

**WARM WELCOME  
TO EVERYONE**

# Awareness Programme on TDS and issues related to TDS Reconciliation Analysis and Correction Enabling System (TRACES)

Conducted By TDS Range 1(2), Mumbai under the guidance of CCIT(TDS) & CIT(TDS) - 1, Mumbai

By TDS Range - 1(2), Mumbai

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# BRIEF INTRODUCTION OF TDS & IMPORTANCE OF TDS

# Brief Introduction of TDS

- ❖ The Income Tax Department of India introduced the concept of TDS to deduct tax from every source of income. Tax Deduction at Source (TDS) is one of the means of collection of direct taxes. It is one form of Advance Tax. TDS constitutes nearly 40% of the direct tax collections.
- ❖ TDS is an indirect mechanism of collecting tax which combines twin concepts of “**pay as you earn**” and “**collect as it is being earned.**” It facilitates sharing of responsibility of tax collection between the deductor and the tax administration. It ensures regular inflow of cash resources to the Government. It acts as a powerful instrument to prevent tax evasion as well as expands the tax net.
- ❖ Tax is deducted at the time of accrual of income and remitted to the government account and deductees get the credit for the same as prepaid tax in their Return of Income.

## TDS governing provisions under Income-tax Act, 1961

- ▶ Chapter XVII-B casts several obligations on the assessee or the person responsible for payment with respect to Tax Deducted at Source.
- ▶ Section 190 to 206B of the Income-tax Act, 1961 deals with the TDS.
- ▶ Section 190 provides deduction of income-tax at source as one of the modes of collection of income-tax in respect of an income
- ▶ Section 191 – Safeguard for Revenue – If no provision for TDS or where Tax not deducted – Tax is to be payable by Assessee Direct

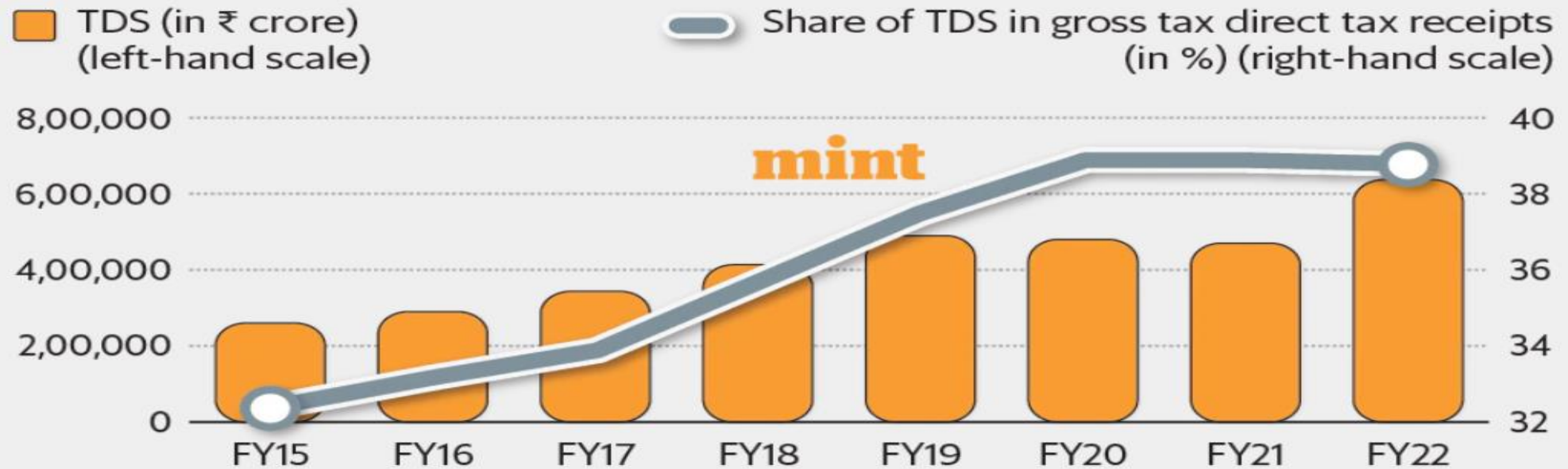
# Why TDS is important ?

- ❖ Helps in Preventing Tax Evasion
- ❖ Acts as an interim revenue source for the Government of India
- ❖ Ease of Tax Collection
- ❖ Expand the Tax Base
- ❖ Convenient Tax Payment for the Taxpayers
- ❖ Promote Transparency

## Result of Increasing Compliances under TDS

### Expanding source

The share of tax deducted at source in gross direct tax receipts has risen from 32% in FY15 to nearly 39% in FY22.



Source: Central Board of Direct Taxes



# GRIEVANCES

# Types of Grievances

- ❖ The Income Tax Department introduced a Grievance Redressal Mechanism to ensure prompt redressal of assessee.
- ❖ Objectives of the Grievance Redressal Mechanism:
  - ❖ Prompt redressal of every public grievance,
  - ❖ Safeguarding the rights and dignity of taxpayer in democratic set-up,
  - ❖ Gaining insight into the working of the system through the feedback received from the public with view to effecting appropriate changes in the system, etc.
- ❖ The grievances received in the form of:
  - ❖ Centralised Public Grievance Redress and Monitoring System (CPGRAMS)
  - ❖ e-Nivaran
  - ❖ Paper Grievances

# Nature of Grievances

- ❖ What are the basic grievances?
  - ❖ TDS deducted not deposited
  - ❖ TDS not deducted and not deposited
  - ❖ Demand raised by the CPC
- ❖ Why these grievances arrive?
  - ❖ Regular defaulters on which grievances will be filed
  - ❖ There are several stringent proceedings such as proceedings u/s 201(1)/ 201(1A)/ 271H/ 272A(2)(g), prosecution u/s 276B/ 277A, etc.
  - ❖ Grievances due to errors in filing statements/ challans
  - ❖ Type of errors/ mistakes:
    - ❖ Wrong PAN
    - ❖ Wrong TAN
    - ❖ Assessment Year

# How to avoid Mistakes

- ❖ How we can avoid such mistakes/ errors?
  - ❖ Verification of PAN, whether it is active or not
  - ❖ Linking of PAN with Aadhaar in all the cases
  - ❖ Obtaining photocopies of PAN/ TAN from the parties and to be cautiously type
  - ❖ Due diligence while deducting TDS under provisions
- ❖ After all, if any corrections required to be made:
- ❖ Types of corrections which require the Inter-verification of the department mostly
  - ❖ We are dealing from time to time
    - ❖ Form 26QB Correction
    - ❖ Challan Correction

# Form 26QB Correction

- ❖ Errors in Form 26QB:
  - ❖ Wrong TAN,
  - ❖ AY/ FY, etc.
- ❖ In case of correction following documents are required:
  - ❖ Application for Correction
  - ❖ Copy of PAN/ TAN
  - ❖ Copy of Challan
  - ❖ Copy of Bank Statement
  - ❖ In case of TAN correction NOC from party whose TAN is wrongly entered and it is must
  - ❖ Indemnity Bond on stamp paper of Rs. 100/- duly notarized (duly indemnifying the correction)

All these documents required in PDF form not exceeding size of 2 MB.

# Challan Correction

- ❖ Errors in Challan:
  - ❖ Wrong TAN/ PAN,
  - ❖ AY/ FY, etc.
- ❖ In case of correction following documents are required:
  - ❖ Application for Correction
  - ❖ Copy of PAN/ TAN
  - ❖ Copy of Challan
  - ❖ Copy of Bank Statement
  - ❖ In case of TAN correction NOC from party whose TAN is wrongly entered and it is must
  - ❖ Indemnity Bond on stamp paper of Rs. 100/- duly notarized (duly indemnifying the correction)

All these documents required in PDF form not exceeding size of 2 MB.

# How to make application

- ❖ How to make application -
  - ❖ You can submit request through TRACES portal which will be randomly allocated to any of the TDS Officers irrespective of jurisdiction.
  - ❖ You can only apply after 15 days of event
- ❖ So now coming back to grievances. Please ensure that following documents to be attached with grievance application:
  - ❖ Detailed note on grievance
  - ❖ Quoting of correct TAN/ PAN of entity/ person to whom the grievance relates and against whom the grievance is filed.
  - ❖ Copy of Bank Statement highlighting the transactions
  - ❖ Copy of related Agreement/ Bills/ Sale Deed
  - ❖ Contact details of both the parties. This will enhance effective redressal of grievances without taking much time

CORRECTION OF STATEMENT CUM CHALLAN  
RELATING TO TDS ON SALE OF PROPERTY  
UNDER SECTION 194-IA (FORM 26QB)

**LETTER F.NO.DIT(S)-2/FORM 26QB/100/2015, DATED 22-3-2016**



## Important Information about Form 26QB Correction

| Sr. No. | Field which can be changed  | With Digital Signature  | Without Digital Signature  |
|---------|---|---|--|
| 1       | Buyer's PAN<br>(When Buyer's PAN AAAPA1111A is to be changed to BBBPB1111B)     | Once the request is raised by the buyer (AAAPA1111A) with Digital Signature, the same would be pushed to the seller and the new Buyer (BBBPB1111B). As soon as both of them approve, the PAN will be updated. | Once request is raised by Buyer without digital signature (AAAPA1111A) the same will be pushed to Seller and the new Buyer (BBBPB1111B) for approval. As soon as both of them approve the correction, by logging into TRACES, the ticket will be sent to TDS AO for physical verification of the facts and the genuineness of the buyer. TDS AO, if satisfied, can then approve the same from his inbox. |
| 2       | Seller's PAN (When Seller's PAN is to be updated from CCCPC1111C to DDDPD1111D) | Once request is raised by Buyer with digital signature the same will be pushed to the existing Seller (CCCPC1111C) for approval. As soon as he/she approves the same, the PAN will be updated.                | Once request is raised by Buyer without digital signature, the same will be pushed to the existing Seller (CCCPC1111C) for approval. As soon as he/she approves the same, the request will be sent to TDS AO for physical verification of the facts and the genuineness of the buyer and the seller. TDS AO, if satisfied, can then approve the same.  |
| 3       | Buyer's Address   | Auto Approval   | Auto Approval  |
| 4       | Seller's Address  | Auto Approval   | Auto Approval  |
| 5       | Property Details (Including Property Value)                                     | Auto Approval   | Auto Approval  |

## Important Information about Form 26QB Correction

| Sr. No. | Field which can be changed                                       | With Digital Signature | Without Digital Signature   |
|---------|--|------------------------|---|
| 6       | Amount Paid/ Credited - Amount Payable to the Transferor/ Seller | Auto Approval          | Once request is raised by Buyer without digital signature, the same will be sent to TDS AO for verification of the amount and the genuineness of the buyer. TDS AO, if satisfied, can then approve the same from his inbox. |
| 7       | Date of Payment to the Seller                                    | Auto Approval          | Once request is raised by Buyer without digital signature, the same will be sent to TDS AO for verification of the date and the genuineness of the buyer. TDS AO, if satisfied, can then approve the same from his inbox.   |
| 8       | Date of Tax Deduction  | Auto Approval          | Once request is raised by Buyer without digital signature, the same will be sent to TDS AO for verification of the date and the genuineness of the buyer. TDS AO, if satisfied, can then approve the same from his inbox.   |

Note: Only Buyers registered on TRACES can submit request for “26QB correction” under “Statements/Forms” Tab.

## Steps for “Form 26QB Correction”

- ▶ **Step 1:** Login to TRACES website with your “User ID”, “Password” and the “Verification Code”. Landing page will be displayed on Screen.
- ▶ **Step 2:** Select option “Request for Correction” under “Statements/Forms” tab to initiate correction request. 26QB checklist will display on next screen. After clicking on “Proceed” Pop-Up window will display (If DSC is not registered).
- ▶ **Step 3:** Enter relevant “Assessment Year”, “Acknowledgement Number” and “PAN of Seller” according to filed Form 26QB, then Click on “File Correction” to submit request for correction. Request number will generate after submission of Correction Request. User can check Requested Status in “Track Correction Request” option under “Statements/ Forms” tab.
- ▶ **Step 4:** Go to “Track Correction Request” option under “Statements/ Forms” tab and initiate correction once the status is “Available”. Click on “Available” status to continue.
- ▶ **Step 5:** Mention CIN details as per challan paid against 26QB then click on “Proceed”.
- ▶ **Step 6:** User can select on “Financial Year and Tax applicable” option to change F.Y in 26QB. After clicking on “Edit” button. Message will pop up on the screen. Click on “Save” to save updated details then click on “Submit Correction Statement”(Select tab accordingly in which user want to do edit details).
- ▶ **Step 7:** Screen will display to “Confirm details” after Submission of Correction Statement (Updated details will be highlighted in Yellow Color).
- ▶ **Step 8:** Profile details will be populated as updated on Traces. Click on “Submit Request” to Submit Correction Request.
- ▶ **Step 9:** After submission of Correction Request if DSC is not registered user gets the option to validate correction E-Verify (Net Banking) or AO Approval OR if DSC is registered user gets the option to validate correction through E-Verify (net Banking), AO Approval OR DSC.

## Steps for “Form 26QB Correction”

- ▶ **Note:**
  - ▶ After submitting the Correction, a Correction ID will be generated through which status of correction can be tracked.
  - ▶ If DSC is not registered, user has to submit below mentioned documents to Jurisdictional AO for verification:
    - ▶ Furnish hard copy of Acknowledgement of form 26QB correction along with Identity Proof
    - ▶ Copy of PAN/ TAN
    - ▶ Copy of Challan
    - ▶ Documents related to Transfer of Property
    - ▶ Proofs of payment made through Challan for 26QB
    - ▶ Indemnity Bond on Stamp Paper of Rs. 100 duly notarized (duly indemnifying the correction)

OR

- ▶ With “E-Verify (Net Banking) Service” user can submit 26QB Correction statement without approval from Assessing Officer and without using DSC. (E-Verify Service option is not available for NRI Taxpayers).

# MAJOR DEMAND IN TDS & ITS SOLUTIONS TO RESOLVE

# Type of Default

## TDS - Default

Short Deduction

Short Payment

Interest

Late Filing

# Major Demand in TDS

- 1. Short Payment (Challan Mismatch) + Interest on Short Payment**
- 2. Short Deduction + Interest on Short Deduction**
- 3. Interest on Late Payment + Additional Late Payment interest against the processing of latest correction**
- 4. Interest on Late Deduction + Additional Late Deduction interest against the processing of latest correction**
- 5. Late Filing Levy + Additional Late Filing levy against the processing of latest correction + Interest u/s 220(2)**

# 1. Short Payment (Challan Mismatch) + Interest on Short Payment

## Challan Mismatch

1. **Wrong Receipt Number / BSR code**
2. **Wrong DDO Serial Number / Challan serial no**
3. **Wrong Date of Deposit ( It is last date of every months )**
4. **Wrong Deposit Amount**
5. **Over book challan**



Rectify the above error(s) then Interest on Short Payment will be automatically reduced.



## 2. Short Deduction + Interest on Short Deduction

**A. Wrong PAN - If the PAN is wrong the demand will be raised 20%**



Rectify the incorrect PAN and then the demand will get reduced.

## 2. Short Deduction + Interest on Short Deduction

- B. If TDS on Annual Salary is not deducted as per Income Tax slab it will be short deduction**



- ▶ Ensure the proper salary working & all deductions as per the Income Tax slab.

## 2. Short Deduction + Interest on Short Deduction

**c. Section 194C ( payment to contractor )**

> **Individual deductees code is 02 (TDS Rate 1% )**

> **Company / Partnership Firm / LLP deductees code is 01 (TDS Rate 2%)**

but if we deduct @ 1% then it will be short deduction.



Make sure the status of deductees & rectify the short deductions with interest.

## 2. Short Deduction + Interest on Short Deduction

**D. Lower Deduction Rate & Certificate no. & Limit of deduction amount.**

Wrongly input Lower Deduction Rate & Certificate it will be raised Demand



Make sure the deductees Lower Deduction Rate & Certificate no. & Limit of deduction amount. If its correct there no demand & interest.

### 3. Interest on Late Payment + Additional Late Payment interest against the processing of latest correction

- ▶ If the TDS is deducted & its depositing time is next month before 7<sup>th</sup> and you failed to pay the TDS by the due date then you are liable to pay the **interest on late payment**.
- ▶ If the quarterly e-TDS return is timely filed & you miss out on some deductions and then you revised the return then such deductions you will be liable to **Additional Late Payment interest against the processing of latest correction.**



Make sure the TDS deducted is deposited timely in the bank

## 4. Interest on Late Deduction + Additional Late Deduction interest against the processing of latest correction

- ▶ **If the TDS amount is deducted late & its depositing time is next month before 7<sup>th</sup> and you failed the due date then you are liable to pay the **interest on late payment**.**
- ▶ **If the quarterly eTDS return is timely filed & you miss out some deduction amounts and then you revise the return then on such deductions you will be liable to Additional Late Payment interest against the processing of latest correction.**

Make sure the TDS is deducted  timely and is paid within time.

## 5. Late Filing Levy + Additional Late Filing levy against the processing of latest correction + Interest u/s 220(2)

- ▶ **if Quarterly return is filed after due date the late levy Rs. 200/- per day till date of filed return will be levied**

**NOTE : whichever is low – Total TDS amount in statement or levy fees**



Make sure the quarterly return is filed on/before due dates.

## Rectification of Errors

- ▶ **Download conso file**
- ▶ **Download Justification report**
- ▶ **Rectify Defaults**
- ▶ **File correction statement**



## Who will rectify the Errors

- ▶ Challan Details: **Deductor** and **Assessing Officer**
- ▶ TDS Statement: Deductor

## Consequences of Defaults related to TDS

| Default   | Section    | Consequence | Quantum  |
|---|------------|-------------|--|
| Failure to deduct/to deduct at rates prescribed | 201(1)     | Demand      | Amount of tax deductible   |
|   | 201(1A)    | Interest    | @1% per month of tax deductible                                    |
|   | 271C       | Penalty     | Equal to amount of tax deductible                                  |
| Failure to deposit tax deducted at source       | 201(1)     | Demand      | Amount of tax not deposited  |
|   | 201(1A)    | Interest    | @1.5% per month of tax deducted                                    |
|   | 276B       | Prosecution | Rigorous imprisonment from 3 months to seven years plus fine       |
| Failure/delay in furnishing TDS Statements      | 234E       | Late Fee    | Rs. 200.00 for every day of delay but not exceeding tax deductible |
|   | 271H       | Penalty     | Between Rs. 10,000.00 to Rs. 1,00,000.00                           |
|   | 272A(2)(k) | Penalty     | Rs. 100.00 for every day of delay but not exceeding tax deductible |
| Failure to deliver declaration in form 15G/15H  | 272A(2)(f) | Penalty     | Rs. 100.00 for every day of delay but not exceeding tax deductible |
| Failure to issue TDS Certificates               | 272A(2)(g) | Penalty     | Rs. 100.00 for every day of delay but not exceeding tax deductible |

## Consequences of Defaults related to TDS

| Default   | Section    | Consequence | Quantum  |
|---|------------|-------------|--|
| Failure to issue statement of perquisite or profit in lieu of salary      | 272A(2)(i) | Penalty     | Rs. 100.00 for every day of delay but not exceeding tax deductible |
| Failure to apply/quote TAN  | 272BB      | Penalty     | Rs. 10,000.00  |
| Failure to mention the PAN of the deductee in TDS Statements/Certificates | 272B       | Penalty     | Rs. 10,000.00  |

Note: Apart from the above, the failure to deduct /pay also causes:

- (a) Disallowance of expenditure u/s 40(a)(ia)
- (b) Creation of a charge on the assets of the person u/s 201(2)

# TRACES - TDS Reconciliation Analysis and Correction Enabling System

- ▶ **All the deductors are mandatorily required to register on TRACES**
- ▶ **Customer Care number of TRACES is:**
  - ▶ **1800 103 0344**
  - ▶ **01204814600**
- ▶ **E-mail : [contacus@tdscpc.gov.in](mailto:contacus@tdscpc.gov.in)**

# Periodic Table of TDS

|  |   |  |   |   |  |  |   |   |  |  |  |   |   |  |   |
|--|---|--|---|---|--|--|---|---|--|--|--|---|---|--|---|
| Int. - securities<br><b>193</b> 10%                | Goods purchased<br><b>194Q</b> 0.1%               |  |   |   |  |  |   |   |  |  |  | Any other payment to non-resident<br><b>195</b> 10%-50% |   |  |   |
| Insurance comm.<br><b>194D</b> 5% or 10%           | Commission<br><b>194M</b> 5%                      |  |   |   |  |  |   |   |  |  |  | Payment to Sportmen<br><b>194E</b> 20%                  | Dividend-Mutual fund<br><b>196A</b> 20%         |  |   |
| Purchase of Immovable property<br><b>194-IA</b> 1% | Payment to Contractors<br><b>194M</b> 5%          | Transfer of Virtual Digital Asset (VDA)<br><b>194S</b> 1%                    | <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 10px;">Section No. →</div> <div style="border: 1px solid black; padding: 5px; background-color: #4a4a9a; color: white; text-align: center;"> <b>192A</b> 10%         </div> <div style="margin-left: 10px;">← Nature of payment</div> </div> <div style="display: flex; align-items: center; justify-content: center; margin-top: 5px;"> <div style="margin-right: 10px;">←</div> <div style="border: 1px solid black; padding: 5px; background-color: #4a4a9a; color: white; text-align: center;"> <b>192A</b> 10%         </div> <div style="margin-left: 10px;">→ TDS Rate</div> </div> |   |  |  |   |   |  |  |  |   | Winning from online games<br><b>194BA**</b> 30% | Int. - Infra. Debt Fund<br><b>194LB</b> 5% | Income from foreign currency units<br><b>196B</b> 10% |
| Rent<br><b>194-IB</b> 5%                           | FTS<br><b>194M</b> 5%                             | Salary<br><b>192</b> Applicable Rate   | EPF withdrawal<br><b>192A</b> 10%   | Winnings from lotteries, gambling or betting<br><b>194B</b> 30% | Race horses winnings<br><b>194BB</b> 30%           | Payment in respect of NSC<br><b>194EE</b> 10%      | Units repurchased by mutual fund<br><b>194F</b> 20%                         | Cash withdrawal<br><b>194N</b> 2% or 5%                                   | Int. - foreign borrowings<br><b>194LC</b> 4% or 5% or 9%   | Income from Bonds or GDRs<br><b>196C</b> 10%     |  |   |   |  |   |
| JDA<br><b>194-IC</b> 10%                           | Royalty<br><b>194M</b> 5%                         | Benefit or Perquisite arising from business or profession<br><b>194R</b> 10% | Int. - non securities<br><b>194A</b> 10%  | Contractors<br><b>194C</b> 1% or 2%                             | Commission<br><b>194H</b> 5%                       | Rent<br><b>194I</b> 2% or 10%                      | FTS<br><b>194J</b> 2% or 10%  | Royalty<br><b>194J</b> 2% or 10%  | Int. - RDBs etc.<br><b>194LD</b> 5%  | Income payable to FIs<br><b>196D</b> 20% or DTAA |  |   |   |  |   |
| Dividend-Mutual fund<br><b>194K</b> 10%            | Payment by e-commerce operator<br><b>194-O</b> 1% | Dividend<br><b>194</b> 10%   | Payment in respect of Life insurance<br><b>194DA</b> 5%   | Compensation on compulsory acquisition<br><b>194LA</b> 10%      | Interest or pension*<br><b>194P</b> Rates in force | Comm. on sale of lottery tickets<br><b>194G</b> 5% | Income distributed by Business trust<br><b>194LBA</b> 10% or Rates in force | Income in respect of units of AIFs<br><b>194LBB</b> 10% or Rates in force | Income in respect of investment in Securitisation trust<br><b>194LBC</b> 25% or 30% or rate in force | Income payable to AIFs<br><b>196D</b> 10%        |  |   |   |  |   |

\* Section 194P has not prescribed the time at which deduction is required to be made, we have assumed that deduction is to be made at the time of payment.

\*\* Tax shall be deducted under Section 194BA at the end of the financial year or at the time of withdrawal, as the case may be

|                    |                   |                          |          |                          |                   |                       |
|--------------------|-------------------|--------------------------|----------|--------------------------|-------------------|-----------------------|
| Deductee           | Resident          | Resident or Non-Resident | Resident | Resident or Non-Resident | Non-Resident      | Resident <sup>1</sup> |
| Event of deduction | Payment or Credit | Payment                  | Payment  | Payment or Credit        | Payment or Credit | Payment or Credit     |

<sup>1</sup> Individual or HUF liable to deduct if turnover/receipts exceeds Rs. 1.00/0.50 crore

Thank  
you

