

TAXBOOK⁺

Working steps of solutions

B1 to B6

TDS, TCS & Advance Tax

Build Your Confidence (BYC)

DEDUCTION OF TAX AT SOURCE (TDS)

B1. SALARY PAYMENTS - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	192	CA2019(M) - An employee of the Central Government received arrears of salary for the earlier 3 years. He enquires whether amount will be received after deduction of tax at source during the current year.	Arrears will be paid after TDS u/s 192. TDS will be computed after providing relief u/s 89(1) if necessary details are furnished by employee. <i>Mistake by students – Failure to refer to section 89(1)</i>
2	192	Assume in the above situation that he is an employee of Mr. X, a sole proprietor.	Arrears will be paid after TDS u/s 192. TDS will be computed without considering relief u/s 89(1).
3	192	Prem, employed with JKL Pvt. Ltd., received accumulated balance of his account in the recognized provident fund consequent to resigning from service after a period of four years. JKL Pvt. Ltd. was his first employer. Provident Fund is managed by JKL Pvt. Ltd. through the PF Trust and is recognized by the CIT under the Income Tax Act.	Payment not exempt as continuous service is for less than 5 years. Employer will deduct TDS u/s 192.
4	192A	CA2019(N) – Mr. Tandon, a resident, received a sum of Rs. 1,75,000 as pre mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill health. Examine and explain the TDS implications assuming he has a PAN which he has furnished to the deductor.	Payment exempt since service terminated due to ill health. No TDS u/s 192A. <i>Mistake by students - Failure to analyze exemption conditions for EPF withdrawal.</i>

B3. INTEREST, DIVIDEND & INVESTMENT INCOME - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	193	BD Pvt. Ltd, paid interest on debentures of Rs. 4,000, to JK HUF, a resident, by account payee cheque on 1.6.2021.	TDS will be deducted @ 10% of Rs. 4,000 (i.e., Rs. 400) u/s 193 as payer is not widely held company.
2	193	CD Ltd., paid interest of Rs. 20,000 on listed bonds to Mr. Y, a resident, on 15.5.2021. Bonds were held in demat account.	TDS will not be deducted u/s 193 since it is a listed security of company in demat form
3	193	Mr. Z, a resident, received Rs. 10,000 as interest on 7.75% Savings (Taxable) Bonds, 2018 for FY 2021-22 on 31.3.2022	TDS will not be deducted u/s 193 since amount for the FY ≤ Rs. 10,000.
4	193	Mrs. Y, a resident, received interest of Rs. 65,000 on 15.12.2021 on Rajasthan Government Bonds.	TDS will not be deducted u/s 193 on Government security
4A	193	CA2021(JAN) – Mr. Marwah, resident aged 80 years, holds 6½% Gold Bonds, 1977 of Rs. 2,00,000 and 7% Gold Bonds, 1980 of Rs. 3,00,000. He received yearly interest on these bonds on 28.2.2022.	TDS u/s 193 since total nominal value of bonds > 10,000. Interest = 13,000 (6½% of 2 lakh) + 21,000 (7% of 3 lakh) = 34,000. TDS @ 10% is 3,400.
5	194A	CA2019(N) – A sum of Rs. 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).	No TDS u/s 194A, since interest ≤ Rs. 50,000, assuming Mr. Hasan is a resident
6	194A	CA2017(M) – Pallavi Bank Ltd. has paid interest of Rs. 29,000 to Mr. A, a resident Indian aged 50 years, from its Chennai	No TDS u/s 194A if no CBS since interest is computed per branch and is ≤ Rs. 40,000.

		branch and Rs. 28,000 from Bangalore branch. If there is no core banking services in the bank, is tax required to be deducted at source from such interest payments made on 31.3.2021? Will your answer be different if there is core banking service present in the bank? Also, explain the provisions in this regard.	TDS will be deducted @ 10% of Rs. 57,000 in case of CBS, since interest payable by the bank exceeds Rs. 40,000.
7	194A	CA2016(N) – Is TDS applicable in respect of payment of Rs. 1,00,000 to Mr. Pandey, a resident, being interest on recurring deposit with SBI?	Yes, u/s 194A @ 10% of Rs. 1 lakh
8	194A	CA2011(M) – During the FY 2021-22, Mr. Yuvan Raja, a resident individual (whose turnover from business during the year ended 31.3.2021 was Rs. 99 lakh) paid interest of Rs. 12,000 to Rehman & Co, a resident partnership firm, without deduction of tax at source. Briefly discuss whether any disallowance arises under the provisions of section 40(a)(ia).	Since TO < 1 Cr for the preceding FY, TDS will not be deducted u/s 194A for FY 2021-22. Consequently, disallowance will not arise.
8A	194A	CA2021(JAN) – Mr. Raju (a resident individual aged 54 years) has maintained two fixed deposits in two different branches of BFG Bank of India (working on core banking solution). During the year 2021-22, the bank paid Rs. 32,000 and Rs. 17,000 as interest on these fixed deposits.	Aggregate interest for all branches, since bank has adopted CBS = Rs. 49,000. It exceeds threshold limit of Rs. 40,000. TDS u/s 194A @ 10% is Rs. 4,900.
8B	194A	CA2021(JAN) – On 1.5.2021, Mr. Brijesh, a resident, made three fixed deposits of nine months each of Rs. 3 lakh each, carrying interest @ 9% with Mumbai branch, Delhi branch and Chandigarh branch of CBZ Bank, a bank which had adopted CBS. These fixed deposits mature on 31.1.2022.	Aggregate interest for all branches, since bank has adopted CBS = Rs. 60,750 (assuming interest is p.a.). It exceeds threshold limit of Rs. 40,000/50,000. TDS u/s 194A @ 10% is Rs. 6,075.
8C	194A	CA2021(JAN) – M/s AG Pvt. Ltd. took a loan of Rs. 50,00,000 from Mr. Haridas, a resident. It credited interest of Rs. 79,000 payable to Mr. Haridas during the PY 2021-22. M/s AG Pvt. Ltd. is not liable for tax audit during PY 2020-21 and 2021-22.	TDS u/s 194A @ 10% of 79,000 since it is > 5,000 limit, whether or not payer company is liable to tax audit. TDS = 7,900.
9	194A	Jaiman, a resident, deposited Rs. 8,00,000 as fixed deposit with Sahkari Co-operative bank on 1.7.2021 at 9% p.a. maturing on 31.3.2022. Compute the amount of TDS deductible, if any.	Interest for 9 months = Rs. 54,000. TDS u/s 194A @ 10% is Rs. 5,400.
10	194A	Rashmi, a resident aged 35 years, deposited Rs. 5,00,000 as fixed deposit with ICICI Bank on 1.10.2021 at 8% p.a. maturing on 31.3.2022. Compute the amount of TDS deductible, if any.	Interest for 6 months = Rs. 20,000. TDS u/s 194A not deductible since interest does not exceed Rs. 40,000.
11	194A	Mr. J, a resident aged 65 years, made fixed deposits of Rs. 3 lakh each in five branches of JK Bank on 1.6.2021 @ 10% p.a. interest for a tenure of six months. Bank has adopted CBS.	Aggregate interest for all branches, since bank has adopted CBS = Rs. 75,000. It exceeds threshold limit of Rs. 50,000. TDS u/s 194A @ 10% is Rs. 7,500.
12	194A	Mr. K, a resident aged 55 years, made fixed deposits of Rs. 3 lakh each in five branches of a co-operative Bank on 1.6.2021 @ 10% p.a. interest for a tenure of six months. Bank has not adopted CBS.	Interest per branch (since bank has not adopted CBS) is Rs. 15,000 which does not exceed threshold limit of Rs. 40,000. No TDS u/s 194A.
13	194A	Mr. K, a resident aged 55 years, made fixed deposits of Rs. 5 lakh each in PNB, SBI and HDFC Banks on 1.6.2021 @ 10% p.a. interest for a tenure of six months.	Interest per payer bank is Rs. 25,000 which does not exceed threshold limit of Rs. 40,000. No TDS u/s 194A.
14	194A	Rs. 1,00,000 was credited to the savings bank account of Raghav with Bank of India as interest thereon for FY 2021-22.	TDS u/s 194A does not apply to interest on deposits in bank (other than time deposits)
15	194A	Rohit paid interest of Rs. 75,000 to Dena Bank during FY 2021-22 in respect of loan taken for business. Turnover of business for FY 2020-21 is Rs. 2 crore.	Rohit is covered u/s 194A since TO of preceding FY > 1 crore. But no TDS u/s 194A on interest paid to a bank.
16	194A	Mrs. Z received interest of Rs. 10,000 on 12.2.2022 in respect of deposits with CDE Ltd, a manufacturing concern. Mrs. Z has not furnished her PAN to the company.	TDS will be deducted u/s 194A read with 206AA @ 20% since amount > Rs. 5,000 and PAN is not furnished.
17	194A	Suresh, carrying on a business having turnover of Rs. 1.2 crore for FY 2020-21 and Rs. 95 lakh for FY 2021-22, paid interest to UCO bank of Rs. 45,000 on 15.12.2021.	Suresh is covered u/s 194A since turnover for preceding FY > Rs. 1 cr. But no TDS since interest paid to bank.
17A	194A	Bank of India gave a loan of Rs. 50 lakh to BCD Ltd. on	Service fee is included in definition of

		14.7.2021. BCD Ltd. paid 2% as service fee for processing the loan application.	'interest' u/s 2(28A). Hence, covered u/s 194A. But no TDS since it is paid to a bank.
18	194	Rahul, a resident, received regular dividend of Rs. 5,000 from Shine Ltd. on 1.9.2021. He also received Rs. 10,000 on 1.1.2022 as loan from Win Pvt. Ltd. in which he held 20% equity shares. Both companies are Indian companies and payments were made by NEFT mode. He furnished his PAN number to Win Pvt. Ltd. but not to Shine Ltd.	Shine Ltd. – No TDS u/s 194 since amount ≤ Rs. 5,000 for FY 2021-22. Win Pvt. Ltd. – Dividend u/s 2(22)(e). TDS u/s 194 @ 10% of Rs. 10,000.
19	194	Rajul, a resident, received dividend of Rs. 20,000 on preference shares held in Z Ltd, an Indian company, on 1.12.2021. Rajul did not furnish his PAN number to Z Ltd.	TDS u/s 194 @ 20% of Rs. 20,000 in terms of S. 206AA since PAN not furnished
20	194K	Harish, a resident, received income of Rs. 10,000 on 10.7.2021 from units held in Kotak Mutual Fund, Rs. 5,000 on 10.8.2021 from units held in HDFC Mutual Fund and earned capital gains (computed) of Rs. 20,000 from sale of units of Birla Sunlife Mutual Fund on 10.9.2021.	TDS u/s 194K @ 10% of Rs. 10,000. No TDS on Rs. 5,000 since it is ≤ Rs. 5,000 limit. No TDS on capital gain.
20A	194DA	CA2021(JAN) – Mr. Prabhakar, a resident, is due to receive Rs. 6 lakh on 31.3.2022 towards maturity proceeds of LIC policy taken on 1.4.2018, for which the sum assured is Rs. 5 lakh and the annual premium is Rs. 1,40,000.	Since annual premium > 10% of sum assured for policy issued after 31.3.2012, exemption u/s 10(10D) is not available. TDS will be levied u/s 194DA since maturity proceeds ≥ Rs. 1 lakh. TDS = 5% of Rs. 40,000 (6 lakh – 5.6 lakh premium paid) = Rs. 2,000.
21	194DA	CA2019(M) – Ms. Varsha received a sum of Rs. 95,000 on 31.3.2022 towards maturity proceeds of LIC policy taken on 1.10.2016 for which sum assured was Rs. 80,000 and annual premium was Rs. 10,000.	Since annual premium > 10% of sum assured for policy issued after 31.3.2012, exemption u/s 10(10D) is not available. But TDS will not be levied u/s 194DA since maturity proceeds < Rs. 1,00,000. <i>Mistake by students – Not considering exemption limit of Rs. 1 lakh.</i>
22	194DA	Mr. Z, a resident, is due to receive Rs. 11,00,000 on 1.1.2022 on maturity of life insurance policy of sum assured Rs. 10,00,000 issued on 31.12.2016 for which he paid annual premium of Rs. 1,20,000.	Since annual premium > 10% of sum assured for policy issued after 31.3.2012, exemption u/s 10(10D) is not available. TDS will be levied u/s 194DA since maturity proceeds ≥ Rs. 1 lakh. TDS = 5% of Rs. 5 lakh (11 lakh – 6 lakh premium paid) = Rs. 25,000.
23	194DA	Ms C, a resident, was issued a life insurance policy on 1.3.2012 for a sum assured of Rs. 1,00,000 on an annual premium of Rs. 10,000. The policy matured on 1.3.2022 and the sum payable to him is Rs. 1,75,000.	Since annual premium ≤ 20% of sum assured for policy issued till 31.3.2012, exemption u/s 10(10D) is available. Hence, no TDS u/s 194DA.
24	194DA	Madhav, a resident, is supposed to receive maturity proceeds of Rs. 5,00,000 on the Keyman Insurance Policy taken by him on his employee.	Keyman insurance policy proceeds are not exempt u/s 10(10D). TDS will be levied u/s 194DA since payment ≥ Rs. 1 lakh.
25	194EE	CA2020(N) – Smt. Sarita paid Rs. 5,000 on 17.4.2021 to Smt. Deepa from the deposits in National Savings Scheme Account.	It is not clear as to how can Smt. Sarita make payment from NSS A/c. Assuming she is the person responsible for paying, TDS will be deducted u/s 194EE @ 10% of Rs. 5,000, i.e, Rs. 500, since amount is ≥ Rs. 2,500

B4. CASUAL INCOME - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194B	CA2021(JULY) – A payment of Rs. 3,20,000 made to Vidyawati, an Indian resident, on 15.1.2022, by a TV channel for winning from a crossword puzzle.	TDS deductible u/s 194B @ 30% of Rs. 3,20,000 since winning > Rs. 10,000
1	194B	CA2019(N) – Ms. Kaul won a lucky draw prize of Rs. 21,000. The lucky draw was organized by M/s Maximus Retail Ltd for its customers.	TDS deductible u/s 194B @ 30% of Rs. 21,000 since prize money > Rs. 10,000
2	194B	CA2019(N) – Y & Co, engaged in real estate business, conducted a lucky dip and gave a Maruti car worth Rs. 5 lakh to the prize winner.	Since winning is wholly in kind, Y & Co is required to ensure that TDS @ 30% (Rs. 1,50,000) is paid u/s 194B, before releasing the car to the winner.
3	194B	CA2019(M) – A TV channel pays Rs. 10 lakh as prize	TV channel is to deduct TDS u/s 194B @ 30% of Rs.

		money to the winner of a quiz programme.	10 lakh at the time of payment of prize money.
4	194BB	Mr. K won Rs. 1 lakh as prize from horse race. He has not furnished his PAN number to the payer.	TDS will be deducted @ 30% (Rs. 30,000). Even if PAN is not furnished, 30% is greater than 20% rate specified u/s 206AA.
5	194BB	Winning from horse race of Rs. 1 lakh was paid to Mr. G, a resident individual, on 20.12.2021.	Winning > Rs. 10,000. TDS u/s 194BB @ 30% of Rs. 1 lakh, i.e., Rs. 30,000.

B5. COMMISSION - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194D	CA2019(N) – An insurance company paid Rs. 45,000 as insurance commission to its agent Mr. Abhijeet on 15.11.2021.	TDS will be deducted u/s 194D @ 5%, i.e., Rs. 2,250, since commission > Rs. 15,000.
2	194D	XYZ Insurance Co pays insurance commission of Rs. 10,000 each to 20 agents during the FY 2021-22, amount in all to Rs. 2,00,000.	No TDS u/s 194D since payment to any agent does not exceed Rs. 15,000.
3	194H	CA2018(N) – Mudra Ltd., an advertisement company, has retained a sum of Rs. 15 lakh, towards charges for procuring and canvassing advertisement, from payment of Rs. 1 crore due to Cloud TV, a television channel, and has remitted the balance amount of Rs. 85 lakh to the television channel. Would the provisions of TDS u/s 194H be attracted on the sum of Rs. 15 lakh retained by the advertisement company?	No TDS u/s 194H in view of CBDT Circular 5/2016 since relationship between the media company and advertising agency is that of principal-to-principal.
4	194H	CA2016(M) – Ashwin, a resident individual carrying on business (turnover for FY 2020-21 Rs. 2.2 crore; for FY 2021-22 Rs. 20 lakh), paid commission to Babloo – Rs. 8,500.	No TDS u/s 194 since amount ≤ Rs. 15,000, although Ashwin is covered since turnover from business in preceding FY > Rs. 1 crore.
5	194H	Bajaj Ltd. sells manufactured goods to its wholesalers at a discount of 50% on the MRP. Is Bajaj Ltd. liable to deduct TDS on discount?	Discount is in the nature of trade discount and is not commission. No TDS u/s 194H
6	194H	Mr. Z paid commission of Rs. 50,000 to his agent, a resident, on 15.12.2021 for effecting sale of goods manufactured by him. Turnover from business of Mr. Z for PY 2020-21 was Rs. 1.5 crore and that for PY 2021-22 was Rs. 75 lakh.	Mr. Z is covered since TO for preceding FY > 1 crore. Mr. Z will deduct TDS u/s 194H @ 5% of Rs. 50,000.
7	194H	KLM Ltd. paid commission of Rs. 15,000 each to its five agents, resident in India, during the PY 2021-22.	No TDS u/s 194 since threshold for any payee does not exceed Rs. 15,000.

B6. WORK & SERVICES - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194C	CA2019(N) – Gupta & Co (firm), engaged in wholesale business, assigned a contract for construction of its godown building to Mr. Ravi. The firm paid an aggregate of Rs. 10 lakh to Mr. Ravi during the year.	TDS will be deducted u/s 194C @ 1% of Rs. 10 lakh since aggregate payment during the year > Rs. 1 lakh.
1A	194C	CA2021(JULY) – Payer: Rahul, a wholesale trader of spices whose turnover was Rs. 5 crore in FY 2020-21. Nature of payment: Contract payment for construction of office godown during January to March, 2022, to Akhilesh, a resident individual. Rs. 50,00,000.	Rahul is covered u/s 194C since TO for preceding FY > 1 crore. TDS will be deducted @ 1% of Rs. 50 lakh = 50,000.
2	194C	CA2019(N) – Mr. Bobby, a resident, whose turnover during the previous FY is Rs. 205 lakh and for the current FY 2021-22 is Rs. 80 lakh, made payment of Rs. 2,00,000 on 1.10.2021 to Mr. A for purchase of diaries as per specifications. However, no material was supplied for such diaries. He also made contract payment to Mr. Satheesan on 1.5.2021 for painting of Rs. 25,000 and another contract for interior furnishing on 22.3.2021 for Rs. 20,000.	Mr. Bobby is covered u/s 194C since TO for preceding FY > 1 crore. <ul style="list-style-type: none"> Mr. A – No TDS u/s 194C since it is a contract for sale as material not supplied by Mr. Bobby. Mr. Satheesan – No TDS u/s 194C as individual payments ≤ Rs. 30,000 and aggregate payment during FY ≤ Rs.1 lakh
3	194C	CA2016(M) – Ashwin, a resident individual carrying on business (turnover for FY 2020-21 Rs. 2.2 crore; for FY	No TDS u/s 194C since amount ≤ Rs. 30,000, although Ashwin is covered u/s 194C since

		2021-22 Rs. 20 lakh), made payment to Vijay for repair of office building – Rs. 23,000.	turnover from business in preceding FY > Rs. 1 crore.
4	194C	CA2020(N) – ABC Ltd. makes payment of Rs. 1,50,000 to Ramlal, an individual transporter, who owned 6 goods carriages throughout the PY. He does not furnish his PAN.	Though Ramlal is goods carriage operator owning ≤ 10 goods carriages, he does not furnish PAN. Hence, TDS to be deducted u/s 194C @ 20% (in terms of section 206AA) on Rs. 1.5 lakh = Rs. 30,000
5	194C	JK Pvt. Ltd. made payment to Ravi, a resident contractor, on 15.4.2021 (Rs. 25,000), on 15.9.2021 (Rs. 27,000) on 15.12.2021 (Rs. 29,000) and on 15.3.2022 (Rs. 26,000).	Even though single payment ≤ Rs. 30,000, TDS will be deducted u/s 194C since aggregate payments for FY 2021-22 > 1 lakh. TDS will be deducted on Rs. 1,07,000 at time of credit/payment of Rs. 26,000. TDS @ 1% = Rs. 1,070. Last payment = Rs. 26,000 – Rs. 1,070 = Rs. 24,930.
6	194C	JK Pvt. Ltd. made payment to Ravi, a resident contractor, on 15.4.2021 (Rs. 35,000), on 15.9.2021 (Rs. 27,000) and on 15.3.2022 (Rs. 31,000).	Aggregate payment during FY ≤ Rs. 1 lakh. TDS u/s 194C @ 1% on Rs. 35,000 and @ 1% on Rs. 31,000, being amounts in a single payment > Rs. 30,000.
7	194C	JK Pvt. Ltd. made payment to Ravi, a resident contractor, on 15.4.2021 (Rs. 25,000), on 15.9.2021 (Rs. 35,000) on 15.12.2021 (Rs. 30,000) and on 15.3.2022 (Rs. 20,000).	<ul style="list-style-type: none"> • 15 April – No TDS since amount ≤ Rs. 30,000; • 15 Sep – TDS @ 1% of Rs. 35,000, i.e., Rs. 350; • 15 Dec - No TDS since amount ≤ Rs. 30,000; • 15 Mar – Since aggregate for FY > Rs. 1 lakh, TDS @ 1% on Rs. 75,000 (Rs. 1,10,000 – Rs. 35,000 on which TDS deducted earlier), i.e., Rs. 750. • Total TDS = Rs. 1,100.
8	194C	Z Ltd made payment of Rs. 1 lakh as rent for machinery hired from Mr. K, a resident.	No TDS u/s 194C as payment is not for work. Section 194-I is applicable.
9	194C	PQR Pvt. Ltd. made payment of Rs. 50,000 to Mr. J, a resident transporter, for transporting goods from the factory to its premises. Mr. J submitted declaration to PQR Pvt. Ltd. that he owns not more than 10 goods carriages, along with his PAN.	No TDS u/s 194C since Mr. J fulfills the conditions for TDS exemption for small transporters.
10	194C	KMC Ltd entered into a contract with Mr. Law, a noted lawyer and a resident, for providing legal services during PY 2021-22 and made payment of Rs. 10 lakh during the year.	No TDS u/s 194C. S. 194J will apply.
11	194C	Mr. B, carrying on business with turnover of Rs. 90 lakh for PY 2020-21 and Rs. 120 lakh for PY 2021-22, paid Rs. 90,000 to M/s CDE Pvt. Ltd., an Indian company, on 1.3.2022 for advertising services.	No TDS u/s 194C since turnover of Mr. B does not exceed Rs. 1 Cr in PY 2020-21. TDS liability to be examined u/s 194M.
12	194C	Shubh, a Chartered Accountant, received professional fee of Rs. 60 lakh during PY 2020-21. During the PY 2021-22, he made payment of Rs. 50,000 to Shailesh, a resident, for printing invitation cards for the marriage of his daughter as per his specifications. Raw material was procured by Shubh and provided to Shailesh. He also made payment of Rs. 75,000 to Saurabh, a resident, for catering services during the marriage ceremony.	Shubh is covered u/s 194C as GR for preceding FY > Rs. 50 lakh. Each payment > Rs. 30,000. Printing is 'work' since raw material is supplied by Shubh. Catering is also 'work'. But TDS will not be deducted since payments are for personal purpose of Shubh.
13	194C	Mr. Jinesh gave a contract to Mr. Vinesh, a resident, in respect of manufacture of machinery spare parts as per his specifications. Mr. Vinesh procured the raw material for such manufacture from Shah & Co, a partnership firm in which Mr. Jinesh held 25% share of profits. Mr. Jinesh paid Rs. 1,20,000 in three equal instalments on 15.4.2021, 15.6.2021 and 15.8.2021. Mr. Jinesh was liable to tax audit for FY 2020-21.	Mr. Jinesh is covered u/s 194C since his TS/GR/TO > Rs. 1 cr for preceding FY (as he was liable to tax audit). Shah & Co is an associate in term of section 40A(2). Manufacture as per specifications using material purchased from associate firm is 'work' u/s 194C. Each payment > Rs. 30,000. TDS applicable @ 1%.
14	194C	For transport of its cargo, M&N LLP of Delhi paid Rs. 30,000 to Mr. C, a resident, for carrying the cargo from	<ul style="list-style-type: none"> • Payment to Mr. C – No TDS u/s 194C since amount ≤ Rs. 30,000.

		its factory to the railway station and Rs. 75,000 to Indian Railways for transport of cargo to Chennai.	<ul style="list-style-type: none"> Payment to Railways – Exempt from 194C.
15	194C	Suresh, carrying on a business, having turnover of Rs. 1.2 crore for FY 2020-21 and Rs. 95 lakh for FY 2021-22, made contract payment to Harsh, a resident, of Rs. 24,000 on 15.12.2021 in respect of two contracts of Rs. 12,000 each.	Suresh is covered u/s 194C since turnover for preceding FY > Rs. 1 cr. But no TDS since single payment ≤ Rs. 30,000 and aggregate payment for FY ≤ Rs. 1 lakh.
16	194C	M/s Z Ltd. made payment of Rs. 2 lakh to Mr. J, a resident transporter. Mr. J owns 9 goods carriages throughout the PY. He has also furnished a declaration to this effect along with his PAN.	No TDS u/s 194C since Mr. J is a goods carriage operator owning ≤ 10 goods carriages at any time during the PY and has furnished declaration along with PAN.
17	194J	CA2020(N) – Payment of royalty of Rs. 22,000 and FTS of Rs. 28,000 to Mr. R, who is having PAN, were made during the PY 2021-22 by M/s Z Ltd.	No TDS u/s 194 since amount of royalty and FTS is ≤ Rs. 30,000 for each category of payment.
18	194J	CA2020(N) – Z Ltd. paid Rs. 18,000 to one of its directors as sitting fees on 2.2.2022	TDS u/s 194J @ 10% of Rs. 18,000 if it is not in the nature of salary – there is no threshold. TDS u/s 192 if in the nature of salary.
19	194J	CA2019(M) – XYZ Pvt. Ltd. pays the following amounts to Mr. Narayan during the PY 2021-22: (1) Rs. 22,000 towards fee for professional services, (2) Rs. 18,000 towards royalty.	No TDS u/s 194J since sum ≤ Rs. 30,000 limit for FPS as well as royalty.
20	194J	CA2019(M) – Talent Pvt. Ltd. pays Rs. 12,000 to Ms. Sudha, its director, on 1.12.2021 towards sitting fee which is not taxable u/s 192.	TDS u/s 194J @ 10% of Rs. 12,000. There is no TDS threshold for director fee.
21	194J	CA2019(M) – Radha Ltd is engaged only in the business of operation of call centre. On 18.3.2022, the total amount credited by Shyam Ltd in the ledger account of Radha Ltd is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28.3.2022 by Shyam Ltd.	TDS u/s 194J @ 2% of Rs. 70,000 to be deducted on 18.3.2022, i.e., earlier of credit or payment. Rate is 2% since Radha Ltd. is engaged only in the business of operation of call centre.
22	194J	CA2019(M) – A television company pays Rs. 50,000 to a cameraman for shooting of a documentary film.	TDS u/s 194J @ 10% of Rs. 50,000, since sum > Rs. 30,000. This is FPS since cameraman is a film artist covered u/s 44AA.
23	194J	CA2011(N) – Fee paid to Dr. Srivatsan by Sundar (HUF) Rs. 35,000 for surgery performed to a member of the family.	HUF is liable to deduct TDS only if business turnover > Rs. 1 cr for preceding FY. Even then no TDS in this case since payment of FPS made exclusively for personal purposes of member of HUF.
24	194J	CA2016(M) – Ashwin, a resident individual carrying on business (turnover for FY 2020-21 Rs. 2.2 crore; for FY 2021-22 Rs. 20 lakh), made payment of fees for technical services to Vivek on 15.4.2021 – Rs. 35,000.	Ashwin is covered since turnover from business in preceding FY > Rs. 1 crore. Amount > Rs. 30,000. TDS u/s 194J @ 10% or 2% of Rs. 35,000 depending on whether FTS is being professional services or not.
25	194J	Soft Ltd., an Indian company, purchased business application software for which it made payment after deducting TDS u/s 194J. It sold the software, as it is, to B&C LLP. Soft Ltd. gave a declaration to B&C LLP that it had earlier deducted TDS u/s 194J and also furnished its PAN number.	Payment is in nature of royalty u/s 9(1)(vi). But B&C LLP will not deduct TDS u/s 194J in view of exemption under Notification 21/2012 since all its conditions are fulfilled.
26	194J	XYZ Ltd. made payment to Mr. C, a Chartered Accountant, of Rs. 50,000 on 1.6.2021 for professional services rendered.	TDS u/s 194J on FPS @ 10% of Rs. 50,000 since it is > Rs. 30,000.
27	194J	Gyan Publishers Pvt. Ltd. made a payment of Rs. 2 lakh to Mr. Writer, a resident, on 15.4.2021, as royalty on sale of books for which Mr. Writer holds the copyright.	TDS u/s 194J @ 10% of Rs. 2 lakh on royalty.
28	194J	Mr. K, having business turnover of Rs. 5 crore in PY 2020-21, made a payment of Rs. 40,000 on 15.1.2022 to JK Ltd. for use of certain design templates developed and owned by JK Ltd.	Mr. K is covered u/s 194J since TO for preceding FY > 1 crore, but is not required to deduct TDS on royalty payment.
29	194J	M/s Z Ltd. made payment of Rs. 25,000 as fees for technical services and royalty of Rs. 20,000 to Mr. K. Mr.	No TDS u/s 194J since payment ≤ Rs. 30,000 each for FTS and royalty, assuming there were

		K has furnished PAN to Z Ltd.	no other payments towards FTS or royalty during the PY to Mr. K.
29A	194M	CA2021(JULY) – Payer: Kale, receiving pension from Central Government. Nature of payment: Contractual payment made to a resident during April 2021 for reconstruction of his residential house in Arunachal Pradesh. Rs. 52,50,000.	Kale is a pensioner, hence, not covered u/s 194C. Payment for 'work' to resident > 50 lakh. TDS u/s 194M = 5% of Rs. 52,50,000 = Rs. 2,62,500.
29B	194M	CA2021(JULY) – Payer: Golu, an individual carrying on garment trading business with turnover of Rs. 95 lakh in FY 2020-21. Nature of payment: Payment of commission to Vinay, a resident, for securing a contract from a big business house in November 2021. Rs. 1,20,000.	Golu is a non-specified individual as TO of preceding FY ≤ 1 crore. Hence, not covered u/s 194H. No TDS u/s 194M as amount ≤ Rs. 50 lakh.
30	194M	CA2020(N) - Sanjay, a resident Indian individual, not deriving any income from business or profession, makes payments of Rs. 12 lakh in January 2022, Rs. 20 lakh in February 2022 and Rs. 20 lakh in March 2022 to Mohan, a contractor, for reconstruction of his residential house.	Sanjay is a non-specified individual, hence, not covered u/s 194C. TDS u/s 194M @ 5% of Rs. 52 lakh since it is > Rs. 50 lakh = Rs. 2,60,000.
30A	194M	CA2021(JAN) - Mr. Avinash, pays Rs. 55,00,000 during FY 2021-22 to Mr. Harsh for supply of labour for carrying out the construction work of his factory. During the PY 2020-21, Mr. Avinash was not liable for tax audit u/s 44AB.	If TO of Mr. Avinash for PY 2020-21 was > 1 crore (though not liable to tax audit due to 10 Cr limit applicable to him), he will deduct TDS u/s 194C @ 1% of Rs. 55 lakh. If TO of Mr. Avinash for PY 2020-21 was ≤ 1 crore, he will deduct TDS u/s 194M @ 5% of Rs. 55 lakh since the amount > Rs. 50 lakh.
31	194M	Suman carries on a business having turnover of Rs. 1.5 crore for FY 2020-21 and Rs. 90 lakh for FY 2021-22. She paid commission to Mr. G of Rs. 15,000 on 1.7.2021. She also paid Rs. 10 lakh to a contractor for renovation of her residential house.	Suman is a specified individual u/s 194H and 194C since turnover of preceding FY > Rs. 1 cr. But no TDS on commission u/s 194H since payment ≤ Rs. 15,000. No TDS u/s 194C since payment made for personal purpose. No TDS u/s 194M as payment to each payee ≤ Rs. 50 lakh.
32	194M	Yugal carries on a profession whose gross receipts for FY 2020-21 were Rs. 45 lakh. He got his residential house renewed for which he made payment to the contractor of Rs. 20 lakh on 1.10.2021, Rs. 25 lakh on 1.11.2021 and Rs. 10 lakh on 1.12.2021.	Yugal is not covered u/s 194C since gross receipts in preceding FY ≤ Rs. 50 lakh. TDS liability arises u/s 194M @ 5% since payment for FY > Rs. 50 lakh. Payment for personal purpose is not exempt from TDS u/s 194M.
33	194M	Jugal carries on a business whose turnover for FY 2020-21 was Rs. 30 lakh. He paid Rs. 60 lakh to a contractor for manufacture of office furniture as per his specifications. The contractor procured the raw material by himself from the open market.	Since turnover of preceding FY ≤ Rs. 1 cr, Jugal is not covered u/s 194C. Since contractor does not manufacture furniture using material purchased from Jugal or his associate, it is not 'work'. Thus, no TDS u/s 194M.
34	194M	Manav, a salaried person, paid Rs. 51 lakh to a lawyer on 5.4.2021 for defending criminal proceedings against him.	Since Manav is a salaried person, section 194J is not applicable. Payment to lawyer is FPS. Since payment > Rs. 50 lakh, TDS will be deducted u/s 194M @ 5% of Rs. 51 lakh.
35	194M	Dheeraj, a retired employee drawing pension, made payment of fee for technical services of Rs. 55 lakh to BCD Pvt Ltd on 15.2.2022.	Dheeraj is not covered u/s 194J. FTS is not covered u/s 194M. No TDS.
36	194M	Rashi is a professional having gross receipts of Rs. 60 lakh for FY 2020-21. She paid Rs. 25,000 as commission to BK & Co agents on 15.7.2021.	Rashi is covered u/s 194H since gross receipts of preceding FY > Rs. 50 lakh. TDS u/s 194H @ 5% of Rs. 25,000 since payment > Rs. 15,000. Thus, section 194M not applicable.

TAXBOOK⁺

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B7 to B14

TDS, TCS & Advance Tax

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B7. RENT - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194-I	CA2018(M) – Mr. Bobby, a resident, whose turnover during the previous FY is Rs. 205 lakh and for the current FY 2021-22 is Rs. 80 lakh, made payment of shop rent to Mr. Rajasekharan, a resident, of Rs. 21,000 per month.	Mr. Bobby is covered u/s 194-I since turnover in preceding FY > Rs. 1 crore. Rent for FY > Rs. 2.4 lakh. TDS to be deducted @ 10%. <i>Mistake by students – Not considering exemption limit of Rs. 2.4 lakh.</i>
2	194-I	CA2017(N) – Rent of Rs. 2,30,000 paid by a partnership firm for use of plant and machinery.	No TDS since payment ≤ Rs. 2.4 lakh.
3	194-I	CA2011(N) – Rent paid for hire of machinery by B Ltd. to Mr. Raman of Rs. 2,50,000 on 15.11.2021.	TDS u/s 194-I @ 2%, i.e., Rs. 5,000, since rent > Rs. 2.4 lakh
4	194-I	Mr. Gupta, carrying on a business (turnover for PY 2020-21 Rs. 110 lakh and for PY 2021-22 Rs. 90 lakh) paid warehousing charges of Rs. 1 lakh to QR Pvt. Ltd during the PY 2021-22.	Mr. Gupta is covered u/s 194-I since TO of preceding FY > 1 crore. Warehousing charges are rent. But no TDS since amount ≤ Rs. 2.4 lakh.
5	194-I	Rashi & Co, a firm, paid rent of Rs. 3 lakh during the PY 2021-22 to Mr. C, a resident, for office premises which included Rs. 50,000 arrears for FY 2020-21, Rs. 50,000 advance for FY 2022-23 and Rs. 25,000 towards municipal taxes borne by the firm. Arrears were not liable to TDS during FY 2020-21.	Municipal tax will be excluded. Balance of Rs. 2.75 lakh > Rs. 2.4 lakh. TDS will be deducted u/s 194-I.
6	194-I	Bluesky Ltd. made payment of Rs. 1,00,000 as hire charges for machinery, Rs. 50,000 as hire charges for furniture and Rs. 2,00,000 as rent for office premises. These payments were made to Mr. K on 10.10.2021.	Amounts paid to Mr. K for the FY > Rs. 2.4 lakh. TDS u/s 194-I will be deducted @ 2% on Rs. 1,00,000 and @ 10% on Rs. 2,50,000.
7	194-I	Suresh, carrying on a business having turnover of Rs. 1.2 crore for FY 2020-21 and Rs. 95 lakh for FY 2021-22, paid shop rent of Rs. 2,50,000 to Raj on 21.1.2022.	Suresh is covered u/s 194-I since turnover for preceding FY > Rs. 1 cr and rent paid during FY > Rs. 2.4 lakh. TDS @ 10% of Rs. 2.5 lakh.
8	194-IB	CA2019(N) – Mr. Ashok, working in a private company, is on deputation for 3 months (from December 2021 to February 2022) at Hyderabad where he pays a monthly house rent of Rs. 52,000 for those three months, totaling to Rs. 1,56,000. Rent is paid by him on the first day of the relevant month.	Mr. Ashok is liable to deduct TDS @ 5% u/s 194-IB on Rs. 1,56,000 from the rent of Rs. 52,000 payable on 1.2.2022, since monthly rent > Rs. 50,000. Rent paid for February = 52,000 – 7,800 = 44,200.
9	194-IB	CA2018(N) – Mr. X, a salaried individual, pays rent of Rs. 55,000 p.m. to Mr. Y (does not have PAN) from June 2021. Is he required to deduct TDS? If so, when is he required to deduct tax? Mr. X vacated the premises on 31.12.2021.	Mr. X is liable to deduct tax u/s 194-IB since he pays rent > Rs. 50,000 p.m. Rate will be 20% u/s 206AA since Mr. Y does not have PAN. Tax will be deducted from rent of last month of tenancy, i.e., December. TDS = 20% of Rs. 3.85 lakh (rent from June to December) = Rs. 77,000. However, in such case, TDS cannot exceed rent payable for last month of tenancy. Hence, TDS = Rs. 55,000. <i>Mistake by students – Lack of clarity of provisions.</i>

10	194-IB	CA2018(M) – Mr. Thrilok, an individual not assessed to tax, pays rent of Rs. 60,000 per month.	Rent > Rs. 50,000 p.m. Mr. Thrilok will deduct TDS u/s 194-IB @ 5% of Rs. 7.2 lakh from the rent payable for March 2022, i.e., Rs. 36,000. Assumed that rent is for land/building and is payable throughout the year.
11	194-IB	Mr. UV, a salaried individual on deputation to Hyderabad, pays rent of Rs. 45,000 per month to BCD Pvt. Ltd. for the period September to December 2021. Rent is payable on first day of each month.	No TDS u/s 194-IB since monthly rent ≤ Rs. 50,000. No TDS u/s 194-I since Mr. UV is not engaged in business or profession with TS/GR/TO exceeding specified limits.
12	194-I, 194-IB	Mr. B pays rent of Rs. 30,000 p.m. to Mr. C. Mr. B is a professional having gross receipts of Rs. 60 lakh for PY 2020-21 and Mr. C is a businessman having turnover of Rs. 75 lakh for PY 2020-21.	Payer has gross receipts in profession > Rs. 50 lakh. Thus, covered u/s 194-I. Rent of FY > Rs. 2.4 lakh. TDS u/s 194-I @ 10%. S. 194-IB not applicable.
13	194-IB	Mr. J pays house rent of Rs. 60,000 to Mr. K for staying in the house during the period 1.1.2022 to 20.1.2022. Both persons are resident in India.	Rent for part of month > Rs. 50,000. TDS u/s 194-IB = 5% of Rs. 60,000 to be deducted from this rent. Assumed that Mr. J is not covered u/s 194-I.

B8. IMMOVABLE PROPERTY - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194-IA	CA2019(M) – Mr. Deepak transferred a residential house property to Mr. Karan for Rs. 45 lakh. The stamp duty value of such property is Rs. 55 lakh.	No TDS u/s 194-IA since consideration < Rs. 50 lakh even if SDV exceeds consideration and Rs. 50 lakh threshold. <i>Mistake by students – Not aware that 194-IA is not attracted where consideration < Rs. 50 lakh even if SDV ≥ Rs. 50 lakh.</i>
2	194-IA	CA2018(N) – Mr. Dhanapal wishes to purchase a residential house costing Rs. 60 lakh from Ms. Saipriya. The house is situated at Chennai. He also wants to purchase agricultural lands in a rural area for Rs. 65 lakh. He wants to know whether there will be any obligation to deduct tax at source in these two situations. Both the buyer as well as the sellers are residents in India. Advise Mr. Dhanapal suitably.	TDS will be deducted u/s 194-IA @ 1% of Rs. 60 lakh. TDS is not applicable on transfer of rural agricultural land in India.
3	194-IA	CA2015(M) – Mr. Madan sold his house property in Surat as well as his rural agricultural land for a consideration of Rs. 65 lakh and Rs. 20 lakh, respectively, to Mr. Raman on 1.10.2021. He had purchased the house property for Rs. 40 lakh and the land for Rs. 15 lakh in the year 2016. There was no difference in the stamp valuation. You are required to determine TDS implications, if any, assuming both persons are resident Indians.	TDS will be deducted u/s 194-IA on Rs. 65 lakh @ 1%. TDS is not applicable on transfer of rural agricultural land (assuming it is in India).
4	194-IA	CA2014(M) – Mr. X sold his house to Mr. Y on 1.2.2022 for Rs. 60 lakh	TDS will be deducted u/s 194-IA on Rs. 60 lakh @ 1%, i.e., Rs. 60,000, assuming Mr. X is a resident.
5	194-IA	Sushant owned a house property in Delhi and agricultural land situated 15 kms from municipal limits of Faridabad (population 14 lakh). He sold these properties to Jayesh for Rs. 75 lakh and Rs. 65 lakh, respectively (SDV on date of transfer of 1.11.2021 is Rs. 85 lakh and Rs. 75 lakh, respectively). He had purchased these in the PY 2020-21 for Rs. 60 lakh and Rs. 50 lakh, respectively. Examine the tax implications.	For Sushant: 1. STCG on house property = FVC Rs. 85 lakh (u/s 50C) – COA Rs. 60 lakh = Rs. 25 lakh. 2. STCG on agricultural land – No CG since land is rural. For Jayesh: 1. Amount taxable u/s 56(2)(x) for house property = SDV Rs. 85 lakh – FVC Rs. 75 lakh = Rs. 10 lakh, since excess of Rs. 10 lakh is > Rs. 50,000 and SDV > 110% of consideration. 2. Amount taxable u/s 56(2)(x) for rural agricultural land: Nil since it is not a capital asset.

			3. TDS u/s 194-IA: He will deduct TDS @ 1% of Rs. 75 lakh, i.e., Rs. 75,000. TDS will not be deducted in respect of land.
6	194-IA	Sushant sold his house property to Sohan for Rs. 48 lakh on 1.12.2021. He also transferred the club membership of the housing complex and car parking for Rs. 5 lakh. Both parties are residents in India. Sushant failed to furnish his PAN to Sohan.	Consideration for club and parking will be included. Consideration \geq Rs. 50 lakh. PAN not furnished. TDS u/s 194-IA @ 20% (in terms of 206AA) of Rs. 53 lakh, i.e., Rs. 10.6 lakh.
7	194LA	CA2020(N) – Rs. 2,29,000 paid to Mr. S, a resident individual, on 26.12.2021 by State of Gujarat on compulsory acquisition of his urban land.	No TDS u/s 194LA since amount \leq Rs. 2.5 lakh
8	194LA	CA2014(N) – Rs. 3,00,000 is paid to Mr. A, a resident individual, on 22.2.2022 by the State of Uttar Pradesh on compulsory acquisition of his urban land.	TDS u/s 194LA @ 10% of Rs. 3 lakh since amount $>$ Rs. 2.5 lakh, assuming land is not agricultural land.
9	194LA	Delhi Government acquired the vacant plot of land owned by Ragini and paid compensation of Rs. 1.5 lakh on 15.4.2021. It further paid enhanced compensation of Rs. 1 lakh on 16.8.2021. Ragini computed the capital gain arising from this transaction at Rs. 1.75 lakh.	No TDS u/s 194LA since aggregate amount for FY \leq Rs. 2.5 lakh.

B9. SPECIAL CASES - Discuss the liability for tax deduction in the following cases:

#	Section	Case	TDS
1	194E	CA2021(JULY) – A payment of Rs. 1,00,000 made to Jack Smith, a New Zealand cricketer, a non resident in India, on 20.12.2021 by a sports magazine for contribution of a sports article.	TDS is to be deducted u/s 194E @ 20% + 4% HEC, i.e., Rs. 20,800. There is no threshold.
2	194E	CA2020(N) – Payment of Rs. 26,000 made to Mr. Y, a French footballer, non-resident in India, by an Indian newspaper on 1.7.2021 for contribution of articles in relation to the sport of football.	TDS is to be deducted u/s 194E @ 20% + 4% HEC, i.e., Rs. 5,408. There is no threshold.
3	194E	CA2019(N) – An advertisement company paid Rs. 5 lakh to a cricketer, Mr. Peter from England, for working in an advertisement film.	TDS is to be deducted u/s 194E @ 20% + 4% HEC, i.e., Rs. 1,04,000
4	194E	CA2014(N) – Payment of Rs. 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 2.7.2021 for contribution of articles in relation to the sport of cricket.	TDS is to be deducted u/s 194E @ 20% + 4% HEC, i.e., Rs. 5,616. There is no threshold.
4A	194N	CA2021(JULY) – Payer: XYZ Urban Co-operative Bank. Nature of payment: Payment by way of cash withdrawal, by ABC & Co, a resident partnership firm, amounting to Rs. 1.2 crore during FY 2021-22. ABC & Co, has filed tax returns for the last 3 financial years within time.	It is assumed that the firm has duly filed ROI for all of the 3 AYs relevant to the 3 PYs, for which the time limit to file ROI u/s 139(1) has expired, immediately preceding the PY in which cash payment is made to him. Hence, limit u/s 194N is Rs. 1 crore. Since payments during the PY $>$ Rs. 1 cr, bank will deduct TDS @2% of Rs. 1.2 crore.
5	194N	Mr. C withdrew cash of Rs. 50 lakh on 1.2.2022 from Account I and Rs. 60 lakh on 1.3.2022 from Account II held with Punjab National Bank. He has been duly filing his ROI since the last 7 years.	Mr. C has duly filed his ROI for all of the 3 AYs relevant to the 3 PYs, for which the time limit to file ROI u/s 139(1) has expired, immediately preceding the PY in which cash payment is made to him. Hence, limit u/s 194N is Rs. 1 crore. Since payments during the PY from both accounts held with PNB $>$ Rs. 1 cr, bank will deduct TDS @2% of Rs. 1.1 cr.
6	194N	Mr. D, running a transport agency, withdrew cash of Rs. 70 lakh from his account in SBI and Rs. 70 lakh from his account in HDFC Bank during the PY 2021-22. He has been duly filing his ROI since the last 10 years.	Mr. D has duly filed his ROI for all of the 3 AYs relevant to the 3 PYs, for which the time limit to file ROI u/s 139(1) has expired, immediately preceding the PY in which cash payment is made to him. Hence, limit u/s 194N is Rs. 1 crore. No TDS u/s 194N since payment by each bank during the PY \leq Rs. 1 cr.
7	194N	Mr. G, a real estate broker, withdrew Rs. 1.5 crore from	Mr. G has not filed his ROI for all of the 3 AYs

		his account in Wealth Co-operative Bank on 15.1.2022. He has not been filing his return of income since the last 10 years.	relevant to the 3 PYs, for which the time limit to file ROI u/s 139(1) has expired, immediately preceding the PY in which cash payment is made to him. TDS u/s 194N will be @ 5% of Rs. 1.5 cr.
8	194N	Mr. G, a transporter, withdrew Rs. 25 lakh from his account in Post Office on 15.11.2021. He has not been filing his return of income since the last five years.	Mr. G has not filed his ROI for all of the 3 AYs relevant to the 3 PYs, for which the time limit to file ROI u/s 139(1) has expired, immediately preceding the PY in which cash payment is made to him. TDS u/s 194N will be @ 2% of Rs. 25 lakh, since payment during the PY > Rs. 20 lakh and up to Rs. 1 crore.
9	194-O	Mr. Z, a resident, starts selling musical instruments on an e-commerce website from 1.11.2021. Gross sales value credited/paid till 31.3.2022 is Rs. 10 lakh.	E-commerce operator will deduct TDS u/s 194-O @ 1% of Rs. 10 lakh.
10	194-O	Mr. Q, a resident and a doctor, provides consultancy services to patients on an online medical platform. The gross amount credited/paid in respect of services for the PY 2021-22 is Rs. 3 lakh. Mr. Q has furnished his Aadhar number to the online platform but has not furnished his PAN.	No TDS u/s 194-O since Mr. Q has furnished his Aadhar number to the online medical platform and gross amount ≤ Rs. 5 lakh.
11	194-O	Mr. C, a resident businessman having a turnover of Rs. 1.5 crore for PY 2020-21, gets a website designed from Zoopla, a do-it-yourself website designing platform resident in India, and pays Rs. 5 lakh in this respect on 12.3.2022.	S. 194-O not applicable since payee does not provide services facilitated by an e-commerce operator. Mr. C is covered u/s 194J since his turnover for preceding FY > Rs. 1 crore. Service falls u/s 194J. Amount > Rs. 30,000. TDS will be deducted u/s 194J.
12	194-O	Mr. Y, a resident, sells stationery products from his stationery shop as well as through Flipkart. His gross turnover from the business for the PY 2021-22 is Rs. 10 lakh out of which Rs. 4 lakh has been generated through Flipkart. Mr. Y has furnished his PAN number to Flipkart but has not furnished his Aadhar number.	Since gross amount of sales through Flipkart, the e-commerce operator ≤ Rs. 5 lakh, TDS will not be deducted u/s 194-O as Mr. Y has furnished his PAN number to Flipkart.
13	194-O	BK & Co, a resident partnership firm, sells mobile phones through the web platform provided by PQR Ltd. PQR Ltd. credited Rs. 3 lakh to the account of the firm for sale of mobile phone through its platform during February 2022 and paid Rs. 2.5 lakh out of this amount on 15.3.2022. X and Y purchased mobile phones through the web platform but made payment of Rs. 60,000 directly to the partnership firm.	TDS @ 1% of Rs. 3,60,000 to be deducted. TDS is deducted at the time of earlier of credit or payment. Direct payment by customers to ECP is included in the gross amount for deducting TDS.
14	194P	Mr. Z, a resident of age 75 years, is a pensioner receiving Rs. 55,000 p.m. as pension in Jaipur branch of National Bank. The Bank is specified u/s 194P. He also maintains fixed deposit in Delhi branch of National Bank. Interest on savings account with Jaipur branch and fixed deposit account with Delhi branch is Rs. 1,00,000 for the PY 2021-22. He has no other income. Mr. Z wants to know whether he is required to file ROI u/s 139(1) for the PY 2021-22 and whether he needs to pay any tax from his end. He has not opted for section 115BAC.	Conditions of section 194P are satisfied. If Mr. Z furnishes the prescribed declaration to National Bank, the bank will compute his total income for PY 2021-22 and deduct TDS u/s 194P at the rates in force (after considering any TDS deducted u/s 192 on pension). Mr. Z will not be required to file his ROI u/s 139(1) or pay any tax from his end for AY 2022-23.
15	194P	In #13, assume that while Mr. Z was a resident for PY 2020-21, he is a non-resident for PY 2021-22.	194P is not applicable to a non-resident. Mr. Z will be required to file his ROI u/s 139(1) for AY 2022-23. TDS u/s 192 will apply on pension and TDS u/s 194A will apply on fixed deposit interest (if it exceeds limit of Rs. 50,000). He will need to discharge his tax liability (remaining after TDS) at his own end.
16	194Q	Mr. Q, carrying on a manufacturing business, purchased machines for Rs. 1 crore from BCD Pvt. Ltd., an Indian company, during the FY 2021-22 for installation in his	No TDS u/s 194Q as turnover of business of Mr. Q is not > 10 crore in FY 2020-21.

		factory. He commenced his business on 1.4.2021. Machines, comprising 60% of the value, were purchased during April and May 2021. Turnover of BCD Pvt. Ltd. was Rs. 9.5 crore during FY 2020-21. Credit/payment was made in the months of purchase.	
17	194Q	In #16, assume that Mr. Q commenced business on 1.4.2020 and the turnover for FY 2020-21 was Rs. 12 crore.	Turnover of preceding FY > 10 crore. Sum credited/paid to seller during FY > 50 lakh. Seller is a resident. TDS u/s 194Q = 0.1% of 40 lakh (payment after 30.6.2021) = 4,000.

B10a. 206AA/206AB - Discuss the liability for tax deduction in the following cases:

#	Case	TDS
1	Mr. Z, a resident, received Rs. 10 lakh on 12.7.2021 as compensation for compulsory acquisition of his building from the local authority. He furnished his PAN to the authority. He had not been filing his ROI for the last 6 years. Due date to file ROI u/s 139(1) has been 31 July for all the years. The total amount of TDS deducted in his case during the last 5 years aggregated to Rs. 40,000. No TCS has been collected so far in his case.	TDS is applicable u/s 194LA. Normal rate is 10%. 206AA is not applicable as PAN is furnished. While Mr. Z did not file ROI for PY 2018-19 and 2019-20 (being 2 immediately preceding PYs for which time limit to file ROI u/s 139(1) has expired), total TDS and TCS deducted/collected in his case is not \geq 50,000 in each of these years. Hence, 206AB is not applicable. TDS = 10% of 10 lakh = 1 lakh.
2	JK LLP paid rent of Rs. 1 lakh per month to Mr. C, a resident, in respect of certain plant and machinery taken on hire during the period October 2021 to March 2022. Mr. C is a regular filer of ROI ever since he started earning his income from the year 2010. Due date to file ROI u/s 139(1) has been 31 July for all the years. Total amount of TDS and TCS deducted/collected in his case has been \geq Rs. 50,000 in all these years. He did not furnish his PAN to JK LLP.	TDS is applicable u/s 194-I. Normal rate is 2%. 206AA applies as PAN is not furnished. He has filed ROI for PY 2019-20 and 2020-21 (being 2 immediately preceding PYs for which time limit to file ROI u/s 139(1) has expired). Hence, 206AB is not applicable. TDS = 20% of 6 lakh = 1.2 lakh.
3	CK Ltd. paid Rs. 5 lakh to Mr. J, a resident, on 10.7.2021 towards a catering contract. Mr. J furnished his PAN to CK Ltd. He has been regular in filing his ROI since AY 2010-11. However, he did not file the ROI for AY 2019-20 and 2020-21. Due date to file ROI u/s 139(1) has been 31 July for all the years. Total amount of TDS and TCS deducted/collected for PY 2018-19 and 2019-20 in his case was Rs. 50,000 and Rs. 60,000, respectively.	TDS is applicable u/s 194C. Normal rate is 1%. 206AA is not applicable as PAN is furnished. He did not file ROI for PY 2018-19 and 2019-20 (being 2 immediately preceding PYs for which time limit to file ROI u/s 139(1) has expired) and total TDS and TCS deducted/collected in his case \geq Rs. 50,000 in each of these years. Hence, 206AB is applicable and TDS rate will be 5%. TDS = 5% of 5 lakh = Rs. 25,000.

B11. INTEREST U/S 201(1A) – Determine whether interest will be chargeable u/s 201(1A) in the hands of Mr. K in the following cases of TDS u/s 194H:

#	Amount of TDS	Date of earlier of payment or credit	Date when TDS deducted	Date when TDS paid	Interest u/s 201(1A)
1	20,000	10.7.2021	15.7.2021	6.8.2021	TDS is deducted late by 5 days but paid on time (within 7 days from end of month in which TDS is deducted). Interest = 1% of Rs. 20,000 for 1 month (part of month is taken as 1 month) = Rs. 200.
2	30,000	18.9.2021	18.9.2021	10.1.2022	TDS is deducted on time but is paid late (beyond 7.10.2021). Interest = 1.5% of Rs. 30,000 for 4 months (part of month is taken as 1 month) = Rs. 1,800.
3	40,000	10.7.2021	10.7.2021	7.8.2021	TDS is deducted on time and also paid on time (within 7 days from end of month in which TDS is deducted). Hence, no interest.

B12. INTEREST U/S 201(1A) - Mr. B paid fees for professional service of Rs. 40,000 to Mr. C on 1.7.2021 without.....

Particulars	Rs.
Interest for late deduction of TDS = 1% of Rs. 4,000 (10% of Rs. 40,000) for 8 months (1.7.2021 to 28.2.2022)	320
Interest for late payment of TDS = 1.5% of Rs. 9,000 (10% of Rs. 90,000) for 4 months (1.3.2022 to 22.6.2022)	540

COLLECTION OF TAX AT SOURCE (TCS)

B14. TCS - Discuss the liability for TCS (or TDS, if applicable) in the following cases:

#	Section	Case	TCS
1	206C(1)	Mr. Q operates a liquor shop which sells alcohol to buyers for personal consumption. Turnover of business was Rs. 105 lakh for FY 2020-21 and Rs. 95 lakh for FY 2021-22.	Mr. Q is covered u/s 206C(1) since TO for preceding FY > Rs. 1 crore. However, TCS will not be collected as buyers purchase goods in retail sale for personal consumption.
2	206C(1)	B Ltd. sold scrap to Mr. K, a resident and a scrap dealer, for Rs. 50,000. Mr. K would sell the scrap to another scrap dealer. He did not furnish his PAN to B Ltd.	B Ltd. will collect TCS u/s 206C(1) @ 5% (higher of 2% (twice of 1%) or 5% in terms of section 206CC) of Rs. 50,000.
3	206C(1)	CK LLP sold timber to Mr. T, a resident, for Rs. 5 lakh. Mr. T uses timber purchased to manufacture furniture. He furnished declaration to this effect to CK LLP.	No TCS since resident buyer furnishes declaration to seller that goods are to be utilized for manufacturing and not for trading purposes.
4	206C(1F)	Motor vehicle worth Rs. 20 lakh is sold for which payments are made in instalments, Rs. 5 lakh at the time of booking on 1.8.2021 and Rs. 15 lakh at the time of delivery on 1.9.2021.	TCS will be collected u/s 206C(1F) @ 1% on Rs. 5 lakh at time of booking and on Rs. 15 lakh at time of delivery.
5	206C(1F)	CA2018(N) – Rahil & Co, a partnership firm, is having a car dealership showroom. They have purchased cars for Rs. 2 crore from XYZ Ltd., car manufacturers, the cost of each car being more than Rs. 10 lakh. They sell the cars to individual buyers at a price yielding 10% margin on cost. State whether there will be any obligation to collect tax in the above two situations.	<ul style="list-style-type: none"> • <i>Sale by manufacturer to firm</i> – No TCS u/s 206C(1F) as it applies to retail sale. TCS liability to be examined u/s 206C(1H). • <i>Sale by firm to individual buyers</i> – Firm will collect TCS u/s 206C(1F) @ 1% on receipt of consideration.
6	206C(1F)	Mr. K HUF is a car dealer having turnover from business of Rs. 2 crore for PY 2020-21 and Rs. 75 lakh for PY 2021-22. It sold Car 1 to Mr. Q on 1.1.2022 for Rs. 15 lakh, Car 2 to State Government on 15.1.2022 for Rs. 12 lakh, Car 3 to PQR Pvt. Ltd. on 1.2.2022 for Rs. 10 lakh and Cars 4 and 5 to Mr. B for Rs. 6 lakh each on 1.3.2022 and 15.3.2022.	<ul style="list-style-type: none"> • Since turnover for preceding FY > 1 cr, HUF is covered u/s 206C(1F). • <i>Sale to Mr. Q</i> – HUF will collect TCS @ 1% of Rs. 15 lakh u/s 206C(1F). • <i>Sale to State Government</i> – Government is not covered as buyer u/s 206C(1F). No TCS. • <i>Sale to PQR Pvt. Ltd.</i> – No TCS u/s 206C(1F) since value ≤ Rs. 10 lakh. • <i>Sale to Mr. B</i> – No TCS u/s 206C(1F) since value of each sale ≤ Rs. 10 lakh.
7	206C(1G)	An authorized dealer received the following amounts during the FY 2021-22 for remittance abroad under the Liberalized Remittance Scheme of RBI: Rs. 6 lakh from Mr. P for maintenance of his parents, Rs. 10 lakh from Mr. Q being loan taken from Indian Bank for higher education, Rs. 12 lakh from Mr. R for medical treatment of relative (Rs. 6 lakh each received on 15.11.2021 and Rs. 30.11.2021). All persons, except Mr. R, furnished their PAN.	<ul style="list-style-type: none"> • Mr. P: No TCS u/s 206C(1G) as amount remitted during FY < Rs. 7 lakh; • Mr. Q: TCS u/s 206C(1G) @ 0.5% of Rs. 3 lakh (amount exceeding Rs. 7 lakh); • Mr. R: TCS u/s 206C(1G) @ 10% (being higher of 10% (twice of 5%) or 5% in terms of section 206CC) on Rs. 5 lakh (amount exceeding Rs. 7 lakh) on 30.11.2021.
8	206C(1G)	Ghumo World, a travel agency, received the following amounts during the FY 2021-22: Rs. 30,000 from Mr. G for local travel ticket booking in Malaysia, Rs. 2 lakh from Mr. J for an all-inclusive tour program package for travel to Singapore, Rs. 1.5 lakh from Mr. K for an all-inclusive tour program package to Kerala.	<ul style="list-style-type: none"> • Mr. G: No TCS u/s 206C(1G) as receipt is not for program package. • Mr. J: TCS u/s 206C(1G) @ 5% of Rs. 2 lakh. • Mr. K: No TCS u/s 206C(1G) as tour is not overseas.
9	206C(1H)	PQR Ltd., having turnover of Rs. 9 crore for FY 2020-21 and Rs. 15 crore for FY 2021-22 received Rs. 75 lakh from BK & Co, partnership firm, towards sale of computers. BK & Co, is a law firm, having gross receipts of 12 crore for FY 2020-21 and Rs. 10 crore for FY 2021-22.	No TDS u/s 194Q since buyer does not carry on a business whose turnover of preceding year > 10 crore. No TCS u/s 206C(1H) since turnover of seller of preceding year ≤ Rs. 10 crore.

10	206C(1H)	Cars Ltd., a car dealer having turnover of Rs. 25 crore for FY 2020-21, sold 6 cars to Mr. Rich during March 2022 (consideration received immediately), each for Rs. 9 lakh. Business turnover of Mr. Rich was Rs. 8 crore for FY 2020-21 and Rs. 11 crore for FY 2021-22.	<ul style="list-style-type: none"> • TCS will not be collected u/s 206C(1F) since value of each car ≤ Rs. 10 lakh. • TDS u/s 194Q will not apply as turnover of buyer for preceding FY is ≤ 10 crore. • TCS will be collected u/s 206C(1H) @ 0.1% on Rs. 4 lakh (Rs. 54 lakh – Rs. 50 lakh) since turnover of seller for preceding FY > 10 crore, sale consideration > Rs. 50 lakh, goods are not covered u/s 206C(1F) and TDS is not deducted u/s 194Q.
11	206C(1H)	Cars & Co., a partnership firm and dealer in cars, purchased 10 cars of Rs. 15 lakh each from Honda Cars Ltd., an Indian car manufacturer having turnover of Rs. 15 crore in FY 2020-21, during January 2022 and made payment in February 2022. Turnover of Cars & Co. was Rs. 12 crore for FY 2020-21 and Rs. 9 crore for FY 2021-22.	<ul style="list-style-type: none"> • TCS u/s 206C(1F) covers only retail sale. Hence, it will not apply. • TDS will be deducted u/s 194Q as turnover of buyer for preceding FY > 10 crore, sum > 50 lakh, seller is a resident and TDS/TCS is not deductible / collectible under any provision (except 206C(1H)). TDS = 0.1% of 1 crore (150 lakh – 50 lakh) = Rs. 10,000. • TCS will not be collected u/s 206C(1H) since TDS is deducted u/s 194Q.

TAXBOOK⁺

Working steps of solutions

B16 to End

TDS, TCS & Advance Tax

Build Your Confidence (BYC)

ADVANCE TAX

B16. ADVANCE TAX – CA2020(N) – Mr. K furnished the following information for the year ended 31.3.2022.....

Computation of total income and tax liability of Mr. K

Particulars	Rs.
Income from salary (computed)	90,000
Loss from house property set off u/s 71	(20,000)
	70,000
Income from business	40,000
Lottery winnings (gross)	6,00,000
Total income	7,10,000
Tax on lottery income @ 30% of 6,00,000	1,80,000
Tax on balance income of Rs. 1,10,000 at normal rates	-
	1,80,000
Less: Rebate u/s 87A	-
	1,80,000
Add: Surcharge	-
	1,80,000
Add: HEC @ 4%	7,200
	1,87,200
Less: Tax deducted at source @ 30% on Rs. 6,00,000 u/s 194B since winning > Rs. 10,000 limit	(1,80,000)
Balance	7,200
Advance tax payable?	No as < 10,000

B16a. Compute the advance tax liability of Mr. X, aged 45 years, from the following particulars for FY 2021-22 along.....

Advance tax liability = 3,25,000 – 25,000 = 3,00,000. TDS deductible but not deductible is not to be reduced.

Instalments of advance tax to be paid:

Due date of instalment	Amount payable	
15 June	Not less than 15% of AT	15% of Rs. 3,00,000 = Rs. 45,000
15 September	Not less than 45% of AT – Amount paid in earlier instalment	45% of Rs. 3,00,000 less Rs.45,000 = Rs. 90,000
15 December	Not less than 75% of AT – Amount paid in earlier instalments	75% of Rs. 3,00,000 less Rs. 1,35,000 = 90,000
15 March	100% of AT – Amount paid in earlier instalments	100% of Rs. 3,00,000 less Rs. 2,25,000 = Rs. 75,000

B17. ADVANCE TAX - Mr. C has estimated the total tax payable for FY 2021-22 at Rs. 4,50,000. TDS, deductible but not.....

Advance tax payable (assuming Mr. C is less than 60 years of age) = Rs. 4,50,000. TDS which is not deducted will not be reduced.

Instalments of advance tax to be paid:

Due date of instalment	Amount payable	
15 June	Not less than 15% of AT	15% of Rs. 4,50,000 = Rs. 67,500
15 September	Not less than 45% of AT – Amount paid in earlier instalment	45% of Rs. 4,50,000 less Rs. 67,500 = Rs. 1,35,000
15 December	Not less than 75% of AT – Amount paid in earlier instalments	75% of Rs. 4,50,000 less Rs. 2,02,500 = 1,35,000
15 March	100% of AT – Amount paid in earlier instalments	100% of Rs. 4,50,000 less Rs. 3,37,500 = Rs. 1,12,500

B18. ADVANCE TAX - Mr. J, age 42 years, estimates on 1.4.2021, the total tax payable for FY 2021-22 at Rs. 1,00,000.....

Due date of instalment	Amount payable	
15 June	Not less than 15% of AT	15% of Rs. 1,00,000 = Rs. 15,000
15 September	Not less than 45% of AT – Amount paid in earlier instalment	45% of Rs. 1,00,000 less Rs. 15,000 = Rs. 30,000
15 December	Not less than 75% of AT – Amount paid in earlier instalments	75% of Rs. 1,50,000 less Rs. 45,000 = 67,500
15 March	100% of AT – Amount paid in earlier instalments	100% of Rs. 1,15,000 less Rs. 1,12,500 = Rs. 2,500

B19. ADVANCE TAX - CA2016(N) – Mr. Barun provides you the following information and requests you to determine.....

Advance tax payable (assuming Mr. Barun is less than 60 years of age) = Rs. 65,000 – Rs. 5,000 (assuming TDS deducted) = Rs. 60,000.

Instalments of advance tax to be paid:

Due date of instalment	Amount payable	
15 June	Not less than 15% of AT	15% of Rs. 60,000 = Rs. 9,000
15 September	Not less than 45% of AT – Amount paid in earlier instalment	45% of Rs. 60,000 less Rs. 9,000 = 18,000
15 December	Not less than 75% of AT – Amount paid in earlier instalments	75% of Rs. 60,000 less Rs. 27,000 = 18,000
15 March	100% of AT – Amount paid in earlier instalments	100% of Rs. 60,000 less Rs. 45,000 = Rs. 15,000

B20. ADVANCE TAX - CA2018(N), 2017(N) – Mr. Dheeraj, a resident individual, is a dealer in food grains. During the PY.....

Mr. Dheeraj is eligible to opt for section 44AD since total turnover of PY 2021-22 is less than Rs. 2 crore.

Computation of advance tax payable by Mr. Dheeraj

Particulars	Rs.
Computation of profits and gains u/s 44AD:	
• 6% of turnover received by account payee cheque of Rs. 15 lakh	90,000
• 8% of turnover received in cash of Rs. 65 lakh	5,20,000
Total income	6,10,000
Tax on total income	34,500
Add: HEC @ 4%	1,380
Advance tax payable	35,880

Since Mr. Dheeraj is declaring income u/s 44AD, he will need to pay whole of advance tax by 15.3.2022.

Mistake by students – Lack of understanding of provisions of section 44AD and related provisions for payment of advance tax and applicable due date.

B22. 234B - CA2017(M) – Mr. Sachal, a resident individual aged 54, furnishes income details as under.....

Computation of interest u/s 234B

Particulars	Rs.
Mr. Sachal can opt for section 44AD. Assuming entire turnover is received in non-cash modes, income u/s 44AD would be 6% of Rs. 1.5 crore, i.e., Rs. 9 lakh. It is assumed that he has claimed the lower income of Rs. 8.1 lakh instead since he undertakes tax audit u/s 44AB.	8,10,000
Income from other sources	2,70,000
Total income	10,80,000
Tax on total income	1,36,500
Add: HEC @ 4%	5,460
	1,41,960
Less: Tax deducted at source	(25,000)
Assessed tax (same as tax due on returned income since assumed that total income is determined on date of processing of ROI on 11.12.2022, i.e., same date as filing of ROI)	1,16,960
Interest u/s 234 will be levied as advance tax paid of Rs. 1,03,000 < Rs. 1,05,264 (90% of assessed tax of Rs. 1,16,960).	
Simple interest = 1% × 9 months (1.4.2022 to 11.12.2022 being date of payment of self assessment tax as well as processing of ROI u/s 143(1); part of month taken as full month) × Rs. 13,900 (Rs. 1,16,960 assessed tax – Rs. 1,03,000 advance tax paid = Rs. 13,960. This is rounded off to Rs. 13,900 u/r 119A ignoring fraction)	1,251

B24. 234C – Jacob has estimated his total income for PY 2021-22 to be Rs. 80,000 as of 1 April 2021. He wins a lottery.....

Particulars	Rs.
Tax on total income	
• @ 30% on winning from lottery u/s 115BB	1,50,000
• @ normal rates on balance income of Rs. 80,000	Nil
	1,50,000
Less: Rebate u/s 87A: Nil since total income of Rs. 5.8 lakh > Rs. 5 lakh	-
	1,50,000
Add: HEC @ 4%	6,000
Total tax liability	1,56,000
Less: TDS deducted on lottery income u/s 194B @ 30%	(1,50,000)
	6,000
Advance tax not payable since amount < Rs. 10,000. Interest is not leviable.	

B25. 234B, 234C – Total income of Muskan, resident aged 50 years, for PY 2021-22 is Rs. 9,00,000. Tax deducted.....

Particulars	Rs.
Tax on total income of Rs. 9,00,000	92,500
Add: HEC @ 4%	3,700
	96,200
Less: Tax deducted at source	(5,000)
	91,200

Computation of interest u/s 234B for default in payment of advance tax

Advance tax paid of Rs. 86,000 is not less than 90% of assessed tax of Rs. 91,200. Interest u/s 234B is not payable.

Computation of interest u/s 234C for deferment of advance tax

Due date of AT instalment	Shortfall	Simple interest u/s 234C	Interest
15 June	15% of Rs. 91,200 – AT paid up to 15 June of Rs. 10,950 = Rs. 2,730	Nil since AT paid is ≥ 12% of Rs. 91,200	-
15 September	45% of Rs. 91,200 – AT paid up to 15 September of Rs. 10,950 = Rs. 30,090. Rounded off Rs. 30,000.	1% × 3 months × Rs. 30,000 (leviable since AT paid Rs. 10,950 is not ≥ 36% of Rs. 96,200)	900
15 December	75% of Rs. 91,200 – AT paid up to 15 December of Rs. 66,000 = Rs. 2,400.	1% × 3 months × Rs. 2,400	72
15 March	100% of Rs. 91,200 – AT paid up to 15 March of Rs. 86,000 = Rs. 5,200	1% × Rs. 5,200	52
			1,024

Total tax and interest to be paid before filing of return of income = Rs. 91,200 + Rs. 1,024 = Rs. 92,224.

B26. 234B, 234C - CA2019(N) – Mr. Mani, a resident individual, sold a plot of land on 20.3.2022. Long term capital gain.....

Computation of advance tax payable by Mr. Mani

Particulars	Rs.
Unexhausted BEL = Rs. 2,50,000 assuming Mr. Mani is less than 60 years of age	
Taxable LTCG u/s 112 = Rs. 5,00,000 – Rs. 2,50,000 = Rs. 2,50,000	
Tax on LTCG u/s 112 @ 20% of Rs. 2,50,000	50,000
Add: HEC @ 4%	2,000
Advance tax payable since it is \geq Rs. 10,000	52,000

Since LTCG arises after the due date of last instalment of advance tax of 15.3.2022, he will need to pay whole of advance tax of Rs. 52,000 by 31.3.2022. Since advance tax so paid would not be less than 90% of assessed tax, interest u/s 234B will not apply. Also, interest u/s 234C will not apply since shortfall is due to failure to estimate amount of capital gains and whole of tax thereon is paid by 31 March.

Mistake by students – Could not compute advance tax payable correctly. Could not explain the manner for payment of advance tax so that liability for payment does not arise.

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.....

Tl = 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.....

Tl = 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. Suresh, 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 (\leq 50 lakh) + lawyer FPS NIL (\leq 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 (\leq 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 \leq 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. Sum > 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.....

To 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).

To 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 consideration > 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