

KNOWLEDGE OUTLOOK

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TDS PROVISIONS (INCLUDING AMENDMENTS AS PER FINANCE ACT, 2020)



TDS PROVISIONS APPLICABLE FOR F.Y.2020-2021

TDS is required to be deducted on various payments made as per the Income Tax Act. Some of those sections have been represented in a tabular form for a quick overview. The table also highlights the changes brought out by the Union Budget 2020 in rates and threshold limits and also insertion of some new sections.

Section	Nature of Payment	Applicability	Deductor	Deductee	Rate of TDS
192	Salary (including to a whole-time director or managing director)	As per the Basic Exemption Limit of Tax for F.Y. 2020-21	Employer	Individual (Employee)	Average rate of income tax computed on the basis of rates in force.
194	Dividend	>Rs. 5,000/- (w.e.f 01.04.2020)	A company or principal officer of the company which has made prescribed arrangements for declaration and payment of dividends within the definition of sec 2(22)(a) or (b) or (c) or (d) or (e) within India	Shareholder	10%

Section	Nature of Payment	Applicability	Deductor	Deductee	Rate of TDS
194A	Interest other than Interest on Securities	i) >Rs.40,000/- in a F.Y. in case of bank, post office & cooperative interest. The same is >Rs.50,000/- in case of Senior Citizen and ii) >Rs.5,000/- in other cases	Any person (other than an individual or HUF) responsible for such income (Refer Note 1)	Any Resident Person	10%
194C	Payment to contractors (Including supply of labours for carrying out any work) (Refer Note 2)	Rs. 30,000/- per contract or Rs. 1,00,000/- p.a. in aggregate	Any person (other than an individual or HUF) responsible for such income (Refer Note 1)	Any Resident Contractor (including sub-contractors)	1% to resident Individual or HUF ; 2% to any resident person other than above
194D A	Any sum under Life Insurance Policy	> 1,00,000/- p.a.	Any person responsible for paying such income (Including sum allocated by way of bonus)	Any Resident Person	5%
194H	Commission or Brokerage (not being insurance commission or commission/brokerage on Sale of Lottery Tickets)	> Rs.15,000/- p.a.	Any person (other than an individual or HUF) responsible for such income (Refer Note 1)	Any Resident Person	5%

Section	Nature of Payment	Applicability	Deductor	Deductee	Rate of TDS
194I	Rent	> Rs.2,40,000/- p.a.	Any person (other than an individual or HUF) responsible for such income (Refer Note 1)	Any Resident Person	2% on Plant and Equipment, 10% on land or building, land appurtenant thereto, furniture and fittings
194IA (Refer Note 3)	Payment on transfer of certain immovable property other than agricultural land	Consideration paid/ payable is more than Rs. 50 Lakhs	Any person being a transferee (other than a person referred to in section 194 LA)	Resident transferor	1%
194IB	Payment of rent by certain individuals or HUF	> Rs.50,000 for a month or part of month	Any person (being an individual or HUF, not liable to tax audit)	Any Resident Person	5%
194J	Fees for professional/technical services /Royalty/sum referred to in section 28(va)/Remuneration or Fee or Commission to a director which is not in the nature of Salary (Refer Note 2(iii))	Rs. 30,000/- (No exemption in case of Remuneration/Fee/Commission to a director which is not in the nature of Salary)	Any person (other than an individual or HUF) responsible for paying such income (Refer Note 1)	Any Resident Person	2% in case of fees for technical services (effective from 1st April 2020), 10% in all other cases

Section	Nature of Payment	Applicability	Deductor	Deductee	Rate of TDS
194K	Income received from Units of Mutual Funds (dividend only) (w.e.f. 01.04.2020)	>Rs.5,000/- Per Annum	Any person responsible for paying such income	Any person	10%
194L A	Compensation on acquisition of certain immovable property other than agricultural land	> Rs.2,50,000/- Per Annum	Any person responsible for paying such sum	Any Resident Person	10%
194M	Payment made by an individual or a HUF for contract work or by way of fees for professional services or commission or brokerage	> Rs.50,00,000/- Per Annum	Individual or HUF other than those who are required to deduct tax u/s 194C, 194H & 194J	Any Resident Person	5%

Section	Nature of Payment	Applicability	Deductor	Deductee	Rate of TDS
194N	Cash Withdrawals	> Rs.1 Crore Per Annum	Any person being a banking company to which Banking Regulation Act, 1949 applies ; co-operative society engaged in business of banking or post office.	Any person	<p>1) 2% shall be deducted on such sum in case exceeding Rs 1Crore.</p> <p>2) If recipient has not filed IT Return for last 3 years (this provision is applicable w.e.f. 01.07.2020) :</p> <p>2 % of such sum if Cash withdrawals is above Rs. 20 Lakhs and not exceeding Rs.1 Cr; 5% of such sum if Cash withdrawals is above Rs.1 Cr</p>

Note: The sections which are generally in use by the clients are discussed above

Notes for clarification of certain sections:

1) For the purpose of Section 194A, 194C, 194H, 194I, & 194J:

An individual or a HUF shall be liable to deduct TDS only if total sales, gross receipts or turnover from the business or profession carried on by him/her exceeds one crore rupees in case of business or fifty lakh rupees in case of profession in the financial year immediately preceding the financial year in which such amount liable for TDS is paid or credited.

2) Section 194 C: Payment to Contractors

i) **Amendment to the definition of Work:**

Work to include the raw materials provided by the assessee or its associate in contract manufacturing. Thus, in case of such contract manufacturing TDS is to be deducted on both raw materials & service component.

Associate: A person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A of the Act.

ii) Exemption on Payment to Transporter:

No TDS to be deducted on any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor during the course of business of plying, hiring or leasing goods carriages, 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 Permanent Account Number, to the person paying or crediting such sum.

iii) For Section 194C & 194 J:

An Individual or HUF shall not be liable to deduct TDS if aforesaid payment is made for services availed for personal purposes.

3) Section 194IA: Payment on transfer of certain immovable property other than agricultural land

i) “Consideration for transfer of any immovable property” shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

- ii) The provision of Section 203A(i.e. requirement to obtain TAN) shall not apply to a person required to deduct tax in accordance with the provision of this section. In other words purchaser is not required to obtain TAN.
- iii) "**Immovable property**" means any land (other than agricultural land) or any building or part of a building.
- iv) Section 194-IA is also applicable in case of urban agricultural land.
- v) TDS is deductible if asset is purchased from joint owners/co-owners and total consideration is Rs. 50 Lakhs or more even though amount paid/payable to each joint owner/co-owner is less than Rs. 50 Lakhs.

Note : This publication is meant for private circulation only and further contains information for general guidance only. For any queries, please mail us at rngsiliguri@gmail.com



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