

J. B. NAGAR CPE STUDY CIRCLE

# Issues and Updates on TDS

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May 6, 2012

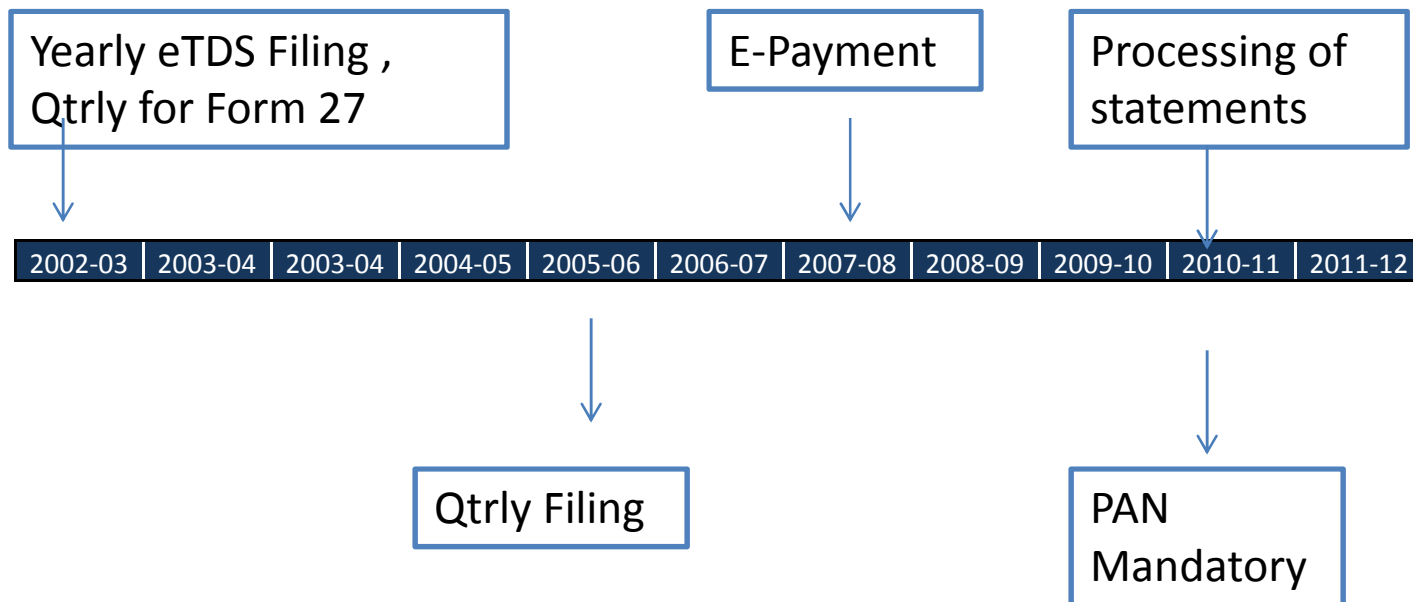
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# Changes over Last 10 Years

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# Budget 2012 and TDS

# Section 200A : Amendment

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- Intimation generated after processing of TDS statement will be treated as
  - A Notice of Demand u/s 156
  - Rectifiable order u/s 154
  - Appealable order u/s 24A

# Section 234E

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- **Sec 234E – Levy of fee**
- Fee of Rs 200 per day for delay in filing of eTDS Statement
- Total fee not to exceed TDS deductible in the statement
- Fees must be paid before submitting eTDS statement

# Section 271H

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- **Sec 271H – Penalty for Default in Furnishing Statements**
- Penalty ranging from Rs. 10,000 to Rs. 1 Lac for
  - failure to file eTDS statements in time
  - Furnishing incorrect information : PAN, TDS amount, deposit details

# Section 271H

- Failure to file eTDS statements in time liable to penalty only if delay beyond one year of due date

Qtr	Due Date	Penalty if filed after
June 30, 2012	July 15, 2012	July 15, 2013
Sept 30,2012	Oct 15,2012	Oct 15,2013
Dec 31,2012	Jan 15, 2013	Jan 15, 2014
March 31,2013	May 15,2013	May 15,2014



## **Procedural Changes related to Form 16/16A**



# Form 16A

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- **Circular 01/2012 – April 09, 2012**
- For all deductions made on or after 01-04-2012 every deductor to issue Form 16A after downloading from TIN Web Site

# Form 16

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- TDS certificate in Form 16 has two parts
  - Part A which contains details of tax deducted and deposited by the employer
  - Part B which contains details of income of the employee and tax thereon.
- Part A of Form 16 can be downloaded From TIN from F. Y. 2011-12 onwards.



## **Default Notices**

# Default Notices


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- Processing of eTDS Statement u/s 200A
- How to download Default Notices
- Contents of Default Notices
- Responding to Default Notices
- Avoiding Default Notices

# Processing of eTDS Statements

Amount Deductible	Interest	Amount Deposited	Demand / Refund
<ul style="list-style-type: none"><li>• Arithmetical Errors</li><li>• Incorrect Claim</li></ul>	<ul style="list-style-type: none"><li>• For Delayed Deposits</li><li>• For delayed deposit of Interest</li></ul>	<ul style="list-style-type: none"><li>• Actual Amount Deposited</li></ul>	<ul style="list-style-type: none"><li>• Demand for Shortfall</li><li>• Refund order for Surplus</li></ul>

# Downloading Default Notices

 Login

 TAN Account

Default as on(DD-MM-YYYY)	Financial Year	Form No.	Quarter	Download File
08-09-2011	2010-11	26Q	Q4	<a href="#">Click here to verify and download the details</a>
14-08-2011	2010-11	26Q	Q3	<a href="#">Click here to verify and download the details</a>
21-02-2012	2009-10	24Q	Q4	<a href="#">Click here to verify and download the details</a>
14-07-2011	2009-10	26Q	Q2	<a href="#">Click here to verify and download the details</a>

# Contents of Default Notices

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Short Deductions

Short Deposit

Interest on Delayed Deposit

# Contents of Default Notices

Count of Short deduction records	Count of Short payment records	Count of late payment records	Interest set off amount
1208	1090	18007	234596.00





## **Default Notices : Short Deduction**

# Short Deductions

Arithmetical Errors . Conceptual Errors . Incorrect Information



Short Deduction



Demand Notice

# Short Deduction : Details

<b>Category of deductee</b>	<b>Section code</b>	<b>Reason code (Lower/No deduction)</b>	<b>Tax rate flag</b>	<b>Tax rate</b>	<b>Date of payment</b>	<b>Amount paid</b>	<b>Amount deductible (A)</b>	<b>Amount deducted (B)</b>	<b>Short deduction amount (C)</b>
<b>N</b>	194J	N.A	P	N.A	09-APR-2011	38600	3860	3088.00	772.00

# Short Deduction : Summary

<b>Total Tax deductible/collectible (Total of A)</b>	3860.00
<b>Total Tax deducted/collected (Total of B)</b>	3088.00
<b>Amount of tax short deducted/collected (Total of C)</b>	772.00

# Tax Rate Flag

## Tax Rate Flag

- L- Lower Rate
- P- Prescribed Rate
- H- Higher Rate

# Reason Code

Reason Code	Reason	Description
A	Lower Rate	Certificate from AO
B	No Deduction	Self Declaration
Y	Below Threshold	No deduction as below threshold
T	Transport	No deduction as payment to transport contractor
H	Higher	Penal rate as no/invalid PAN

# Category of Deductee

## Category

- Company
- Non-Company

# Reasons : Short Deduction Defaults

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1. Incorrect Rate applied
2. Invalid PAN / PAN not in IT Database
3. Lower Rate Code not mentioned
4. Incorrect Deductee Status
5. Tagging to incorrect Challan



# Incorrect TDS Calculation

Amount Paid	10,000
Section	194J
TDS Rate	10%
<b><i>Amount Deducted</i></b>	<b><i>980</i></b>
Amount Deductible	1000
Short Deduction	20

# Incorrect TDS Rate

Amount Paid	10,000
Section	194J
<b>TDS Rate</b>	<b>5%</b>
Amount Deducted	500
Amount Deductible	1000
Short Deduction	500

# Invalid PAN

Amount Paid	10,000
Section	194J
<b>TDS Rate</b>	<b>10%</b>
Amount Deducted	1000
PAN	AAAADD9999D
Amount Deductible	2000
Short Deduction	1000

# Lower Rate Code

Amount Paid	10,000
Section	194J
TDS Rate	4%
Amount Deducted	400
<b><i>Reason for Lower Rate</i></b>	<b><i>Blank</i></b>
Amount Deductible	1000
Short Deduction	600

# Tagged to Wrong Challan

Amount Paid	10,000
Section	194C
TDS Rate	2%
Amount Deducted	200
<b><i>TDS Code in Challan</i></b>	<b><i>194J</i></b>
Amount Deductible	1000
Short Deduction	800

# Wrong Deductee Code

Amount Paid	10,000
Section	194C
TDS Rate	1%
Amount Deducted	100
<b><i>Deductee Code</i></b>	<b><i>Company</i></b>
Amount Deductible	200
Short Deduction	100

# Below Threshold Limit

Amount Paid	10,000
Section	194J
TDS Rate	10%
Amount Deducted	0
<b><i>Reason for Non Deduction</i></b>	<b><i>Blank</i></b>
Amount Deductible	1000
Short Deduction	1000

# Threshold Entries

Type	Description
TBT	Transaction before crossing threshold
TCT	Transaction crossing threshold



# Threshold Entries

Approach	How to show deduction Entries
Approach 1	Show TBT and TCT in the same quarter in which payment is made / amount is credited
Approach 2	Show TBT in the quarter in which related TCT is shown and TBT to be shown with Rate 0 and Date of deduction blank
Approach 3	Show TBT in the quarter in which related TCT is shown and TBT to be shown with Applicable Rate and Date of deduction as date of TCT

# Threshold Entries : Approach 1

<b>Date of Payment</b>	<b>Amt Paid</b>	<b>Rate</b>	<b>Date of Deduction</b>	<b>Tds Amt</b>	<b>Flag</b>	<b>Qtr</b>
01/04/10	1000	0		0	Y	Q1
01/07/10	1000	0		0	Y	Q2
01/10/10	4000	15	01/10/10	600		Q3

Section – 194J . Rate 10%

# Threshold Entries : Approach 2

<b>Date of Payment</b>	<b>Amt Paid</b>	<b>Rate</b>	<b>Date of Deduction</b>	<b>Tds Amount</b>	<b>Flag</b>	<b>Qtr</b>
01/04/10	1000	0		0	Y	Q3
01/07/10	1000	0		0	Y	Q3
01/10/10	4000	15	01/10/10	600		Q3

Section – 194J . Rate 10%

# Threshold Entries : Approach 3

<b>Date of Payment</b>	<b>Amt Paid</b>	<b>Rate</b>	<b>Date of Deduction</b>	<b>Tds Amount</b>	<b>Flag</b>	<b>To be Shown in</b>
01/04/10	1000	10	01/10/10	100	Y	Q3
01/07/10	1000	10	01/10/10	100	Y	Q3
01/10/10	4000	10	01/10/10	400		Q3

Section – 194J . Rate 10%

# Rectifying : Short Deduction Defaults

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1. There is genuine calculation mistake and short deduction has been made
2. There is correct deduction but incorrect information has been shown in eTDS statement

# Rectifying : Short Deduction

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- If there is a short deduction
  - Deposit the balance amount with a new challan
  - File correction statement after including details of the new challan



## **Default Notices : Short Deposit**

# Short Deposit : Details

Challan/ Voucher serial no.	BSR Code	Challan Deposit Date	Section Code	Challan amount	TDS /TCS Mapped against this challan	TDS/ TCS/ deposited against this challan	Short Payment Amount(A)
<b>295</b>	0004329	06-AUG-09	194I	7554.00	7554.00	7554.00	7554.00
<b>296</b>	0004329	06-AUG-09	194I	16224.00	16224.00	16224.00	16224.00



# Reasons : Short Deposit

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1. Incorrect details in Challan
2. Incorrect Challan Details in eTDS Statement
3. Challan Split in 2 or more parts
4. Challan used over two or more quarters

# Incorrect Challan Details

Details	As per Statement	As per OLTAS
Date	07/04/2012	07/04/2012
BSR Code	0012345	0012345
<b><i>Serial No.</i></b>	<b><i>12890</i></b>	<b><i>12980</i></b>

# Surplus Over Utilised

Details	Q1	Q2
Challan Deposited	10,000	
Deductee Amount	6,000	5000
Surplus	4,000	-1000

# Splitting Challan

Desc	Actual	Row 1	Row 2
<b>Amount</b>	<b>10,000</b>	<b>6,000</b>	<b>4,000</b>
BSR Code	0012345	0012345	0012345
Serial No.	12890	12890	12890
Date	07/04/2012	07/04/2012	07/04/2012

# Rectifying : Short Deposit

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- If errors in challan, request for rectification
- If errors in regular statement , file correction statement

# Error in Challans

Challan Mismatch

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graph TD; A[Challan Mismatch] --> B[Short Deposit]; B --> C[Demand Notice];
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Short Deposit

Demand Notice

# Error in Challans

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- Assessment Year
- Major Head Code
- Minor Head Code
- TAN/PAN
- Total Amount
- Nature of payment (TDS Codes)

# Rectifying : Errors in Challan

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- **For Payments made thru Physical Challan** Apply to Bank in prescribed form
- Within 7 Days : TAN and AY
- Within 3 months : Major Head, Minor Head and Nature of Payment
- Beyond prescribed period : Apply to AO



# Rectifying : Errors in Challan

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- **For Payments made Electronically**
- Apply to Assessing Officer



## **Default Notices : Late Payment**

# Late Payment: Details

<b>Date of payment</b>	<b>Book Cash flag</b>	<b>Tax deposited</b>	<b>Date of Deduction</b>	<b>Date of Deposit</b>	<b>Due date</b>	<b>Months of Default</b>	<b>Late Payment Interest till Date of Deposit of Tax(A)</b>	<b>Late Payment Interest from Date of Deposit of Tax till Date of Processing(C)</b>
<b>26-APR-2011</b>	C	149418.00	26-APR-2011	15-MAY-2011	07-MAY-2011	1	2241.00	370.00
<b>25-MAY-2011</b>	C	8274.00	25-MAY-2011	07-JUL-2011	07-JUN-2011	2	248.00	33.00

# Late Payment : Summary

Late payment interest (till date of deposit of tax) (Total of A)	28230.00
Less: Total Interest paid through challan (B)	28230.00
Late payment interest payable (till date of deposit of tax) (A - B)	0.00
Interest Amount from Date of Deposit of Tax till Date of Processing (Total of C)	3878.00
Total interest payable due to late deposit of tax (A - B) + C	3878.00

# Interest on Late Payments

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- Liability to pay interest is absolute
- Section 201 (1A)  
“....and such interest shall be paid before furnishing the statement in accordance with the provisions of sub-section (3) of [section 200.](#)”

# Causes : Late Payment Defaults

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1. If there is delay and no interest is paid
2. If there is delay and incorrect / short amount is paid as interest
3. If interest is paid but incorrectly shown in eTDS Statement
4. If deduction is on account of provision entry and correct flag is not mentioned in “Book Entry”

# Causes : Late Payment Defaults

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1. Last date of deposit was a Bank Holiday and amount was deposited on the next day
2. Incorrect category of Deductor shown in eTDS Statement

# Rectifying : Late Payment Defaults

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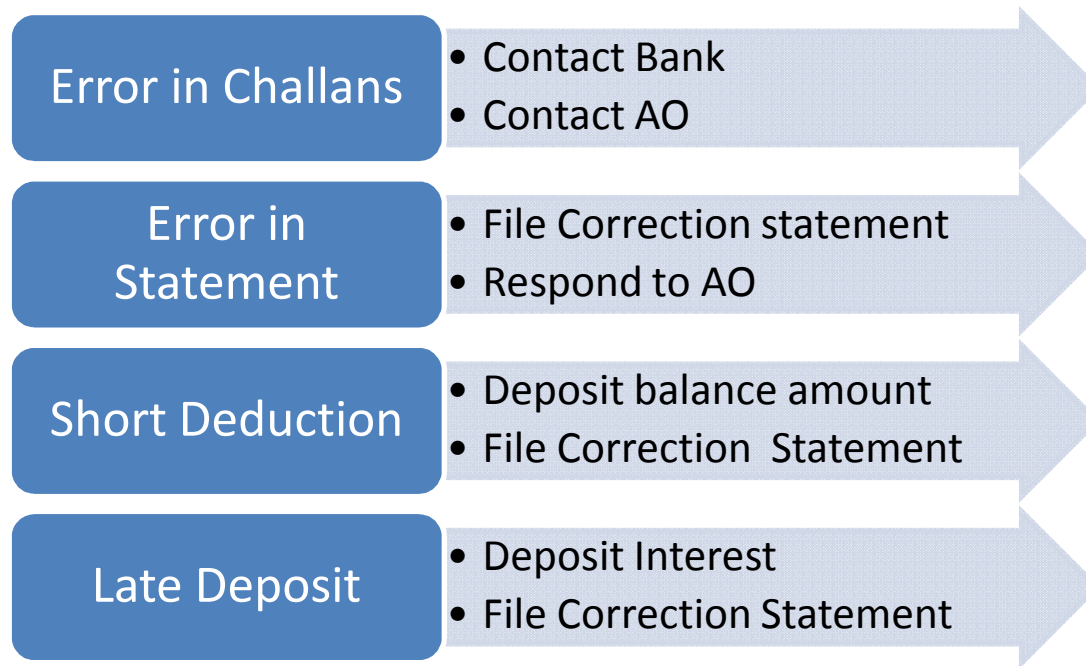
- If default due to incorrect information in eTDS statement, file correction statement
- If there is any default on account of non-payment or short payment of interest, you need to pay up the same
- After paying , you have to file correction statement by including the interest payment challan.





## **Default Notices : How to Avoid**

# Responding to Default Notices



# Avoiding TDS Defaults

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1. No error at Deduction Stage
2. No error at Deposit Stage
3. No error in getting PAN Details
4. No error in creation Regular Statement

# Avoiding TDS Defaults

## Make Correct Deductions

- Apply Correct Rate
- Calculate Correct TDS

## Deposit TDS in time. If delayed deposit interest

- Calculate correct Interest on Delayed Deposit
- Mention correct details in challans

## Verify Challan Details



Challan Status Enquiry

# Avoiding TDS Defaults

Prepare Regular Statement Accurately

- Mention correct details

Confirm status




e-TDS / TCS Filing

Quarterly Statement Status

Verify Booking of  
Challans and PANs

Quarterly Statement Status

# Avoiding TDS Defaults

 Login \_\_\_\_\_  
 TAN Account

If Any Errors , File  
Correction Statement

Verify Status Online

# Delayed Deposit

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Calculate Interest



Deposit Interest by due date



Show interest in Statement

# Avoiding : Interest

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- Deduct tax at source in time
- Deposit TDS by due date
- In case of delayed deduction / deposit calculate interest and deposit the same
- Show such interest properly in eTDS statement



# Calculate Interest

From the date when TDS was deductible till date of actual deduction	1% Per Month
From date of deduction till actual date of payment	1.5% Per Month

# Deposit Interest

Q1	July 15
Q2	Oct 15
Q3	Jan 15
Q4	May 15

# Show Interest in Statement

Amount Deposited	11,000
TDS Amount	10,000
Interest Amount	1,000
To be Shown in Interest Allocated Column	1,000

# Avoiding : Short Deduction

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- Apply correct prescribed rate. Always keep a correct and updated TDS rate chart handy
- Make correct TDS calculation. Keep in mind rounding off
- Show correct details in the eTDS statement specially , company / non-company deductee, reason for lower/ Nil deduction and valid PAN

# New initiatives by NSDL

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- Mandatory use of consolidated fvu file
- Strong Validations
  - Arithmetical Validations
  - Warning on rates
  - Non Editing of Matched Challans
  - Editing of valid PAN only once
  - Control on usage of surplus in a challan



## **Processing Software Problems**

# Notices : No Correction Possible

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## **Interest Liability**

- If deposit is made on a day following a Bank Holiday, it is taken as delayed deposit
- Refer to
  - Section 10 of the General Clauses Act, 1897
  - Circular 639/1992

# Notices : Major Head

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## **Interest Paid under Major Head 400**

- Challans deposited with Major Head 400 always show UnMatched
- Recently such notices were re-processed and demand withdrawn



# Notices : Major Head

Tax Deduction Account No*		<input type="text"/>	Assessment Year*	Assessment Year <input type="text"/>
Full Name		Name (as per Income Tax Department database) will be displayed on confirmation screen		
Flat/Door/BlockNo.	<input type="text"/>	Name of premises/Building/ Village		<input type="text"/>
Road/Street/Lane	<input type="text"/>	Area/Locality		<input type="text"/>
City/District*	<input type="text"/>	State*	State <input type="text"/>	
Pin Code *	<input type="text"/>			
Email ID	<input type="text"/>			
Mobile No.	<input type="text"/>			
Type Of Payment*				
<input type="radio"/> (200)TDS/TCS Payable by Taxpayer		<input type="radio"/> (400)TDS/TCS Regular Assessment (Raised by I.T. Deptt.)		
Nature Of Payment*	Nature of Payment <input type="text"/>			
Bank Name*	Bank Name <input type="text"/>			
Type the characters you see in the picture below. These characters are case sensitive.				

# Notices : TCS

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## **No PAN : Tax Collected at regular rate**

- PAN not available and tax collected at regular rate
- Penal Rate u/s 206AA not applicable to tax collected at source

# Notices : Due Date

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## **Due Date for Provisional Entries**

- For FY 2009-10, Due date for provisional entries has been shown as April 30
- Correct Due Date is May 31

**Thank You !**

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