

J.B.NAGAR CPE STUDY CIRCLE

Common Issues Faced in Compliance in E Filing of TDS Returns and Matters Related to Compounding of Prosecution Matters

Meeting Date: 08-12-2024

I. TRACES Related Issues:

1. Request for Conso File or Form 16-

We need to authenticate the TDS returns for sending request for correction or conso file request or even for Form 16 request etc if DSC is not being used for such requests.

For Correction we request for conso file and to find out the short deduction or late payment interest we request for justification report. For getting conso file and justification report it takes 5-6 hours to make available on the trace portal. Can this be resolved?

2. TDS websocket error/ emsigner - TDS CPC emsigner does not work properly even after doing correct configurations in the computer as guided on the Traces site or by the customer care helpline number.

3. TDS Return File is too large: In certain cases, where the TDS return files are too large and so the FVU file that is generated is also too big that it can only be accepted at the Integrated centres

4. Default in TDS return due to overbooking of challan: While rectifying this defect we remove some additional line items in the TDS return using the "Delete a Row" option but we are unable to do so. Other methods like changing the TDS value for these line items into 1 or 0 have also been tried but then we are unable to generate the FVU file. It gets rejected multiple times.

5. Form 24Q – TDS return for Salary- There is no option to modify the details of salary in Annexure-1. The only option is to add/remove option the details which is a very cumbersome process.

6. Form 13 (Application for Lower Deduction) – Issue of lower rate certificate of TDS is taking too much time as till date the person has to visit the Department and clarify the matter, despite of submitting all the details online. Issue needs attention and process needs to be streamlined.

7. Filing of correction statement for Demand raised by the Traces needs to be removed, Direct Payment of Taxes against Demand and closure

- 8. For FY_23-24, Q4 Form 24Q- Correction of Return: Errors having code T_FV_6351 and T_FV_6354 at the time of File Validation through the Utility (FVU).** Some errors are encountered for those employees who fall under the 'New Regime' of taxation and Form 24Q return is revised for the salaried employees. Such error occurs while preparing correction statement Form 24Q using RPU 5.1 version. The error that comes after input of all the data in the correction return and generation of FVU file
- 9. Incorrect Demand processing even after correction:** Even after correction is done in the TDS return still demand is processed incorrectly.
- 10. Interest calculation:** Same algorithm for Interest calculation should be used even if last date of month is entered, will remove revenue leakage, discrepancy between the Act & CPC.
- 11. Small Demands:** Waive off small demands that are old which are pending for more than 7-8 years.
- 12. Bugs in Online Correction** should be removed by improving the TDS software. It takes too much time to process the Return.
- 13.** Too much time to process the return specially in the month of July when the Returns filing are due and entries are not coming in Form 26AS making it difficult of file the Return.
- 14. PAN Validation:** Due to non-availability of PAN validation feature, TDS demand is being raised. So in order to solve this issue do provide the date till which PAN was valid & inoperative in PAN Verification Tab itself;

At the time of filing TDS return, Pan Number gets accepted and subsequently we get huge demand of short deduction stating invalid or inactive Pan. This should be highlighted at the first stage of feeding pan during filing TDS return. How can this issue be addressed. The deductor cannot be held responsible for the invalidity of PAN of the deductee? What is the solution?
- 15. LRS Remittance:** The Returns are process with defaults in case of TDS deducted on LRS for remittances and demands are generated. Thereafter when the communication is done by the Deductor, the returns are re-processed and the defaults are removed. (Form 27Q Processing) Section 206C
- 16.** When we file Online correction of short deduction and Interest Payment through valid challan it takes time to reflect on the site whether the correction is done or not and sometimes we have to do the correction again in some days as if correction not done. Can you explain why the said issue is cropping up?

- 17.** There are cases where we find even after paying late payment or short payment interest. The system shows interest payable and it is not getting resolved in Traces portal. How to resolve such cases?
- 18.** After filing correction through Conso files, traces take 4-5 days to process the correction. If the same is done in short time it will be grateful and useful. Due to long processing time considerable amount of manhour is wasted. Sometimes the files get rejected without any reason being provided, why does that happen?
- 19.** Unmatched challan should be reflected at the time of filing TDS return. Many times unmatched challan get accepted and filed. Later you get notice from traces calling for demand. Why is the system not matching challans at the initial stage.
- 20.** The last TDS return was filed long back, and the client is not able to find the acknowledgement receipt. Without that the client is not able to get register under traces and T.D.S. How to proceed?
- 21.** How to resolve issues for the years that are not available on portal.?
- 22.** How to rectify the arrears of demand for ay 2010 11, due to lapse of time person is not having old records? Whether we can make correction for 2010 -11 now ?
- 23.** In traces site there are demands appearing in the name assesses, which are due to levy of fees u/s 234 E for the period prior to 1/6/2015. As per many judicial pronouncements levy of fees u/s 234 E apply prospectively w e f 1/6/2015. How can we remove these demands from the site now?
- 24.** Can we rectify Form 26QB TDS on sale of property ? Due to error wrong information is uploaded , how to proceed ?
- 25.** Please inform for TDS Revise Returns there is any time limitations ?

OTHER ISSUES:

1. a. The TDS is deducted on a property purchased, it was realized that the PAN was not linked to AADHAR. The PAN is linked to AADHAR before making payment and deduction of TDS. However, now we have received demand stating that the PAN was not linked at the time of agreement and hence higher TDS is required to be paid. The law provides deduction of TDS on payment under section 194IA. Why is this happening and how to rectify?

b. The contractor has 50 labour sub-contractors. The TDS is deducted as per law, we have now received a notice that in a few cases PAN and Aadhar are not linked and hence the system is asking us to deduct higher TDS. The PAN and Aadhar are now linked. How do you rectify the demand as the persons have otherwise filed return of income.
2. The property is bought by two people jointly husband and wife, the payment is made from Husbands account. Is the TDS to be deducted in two names both husband and wife or only husband has to deduct the same.
3. Why are we unable to Modify the TDS amt where Deductee without PAN?
4. It takes time where Modification is Required in Annexure II _ Salary Data _ Part B, can you explain the process to reduce the time?
5. In certain earlier years tds returns 2013-14 to 2015-16 interest on interest is levied, this is not as per law how to rectify the situation.
6. How to rectify the old tds returns where the conso files cannot be downloaded financial year 12-13? What is the process. We are not able to get the NSDL to rectify the file inspite of follow up? How to solve the same? Challans are available but the demand cannot be rectified as the returns were paper returns. We are not able to rectify
7. The Unconsumed Challans are blocked and cannot be use. The Process of Unblocking takes time. Can you explain the process?
8. There is an error in filling 26QB the assessment year is wrongly stated howe to change the Assessment Year? Similarly, how to rectify other errors in 26QB?
9. The TCS is deducted on the purchase of car. The PAN and aadhar were not linked we are now asked to pay higher tax. In TCS how to rectify the situation if the PAN is now linked?

10. In our case there is one challan of Rs 1,00,000/-. The challan was for three payments of Rs 10000, Rs 20000 and Rs 70000. The filling of return there was an error in the filling where by the challan amount was put as Rs 10000, Rs 20000 and Rs 70000 instead of Rs 1,00,000/-. The system is now not allowing the rectification of the mistake. Financial year 2009-10.
11. This is in regard to Lower deduction certificate received by applying form 13. Here the buyer is resident and seller is non resident. The Income tax officer gives lower deduction certificate mentioning the rate and applicable surcharge and Ed Cess. The buyer deducted TDS as per the rate mentioned in the Lower deduction certificate and Surcharge@15% and 4% edu cess. Eventually buyer got Short deduction with interest demand from traces asking to pay additional tax as the amount of purchase consideration is above 2.00 crore. The maximum surcharge is 15%, but traces are not updated with the amendments. They applied surcharge on TDS as per income slab due to which buyer got demand of few lakhs and have to apply for rectification, grievances and finally the traces sent the matter to TDS officer who resolved applying the correct surcharge of 15%. For 6 months Assesse was in stress because of incorrect update in traces portal. Can this be rectified by the department. (This is a recommendation)
12. Dividend Distribution Tax Challan paid mistakenly in TDS Challan for AY 2004-05 by the Company Accountant. The Income tax refund due to the Company is Adjusted against the Tax demand for the DDT. No refund is received for the DDT paid in TDS challan
13. If a Non Resident does not have a PAN. TDS is deducted under the treaty at 15% how do you file form 27 and how do you issue a certificate for NR claiming credit in his country?
14. The Company A has issued the Services Invoice in Financial Year 2022-23 and Accounted the Revenue on Mercantile Basis. The Receiver of the services are following the Cash Basis and Deducted the TDS in Financial Year 2023-24. TDS reflected in the Year 2023-24, Whether TDS can be claimed in the year 2023-24?

ISSUES ON PROSECUTION MATTERS & COMPOUNDING

1. Why Department takes so long for processing TDS compounding application? As per our experience the application are not disposed for more than 5 Years?
2. As observed Assessee has deposited TDS along with Interest in cases of delayed payments before filing of TDS Returns , Notice U/s 276 B for initiation of prosecutions are being issued . Whether the situation will change due to the Amendments in 276 B as per the Finance Act 2024?
3. Whether Assessee Company can file the Compounding Petition Now for the Cases pending before the Magistrate / Highcourts for the Prosecution for Old Matters ? As per earlier Guidelines of Compounding there was limitation of time for filing the Compounding Petition. New Compounding Guidelines Dt.17th October 2024 , there is no limitation for filing of Petition , Please inform .