vacated the premises in January, 2017, then tax of ₹ 24,000 [₹ 60,000 x 8 months x 5%] has to be deducted from rent payable for January, 2018.

In case Mr. B does not provide his PAN to Mr. A, tax would be deductible @ 20%, instead of 5%.

In case 1 above, this would amount to ₹ 1,20,000 [₹ 60,000 x 20% x 10] but the same has to be restricted to ₹ 60,000, being rent for March, 2018.

In case 2 above, this would amount to ₹ 96,000 [₹ 60,000 x 20% x 8] but the same has to be restricted to ₹ 60,000, being rent for January, 2018.

Sec. 194-IC: TDS on Payment under specified agreement [i.e. Joint Development Agreement, referred in section 45(5A)]: Rate 10 %

[Inserted by Finance Act, 2017 w.e.f. 01-04-2017]

Any Person → Resident Individual or HUF.

Time of Deduction: At the time of credit or payment, whichever is earlier.

Payment Covered: The person is required to deduct tax at source under this section only when the consideration is paid in money (i.e. not in kind), on transfer of immovable property being land or building or both under Joint Development Agreement referred to in section 45(5A).

Points to Note:

- This section shall be applicable notwithstanding anything contained in section 194-IA. Therefore, the provisions of section 194-IA shall not be applicable if any monetary consideration is payable on transfer of immovable property being land or building or both under specified agreement.
- If the advance payment of consideration is made or token money is given prior to the specified agreement, tax is required to be deducted only on the date of execution of agreement or adjustment of advance/token and not when the advance money is paid.

Sec. 194J: TDS on Fees for Professional Services (FPS), or

Fees for Technical Service (FTS), or

Royalty, or

Director's Fees, or

Any sum referred in clause (va) of Sec. 28 i.e., non-compete fees:

Rate 10 %

Any person *[But, individual/HUF, only if sales or gross receipts*

of his business/profession exceed the limits

under clause (a) or (b) of section 44AB

in the immediately preceding financial year] → To any Resident.

Time of Deduction: At the time of credit or payment, whichever is earlier.

No TDS where amount does not exceed ₹ 30,000 during a Financial Year for each type of payment.

However, there is NO threshold limit for director's fees.

If payment is made to a person engaged only in a business of operation of call centre then the rate of TDS would be 2% instead of 10%. *[Inserted by Finance Act, 2017 w.e.f. 01-06-2017]*

POINTS TO NOTE:

- If any fee 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.

- Film artists are covered within the definition of professionals. CBDT has notified the services rendered by following persons in relation to the sports activities as “**Professional Services**” for the purpose of the sec. 194J, namely - **Sports Persons, Umpires and Referees, Coaches and Trainers, Team Physicians and Physiotherapists, Event Managers, Commentators, Anchors and Sports Columnists.**
- **Remuneration paid to directors will be liable for TDS u/s 192 and not under 194J.** Only amount paid as **fees** to directors will be liable for **TDS u/s 194J.**
- **Payment to hospital by Third Party Administrators (TPAs):** TPAs who are making payment on behalf of insurance companies to hospital for settlement of medical/insurance claims, etc., under various schemes including cashless schemes, are liable to deduct tax at source u/s 194J.
For invoking provisions of section 194J, there is no stipulation that the professional services have to be necessarily rendered to the person who makes payment to hospital. Therefore, TPAs who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes including Cashless Schemes are liable to deduct tax at source u/s 194J on all such payments to hospitals etc.

[Circular No. 8/2009 dated 24/11/2009]
- Royalty includes transfer of all or any right for use or right to use computer software.

Notification No. 21/2012:

No deduction shall be made u/s 194J on payment by a person (i.e. transferee) for acquisition of software from another person, being a resident (i.e. transferor), where:

- (i) The software is acquired in a **subsequent transfer** and the transferor has transferred the software **without any modification,**
- (ii) **Tax has been deducted –**
 - (a) u/s 194J on payment for any previous transfer for such software; or
 - (b) u/s 195 on payment for any previous transfer for such software from a non-resident, and
- (iii) The **transferee obtains a declaration from the transferor** that the tax has been deducted u/s 194J or 195 **along with the PAN of the transferor.**

Example:

TCS imports software of ₹ 80 Lakhs from Apple, USA. TCS will deduct TDS @ 10% u/s 195 or rate given in DTAA, whichever is lower.

Example:

TCS purchases software for ₹ 80 Lakhs from Wipro India. Wipro India has itself produced the computer software. TCS will deduct TDS @ 10% u/s 194J.

Example:

If in previous example, Wipro India has imported the software from Apple, USA and Wipro India has deducted TDS @ 10% u/s 195 (or rate given in DTAA whichever is lower), then TCS is not required to deduct TDS on payment to Wipro India u/s 194J, if:

- (i) Wipro India has not made any modification in the software; and

(ii) Wipro India gives a declaration to TCS that it has deducted TDS u/s 195 on payment made to Apple, USA.

Example:

TCS purchases software from HCL India. HCL India has purchased the software from Synergy India. TCS is not required to deduct TDS on payment to HCL India u/s 194J, if:

- (i) HCL India has not made any modification in the software; and
- (ii) HCL India gives declaration to TCS that it has deducted TDS u/s 194J on payment made to Synergy India.

Sec. 194LA: Payment of Compensation on Compulsory Acquisition of any Immovable Property (Other than Agricultural land) Rate 10 %

Any Person → To Any Resident

Time of Deduction: At the time of payment.

No TDS where amount **does not exceed ₹ 2,50,000** during a financial year.

[Amended by Finance Act, 2016 w.e.f. 01.06.2016]

No TDS shall be deducted where such payment is made in respect of any award or agreement which has been exempted from levy of tax u/s 96 of “Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013” (RFCTLARR Act, 2013)

[Inserted by Finance Act, 2017 w.e.f. 01.04.2017]

Sec. 195A: Income payable “net of tax”:

Where the tax chargeable on any income referred to in section 192 to 195 is to be borne by the payer of income, then for the purpose of calculating TDS liability under those sections such income shall be increased to such amount as would after deduction of TDS thereon be equal to the net amount payable to the recipient of income i.e. the amount which is payable without any TDS deduction.

In other words, if TDS liability is borne by the payer then the payer’s liability to pay TDS has to be calculated by grossing up the amount paid to the recipient.

No grossing up shall be done in case of tax paid by the employer on the non-monetary perquisites provided to the employee.

Although tax has been borne by the payer of income still the payer shall be required to issue a TDS certificate to the payee as per Sec. 203 – Circular No. 785, dated 24/11/1999.

Sec. 196: No TDS on sums payable to Government, RBI, Corporations & MF:

No tax shall be deducted from any sums payable to:

- (i) Government,
- (ii) Reserve Bank of India,
- (iii) Corporation established under any Central Act whose income is exempt from tax or
- (iv) Mutual Funds specified u/s 10(23D).

Sec. 197: CERTIFICATE FOR NO/LOWER DEDUCTION OF TDS:

Where in case of any income liable for TDS u/s 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194LA, 194LBB, 194LBC and 195, the A.O. is satisfied that the total income of the recipient justifies deduction of TDS at any lower rate or no deduction, the A.O. shall give him such certificate as may be appropriate i.e. Lower rate of deduction certificate or no deduction certificate.

A.O. shall issue such certificate only on application made by the assessee i.e. not suo moto. The application has to be made in **Form 13**.

In such case, the payer shall deduct income tax as per the rates specified in the certificate till such time the certificate is cancelled by A.O.

Certificate for the lower deduction u/s 197 shall not be issued if the application does not contain the PAN of the applicant.

Sec. 197A: SELF DECLARATION FOR NON-DEDUCTION OF TDS:

- No TDS shall be deducted if the recipient of income referred to in section 192A or 193 or 194A or 194D or 194DA or 194-I gives a declaration in prescribed form to the Assessing Officer that the tax on his current year income shall be NIL. *[Amended by Finance Act, 2017, w.e.f. 01.06.2017]*

Any declaration u/s 197A by the payee shall be valid only if it contains the PAN of the payee.

POINTS TO NOTE:

1. This declaration cannot be given by a company or a firm.
2. This declaration **cannot be given** by a person OTHER THAN A SENIOR CITIZEN **if the aggregate of the incomes referred above exceeds the taxable limit** even though the tax on his total income is NIL. In other words, in case of senior citizens this declaration can be given even if the income from the above sources exceed the taxable limit subject to the condition that the estimated tax on total income (including such incomes) should be Nil.
3. The application shall be made in **Form 15G in case of person other than senior citizens**. It shall be made in **Form 15H in case of senior citizens**.

As per Notification No. 76/2015, a new and simplified procedure has been prescribed by CBDT for self-declaration under Form 15G and 15H. The said procedure is as under:

- (i) The deductee has to make a self-declaration under the said form, as applicable, to the deductor for non-deduction of TDS.
- (ii) The said declaration can now be submitted either in paper form or electronically.
- (iii) The deductor will not deduct tax of the payee and will allot a Unique Identification Number (UIN) to all self-declarations in accordance with a procedure to be specified separately.
- (iv) The deductor has to submit the particulars of self-declaration forms alongwith the UIN in quarterly TDS returns.
- (v) The deductor has to retain all Form 15G and 15H for a period of 7 years from the end of financial year in which it was received by him.

NOTE: The requirement of submitting physical copies of Form 15G and 15H by the deductor has now been dispensed with.

Notification No. 9/2016 dated 9th June, 2016

Due date for quarterly furnishing of 15G/15H declarations received by the payer from 01.04.2016 onwards shall be as follows:

Date of ending of the quarter of the financial year	Due date
30 th June	15 th July of the financial year
30 th September	15 th October of the financial year
31 st December	15 th January of the financial year
31 st March	30 th April of the financial year immediately following the financial year in which declaration is made

It would be sufficient if one declaration is filed for each year to the deductor. However, whenever the estimated total income / aggregate income changes and new investments are made, one needs to file new Form 15G / 15H providing the particulars of the same – **Notification No. 6/2017**.

- No deduction of tax by the Offshore Banking Unit on interest paid on deposits or borrowings on or after 01.04.2005 to a non-resident or a person not ordinarily resident in India.

Tax is not required to be deducted on interest paid by IFSC Banking Units (IBUs) set up in SEZ on deposit made on or after 01.04.2005 to a non-resident or a person not ordinarily resident in India or on borrowings on or after 01.04.2005 from such persons - **Circular No. 26/2016 dated 04/07/2016**.

- No deduction of tax shall be made from any payment to any person for, or on behalf of, the New Pension Trust referred to in Sec. 10(44).
- **Sec. 197(1F) – Power of C.G. to exempt certain persons for specified payments:** No deduction of tax shall be made from such specified payment to such institution, association or body or any class of institutions, associations or bodies as may be notified by C.G.

Using the above power, the following notification have been issued by C.G. in this behalf:

Notification No. 47/2016 dated 17/06/2016:

The Central Government hereby notifies that no deduction of tax shall be made on the payments of the nature specified below, in case such payment is made by a person to a bank listed in the Second Schedule to the Reserve Bank of India Act, 1934, excluding a foreign bank, or to any payment systems company authorised by the Reserve Bank of India u/s 4(2) of the Payment and Settlement Systems Act, 2007 (51 of 2007), namely:

- bank guarantee commission;
- cash management service charges;
- depository charges on maintenance of DEMAT accounts;
- charges for warehousing services for commodities;
- underwriting service charges;
- clearing charges (MICR charges) including interchange fee or any other similar charges, by whatever name called, charged at the time of settlement or for clearing activities under the Payment and Settlement Systems Act, 2007;
- credit card or debit card commission for transaction between the merchant establishment and acquirer banks.

Sec. 198: Tax deducted is income received:

All sums deducted as tax in accordance with the above provisions under chapter XVII-B shall, for the purpose of computing his income of the assessee, be deemed to be income received by the assessee.

In other words, for the purpose of computing the total income of the payee, the gross amount shall be considered as income and not the net amount received after TDS.

However, tax paid by employer u/s 192(1A) on the non-monetary perquisites shall not be deemed to be income received by the employee [as exempt u/s 10(10CC)].

Sec. 199: Credit for tax deducted:

Any tax deducted as per section 192 to 196D and paid to C.G. shall be treated as payment of tax on behalf of the person from whose income the deduction was made. Credit shall also be given to the employee for the tax paid by the employer to C.G. u/s 192(1A) on the non-monetary perquisites of the employee.

CBDT has prescribed Rule 37BA for the purposes of giving credit under this section.

TDS & filing of ITR in case both parents of minor are dead: [Notification No. 5/2017 dated 29.05.17]

In exercise of the powers delegated by the CBDT under Rule 31A(5) of the Income-tax Rules, 1962, the Principal Director General of Income-tax (Systems) hereby specifies that in case of minors where both the parents have deceased, TDS on the interest income accrued to the minor is required to be deducted and reported against PAN of the minor child.

TDS - PAYMENTS, RETURNS, CERTIFICATES**Sec. 200: TIME LIMIT FOR PAYMENT OF TDS/TCS:**

Different Situation	Time limit for deposit of tax	
When payer is the Government or when payment is made on behalf of Government.	TDS is deposited without Challan	Same day
	TDS is deposited with Challan	Where the income or amount is credited or paid in March – On or before 30 th April.
		In any other case – On or before 7 days from the end of the month in which – i) the deduction is made; or ii) income tax is due u/s 192(1A).
When tax is deducted by any person, other than Government.	Where the income or amount is credited or paid in March.	On or before 30 th April.
	In any other case	On or before 7 days from the end of the month in which – i) the deduction is made: or ii) Income – tax is due u/s 192(1A).

NOTE: For the purposes of section 194-IA & 194-IB, tax shall be paid to the credit of Central Government within a period of 30 days from the end of the month in which the deduction is made.

TIME LIMIT FOR FURNISHING QUARTERLY RETURNS OF TDS:

[Amended by Notification No. 30/2016 dated 29/04/2016]

Sr. No.	For the quarter ending on	Due date for submission of the quarterly TDS Returns
1.	30 th June	31st July of the financial year
2.	30 th September	31st Oct. of the financial year
3.	31 st December	31st Jan. of the financial year
4.	31 st March	31 st May of the financial year immediately following the financial year in which deduction is made.

Proviso to Sec. 200(3): The person may also deliver to the prescribed authority a **correction statement for rectification** of any mistake or to add, delete or update the information furnished in the statement delivered under this sub-section in such form and verified in such manner as may be specified by the authority.

NOTE: Provision similar to Proviso to Sec. 200(3) has also been **inserted (By Finance Act, 2015) in section 206C** providing for filing of correction or rectification statement in case of a **TCS Return**.

Sec. 200A: Processing of Statements of TDS:

Where a statement of TDS or a **correction statement** has been made u/s 200, such statement **shall be processed in the following manner,**

- (a) the sums deductible shall be computed after making the following **adjustments**,
 - (i) any arithmetical error in the statement; or
 - (ii) an incorrect claim, if it is apparent from any information in the statement;
- (b) **interest, if any, shall be computed** on the basis of sums deductible computed as above,
- (c) the fee, if any, shall be computed in accordance with the provisions of section 234E;
- (d) the sum payable by, or the amount of refund due to, the deductor shall be determined after adjustment of the amount computed under clause (b) and clause (c) against any amount paid u/s 200 or section 201 or section 234E and any amount paid otherwise by way of tax or interest or fee;
- (e) an intimation shall be prepared or generated and sent to the deductor specifying the sum determined to be payable by, or the amount of refund due to, him under clause (d); and
- (f) the amount of refund due to the deductor in pursuance of the determination under clause (d) shall be granted to the deductor.

Intimation is to be sent **within 1 year** from the end of the financial year in which the statement is filed.

NOTE: Provision similar to Sec. 200A has also been **inserted (By Finance Act, 2015)** by way of a **new section 206CB** providing for **Processing of Statements of TCS**.

Sec. 201: Consequences of Failure to Deduct or Pay TDS:

- (1) If any person who is liable to deduct TDS does not deduct the whole or any part of the tax or after deducting fails to pay the tax, he shall, be deemed to be an assessee in default. Consequently, he shall be also liable to **pay interest u/s 220 and penalty u/s 221 for being an assessee in default.**

Provided that any person who fails to deduct the whole or any part of the tax in accordance with the provisions of this Chapter shall not be deemed to be an assessee in default in respect of such tax on the sum **paid to a resident** or on the sum **credited to the account of a resident** if such resident:

- (i) has furnished his return of income u/s 139;
- (ii) has taken into account such sum for computing income in such return of income; and
- (iii) has paid the tax due on the income declared by him in such ROI, and the person furnishes a certificate to this effect from a Chartered Accountant in such form as may be prescribed.

NOTE – Provision similar to the above said provision of Sec. 201 is also incorporated in Sec. 206C for failure to collect or pay TCS.

- (1A) Without prejudice to the provision of sub-section (1), if any such person, as is referred to in that sub-section does not deduct the whole or any part of the tax or after deducting fails to pay the tax as required by or under this Act, he shall be **liable to pay simple interest:**
 - (i) @ 1% for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and
 - (ii) @ 1.5 % for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid, and such interest shall be paid before furnishing the statement in accordance with the provision of section 200(3).

Provision similar to the above said provision of Sec. 201 is also incorporated in Sec. 206C for failure to collect or pay TCS.

Sec. 201 further provides that **no order shall be made u/s 201** deeming a person to be an assessee in **default for failure to deduct** the whole or any part of the tax from a person resident in India, at any time **after the expiry of 7 years** from the end of the financial year in which payment is made or credit is given.

However, **no time-limits** have been prescribed for passing an order u/s 201 where:

- (a) The Deductor has deducted but not deposited the tax deducted at source; as this would be a case of defalcation of government dues,
- (b) The employer has failed to pay the tax wholly or partly under sub-section (1A) of Sec. 192; as the employee would not have paid tax on such perquisites,
- (c) The deductee is a non-resident; as it may not be administratively possible to recover the tax from the non-resident.

NOTE: Sec. 276B provides for prosecution on failure to PAY the Tax deducted as under:

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 3 months** but which **may extend to 7 years** and **with fine**.

Sec. 203A: Tax Deduction and Collection Account Number:

Every person deducting or collecting tax in accordance of provisions of this chapter and who has not been allotted such number shall apply to A.O. for allotment such number.

Such number has to be quoted in such manner as prescribed in all challans, returns, certificates, statements filed or other related documents, submitted in accordance with this chapter.

The provisions of this section shall not apply to such person, as may be notified by the Central Government in this behalf.

Sec. 206AA: TDS at Higher Rate on Failure to furnish PAN:

- Notwithstanding anything contained in any other provisions of this Act, any person entitled to receive any income or amount, on which tax is deductible, shall **furnish his PAN to the person responsible for deducting such tax** (hereafter referred to as deductor), OTHERWISE tax shall be deducted at the **higher of the following rates**:
 - (a) At the rate specified in the relevant provision of this Act; or
 - (b) At the rate or rates in force; or
 - (c) At the rate of 20 %. [30% if deductee is located in notified jurisdictional area, as per sec. 94A(5)]

“Rate” or “Rates in force” shall mean the rate or rates of income tax **specified in the Finance Act of the relevant year** for deduction u/s 193, 194, 194A, 194B, 194BB and 194D [**Sec. 2(37A)(ii)**]; and for the purpose of deduction u/s 194LBA or 194LBB or 194LBC or 195, the rate specified in this behalf in the Finance Act of the relevant year or the rate or rates of income tax specified in DTAA u/s 90 or 90A, whichever is more beneficial to the assessee [**Sec. 2(37A)(iii)**].

ANALYSIS:

Thus, where the recipient **does not furnish his PAN** to the deductor, the **TDS rate shall be higher of:**

- the normal rate of TDS (i.e. prescribed in the relevant section or the rate prescribed in the Finance Act for certain sections (*supra*), as the case may be); or
- 20%.

However, it is to be noted that TDS u/s 192A shall be at MMR (i.e. 35.535%) and not at the rate of 20% given u/s 206AA, if the recipient does not furnish PAN.

- The deductee shall furnish his PAN to the deductor and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.
- Where the PAN provided to the deductor is invalid or does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor and the above provisions shall apply accordingly.
- No certificate u/s 197 shall be granted unless the application contains the PAN of the applicant.
- No declaration u/s 197A (i.e. Form 15G or 15H) shall be valid unless the person furnishes his PAN in such declaration.

TCS Provisions
[Chapter XVII-BB]

Sec. 206C: TAX COLLECTION AT SOURCE

Sec. 206C(1): Tax Collection on Sale of Alcoholic Liquor, Forest Produce, Scrap, Minerals, 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 a sum equal to the following percentage of the purchase price, as income tax:

Nature of goods	% of Purchase Price
Alcoholic liquor for human consumption	1%
Tendu leaves	5%
Timber obtained under a forest lease	2.5%
Timber obtained by any mode other than under a forest leases	2.5%
Any other forest produce not being timber or tendu leaves	2.5%
Scrap	1%
Minerals; being coal, lignite or iron ore	1%

For Sec. 206C(1)

Seller shall be *other than individual or HUF not liable to tax audit in the preceding financial year.*

Buyer shall not include the following:

- (i) Public sector company, Central Govt., State Govt.,
- (ii) Embassy, High Commission, Consulate, trade representative of a foreign state,
- (iii) Club,
- (iv) Buyer purchasing in retail trade *for personal consumption.*

As per Sec. 206C(1A) **no tax shall be collected** at source in case of a buyer, who is resident in India, if such buyer furnishes to the seller, a declaration in Form No.27C that the above goods to be purchased are to be utilized **for the purpose of manufacturing**, processing or producing any article or thing (or for the purpose of generation of power, applicable from July 1, 2012) **and not for trading purpose.**

As per Sec. 206C(1B), the seller shall deliver to the Principal CCIT or CCIT or Principal CIT or CIT one of the declaration referred above on or before the 7th day of the month next following the month in which the declaration is furnished to him.

Sec. 206C(1C): Grant of lease, license or transfer of any right or interest in any parking lot or toll plaza or mine or quarry: Rate 2%

- Every person who grants lease, license or transfers any right or interest in any parking lot or toll plaza or mine or quarry

- to any other person, *other than a public sector company* (hereinafter called as “Licensee or Lessee”)
- for the **use of such parking lot, toll plaza, mine or quarry for the purposes of business** shall,

- at the time of **debiting** of such amount payable by the licensee or lessee to the account of the licensee or lessee **or**
- at the time of **receipt** of such amount from the licensee or lessee,

whichever is earlier,

collect from the licensee or lessee 2% of such amount as income tax.

Sec. 206C(9): CERTIFICATE FOR LOWER RATE OF TCS:

Where the Assessing Officer is satisfied that the total income of the buyer or licensee or lessee justifies the collection of the tax at any lower rate than the relevant rate specified in Section 206C(1) or 206C(1C), the Assessing Officer shall, on an application made by the buyer or licensee or lessee in this behalf, give to him a certificate for collection of tax at such lower rate than the relevant rate specified in Section 206C(1) or 206C(1C).

Sec. 206C(1F): TCS on Sale of Motor Vehicle: Rate 1%

[Inserted by Finance Act, 2016, w.e.f. 01.06.2016]

Every person who receives any amount from sale of a motor vehicle exceeding ₹ 10,00,000 shall at the time of receipt of such income, collect from the buyer 1% of such amount as income tax.

Seller shall be *other than individual or HUF (not liable to tax audit in the preceding financial year).*

Buyer means a person who obtains motor vehicle, **but does not include:**

- (a) the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and trade representation of a foreign state.
- (b) a local authority as defined in Explanation to Sec. 10(20).
- (c) a public sector company which is engaged in the business of carrying passengers.

[Inserted by Finance Act, 2017, w.e.f. 01.04.2017]

Clarifications under Circular No. 22/2016 dated 08/06/2016:

- Sec. 206C(1F) is brought to cover all transactions of retail sales and accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.
- Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission and trade representation of a foreign State shall not be liable to levy of TCS at the rate of 1 % u/s 206C(1F).
- Tax is to be collected at source at the rate of 1% on sale consideration of a motor vehicle exceeding ₹ 10 lakh. It is applicable to each sale and not to aggregate value of sale made during the year.
- For example, if the value of motor vehicle is ₹ 20 lakh, out of which ₹ 5 lakh has been paid in cash and balance amount by way of cheque, the tax shall be collected at source at the rate of 1% on total sale consideration of ₹ 20 lakh only under sub-section (1F) of section 206C of the Act.

TIME LIMIT FOR FURNISHING QUARTERLY RETURNS OF TCS:

Sr. No.	For the quarter ending on	Due date for submission of the quarterly TCS Returns
1.	30 th June	15 th July of the financial year
2.	30 th September	15 th Oct. of the financial year
3.	31 st December	15 th Jan. of the financial year
4.	31 st March	15 th May of the financial year immediately following the financial year in which deduction is made.

Sec. 206CC: Requirement to furnish Permanent Account Number by collectee:

[Inserted by Finance Act, 2017, w.e.f. 01.04.2017]

- Notwithstanding anything contained in any other provisions of this Act, any person paying any sum or amount, on which tax is collectible, shall furnish his PAN to the person responsible for collecting such tax (hereafter referred to as collector), OTHERWISE tax shall be collected at the higher of the following rates:
 - (a) At TWICE the rate specified in the relevant provision of this Act; or
 - (b) At the rate of 5%.
- The collectee shall furnish his PAN to the collector and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.
- Where the PAN provided to the collector is invalid or does not belong to the collectee, it shall be deemed that the collectee has not furnished his PAN to the collector and the above provisions shall apply accordingly.
- No certificate u/s 206C(9) shall be granted unless the application contains the PAN of the applicant.
- No declaration u/s 206C(1A) (i.e. Form 27C) shall be valid unless the person furnishes his PAN in such declaration. And in that case, the collector shall collect tax at the higher rate as specified in this section.
- The provisions of this section shall not apply to a non-resident who does not have Permanent Establishment in India.

SUMMARY of TDS

Sec.	Income liable to TDS	Rate (%)	Threshold Limit	Deductor	Deductee
192	Salary	Average Rate	Basic Exemption Limit	Any Employer	Employee (Resident or Non-resident)
192-A	Pre-mature withdrawal from accumulated balance of RPF by the employee	10	50,000	Trustees of the Employees' PF Scheme, 1952	Any employee covered under RPF
193	Interest on Securities	10	5,000 (Int. on Debenture)	Any Person	Resident holder
194	Dividend (deemed dividend u/s 2(22)(e))	10	Nil	Domestic Company	Resident shareholder
194-A	Interest Other than "Interest on Securities"	10	10,000 - Deductor is Bank etc.	Any person [other than individual/HUF, not liable to tax audit in preceding Financial year]	Any Resident
			5,000 - in other case		
			50,000 - Interest paid by Motor Accident Claim Tribunal		
194-B	Winnings from Lottery, crossword puzzle	30	10,000	Any Person	Any Person
194-BB	Winnings from Horse Race	30	10,000	Any Person	Any Person
194-C	Payment to Contractors for "Work Contract"	1% - Recipient Indivi./HUF	30,000 - Single Contract	Any person [other than individual/HUF, not liable to tax audit in preceding Financial year]	Any Resident
		2% - any other assessee	1,00,000 - aggregate of contracts during a financial year		
194-D	Insurance Commission	5	15,000	Any Person	Any Resident
194-DA	Payment in respect of Life Insurance Policy	1	1,00,000	Insurance Company	Any Resident
194-E	Payment to Non Resident Sportsmen/Sports Association/Entertainer	20	Nil	Any Person	Non Resident
194-EE	Payments in respect of NSS Deposits	10	2,500	Any Person	Any Person

194-G	Commission, etc. on Sale of Lottery Tickets	5	15,000	Any Person	Any Resident
194-H	Commission (other than Insurance-Commission) or Brokerage	5	15000 (No TDS deducted by BSNL or MTNL)	Any person [other than individual/HUF, not liable to tax audit in preceding financial year]	Any Resident
194-I	Rent	2% - Plant & Machinery	1,80,000 (Aggregate limit for plant-Machinery and Land-Building)	Any person [other than individual/HUF, not liable to tax audit in preceding financial year]	Any Resident
		10% - Land, Building, Furniture			
194-IA	Transfer of Immovable Property (Other than Rural Agricultural land)	1	50,00,000	Any person being transferee (other than the person referred in sec.194LA)	Any Resident transferor
194-IB	Payment of rent by certain Individual or HUF	5	50,000 per month	Any person Individual or HUF, [other than covered in section 194-I, (i.e. not liable to tax audit in the preceding financial year)]	Any Resident
194-IC	Payment under specified agreement, referred in section 45(5A)	10	Nil	Any Person	Resident (Individual or HUF)
194-J	Fees for professional services, technical services, Royalty, Directors fees	10	30,000 for each type of payment	Any person [other than individual/HUF, not liable to tax audit in preceding financial year]	Any Resident
			(No threshold limit for director's fee)		
194-LA	Compensation on Compulsory Acquisition of any Immovable Property (Other than Agricultural land)	10	2,50,000	Any Person	Any Resident
194-LB	Interest from Infrastructure Debt Fund referred to in Sec. 10(47)	5	Nil	Infrastructure Debt Fund	Non-resident or a foreign company
194-LBA	Certain Income from units of a Business Trust	10% - Resident unit holder	Nil	Business Trust	Resident or Non-Resident (including Foreign Company) Unit Holder
		5% - Non-resident unit holder			
194-LBB	Income in respect of units of	10% - Resident	Nil	Investment Fund	Unit Holder
		Rate in force -			

	Investment Fund	Non-resident or Foreign Company			
194-LBC	Income in respect of investment in securitisation trust	25% - Resident (Individual or HUF)	Nil	Securitisation Trust	Investor
		30% - Resident (Any other person)			
		Rate in force - Non-resident or Foreign Company			
194-LC	Income of Interest from Indian Company	5	Nil	Indian Company or Business Trust	Non-resident or a foreign company
194-LD	Interest income on certain bonds and Government securities	5	Nil	Any Person	Foreign Institutional Investor (FII) or a Qualified Foreign Investor
195	Interest or other sum payable to Non-Resident or Foreign Company	Rates in force	Nil	Any Person	Non-resident or foreign company
196-A	Income in respect of units of Non-resident	Since income from units is exempt u/s 10(35), NO TDS is required to be deducted.			
196-B	LTCG from units referred to in Section 115AB	10	Nil	Any Person	Offshore Fund
196-C	Income from Foreign Currency Bonds or GDRs referred in Sec. 115AC	10	Nil	Any Person	Non-resident
196-D	Interest Income of Foreign Institutional Investors (FII) from Securities referred to in Sec. 115AD	20	Nil	Any Person	FII

Sections	Time of Deduction
192, 192A, 194B, 194BB, 194DA, 194EE, 194LA	At the time of payment
All other sections	At the time of credit, or payment, whichever is earlier