

Analysis of recent CBDT amendment of rules relating to TDS/TCS

The Central Board of Direct Taxes (CBDT) had recently notified Rules 30, 31, 31A, 31AA, 37A, 37CA and 37D (Rules) pertaining to tax deducted/collected at source (TDS/TCS) in February 2010. The above notification validated the procedural compliances made during financial year (FY) 2009-10 for the period when the implementation of a new proposed TDS/TCS compliance procedure was kept in abeyance.

The CBDT has now, vide [Notification No. 41/2010 dated 31 May 2010 \(new Notification\), notified Income-tax \(Sixth Amendment\) Rules, 2010](#) which amends the Rules. The new Notification is effective from 1 April 2010 and applies to tax deducted/collected on or after 1 April 2010. The procedural compliance for tax deducted/collected up to 31 March 2010 will be governed by the earlier Rules.

The notable features of the amended Rules are:

(a) Time limit for deposit of TDS for the entire month of March will be 30 April instead of two separate time limits viz. 7 April for TDS up to 30 March and 31 May for TDS as of 31 March.

(b) Non-salary TDS certificates will need to be issued on quarterly basis (instead of monthly or annual basis).

(c) Time limit for filing quarterly TDS statement for last quarter of FY is advanced to 15 May instead of 15 June.

Summary of the new Notification

The new Notification amends the Rules relating to time and mode of depositing TDS, issuance of TDS/TCS certificate, filing of TDS/TCS quarterly statements etc.

The procedural requirements effective for tax deducted/collected on or after 1 April 2010 in terms of the new Notification are summarized below:

A. Time limit for depositing TDS/TCS

Particulars	Earlier provision	New provision
By Government deductor	Same day	Same day if tax paid without challan i.e., by internal transfer Within 7 days from end of month deduction if tax paid with challan
By Others	TDS on credit made on date up to which accounts of deductor are made (except salary, lotteries, horse races etc.)	Within two months TDS on credit made in month of March
	Other cases	Within one week from end of month of tax deduction Other cases Within one week from end of month of tax deduction
With approval from the Tax Authority in special cases		
TDS from interest (other securities), insurance commission and commission/brokerage	Quarterly basis on 15 July, 15 October, 15 January and 15 April	Quarterly basis on 7 July, 7 October, 7 January and 30 April
TDS from salaries	Quarterly basis on 15 June, 15 September, 15 December and 15 March	Same as above
TCS <ul style="list-style-type: none"> By Government deductor By others 	<ul style="list-style-type: none"> Within one week from end of month of tax collection at source Same as above 	<ul style="list-style-type: none"> Same day where tax paid without challan/within 7 days from end of month of tax collection where tax paid with challan Within one week from end of month of tax collection

B. Prescribed income tax challan and mode of payment of TDS/TCS

Particulars	Earlier provision	New Provision
Form of challan	Challan No. ITNS 281	Challan No. ITNS 281
Mode of payment of TDS/TCS	Without challan i.e., internal transfer by Government deductors	Form 24G within 10 days from end of month of tax deduction/collection by Government deductors paying without challan
	Mandatorily by electronic mode for (a) Companies (b) Other deductors/collectors who are liable for tax audit*	Mandatorily by electronic mode for (a) Companies (b) Other deductors/collectors who are liable for tax audit
	For others – at their option either physically or by electronic mode	For others- at their option either physically or by electronic mode

* In terms of Rule 125

C. Form for issue of TDS/TCS certificate

Particulars	Earlier provision	New Provision
Form for TDS certificate	<ul style="list-style-type: none"> Form 16 for salary TDS Form 16A for others Form 16AA for salary TDS where salary income is less than INR 1.50 lak 	<ul style="list-style-type: none"> Form 16 for salary TDS Form 16A for others
Form for TCS certificate	Form 27D	Form 27D

Note: In addition to other requirements, the new forms require disclosure of the address of TDS Tax Authority.

D. Time limit for issue of TDS/TCS certificate

Particulars	Earlier provision	New Provision						
TDS	TDS from salary and insurance commission	<table border="1"> <tr> <td>Within one month from the close of FY (CBDT Circular No. 2 of 2007 dated 21 May 2007 provided option to issue such certificates with digital signature)</td> <td>TDS from salary</td> <td>On annual basis by 31 May following the FY of tax deduction (can be optionally issued with digital signature)</td> </tr> <tr> <td>Where credit is</td> <td>Within one week from</td> <td>Others</td> </tr> </table>	Within one month from the close of FY (CBDT Circular No. 2 of 2007 dated 21 May 2007 provided option to issue such certificates with digital signature)	TDS from salary	On annual basis by 31 May following the FY of tax deduction (can be optionally issued with digital signature)	Where credit is	Within one week from	Others
Within one month from the close of FY (CBDT Circular No. 2 of 2007 dated 21 May 2007 provided option to issue such certificates with digital signature)	TDS from salary	On annual basis by 31 May following the FY of tax deduction (can be optionally issued with digital signature)						
Where credit is	Within one week from	Others						
	Where credit is	Others						
	Where credit is	On quarterly basis						

	made on date up to which accounts of deductor are made credit	expiry of two months from date of credit		within 15 days from due date of furnishing TDS quarterly statement
	Others	Within one month from end of month of credit/payment		
	Where quarterly deposit of TDS is allowed	Within 14 days of payment of TDS		
	Consolidated TDS certificate for multiple payments at request of deductee	Within one month from close of FY		
TCS	Within one month from end of month of debit/receipt			On quarterly basis within 15 days from due date of TCS quarterly statement

E. Form and time limit for quarterly statements of TDS/TCS

Particulars	Earlier provision		New provision	
	Form for furnishing quarterly statements of TDS/TCS	Salary TDS	Form 24Q	Salary TDS
	Other TDS (resident deductees)	Form 26Q	Other TDS (resident deductees)	Form 26Q
	Other TDS (non-resident/not ordinarily resident deductees)	Form 27Q	Other TDS (non-resident/not ordinarily resident deductees)	Form 27Q
	TCS	Form 27EQ	TCS	Form 27EQ
Time limit for furnishing quarterly statements of TDS/TCS				
<ul style="list-style-type: none"> TDS TCS 	<ul style="list-style-type: none"> 15 July, 15 October, 15 January and 15 June 15 July, 15 October, 15 January and 30 April 		<ul style="list-style-type: none"> 15 July, 15 October, 15 January and 15 May Same as above 	

Comments

The new Notification amends the procedural compliances and applies to tax deducted/collected on or after 1 April 2010.

The time limit for deposit of TDS for the entire month of March is rationalized to 30 April instead of two separate time limits viz. 7 April for TDS up to 30 March and 31 May for TDS as of 31 March.

The time limit for issue of TDS certificates for non-salary TDS is rationalized to quarterly basis instead of monthly basis. However, deductors will need to note that the facility of issuing annual consolidated certificate for such TDS, at the request of deductee, has been withdrawn.

Deductors will also need to note that the time limit for filing quarterly TDS statements for last quarter of FY has been advanced to 15 May instead of 15 June.

With Regards & Best Wishes,

Bharath Kedia