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LIVE COACHING CLASSES
BOARD OF STUDIES(A), ICAI

CA INTERMEDIATE
PAPER 4A: INCOME-TAX LAW
ADVANCE TAX, TAX DEDUCTION AT SOURCE AND INTRODUCTION TO TAX COLLECTION AT SOURCE

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Chapter Introduction

- Taxability of Income - PY 2021-22 AY 2022-23
- Periodical recovery

Periodical requirement to meet expenditure

Loose at later point in time

- Need for such recovery?
- Mode of such recovery?
- Post recovery process?

Tax Liability	100	XXXX
Less: Relief u/s 89/ Tax Credit	0	XXX
Less: TDS/ TCS	95	XXX
Less: Advance Tax/	3 ~~4~~	XXX
Less: Self Assessment Tax		XXX
Tax Payable / (Refund)	2 ~~0~~	**XXX**

- Tax Deducted at Source
- Tax Collected at Source
- Payment of Advance Tax
- Tax on non-monetary perquisites

Taxes – Direct Payment [Section 191]

TAX IS PAYABLE DIRECTLY IN RESPECT OF INCOME ON WHICH

Tax is not required to be deducted at source 1

Liable to be deducted but is not actually deducted 2

Recovery of tax from assessee not deductor

OVERCOME THE DIFFICULTY

If any person, including the principal officer of a company:

- who is required to deduct TDS; or
- an employer paying tax on non-monetary perquisites

does not:

- deduct, or
- after deducting:
  - fails to pay or
  - does not pay whole or part of such tax,

then such person shall be deemed to be assessee in default. → Recovery

Not applicable, if assessee himself has paid the tax

Taxes – Direct Payment [Section 191] – Sweat Equity /ESOP

FA 2020 w.e.f. 1st April 2020: Income of the assessee includes the value of specified security or sweat equity shares allotted or transferred by the current employer [eligible start-up], the income-tax on such income shall be payable by the assessee within 14 days:

1. after the expiry of 48 months from the end of the relevant AY; or
2. from the date of the sale of such security or equity share; or
3. from the date of the assessee ceasing to be the employee of that employer

Whichever is the earliest

Taxes – TDS – Sec. 192 to 194Q

Payer	One who makes the payment. Buyer or service receiver → Expenditure Deductor
Payee	One who receives the payment. Seller or service provider → Income Deducter
Purpose	Nature of transaction for which deduction is required
Time	Time of tax deduction - Credit | Payment When?
Rate	Rate of tax deduction
Limit	Limit till which tax is not deductible
Exclusion	Specific exclusions listed in provision
Others	Any other relevant factors

D

TDS – Salary – Sec. 192

Payer	Employer → Deductor
Payee	Employee → Deductee
Purpose	Salary
Time	Payment
Rate	Average rate of income-tax computed on the basis of rates in force for the relevant year
Others	Employee to intimate to avail deduction u/s 115BAC ← new tax slab / lower tax Non-monetary perquisites - Employer may deduct tax at his option Multiple employment - Furnish details of income under salaries and tax deducted to subsequent employer Relief u/s 89 - TDS shall be calculated after allowing relief u/s 89 → Arrear Form 12BA - Correct and complete particulars of perquisite and profit in lieu of salary Other income - Employee may provide details of other income and tax deducted on such income. Employer shall consider such income. Loss shall not be considered unless it's a loss from house property. Evidence or proof - Furnishing of evidence for following claims shall be provided to employer: • HRA - Name, address and PAN of landlord for rent above ₹1 Lakh in the previous year → 8,333 • Evidence to support 'Leave Travel Concession' / 'Deduction under Chapter VI-A' • House Property loss - Name, address and PAN of lender → Bank

Fund - PF

TDS – Payment of accumulated balance due to employees – Sec. 192A

Payer	Trustees under EPF Scheme or any authorised person
Payee	Employee
Purpose	Withdrawal of accumulated balance from EPF [not for transfer of accumulated balance]
Time	Payment
Rate	10% [MMR on non-submission of PAN] Maximum Marginal Rate
Limit	Less than ₹50,000
Exclusion	• An employee has rendered continuous service with his employer for a period of 5 years or more • Ill health, Contraction or discontinuance of business, cessation of employment etc.

30%
37% } MMR
42%

42.744%

TDS – Interest on Securities – Sec. 193

Payer	Any Person
Payee	Resident
Purpose	Interest on securities Debentures, Bond
Time	Credit or Payment, whichever is earlier
Rate	10%
Limit	---
Exclusion	Interest payable on: • 4¼ per cent National Defence Bonds, 1972 (Resident individual) • 4¼ per cent National Defence Loan, 1968, or 4¾ per cent National Defence Loan, 1972 (Individual) • National Development Bonds • 7-Year National Savings Certificates (IV Issue) • Debentures, issued by any institution or authority, or any public sector company, or any co-operative society - notified by CG - Power Finance Corporation Limited and Indian Railway Finance Corporation Limited u/s 54EC • 6½ per cent Gold Bonds, 1977, or 7 per cent Gold Bonds, 1980, (Resident individual up-to ₹10,000)

TDS – Interest on Securities – Sec. 193

Exclusion	Interest payable on: • Debenture issued by a company in which the public are substantially interested to a resident individual / HUF, if such interest: (a) does not exceed ₹5,000; and (b) is paid by the company by an account payee cheque; • Any securities owned by LIC / General Insurance Corporation / Subsidiaries of GIC / any other insurer or in which such entity has full beneficial interest • Any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India. Other than those demat account

TDS – Dividend – Sec. 194

Payer	Principal Officer of a Domestic Company
Payee	Resident Shareholders
Purpose	Dividend distributed or paid
Time	Before making payment – Deemed dividend u/s 2(22) (a) to (e)
Rate	10%
Exclusion	➢ Individual shareholder where dividend is paid by any mode other than cash; and dividend distributed or paid during the FY <= 5,000/- ➢ Dividend credited or paid to LIC, GIC, subsidiaries of GIC or any other insurer provide the shares are owned or have beneficial interest. ➢ Dividend credited or paid to any other person as may be notified by CG.

→ Loan interest

TDS – Interest other than interest on securities – Sec. 194A

Payer	Any person *other than individual / HUF whose IPPY TO>1C in Business or 0.5C in Profession*
Payee	Resident
Purpose	Interest income other than 'interest on securities' Loan interest
Time	Credit or Payment, whichever is earlier
Rate	10%
Limit	• Amount paid in the FY does not exceed: ○ ₹40,000 paid by banking company / co-operative society carrying on banking business / post office deposit ○ ₹50,000 in case of senior citizen – *Aggregate in case of banks with core-banking solution* ○ ₹5,000 in any other case ⇒ Between Person
Exclusion	• Income credited or paid: ⇒ Interest Paid ○ to a Banking Company / Financial Corporation / LIC /UTI ○ to any company or co-operative society carrying on insurance business ○ to such other institution or association or body as may be notified. [Notified HUDCO]

TDS – Interest other than interest on securities – Sec. 194A

Exclusion

- Income credited or paid:
  - to a partner of firm by firm; to a member of co-operative society by a co-operative society
  - in respect of deposits under any scheme framed and notified
  - in respect of deposits with a banking company
  - in respect of deposits with a primary agricultural credit society or a co-operative society
  - by the Central Government for taxes
  - by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal
  - by an infrastructure capital company or infrastructure capital fund or infrastructure debt fund [FA 2021] or a public sector company or scheduled bank in relation to a zero coupon bond issued on or after the 1st day of June, 2005 by such company or fund or public sector company or scheduled bank
  - by way of interest of a business trust from a SPV special purpose vehicle
  - in the name of Registrar General of Court or on directions of the court *[Circular No. 23/2015 dt. 28th December 2015].*

TDS – Interest other than interest on securities – Sec. 194A

Others	• Where both the parents of minor person are deceased, TDS must be deducted in the name of minor child or file a declaration specifying another person *[Notification No. 05/2017 dt. 29th May 2017]* • Where the depositor of capital gain account scheme has deceased – deduct in the name of deceased person till death; subsequently in the name of legal heir *[Notification No. 08/2017 dt. 13th September 2017]* • Co-operative Society shall deduct if IPPY turnover > Rs.50 Crore and interest > 40,000 or 50,000 as case may be *[FA 2020 w.e.f. 1st April 2020]*

TDS – Interest other than interest on securities – Sec. 194A – Exercise 1

Examine the TDS implications under section 194A in the cases mentioned hereunder–

- On 1st October 2021, Mr. Harish made a six-month fixed deposit of ₹10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31st March 2022. ✓ TDS
- On 1st June 2021, Mr. Ganesh made three nine months fixed deposits of ₹3 lakh each, carrying interest @ 9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28th February 2022. ✓ TDS

  9,00,000 × 9% × 9/12 = 60,750 × 40K.
- On 1st October 2021, Mr. Rajesh started a six months recurring deposit of ₹2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31st March 2022. × TDS

10,00,000 × 9% × 6 => 45,000 × 10% => 4,500

2,00,000 × 8% × 6/12 = 8,000

12,00,000 × 8% ×

TDS - Winnings from lottery or crossword puzzle and Horse races

Payer	Any person - 194B Bookmaker / License granted for horse racing / arranging for wagering or betting in any race course - 194BB
Payee	Any person
Purpose	Winnings from lottery or crossword puzzle or card game and any other game - Section 194B Winnings from horse races - Section 194BB
Time	Credit or Payment, whichever is earlier
Rate	30% u/s 115BB
Limit	Does not exceed ₹10,000
Others	Winnings may be wholly in kind or partly in cash and partly in kind, the payer shall remit TDS before releasing the winnings

TDS – Payment to contractors and sub-contractors – Sec. 194C

Payer	Any person *other than individual / HUF whose IPPY TO > 1C in Business or 0.5C in Profession*
Payee	Resident
Purpose	Any work in pursuance of a contract
Time	Credit or Payment, whichever is earlier
Rate	Payee Individual / HUF - 1% Payee others - 2%
Limit	Single credit / payment - Does not exceed ₹30,000 Aggregate - During the FY is ₹1 Lakh or less
Exclusion	• Exclusively for personal purposes of an individual or HUF • Goods carriage covered u/s 44AE and furnishes PAN Presumptive To be also ≤10 vehicles • Manufacturing or supplying a product according to the requirement or specification of a customer by using material procured from another person + Rebates u/s 40A(2)(b) • Payments by broadcasters or television channels to production houses where only the telecasting rights is acquired and content is already produced *[Circular No. 04/2016 dt. 29th Feb'16]*

TDS – Payment to contractors and sub-contractors – Sec. 194C

Others

- Payment made by customers on account of cooling charges to the cold storage owners *[Circular No. 1 dt. 10th Jan'08]* is 194C
- In sub-contract, TDS shall be deducted on the value excluding material (if provided separately) else on the whole invoice value.
- Work includes:
  - Advertising;
  - Broadcasting and telecasting including production of programmes for such broadcasting or telecasting;
  - Carriage of goods or passengers by any mode of transport other than by railways;
  - Catering;
  - Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. (o/m) ~~trea~~ related pari u/s 40A(2)(b)

TDS – Payment to contractors and sub-contractors – Sec. 194C – Exercise 2

ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the P.Y.2021-22–

20,000 + 25,000 + 28,000 + 30,000

- ₹20,000 on 1st May 2021

Single ≤ 30,000

- ₹25,000 on 1st August 2021

1,03,000

Multiple ≤ 1,00,000

- ₹28,000 on 1st December 2021
- On 1.3.2022, a payment of ₹30,000 is due to Mr. X on account of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to Mr. X.

1,03,000 × 1% ⇒ 1,030

30,000 − 1,030 = 28,970/-

TDS - Insurance

INSURANCE COMMISSION – SECTION 194D

Payer	Any person
Payee	Resident
Purpose	Commission for insurance business
Time	Credit or Payment, whichever is earlier
Rate	5%
Limit	Does not exceed ₹15,000

PAYMENT IN RESPECT OF LIFE INSURANCE POLICY – SECTION 194DA

Payer	Any person
Payee	Resident
Purpose	Sum allocated + Bonus [other than income exempt u/s 10(10D)]
Time	Payment
Rate	5%
Limit	Does not exceed ₹1 Lakh

5%

ULIPS Prem ₹2,50,000

10(10D)

Policy 01/04/12 Premium < 20% of A&SA

01/04/12 to 31/03/12 - Prem < 10% of MSA

01/04/13 to till - Prem
80DD/80U - 15%
other - 10%

TDS – Insurance – Exercise 3

Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases –

→ 5%.

- Mr. X, a resident, is due to receive 4.50 Lakhs on 31st March 2022, towards maturity proceeds of LIC policy taken on 1st April 2019, for which the sum assured is ₹4 lakhs and the annual premium is ₹1,25,000.

  10 (100)

- Mr. Y, a resident, is due to receive ₹3.95 lakhs on 31st March 2022 on LIC policy taken on 31st March 2012, for which the sum assured is ₹3.50 lakhs and the annual premium is ₹30,100.

  < 35,000

- Mr. Z, a resident, is due to receive ₹95,000 on 1st August 2021 towards maturity proceeds of LIC policy taken on 1st August 2015 for which the sum assured is ₹90,000 and the annual premium was ₹10,000.

  no TDS receipt < 1,00,000

TDS – Payment to non-resident sportsmen or sports association – Section 194E

not a citizen of India

Payer	Any person
Payee	Non-resident sportsman or an entertainer or sports association
Purpose	Income referred in section 115BBA • Sportsman (including an athlete) - Not a citizen of India and a non-resident: o Participation in India in any game (other than crossword puzzle, horse race etc.) or sport; or o advertisement; or o contribution of articles relating to any game or sport in India in newspapers, magazines or journals • Non-resident sports association or institution: Any amount guaranteed to be paid or payable to such association or institution in relation to any game (other than crossword puzzle, horse race etc.) or sport played in India; or • Entertainer - Not a citizen of India and a non-resident: Income received or receivable from his performance in India
Time	Credit or Payment, whichever is earlier
Rate	20.80% = 20% + 4% cess
Limit	---

194B
194BB

ACB
ECB

TDS – Payment to non-resident sportsmen or sports association – Section 194E – Exercise 4

Calculate the amount of tax to be deducted at source (TDS) on payment made to Ricky Ponting, an Australian cricketer non-resident in India, by a newspaper for contribution of articles ₹25,000.

25,000 × 20.80%

TDS

Taxes – MCQ – Que 1

Ashwin doing manufacture and wholesale trade has recorded a turnover of ₹1,05,00,000 in PY 2020-21 and ₹95,00,000 in PY 2021-22. What would be the TDS for the PY 2021-22 on the following transaction: Interest paid to UCO Bank - ₹41,000; Interest paid to director's loan - ₹24,000; and Contract payment to Raj - ₹44,000 [2 bills of ₹24,000 and ₹20,000];

> 5,000

2400 [10%]

< 30,000

Agg < 1,00,000

194A / 194C

To > 1,00,00,000 in IPPY

(a) Nil

(b) ₹2,400

(c) ₹2,880

(d) ₹6,980

Taxes – MCQ – Que 2

What would be the TDS for the following payments by ARC Ltd.:
Payment of ₹2,00,000 to Mr. R, a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect along with his PAN; Payment of ₹2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s ~~S~~ Ltd. However, no material was supplied for such diaries to Mr. A by M/s ~~S~~ Ltd or its associates

ARC

(a) Nil

(b) ₹2,000

(c) ₹4,000

(d) ₹6,000

Taxes – MCQ – Que 3

Payment of ₹27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02nd July 2021 for contribution of articles in relation to the sport of cricket

194E 20.8%

(a) Nil

(b) ₹5,400

(c) ₹5,616

(d) ₹6,177

Taxes – MCQ – Que 4

Mr. X, a resident, is due to receive ₹4.50 lakhs on 31st March 2022, towards maturity proceeds of LIC policy taken on 1st April 2019, for which the sum assured is ₹4 lakhs and the annual premium is ₹1,25,000. Mr. Z, a resident, is due to receive ₹95,000 on 1st October 2021 towards maturity proceeds of LIC policy taken on 1st October 2013 for which the sum assured is ₹90,000 and the annual premium is ₹10,000.

- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X and Mr. Z
- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X
- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. Z
- No tax is required to be deducted on income comprised in maturity proceeds payable to either Mr. X or Mr. Z

Taxes – MCQ – Que 5

Mr. Stephen born on 1st April 1962. During PY 2021-22, he receives interest of ₹45,000 from ICICI Bank. What would be the tax deducted by ICICI Bank for AY 2022-23?

01/04/1962 – 01/04/2022   2021-22   31/03/22   ≥60 $\boxed{50,000}$

(a) ₹9,000

(b) ₹4,500

(c) ₹2,250

(d) Nil

THANK YOU

CA. C. Muthu Palaniappan
[muthuca]