

TAXBOOK⁺

Hints to solutions

TDS, TCS & Advance Tax

MCQ

TAX DEDUCTION AT SOURCE (TDS)

GENERAL PRINCIPLES

M2. Ronit, age 41 years, is having total income of Rs. 10 lakh for the PY 2021-22 which includes Rs. 1 lakh fees for.....

Tax on 10L = 1,17,000. Tax payable = 1,17,000 – 10,000.

SALARY PAYMENTS

M4. Shubham, aged 55 years, is employed with Sunshine Ltd. since 1 March 2021 on a monthly salary of Rs. 1 lakh.....

TI = 12,00,000 – 50,000 SD u/s 16 – 1,50,000 80C = 10,00,000. Tax = 1,17,000. TDS = 1,17,000/12 = 9,750 pm.

M5. Raghav, age 37 years, is employed with Bright Ltd on a monthly salary of Rs. 60,000 per month. He has furnished.....

TI = 7,20,000 – 50,000 SD u/s 16 – 2,00,000 IHP loss + 1,00,000 IFOS = 5,70,000. Tax = 27,560. TDS = 27,560/12 = 2,297 pm

M7. Rohit resigned from BCD Pvt. Ltd. after three years of service and received taxable amount from his EPF Account.....

Exempt since there is continuous service of 7 years. No TDS.

INTEREST, DIVIDEND & INVESTMENT INCOME

M8. During the FY 2021-22, Mr. T, a resident, received interest on GOI bonds of Rs. 20,000 on 1.10.2021, interest on.....

TDS u/s 193 = GOI bonds NO + Savings Bonds NO ($\leq 10,000$) + Debenture of BCD Ltd. 750 @ 10% (since $> 5,000$) + Demat listed bonds NO + Debentures of CDF Pvt. Ltd. 300 @ 10% = 1,050

M9. Mr. Y, a resident, received interest on debentures from three widely held companies of Rs. 4,000 each on.....

No TDS u/s 193 as each $\leq 5,000$

M10. During the FY 2021-22, Mr. C, a resident of age 60 years, received interest on fixed deposits from SBI, PNB and.....

Amount liable for TDS u/s 194A = SBI NIL ($\leq 50,000$) + PNB NIL ($\leq 50,000$) + HDFC 55,000 + Seema Gramin NIL (per branch $\leq 50,000$ as no CBS) + Corp deposit-I Nil ($\leq 5,000$) + Corp deposit-II 8,000 = 63,000

M11. Rakesh, a resident of age 50 years, carrying on business with turnover of Rs. 2 crore for FY 2020-21 and Rs.....

He is specified individual. Liable to TDS u/s 194A = To firm – YES; To bank – NO. Deduction = 70,000 – 6,000 (40(a)(ia) disallowance of 30% of 20,000) = 64,000.

M12. Rashmi, a resident and a partner in R & R partnership firm, received interest from the firm of Rs. 40,000 on.....

TDS u/s 194A = From firm NIL + On IT refund NIL + On savings A/c NIL + On loan NIL as friend not specified individual = Nil

M13. Mahesh, a resident, received bonus shares from CD Pvt. Ltd. (in which he was a preference shareholder) on.....

TDS u/s 194 = Bonus shares and loan 11,250 (10% of 75,000 + 37,500) + ZZ NIL ($\leq 5,000$) + QQ 1,200 (20% of 6,000 u/s 206AA) = 12,450

M14. Reliance Pvt. Ltd. paid dividend to its shareholders on 15.8.2021 through account payee cheques. Five.....

TDS u/s 194 = 5 shareholders NO ($\leq 5,000$ each) + 3 shareholders 2,250 (@ 10%) + 2 shareholders 4,000 (@ 20%) = 6,250.

M15. Bharat, a resident, received income from HDFC Mutual Fund of Rs. 2,250 each on 1.6.2021, 1.9.2021 and.....

TDS u/s 194K = HDFC MF 675 (10% of 6,750) + JM MF NIL ($\leq 5,000$) + NIL on STCG = 675.

M16. Mrs. Sharma, a resident, received Rs. 10 lakh on 20.11.2021 upon death of her spouse. The policy was taken on.....

TDS u/s 194DA: No TDS on death as proceeds exempt. Policy on her life: Taxable as premium $> 10\%$ of SA. TDS = 5% of 8,75,000 (20,00,000 – premium paid 11,25,000) = 43,750

M17. Mr. Jain, a resident, was issued a life insurance policy by Safe Insurance Company on 20.6.2016 for a sum assured.....

Safe insurance company: Proceeds taxable as premium $> 10\%$ of SA. TDS u/s 194DA @ 5% on 37,500 (5,37,500 – 5,00,000 premium paid) = 1,875.

Suraksha: Exempt as premium $\leq 20\%$ of SA.

CASUAL INCOME

M18. During the PY 2021-22, Mr. Gamble earned the following incomes: Lottery prize of Rs. 30,000 (Rs. 7,500 received.....

TDS u/s 194B/BB = Lottery 9,000 @ 30% + card NIL ($\leq 10,000$) + jackpot 2,25,000 @ 30% + race 15,000 @ 30% = 2,49,000.

Receipt = 30,000 + 5,000 + 2,50,000 + 50,000 – 2,49,000 TDS = 86,000

COMMISSION

M19. Rajesh, a resident, is an insurance agent of JKL General Insurance company and PQM Life Insurance company.....

U/s 194D = JKL NIL ($\leq 15,000$) + PQM @ 5% of 22,500 = 1,125

M20. Ramesh, a resident, has been appointed the stockist of Assam State Lottery. He is also the distributor of Goa....

U/s 194G = 5% of 1,20,000 = 6,000. No TDS for Goa State Lottery as $\leq 15,000$.

M21. Sukesh, a resident, is a commission agent for Green Wind Pvt. Ltd. During the PY 2021-22 he received commission....

U/s 194H: @ 5% of 75,000. No TDS on mobile discount as no element of agency.

M22. Mukesh, a resident and a travel agent, received commission of Rs. 15,000, Rs. 20,000 and Rs. 17,500 from three....

U/s 194H: First company Nil ($\leq 15,000$). Second and third @ 5% on 37,500 = 1,875.

WORK & SERVICES

M23. BKG & Co, a partnership firm, paid Rs. 25,000 on five occasions to Mr. Suresh, a resident, for providing catering....

U/s 194C @ 1% of 1,25,000.

M24. Mr. Raja, carries on a business having turnover of Rs. 3 crore for FY 2020-21. During the FY 2021-22, he made.....

U/s 194C = Shine @ 2% of 37,500 + Railways Nil + Caterers NIL as personal + Dinesh NIL as personal + Rohit NIL (King Pvt. Ltd. not associate as $< 20\%$ equity shares) = 750.

M25. Raman HUF made payment of Rs. 90,000 to Shah & Co, resident partnership firm and a goods carriage.....

Payer is specified HUF. Each payment $> 30,000$. TDS u/s 194C @ 2% of 90,000. No goods carriage exemption as declaration not furnished.

M26. Ramandeep Publishers Pvt. Ltd. made payment of Rs. 90,000 on 15.4.2021 to Mr. Rohit, a resident, carrying.....

U/s 194C @ 1% of 30,000 (90,000 – 60,000).

M27. Jacob, a resident, received the following during the period June 2021 to March 2022: Rs. 37,500 for developing.....

U/s 194J: 10% of 2,77,500 (37,500 Mantle + Rs. 15,000 director's remuneration + 75,000 royalty + 1,50,000 non-compete) = 27,750.

2% of 52,500 = 1,050.

Total = 28,800

M28. Jolly, a Chartered Accountant, having gross receipts in profession of Rs. 65 lakh for FY 2020-21 and Rs. 45 lakh.....

Jolly is specified individual. TDS u/s 194J = 10% of 45,000 lawyer + Not on royalty + Not for Ramola as FPS is personal + Not on software as per Notification 21/2012 = 4,500.

M29. Johnny is a financial consultant, having gross receipts from profession of Rs. 45 lakh for FY 2020-21 and Rs. 55 lakh.....

Johnny is not specified individual. TDS u/s 194M = 5% of 60L for house + commission NIL (≤ 50 lakh) + lawyer FPS NIL (≤ 50 lakh) = 3 lakh

M30. Mr. Bonny, having business turnover of Rs. 5 crore for FY 2020-21 and Rs. 4 crore for FY 2021-22, made payment.....

Bonny is specified individual u/s 194J but no TDS therein as FPS is personal. TDS u/s 194M @ 5% of 60L.

M31. Ruhi, a professional having gross receipts of Rs. 40 lakh for FY 2019-20 and Rs. 60 lakh for FY 2020-21, paid.....

Ruhi is specified individual. Commission u/s 194H NO as $\leq 15,000$; Gift items u/s 194C NO as not 'work'; Doctor u/s 194J NO as personal. NO 194M as each payee within limit of 50 lakh.

HIRE OR TRANSFER OF PROPERTY

M32. Keshav, engaged in manufacturing business and having turnover of Rs. 2 crore for FY 2020-21, made the.....

Keshav is specified individual. TDS u/s 194-I = Bull NIL (≤ 2.4 lakh) + Bear 5,000 (2% of 2,50,000) + Trade Smart NIL (2,00,000 being 3,00,000 – 1,00,000 is ≤ 2.4 lakh) + Leaseman 37,500 (10% of 3,75,000) = 42,500

M33. B&C partnership firm, having turnover of Rs. 40 lakh from business for FY 2020-21, paid office rent of Rs. 4 lakh.....

TDS u/s 194-I. Advance, arrears, non refundable deposit are included.

M34. Jagson Pvt. Ltd. hired machinery during January and February 2022 @ Rs. 50,000 per month and a warehouse.....

U/s 194-I. Total of 2,50,000 > 2,40,000 limit. TDS @ 2% of 1,00,000 and @ 10% of 1,50,000 = 17,000.

M35. Mr. Q is a professional. He has paid Rs. 2,50,000 rent for use of building to Mr. J, a resident, for the month of....

Mr. Q is specified individual. Rent > 2.4L.

M36. Krishna, a salaried employee, visits Chennai on deputation for the period July 2021 to March 2022 where he stays.....

U/s 194-IB; TDS @ 20% of 5,40,000 = 1,08,000 (can't exceed 60,000 rent for last month). Amount paid = 5,40,000 – 60,000 = 4,80,000.

M37. Shirish, a freelance professional, having gross receipts of Rs. 30 lakh in FY 2020-21, stays in a house, owned by.....

U/s 194-IB since he is not a specified individual covered u/s 194-I.

House @ 5% of 4,59,000 = 22,950. P&M not covered u/s 194-IB.

M38. Mr. Shera, a resident, had purchased a house on 10.1.2021 for Rs. 40 lakh which he sold to Mr. Bera, a resident.....

U/s 194-IA. Mr. Bera @ 1% of 55 lakh. Mr. Shah NIL as consideration < 50 lakh.

M39. Raghu, a resident of age 20 years, purchased a flat in a housing society on 15.10.2021 from Bhrigu, a resident.....

U/s 194-IA: TDS @ 1% of 60,00,000 = 60,000.

IFOS u/s 56(2)(x) = 10,00,000 (SDV – FVC). Tax on TI of 10,00,000 = 1,17,000.

Total tax to pay for self and on behalf of Bhrigu = 1,17,000 + 60,000.

M40. The Maharashtra State Government compulsorily acquired a plot of urban agricultural land and a building.....

U/s 194LA; Land NIL as agricultural; Building @ 10% of 11.25 lakh

SPECIAL CASES

M41. Bill Jones, a French citizen, tennis player and a non-resident in India, came to India during the PY 2021-22 during.....

U/s 194E = 20% of 7,10,000 (6,00,000 + 1,00,000 + 10,000) = 1,42,000. Plus 4% HEC = 1,47,680.

U/s 194B NIL since within 10,000 limit.

M42. Mr. Mohan, a transporter, withdrew the following amounts in cash from his accounts during the PY 2021-22.....

He is not a ROI defaulter. TDS u/s 194N = HDFC Nil (≤ 1 cr) + ICICI 2,20,000 (@ 2% of 1.1 Cr) + PO Nil (≤ 1 cr) = 2,20,000

M43. Mr. Krishna withdrew Rs. 1.5 crore in cash in the aggregate from five accounts maintained in Bihar Co-operative.....

He is a ROI defaulter. TDS u/s 194N = 5% of 1.5 Cr for Bihar Coop + 2% of 30 lakh for PO + Nil for BOI (≤ 20 lakh) = 7,50,000 + 60,000 = 8,10,000

M44. Mr. Sohan, a resident doctor, starts providing consultation services to his patients through a medical.....

U/s 194-O for Med Net; @ 5% of 3 lakh as PAN not furnished. 5 lakh exemption not applicable as PAN/Aadhar not furnished.

U/s 194J NIL for own clinic

M45. Mr. Rajkumar, a businessman, sells stationery items on Amazon and Flipkart. During the PY 2021-22, he has.....

U/s 194-O; Amazon NIL (≤ 5 lakh and Aadhar furnished); Flipkart @ 1% of 7.5 lakh (as > 5 lakh)

M45A. Mr. Rohan, 80 years of age and a resident, has earned pension of Rs. 25,000 p.m. during the PY 2021-22 which.....

Conditions of 194P are satisfied. Bank will deduct TDS on total income.

GTI = 2,50,000 salary (3,00,000 – 50,000 standard deduction) + 5,20,000 interest = 7,70,000. TI = 7,70,000 – 1,00,000 80C – 50,000 80TTB = 6,20,000. Tax = 24,960

M45B. QR Ltd., an Indian company, having turnover from business of Rs. 8 crore for FY 2020-21 and Rs. 10.2 crore for.....

TO of Mr. C > 10 cr in preceding FY. Purchase during PY > 50 lakh. TDS u/s 194Q = 0.1% of 30 lakh = 3,000.

GENERAL POINTS & PROCEDURE

M47. Which of the following is not correct in case payee does not furnish his PAN to payer?.....

20% rate u/s 206AA is not required to be increased by SC and HEC

M48. BCD Ltd. credits commission to the account of Sohan on 20.3.2022 of Rs. 50,000. The amount is paid on.....

U/s 194H @ 5% to be deducted at the time of earlier of credit or payment.

M49. Vivek & Co, Chartered Accountant firm, raised invoice of Rs. 1,18,000 (showing Rs. 1,00,000 plus 18% GST).....

U/s 194J @ 10% of 1,00,000. No TDS on GST indicated separately.

M51. Mr. Sharma, sole proprietor of a furniture workshop and a resident aged 62 years, has estimated his total income.....

194C not covered u/s 197A. Covered u/s 197.

M52. Suhana, a resident aged 56 years, has estimated her gross total income for PY 2021-22 of Rs. 4,00,000 and.....

194DA not covered u/s 197; covered u/s 197A but she can't avail benefit since taxable proceeds of 3 lakh > 2.5 lakh basic exemption limit.

M53. Mr. K, a resident of age 70 years, is supposed to receive interest on bank fixed deposits of Rs. 2,00,000 and.....

194 and 194A covered u/s 197 and 197A for Mr. K. He is senior citizen and tax will be nil. He should go with 197A.

M54. Exemption of TDS from payments made for personal purposes applies only u/s 194C and 194H.....

194C and 194J

M58. Swan Pvt. Ltd. deducted TDS on fees for professional services u/s 194J on 15.7.2021. Which of the following is not.....

TDS certificate should be issued within 15 days from due date of statement

M59. Mr. Q deducted TDS on contract work charges u/s 194M on 15.3.2022. Which of the following is not correct.....

Exempted from TAN requirement u/s 203A

M60. Mr. C deducted TDS on rent u/s 194-I on 10.3.2022. Which of the following is not correct.....

TDS statement should be furnished by 31.5.2022

M61. Which of the following is not a consequence of not deducting or depositing TDS as required.....

201(1A) provides for simple interest

M62. Zoyo Pvt. Ltd. deducted TDS of Rs. 20,000 u/s 193 on 15.9.2021 along with payment of interest income which.....

TDS to be deducted on 1 Sep, i.e., earlier of credit or payment: Delay of 15D. Deposited on time.

Interest for delay in deduction = 1% of 20,000 for 1 month

M63. Mr. Z deducted TDS of Rs. 3 lakh u/s 194M on 1.3.2022 in respect of payment of fees for professional services.....

TDS deduction on time (earlier of credit or payment). Deposit due date u/s 194M 30.4.2022. Delay in deposit.

Interest = 1.5% of 3 lakh for 3 months (1.3.2022 to 15.5.2022)

COLLECTION OF TAX AT SOURCE (TCS)

M65. Mr. C is a distributor for alcoholic liquor produced by JJ Liquor Ltd. Turnover from his business during PY 2020-21.....

U/s 206C(1) @ 5% of 10 lakh

M66. A mining lease was awarded to BCD Pvt. Ltd. for the period June 2021 to March 2022 for Rs. 37,500 per month.....

U/s 206C(1C) @ 2% of 3.75 lakh

M67. In which of the following cases, will Speed & Co, partnership firm and a car showroom owner having business.....

D: U/s 206C(1F) as value > 10 lakh for each car

A: No as value of each car is not > 10 lakh; B: No as Government is not buyer; C: No as consideration not received

M68. Forex & Co, authorized dealers, received Rs. 5 lakh from Mr. Y, each on 1.2.2022 and 1.3.2022, for remittance.....

U/s 206C(1G) @ 5% on 3 lakh (10 lakh – 7 lakh)

M69. Swan Tours Pvt. Ltd. received Rs. 10 lakh from Mr. P as payment for a package tour program to Europe. At what.....

U/s 206C(1G) @ 5% of Rs. 10 lakh

M70. Honda Cars Ltd., having turnover of Rs. 12 crore for FY 2020-21 and Rs. 9 crore for FY 2021-22, sold 10 cars of Rs. 8.....

Government is not a buyer u/s 206C(1H).

M71. Dash Cars Ltd., a car manufacturer, having a turnover of Rs. 15 crore for FY 2020-21, sold 5 cars of Rs. 15 each to a.....

Transport company: U/s 206C(1F) @ 1% of 75 lakh = 75,000, as value of each car > 10 lakh. No TDS u/s 194Q as TCS collectible u/s 296C(1F).

Car distributor: U/s 206C(1H) @ 0.1% of 10 lakh (60 lakh – 50 lakh) = 1,000, as turnover of seller for preceding FY > 10 crore, sale value during PY > 50 lakh. 206C(1F) not applicable as it is not retail sale and 194Q not applicable as turnover of buyer for preceding FY ≤ 10 crore.

ADVANCE TAX

M73. Mr. K, resident of age 45 years, has estimated his tax liability for PY 2021-22 at Rs. 20,000. How much advance tax.....

9,000 (45% of 20,000) – 2,000

M74. Mr. J has estimated his tax liability for PY 2021-22 at Rs. 50,000. How much advance tax will he need to pay for....

75% of 50,000, i.e., 37,500 – 40,000

M75. Mr. T is a businessman claiming presumptive income u/s 44AD. He has estimated his tax liability for PY 2021-22.....

100% by 15 March

M76. Mr. Q has estimated his total income for PY 2021-22 at Rs. 6 lakh but he has not paid advance tax. His total.....

Higher of TI last assessed (8 lakh) or TI returned in a subsequent year (9 lakh)

M77. Mr. B, a resident aged 39 years, has estimated particulars of his income for PY 2021-22 as under: Business income.....

TI excluding LTCG = 6,00,000 BI – 2,00,000 IHP – 1,50,000 80C = 2,50,000; Tax is NIL.

LTCG @ 10% of 1,00,000 (2,00,000 – 1,00,000 threshold) = 10,000. No 87A on 112A tax. Tax = 10,000 + 400 HEC = 10,400.

AT = 10,400 – TDS 10,000 = 400. No AT payable as < 10,000.

M77A. Mr. Z, a resident, celebrated his 60th birthday on 1.12.2021. He earned salary income of Rs. 6 lakh (computed).....

Mr. Z is a senior citizen not having business income. No AT.

M78. Mr. J, a resident aged 40 years, has estimated particulars of his income for PY 2021-22 as under: Salary of Rs. 10.....

Tax on 10,50,000 = 1,32,600 – TDS 1,00,000 = 32,600. 75% of 32,600 = 24,450

M80. Mr. M, aged 40 years, computed his tax liability for PY 2021-22 at Rs. 98,780. He paid Rs. 65,430 as advance tax.....

Interest = 1% for 4 months (1.4.2022 to 25.7.2022) on 23,300 (98,780 – 10,000 TDS – 65,430 AT = 23,350) = 932

M81. Mr. T, aged 55 years, computed his tax liability for PY 2021-22 at Rs. 86,500. He paid Rs. 78,000 as advance tax.....

AT paid of 78,000 is not less than 77,850 (90% of 86,500). 234 not applicable.

M82. Mr. Z estimated his tax liability for FY 2021-22 at Rs. 50,000 but filed return of income on 20.7.2021 showing tax.....

15 June: 1% × 3 mth × 9,000 (15% of 60,000) = 270.

15 Sep: 1% × 3 mth × 27,000 (45% of 60,000) = 810.

15 Dec: 1% × 3 mth × 45,000 (75% of 60,000) = 1,350.

15 Mar: 1% × 60,000 (100% of 60,000) = 600

M83. Mr. C, resident aged 50 years, won lottery prize of Rs. 8 lakh on 15.11.2021. He did not pay any advance tax. He.....

AT payable = 2,49,600 tax on total income of 8 lakh (30% + 4% HEC) – 2,40,000 TDS = 9,600. No AT as amount < 10,000. No interest.

M84. Mr. J, a lawyer and a resident aged 42 years, has estimated gross receipts from profession for FY 2021-22 at Rs.....

TI = PGBP u/s 44ADA 25 lakh + IFOS 15 lakh = 40 lakh.

Tax on 40 lakh of 10,53,000 – TDS 2,50,000 – AT paid 5,00,000 = 3,03,000.

Interest u/s 234B = 1% for 4 months (1.4.2022 to 25.7.2022) on 3,03,000 = 12,120.

Interest u/s 234C = 1% of 3,03,000 (10,53,000 – 2,50,000 TDS – 5,00,000 AT paid) = 3,030.

Total interest = 15,150