



Date: 28th March 2022

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

- FY 2021-22 AY 2022-23

➤ Periodical recovery

Periodical requirement
to meet expenditure
loss at later point in time

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

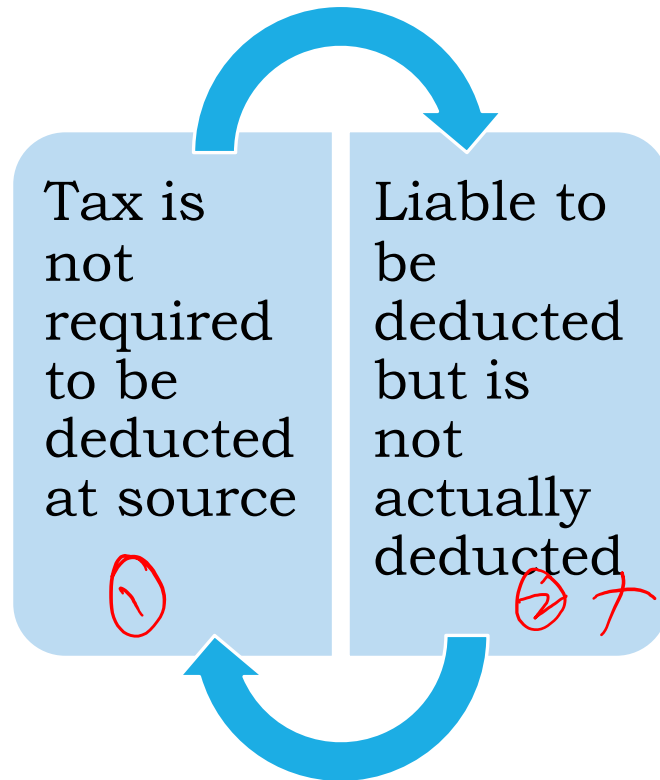
Tax Liability	100	XXXX
Less: Relief u/s <u>89</u> / Tax Credit	0	XXX
Less: TDS/ TCS	AS	XXX
Less: Advance Tax/	3	XXX
Less: Self Assessment Tax		XXX
Tax Payable / (Refund)	2	XXX

- 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



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, ✗

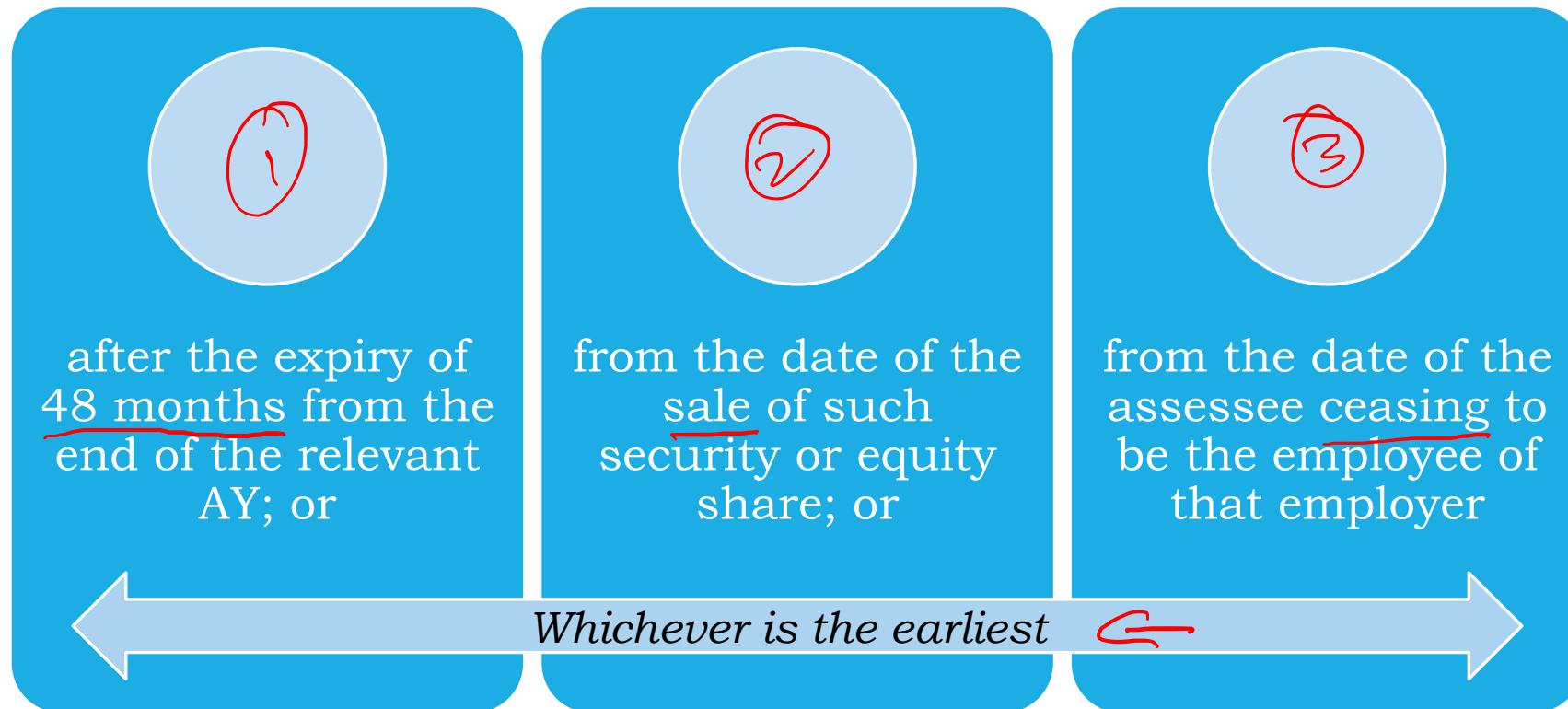
then such person shall be deemed to be assessee in default. → Recovery

Not applicable, if assessee himself has paid the tax



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

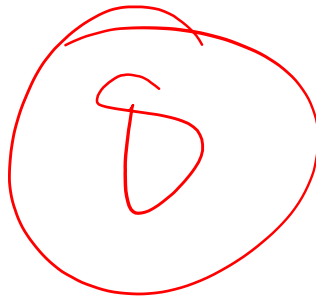
FA 2020 w.e.f. 1st April 2020: Income of the assessee includes the value of specified security or sweat equity shares allotted or transferred by the current employer [eligible start-up], the income-tax on such income shall be payable by the assessee within 14 days:





Taxes – TDS – Sec. 192 to 194Q

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



TDS – Salary – Sec. 192

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

8333

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 <u>transfer of accumulated balance</u>]
Time	Payment
Rate	10% [MMR on non-submission of PAN] <i>Maximum Marginal Rate</i>
Limit	Less than <u>₹50,000</u>
Exclusion	• An employee has rendered <u>continuous service</u> with his employer for a period of <u>5 years</u> or more • <u>Ill health</u>, <u>Contraction or discontinuance of business</u>, <u>cessation of employment</u> etc.

*30%
31%
4%
MMR
62.74%*

TDS – Interest on Securities – Sec. 193

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

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 these
Keros account

Debt
Debt
Savings

NATIONAL
HOLD

SLIP
Public
Listed

TRG
In India

TDS – Dividend – Sec. 194

Payer	Principal Officer of a Domestic Company ↵
Payee	Resident Shareholders ↵
Purpose	Dividend distributed or paid
Time	<u>Before making</u> payment – <u>Deemed dividend</u> 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 $\leq$ 5,000/- ➤ Dividend credited or paid to LIC, <u>GIC, subsidiaries of GIC</u> or any other insurer provide the shares are owned or have beneficial interest. ➤ Dividend credited or paid to <u>any other person</u> as may be notified by <u>CG.</u> ✕

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

Payer	Any person <i>other than individual / HUF</i> whose <i>IPPY TO 1C in Business or 0.5C in Profession</i>
Payee	Resident
Purpose	Interest income other than 'interest on securities'
Time	<u>Credit</u> 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 – <i>Aggregate in case of banks with core-banking solution</i> ₹5,000 in <u>any other case</u> ⇒ <i>Between persons</i>
Exclusion	- Income credited or paid: ⇒ <i>Interest Paid</i> - to a <u>Banking Company</u> / <u>Financial Corporation</u> / <u>LIC</u> / <u>UTI</u> - to any <u>company</u> or co-operative society carrying on <u>insurance business</u> - to such <u>other institution</u> or association or body as may be notified. [Notified <u>HUDCO</u>]

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
 - in the name of Registrar General of Court or on directions of the court
- [Circular No. 23/2015 dt. 28th December 2015].*
- select other vehicle*

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
- 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. X TDS

$$9,00,000 \times 9\% \times \frac{6}{12} = 60,750 \times 6\%$$

$$(10,00,000 \times 9\%) \times \frac{6}{12} \Rightarrow 45,000 \times 10\% \Rightarrow 4,500$$

$$2,00,000 \times 8\% \times \frac{6}{12} = 8,000$$

$$16,00,000 \times 8\% \times \frac{6}{12} = 64,000$$

TDS - Winnings from lottery or crossword puzzle and Horse races

Payer	Any person - 194B ↩ Bookmaker / <u>License</u> granted for horse racing / <u>arranging</u> 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	<u>Credit or Payment</u> , whichever is earlier
Rate	<u>30% u/s 115BB</u> ↩
Limit	Does not exceed <u>₹10,000</u>
Others	Winnings may be <u>wholly</u> in <u>kind</u> or <u>partly</u> in cash and partly in kind, the payer shall remit TDS before releasing the <u>winnings</u> ✱

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

Payer	Any person <i>other than individual / HUF</i> whose <i>IPPY TO</i> 1C <i>in Business or 0.5C in Profession</i>
Payee	Resident ↩
Purpose	Any work in pursuance of a <u>contract</u>
Time	<u>Credit or Payment</u> , whichever is earlier
Rate	Payee <u>Individual / HUF</u> - <u>1%</u> Payee others - <u>2%</u>
Limit	<u>Single credit / payment</u> - Does not exceed <u>₹30,000</u> <u>Aggregate</u> - During the FY is <u>₹1 Lakh</u> or less
Exclusion	- Exclusively for <u>personal purposes</u> of an <u>individual or HUF</u> <u>Goods carriage</u> covered u/s <u>44AE</u> and furnishes <u>PAN</u> <i>Excluded to vehicles</i> <u>Manufacturing or supplying a product</u> according to the requirement or specification of a customer by using material procured from another person <i>+ Reverts u/s 40A(2)(b)</i> - Payments by <u>broadcasters or television channels</u> to <u>production houses</u> where only the <u>telecasting rights</u> 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. *or direct related part*

or 194C(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 on 1st May 2021
- ₹25,000 on 1st August 2021
- ₹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.

$$20,000 + 25,000 + 28,000 + 30,000 = 1,03,000$$

Since $\leq 30,000$
within $\leq 1,00,000$

$$1,03,000 \times 1\% \Rightarrow 1,030$$
$$30,000 - 1,030 = 28,970/-$$

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 ↙

Limit Does not exceed ₹15,000

ULPS Res ~~₹250,000~~
in FY
10 (con)

Poing 01/04/12 remain L 207. of AISA
01/06/12 to 31/07/12 - Per L 101. of MSA
01/08/12 to 31/09/12 - Per L 102. of MSA
01/10/12 to 31/11/12 - Per L 103. of MSA
01/12/12 to 31/01/13 - Per L 104. of MSA
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01/06/33 to 31/07/33 - Per L 227. of MSA
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01/10/33 to 31/11/33 - Per L 229. of MSA
01/12/33 to 31/01/34

TDS – Insurance – Exercise 3

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

- 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.
Handwritten notes: 4.50 Lakhs → 47. 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.
Handwritten notes: ₹3.95 lakhs → 39.000
- 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.
Handwritten notes: ₹95,000 → 95.000. ₹90,000 → 90.000

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

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: - Participation in India in any game (other than crossword puzzle, horse race etc.) or sport; or <u>advertisement</u>; or - contribution of <u>articles</u> relating to any game or sport in India in newspapers, magazines or journals - Non-resident <u>sports association</u> or <u>institution</u>: 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 <u>sport played in India</u>; or <u>Entertainer</u> - 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% <i>E 20% + 4% Cess</i>
Limit	---

194E
194B3

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];

194A / 194C

To > 1,00,00,000 in PY

> 8,000
2,400 [100]
230.00
888 < 1,00,000

(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

19th Feb 2018 Y. →

- (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 27210372 260

50,000

(a) ₹9,000

(b) ₹4,500

(c) ₹2,250

(d) Nil



THANK YOU

CA. C. Muthu Palaniappan
[muthuca]