Organised by: Trans Hindon study circle of CIRC of ICAL

Venue: Hotel Rousha Inn, kausambi

Topic : Amendment in TDS/TCS provisions by Finance (No. 02) Act 2024

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- Post-qualification experience of around 24 years in the field of direct & indirect tax particularly income tax, GST, service tax and VAT, sales tax.
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- [(2B) Where an assessee who receives any income chargeable under the head "Salaries" has, in addition, any income chargeable under any other head of income (not being a loss under any such head other than the loss under the head "Income from house property") for the same financial year, he may send to the person responsible for making the payment referred to in sub-section (1) the particulars of:-
- (a) **such other income** and of any tax deducted/collected thereon under any other provision of this Chapter;
- (b) the loss, if any, under the head "Income from house property",

in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall take:-

- (i) such other income and tax, if any, deducted thereon; and
- (ii) the loss, if any, under the head "Income from house property",
- also into account for the purposes of making the deduction under sub-section (1):

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible except where the loss under the head "Income from house property" has been taken into account, from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.

Note: - Rule 26 B no specific form, only details with verification like

FORM OF VERIFICATION

I,(name of the assessee), do declare that what is stated above is true to the best of my information and belief.]

Section-192(2B) Finance Act (No.2)-2024

192 (2B) Where an assessee who receives any income chargeable under the head "Salaries" has, in addition, —

- a. any income chargeable under any other head of income (not being a loss under any such head other than the loss under the head "Income from house property"); or
- b. any TDS/TCS under the provisions of Part B or Part BB of this Chapter, as the case may be, for the same financial year,

he may send to the person responsible for making the payment referred to in sub-section (1), the particulars of—

- a. such other income; ignore loss of other head
- b. any tax deducted or collected under any other provision of Part B or Part BB of this Chapter, and
- c. the loss, if any, under the head "Income from house property",

in such form and verified in such manner as may be prescribed (rule 26B form 12AA), and

thereupon the person responsible as aforesaid shall take into account the particulars referred to in clauses (a), (b) and (c) for the purposes of making the deduction under sub- section (1):

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible except where the loss under the head "Income from house property" has been taken into account, from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted in accordance with other provisions of Part B and collected in accordance with the provisions of Part BB, of this Chapter, had not been taken into account.'

New Rule 26B applicable from 15-10-2024

Details of other Tax-Deducted at Source – TAN no, amount etc

Details of Tax Collected at Source- TAN no, amount etc.

26B. The assessee may submit to the person responsible for making payment under sub-section (1) of section 192, the details of —

- any income chargeable under any head of income other than 'Salaries' received in the same financial year; or
- any tax deducted at source or tax collected at source under the provisions of Part B or Part BB of Chapter XVII, for the same financial year; or
- loss, if any, under the head "Income from house property" in the same financial year,

in Form No. 12BAA, for the purpose of computing the tax deduction at source under sub-section (1) of section 192.]

CHANGES IN TDS PROVISIONS THROUGH F.A(No.2) 2024

Section with nature of payments	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company).	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy.	5%	2%	01.10.2024
Section 194G – Commission etc. on sale of lottery tickets	5%	2%	01.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	01.10.2024
Section 194IB - Payment of rent by individual /HUF rent exceeding Rs. 50000/- p.m	5%	2%	01.10.2024
Section 194 M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	01.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	01.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India			01.10.2024

Change in TDS rate of capital gain u/s 196B

Where any income in respect of units referred to in section 115AB or by way of long-term capital gains arising from the transfer of such units is payable to an Offshore Fund, the person responsible for making the payment shall, at the time of credit of such income to the account of the payee or at the time of payment thereof.

Income from units purchased in foreign currency or capital gains arising from their transfer by assessee, being an overseas financial organisation known as Offshore Fund. "TDS at the rate of—

- (a) 10% in respect of income from units referred to in section 115AB (1) (j);
- (b) 10% in respect of long-term capital gains arising from transfer of units referred to in section 115AB, which takes place before the 23rd day of July, 2024;
- (c) 12.5% in respect of long-term capital gains arising from transfer of units referred to in section 115AB, which takes place on or after the 23rd day of July, 2024.".

Increase in partner remuneration limit – section 40b

Existing limit		Proposed limit		
Upto first 3 lakh of book profit	Rs. 1.50 lakh or 90% of book profit whichever is more	Upto first 6 lakh of book profit	Rs. 3 lakh or 90% of book profit whichever is more	
Balance book profit	60% of balance book profit	Balance book profit	60% of balance book profit	

TDS On of remuneration, interest to Partners. New section 194 -T from 1-4-2025

Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, it is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.

"194T. (1) Any person, being a firm, responsible for paying any sum in the nature of **salary, remuneration, commission, bonus or interest** to a **partner** of the firm, shall, at the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier shall, deduct income-tax thereon @10%.

(2) No deduction shall be made under sub-section (1) where such sum or the aggregate of such sums credited or paid or **likely** to be credited or paid to the partner of the firm does not exceed Rs.20000 during the financial year.".

New section inserted with effect from the 1st day of April, 2025

TDS On of remuneration, interest to Partners. New section 194 -T from 1-4-2025

Comments: Partner Vs. Working partner
What about person receiving amount in a capacity other than partner?
Threshold limit of Rs 20000/- p.a is too low considering the threshold limit of individual . TDS. rate is too high, partners income may be in lower bracket as no tax upto threshold limit.
Whether limit of Rs. 20000/- is separately for salary or interest or commission or aggregate including all to per partner irrespective of nature of payment. What about amount for retaining name of partner/ name lending not introduced any capital or not working in firm or for the firm.
TDS irrespective of whether it is taxable in the hand of partner or not because beyond certain amount such exp disallowed in the hand of firm and also TDS.
Whether firm is a separate person from partners or just pass through entity? Can we imagine a firm without partner? What was logic of not deducting tax earlier?
Increased compliance burden even for small partnership firm because such firm have to get TAN and make compliances.
In case of company limit for deduction of salary to director much higher.

TCS under subsection (1F) of section 206C on notified goods

Sub-section (1F) of section 206C provides that every person, being a seller, who receives any amount as consideration for sale of a **motor vehicle** of the value exceeding 10 lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 1% of the sale consideration as income-tax.

It has been seen that there has been an increase in expenditure on **luxury goods** by high net worth persons. For proper tracking of such expenses and in order to widen and deepen the tax net, it is proposed to amend sub-section (1F) of section 206C to also levy TCS on any other goods of value exceeding 10 lakh rupees, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods. **With effect from the 1st day of January, 2025.**

- (1F) Every person, being a seller, who receives any amount as consideration for sale of—
- (i) a motor vehicle; or
- (ii) any other goods, as may be **specified by the Central Government by notification** in the Official Gazette,

of the value exceeding RS. 10 lakh, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 1% of the sale consideration as income-tax.

Amendment of provisions of TDS on sale of immovable property in section 194IA amendments will take effect from the 1st day of October, 2024.

limit of Rs 50 Lakh per property and not per Payer or per Payee in the case of Joint Property

194-IA. (1) Any person, being a transferee, responsible for paying (other than the person referred to in section 194LA) to a resident transferor any sum by way of consideration for transfer of any immovable property (other than agricultural land), shall, at the time of credit of such sum to the account of the transferor or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to one per cent of such sum or the stamp duty value of such property, whichever is higher,] as income-tax thereon.

(2) No deduction shall be made where the consideration for the transfer of an [immovable property and the stamp duty value of such property, are both, less than Rs. 50 lakh. Amended by Finance Act, 2022, w.e.f. 1-4-2022.

"Provided that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property." proviso Inserted by the Finance (No. 2) Act, 2024, w.e.f. 1-10-2024.

Section 194C and 194J are mutually exclusive Section 194C of the Act provides for TDS on payments to contractors at the rate of 1% when the payment is being made or credit is being given to an individual or HUF and 2% in other cases.

Section 194J of the Act relates to TDS on fees for professional or technical services wherein the applicable TDS rates are 2% or 10% depending on the nature of payment being made.

Clause (iv) of the Explanation of section 194C **defines "work" to** specify activities would attract TDS under section 194C. However, there is no explicit exclusion of assessee who are required to deduct tax under section 194J from requirement or ability to deduct tax under section 194C of the Act. Therefore some deductor are deducting tax under section 194C of the Act when in fact they should be deducted tax under section 194J of the Act.

- 3. In view of the above, it is proposed to explicitly state that any sum referred to in sub-section (1) of section 194J does not constitute "work" for the purposes of TDS under section 194C.
- 4. The amendment will take effect from 1st day of October 2024.



Definition of terms amended in recent years

"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; [explanation (aa)] Inserted by the Finance (No. 2) Act, 2019, w.e.f. 1-9-2019

Comments: consideration for transfer of immovable property. Important to understand meaning of immovable property. Any amount purely for any service can't be consideration for immovable property.



Interest on late payment of TCS after collection @ 1% p.m whereas Interest on late payment of TDS after deduction @1.5% now section 206C amended so as interest on late payment of TCS after collection is also 1.5% from 01-04-2025.



Claiming credit for TCS of minor in the hands of parent: there is no provision in the Act for allowing credit of TCS to any other person (e.g. parent) other than the collectee. For example, funds remitted under the Liberalized Remittance Scheme of the Reserve Bank of India may have been remitted in the name of minor and accordingly tax would have been collected under sub-section (1G) of section 206C. However, there is no provision for the parent to claim the same in their tax return. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under sub-section (1A) of section 64 of the Act which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child. The amendment will take effect from the 1st day of January, 2025.

206 C (1G) – Remittance under LRS – through authorized dealer

206C (1G) inserted by the Finance Act, 2020, w.e.f. 1-10-2020.

TCS rate initially – 5% changed to 20% by Finance Act, 2024, w.e.f. 1-10-2023 for other than education or medical treatment

0.5 % TCS if remittance from education loan from financial institution ref u/s 80E.

Overseas Tour operator also 20% TCS.

TCS rate for education /medical treatment @ 5%.

authorized dealer, who receives an amount, for remittance from a buyer under LRS	Limit Rs. 7 lakh per buyer in a FY
seller of an overseas tour program package , who receives any amount from a buyer, being the person who purchases such package.	Limit Rs. 7 lakh per buyer in a FY
Provided that the authorized dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than Rs. 7 lakh in a financial year <u>and is for a purpose</u> <u>other than purchase of overseas tour program package</u> .	01-10-2020 to 30- 06-2023 only TCS on tour package
Provided that the authorized dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than Rs. 7 lakh in a financial year and <u>for the purposes</u> <u>of education or medical treatment</u>	Amended by Finance Act, 2023, w.e.f. 1-7-2023 .
Provided that the authorized dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than Rs. 7 lakh in a financial year and for the purposes of education or medical treatment."	omitted by the Finance Act, 2024, w.r.e.f. 1-7-2023.
Provided also that seller of an overseas tour programme package shall collect a sum of 20% of the amount or aggregate of amounts in excess of Rs. 7 lakh rupees received from the buyer in a financial year.	Finance Act, 2024, w.r.e.f. 1-10-2023.
No TCS if TDS required under other provision or payment government , embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other specified person.	

Time limit for correction statement of TDS section 200

(3) Any person deducting any sum on or after the 1st day of April, 2005 in accordance with the foregoing provisions of this Chapter or, as the case may be, any person being an employer referred to in sub-section (1A) of section 192 shall, after paying the tax deducted to the credit of the Central Government within the prescribed time, prepare such statements for such period as may be prescribed] and deliver or cause to be delivered to the prescribed income-tax authority or the person authorised by such authority such statement in such form and verified in such manner and setting forth such particulars and within such time as may be prescribed:

Provided that 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.

Following second proviso shall be inserted after the existing proviso to sub-section (3) of section 200 by the Finance (No. 2) Act, 2024, w.e.f. 1-4-2025:

"Provided further that no correction statement shall be delivered after the expiry of 6 years from the end of the financial year in which the statement referred to in sub-section (3) is required to be delivered." this proviso inserted with effect from the 1st day of April, 2025.

Time limit for correction statement of TCS u/s section 206C(3B) New proviso inserted

• "Provided that no correction statement shall be delivered after the expiry of 6 years from the end of the financial year in which the statement referred to in the proviso to subsection (3) is required to be delivered."; inserted by FA (No.2) 2024 with effect from the 1st day of April, 2025.

Time limit for passing order under section 201(1)/(1A) reduced.

order for Assessee in default if, deductor or employer does not deduct, or does not pay, or after so deducting fails to pay.

Time limit reduced from 7 years to 6 years from the end of the financial year and this time limit for all .

(3) No order shall be made under sub-section (1) deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax from <u>a person resident in India</u>, <u>at any time after the expiry of seven years</u> from the end of the financial year in which payment is made or credit is given or two years from the end of the financial year in which the correction statement is delivered under the first proviso to sub-section (3) of section 200, whichever is later.

"any person, at any time after the expiry of six years" shall be sub. for "a person resident in India, at any time after the expiry of seven years" by the Act No. 15 of 2024, w.e.f. 1-4-2025.



Following sub-section (3) shall be inserted after sub-section (2) of section 200A by the Finance (No. 2) Act, 2024, w.e.f. 1-4-2025:

(3) The Board may make a scheme for processing of statements made by any other person, not being a deductor.

Scope of lower deduction certificate u/s 197 enhanced by FA No.2 Act 2024.

Lower deduction certificate available also in the case of deduction of tax u/s 194Q. Inserted by FA No.2 Act 2024. w.e.f. 1-10-2024.

TDS on payment for purchase of goods beyond Rs 50 lakh.

Subject to rules made under sub-section (2A), where, in the case of any income of any person or sum payable to any person, income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force under the provisions of sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K], 194LA, 194LBA], 194LBB, 194LBC, 194M, 194-0,194Q and 195, the Assessing Officer is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, as the case may be, the Assessing Officer shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.

Tax deducted is income – section 196

- ☐ Earlier tax deducted in India is income.
- Now tax deducted outside India for which credit *allowed against the tax payable*.



All sums deducted in accordance with the foregoing provisions of this Chapter and income-tax paid outside India, by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under this Act, shall, for the purpose of computing the income of an assessee, be deemed to be income received:



Exclusions:



Provided that the sum being the tax paid, under subsection (1A) of section 192 for the purpose of computing the income of an assessee, shall not be deemed to be income received:



Provided further that the sum deducted in accordance with the provisions of section 194N for the purpose of computing the income of an assessee, shall not be deemed to be income received.

Thank You

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