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ORIGINAL ARTICLE

PAPERLESS REGIME- "ONLINE FILING OF TAX DEDUCTION AT SOURCE"

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Abstract:

Tax on income of previous year is usually paid in the assessment year. To avoid tax evasion, the Income Tax Act has made provisions to collect tax by way of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS). Tax deducted at source is one of the modes of collecting Income-tax from the assessee in India. TDS is an indirect method of collecting tax from the tax payer or deductor by the income tax department . TDS is pre-paid payment of tax in previous year in which incomes received or accrued. The tax so deducted from the income of the payee is deemed to be payment of Income-tax by the recipient at the time of his assessment. Such amount of tax (TDS)will be deducted from Tax Liability at the time of assessment in the assessment year.E-governance is becoming increasingly more important in today due to its effectiveness and applicability in various fields. Since financial year 2003-04, all corporate deductors made file Income tax returns for deduction of tax at source (TDS) only in electronic form. Further, from the financial year 2004-05, in addition to corporate deductors, filing of TDS returns in electronic form is made mandatory for government deductors also. Annual e-TDS/TCS return is the TDS return under section 206 of the Income Tax Act (prepared in Form Nos. 24, 26 or 27) or TCS return under section 206C of the Income Tax Act (prepared in Form No. 27E), which is prepared in electronic media as per prescribed data structure. Such returns furnished in a CD/Pen Drive should be accompanied by a signed verification in Form No. 27A in case of Annual TDS returns and Form No. 27B in case of Annual TCS return. From financial year 2005-06 onwards, TDS/TCS returns have to be filed every quarter. In e-TDS system of filing returns, even a simple error can result in multiple notices, including penalties, from tax department's computerized system..

KEYWORDS:

Online filing , Tax Deduction , Regime , Tax Deduction at Source (TDS) , Tax Collection at Source (TCS).

INTRODUCTION

T.D.S stands for tax deducted at source, which literally means the tax required to be paid by the assessee, is deducted by the person paying the income to him. Thus, the tax is deducted at the source f income itself. Although it is worth mentioning here that whole of tax is not deducted at the source but only a certain part is deducted. In some cases it may also get excess while in other cases it may be less then the total tax liability. However, in case of salary the total tax liability can be deducted at source itself. The intention behind T.D.S is fast collection of tax and to avoid tax evasion, by concealing income. Corporates and business owners are responsible for deducting taxes when making specified payments to a certain category of people. Payments to non-residents are always subject to tax deducted at source, or TDS, if such payment is an income chargeable to tax in the hands of the non-resident. The deductor should pay such TDS to the Government by the 7th of the following month, and when deduction is during March, the payment should be made by end-April.

Rates of TDS: Depending on the nature of income, TDS rates vary. On salaries, employers adjust the rate such that the entire tax liability of the employee is deducted by the year-end. On fixed deposit interest, banks charge TDS at 10 per cent. But if the deposit holder does not provide his permanent account number, banks deduct tax at 20 per cent. On rent, the TDS rate is 10 per cent. But if the rent payer is an individual, he need not deduct tax.. But this does not mean that such income is not subject to tax. For instance, tax is not deducted on interest earned on bank recurring deposits and savings bank accounts. Also, if interest on bank fixed deposits is less than Rs 10,000 a year, there is no TDS. But the tax-payer has to declare these incomes in his tax return and pay tax on it, if applicable. Even if a customer has multiple deposits, the interest earned will be aggregated and subjected to TDS if the threshold level is crossed.

TDS rates for Financial Year 2012-13

Form 24Q:

Male	**Female**	**Senior Citizen**	**Tax (%)**
For Income Between 0 to 2,00,000	For Income Between 0 to 2,00,000	For Income Between 0 to 2,50,000	0
For Income Between 2,00,001 to **5,00,000**	For Income Between 2,00,001 to **5,00,000**	For Income Between 2,50,001 to **5,00,000**	10
For Income Between 5,00,001 to **10,00,000**	For Income Between 5,00,001 to **10,00,000**	For Income Between 5,00,001 to **10,00,000**	20
For Income **above 10,00,001**	For Income **above 10,00,001**	For Income **above 10,00,001**	30
Surcharge			0
Education Cess			3
Note: Age of senior citizen is 60 and above years. New category of assessee "Very Senior Citizen", aged above 80 years, is exempted till 5,00,000 of income.			

Form 26Q:

Section	Nature of Payment	Tax (%)
193	Interest on Debentures & Securities	10
194	Deemed Dividend	10
194A	Other Interest > Aggregate sum exceeding Rs. 10,000 for Banking Co's , etc.per person during the financial year. > Aggregate sum exceeding Rs. 5,000 per person during the financial year	10
194B	Lottery/Crossword Puzzle > Rs.10,000	30
194BB	Winnings from Horse Race > Rs. 5,000	30
194C	Contracts to Transporter, who has provided a valid PAN	0*
	Contracts to Individuals/HUF	1
	Contracts to others	2
194D	Insurance Commission > Rs.20,000	10

194EE	Withdrawal from NSS > Rs.2,500	20
194F	Repurchase of Units by MF/UTI	20
194G	Commission on Sale of Lottery Tickets > Rs.1,000	10
194H	Commission or Brokerage > Rs.5,000	10
194I	Rent > Rs.1,80,000 p. a. Rent of Plant & Machinery	2
	Rent of Land, Building, Furniture, etc	10
194J	Professional or Technical Fess > Rs.30,000	10
194J(1)(ba)	Any remuneration or commission paid to director of the company (Effective from 1 July 2012)	10
194LA	Compensation on Compulsory Acquisition of immovable property >Rs.1,00,000 during the financial year upto July 1st 2012 From 1st July 2012 threshold limit will be 2,00,000	10
Surcharge		0
Education Cess		0

Form 27Q:

Section	Nature of Payment	Tax (%)
194E	Payment to nonresident sportsmen or sports association	10
195(a)	Income from foreign exchange assets payable to an Indian citizen	20
195(b)	Income by way of long-term capital gain referred to in sec. 115E	10
195(c)	Income by way of Short-term capital gains u/s. 111A	15
195(d)	Income from other long-term capital gains	20
195(e)	Income by way of interest payable by Government/Indian concern on money borrowed or debt incurred by Government or Indian concern in foreign currency	20
195(f)	Royalty payable by Government or an Indian concern in pursuance of an agreement made by non-resident with the Government or the Indian concern after March 31, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to section 115A(1A) to the Indian concern or in respect of computer software referred to in the second proviso to section 115(1A), to a person resident in India -	
	1.Where the agreement is made before June 1, 1997	30
	2.Where the agreement is made after May 31, 1997 but before June 1, 2005	20
	3.Where the agreement is made on or after June 1, 2005	10

195(g)	Royalty (not being royalty of the nature referred to in (e) sub para) payable by Government or an Indian concern in pursuance of an agreement made by non-resident with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to matter included in the industrial policy, the agreement is in accordance with that policy	
	1.Where the agreement is made after March 31, 1961 but before April 1, 1976	50
		30
	2.Where the agreement is made after March 31, 1976 but before June 1, 1997	30
	3.Where the agreement is made after May 31, 1997 but before June 1, 1997	20
	4.Where the agreement is made on or after June 1, 2005	10
195(h)	Fee for technical services payable by Government or an Indian concern in pursuance of an agreement made by non-resident with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to matter included in the industrial policy, the agreement is in accordance with the policy -	
	1.Where the agreement is made after February 29, 1964 but before April 1, 1976	50
		30
	2.Where the agreement is made after March 31, 1976 but before June 1, 1997	30
	3.Where the agreement is made after May 31, 1997 but before June 1, 2005	20
	4.Where the agreement is made on or after June 1, 2005	10
195(i)	Any other income	40
		30
196A	Income in respect of Units of Non-residents	20
196B	Income and Long-term Capital gain from units of an Off shore fund	10
196C	Income and Long-term Capital Gain from Foreign Currency Bonds or shares of indian companies	10
196D	Income of Foreign Institutional Investors for Securities	20
Surcharge (On Tax)	2.5	
Education Cess	3	

Form 27EQ:

Collection Code	Nature of Purchase	Tax (%)
6CA	Alcoholic liquor for human consumption	1
6CB	Timber obtained under a forest lease	2.5
6CC	Timber obtained under any mode other than forest lease	2.5
6CD	Any other forest product not being timber or tendu leave	2.5
6CE	Scrap	1
6CF	Parking Lot	2
6CG	Toll plaza	2
6CH	Mining and quarrying	2
6CI	Tendu leaves	5
Not Defined	Minerals, being coal or lignite or iron ore	1
Not Defined	Bullion or jewellery (if the sale consideration is paid in cash exceeding 2,00,000)	1
Surcharge (On Tax)	Applicable for Foreign Companies if collections exceeds Rs.1 crore of such companies	2.5
Education Cess	Applicable for Foreign Companies	3

Due Dates for TDS and TCS: The obligations of the deductors is also file the e-TDS return.. They have to submit TDS returns within 15 to 45 days from the end of each quarter with specific details. Deductors have to ensure that the data provided is accurate — if not, it can lead to a demand notice from the tax department.

Due Date Table for TDS and TCS quarterly returns:

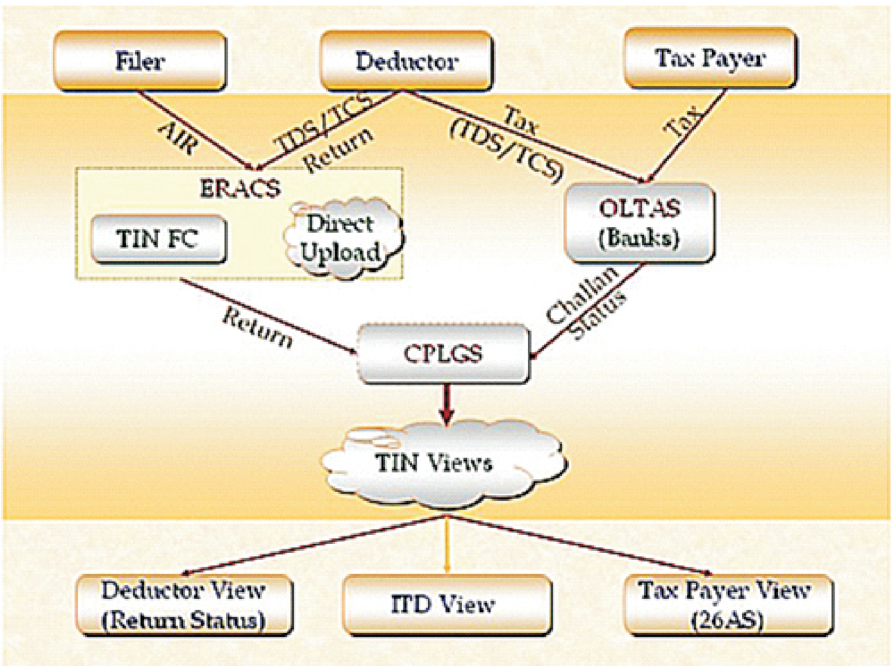
Quarter	Form 24Q	Form 26Q	Form 27Q	Form 27EQ
First	July 15th	July 15th	July 14th	July 15th
Second	October 15th	October 15th	October 14th	October 15th
Third	January 15th	January 15th	January 14th	January 15th
Fourth	May 15th	May 15th	May 15th	May 15th

TYPES OF TDS AND TCS RETURNS AND THEIR PERIODICITY:

Form No. 24: Annual return of 'Salaries' Annual
Form No. 26: Annual return in respect of all payments other than 'Salaries' Annual
Form No. 27: Statement of deduction of tax from interest, dividend or any other sum payable to certain persons Quarterly
Form No. 27E: Annual return of collection of tax Annual
Form No. 24Q: Quarterly statement 'Salaries' Quarterly
Form No. 26Q: Quarterly statement in respect of all payments other than 'Salaries' Quarterly
Form No. 27Q Quarterly statement of deduction of tax from interest, dividend other sum payable to non-residents Quarterly
Form No. 27EQ Quarterly statement of collection of tax at source Quarterly
Preparation of e-TDS Return "E-TDS Return" means a return to be filed under section 206 of the Act duly

supported by a declaration in Form No. 27A as prescribed under the Income-tax Rules, 1962; The e-deductor shall prepare his e-TDS Return according to the data structure to be provided by the e-filing Administrator.
While preparing e-TDS Return, the e-deductor shall quote his permanent account number and tax deduction account number as also the permanent account number of all persons in respect of whom tax has been deducted by him except in respect of cases to which the first proviso to sub-section (5A) or the second proviso to sub-section (5B) of section 139A of the Act applies.
The e-deductor shall ensure that all columns of the Forms of the return for tax deduction at source, prescribed under the Rules, are duly and correctly filled in.
The e-deductor shall furnish e-TDS Return on computer media to the e-TDS Intermediary duly supported by a declaration in Form No.27A, as prescribed in the Rules, in paper format.
Tax Information Network :Tax Information Network (TIN) is an initiative by Income Tax Department of India (ITD) for the modernization of the current system for collection, processing, monitoring and accounting of direct taxes using information technology. TIN is a repository of nationwide Tax related information, and has been established by National Securities Depository Limited on behalf of ITD.

TIN SYSTEM



FEE AND PENALTY FOR LATE FILING OF TDS STATEMENT OR E-TDS RETURN:

where a person fails to deliver or cause to be delivered a statement within the time prescribed in subsection (3) of section 200 or the proviso to sub-section (3) of section 206C, he shall be liable to pay, by way of fee, a sum of two hundred rupees for every day during which the failure continues. The amount of fee referred to in sub-section (1) shall not exceed the amount of tax deductible or collectible, as the case may be. a person shall be liable to pay penalty, if, he— (a) fails to deliver or cause to be delivered a statement within the time prescribed in subsection (3) of section 200 or the proviso to sub-section (3) of section 206C; or (b) furnishes incorrect information in the statement which is required to be delivered or cause to be delivered under sub-section (3) of section 200 or the proviso to sub-section (3) of section 206C.

1.The penalty referred to in sub-section (1) shall be a sum which shall not be less than ten thousand rupees but which may extend to one lakh rupees.
2.Notwithstanding anything contained in the foregoing provisions of this section, no penalty shall be levied for the failure referred to in clause (a) of sub-section (1), if the person proves that after paying tax deducted

or collected along with the fee and interest, if any, to the credit of the Central Government, he had delivered or cause to be delivered the statement referred to in subsection (3) of section 200 or the proviso to sub-section (3) of section 206C before the expiry of a period of one year from the time prescribed for delivering or causing to be delivered such statement.
3.The provisions of this section shall apply to a statement referred to in subsection(3) of section 200 or the proviso to sub-section (3) of section 206C which is to be delivered or caused to be delivered for tax deducted at source or tax collected at source, as the case may be, on or after the 1st day of July, 2012.".

Processing the returns: If the e-TDS/TCS return file is complete in all aspects, TIN-FC will issues a provisional receipt. The provisional receipt issued by TIN-FC is deemed to be the proof of e-TDS/TCS return filed by you. TDS returns are immediately processed by the Tax department's computer system, .There may be errors like data entry errors, short deduction of taxes, short payment of taxes, non-payment of interest, incorrect PAN of deductees among others. Deductors have been receiving such frequent notices for the last two years, and the reason is the computerisation of the tax department's systems. As the TDS return filed by the deductors is the most important step in the process, the Government has been trying to streamline it, but deductors have been at the receiving end.

CONCLUSION:

Annual e-TDS/TCS return is the TDS return under section 206 of the Income Tax Act (prepared in Form Nos. 24, 26 or 27) or TCS return under section 206C of the Income Tax Act (prepared in Form No. 27E), which is prepared in electronic media as per prescribed data structure. Such returns furnished in a CD/Pen Drive should be accompanied by a signed verification in Form No. 27A in case of Annual TDS returns and Form No. 27B in case of Annual TCS return. From financial year 2005-06 onwards, TDS/TCS returns have to be filed every quarter. In e-TDS system of filing returns,..A small error in e TDS return may lead to show cause demand notices are automatically issued, and also notices initiating penalty and prosecution proceedings, based on certain criteria. As a result, deductors receive multiple notices from the tax department. The deductor has to run after the tax officer for stay on the demand and rectification of the demand orders, and appeal to the CIT (Appeals).

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