**TAX DEDUCTION AT SOURCE (TDS)**

TDS is deducted from the payments made by the individuals as per Income Tax Act. It is managed by the Central Board of Direct Taxes (CBDT), which comes under the Indian Revenue Services (IRS).

Under TDS, when an assesses gets his income, there will be a TDS deduction by the person (diductor) paying the assesses and is submitted to the income tax department.

The assesses then files the TDS return and the tax calculated from his income will be deducted and the final amount will be refunded.

TDS is exempted in the following 2 cases:

1. If the receiver gives a self-declaration saying that he had made the required investments in FORM 15G/15H
2. If there is a certificate of exemption provided by the Assessing Office

**Income tax slab for individual taxpayers & HUF
(less than 60 years old) (both men & women)**

| *Assessment Year 2018-19* |
| --- |
| **Taxable income** | **Tax Rate** |
| Up to Rs. 2,50,000 | Nil |
| Rs. 2,50,000 to Rs. 5,00,000 | 5% |
| Rs. 5,00,000 to Rs. 10,00,000 | 20% |
| Above Rs. 10,00,000 | 30% |

*Less: Rebate under Section 87A
Add: Surcharge and Education Cess*

**In case of a resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)**

| *Assessment Year 2018-19* |
| --- |
| **Taxable income** | **Tax Rate** |
| Up to Rs. 3,00,000 | Nil |
| Rs. 3,00,000 - Rs. 5,00,000 | 5% |
| Rs. 5,00,000 - Rs. 10,00,000 | 20% |
| Above Rs. 10,00,000 | 30% |

| *Less: Rebate under Section 87AAdd: Surcharge and Education Cess***In case of a resident super senior citizen(who is 80 years or more at any time during the previous year)***Assessment Year 2018-19* |
| --- |
| **Taxable income** | **Tax Rate** |
| Up to Rs. 5,00,000 | Nil |
| Rs. 5,00,000 - Rs. 10,00,000 | 20% |
| Above Rs. 10,00,000 | 30% |

*Add: Surcharge and Education Cess*

**TDS Last Dates of FY 2018-2019 for Return Filing**

| **Quarter** | **Period** | **Last Date of Filing** |
| --- | --- | --- |
| 1st Quarter | 1st April to 30th June | 31st July 2018 |
| 2nd Quarter | 1st July to 30th September | 31st October 2018 |
| 3rd Quarter | 1st October to 31st December | 31st January 2019 |
| 4rd Quarter | 1st January to 31st March | 31st May 2019 |

The TDS certificate will be given as

* Form 16 for the people receiving the salary
* Form 16A for the people receiving income from any other source
* Form 16B- TDS on sale of any immovable property

For the late filing of TDS return, there is a penalty of Rs. 200 per day or the amount of TDS payable whichever is lower out of the two.

## **1. What is TDS?**

TDS or Tax Deducted at Source is income tax reduced from the money paid at the time of making specified payments such as rent, commission, professional fees, salary, interest etc. by the persons making such payments.

Usually, the person receiving income is liable to pay income tax. But the government with the help of Tax Deducted at Source provisions makes sure that income tax is deducted in advance from the payments being made by you.

The recipient of income receives the net amount (after reducing TDS). The recipient will add the gross amount to his income and the amount of TDS is adjusted against his final tax liability. The recipient takes credit of the amount already deducted and paid on his behalf.

**For instance:**

Shine Pvt Ltd makes a payment for office rent of Rs 80,000 per month to the owner of the property.

TDS is required to be deducted at 10%. Shine Pvt. ltd must deduct TDS of Rs 8000 and pay balance Rs 72,000 to the owner of the property.

Thus, the recipient of income i.e. the owner of the property in the above case receives the net amount of Rs 72,000 after deduction of tax at source. He will add gross amount i.e. Rs 80,000 to his income and can take credit of the amount already deducted i.e. Rs 8,000 by shine Pvt ltd against his final tax liability.

## **2. When should TDS be deducted and by whom?**

Any person making specified payments mentioned under the Income Tax Act are required to deduct TDS at the time of making such a specified payment. But no TDS has to deducted if the person making the payment is an individual or HUF whose books are not required to be audited.

However, in case of rent payments made by individuals and HUF exceeding Rs 50,000 per month, they are required to deduct TDS @ 5% even if the individual or HUF is not liable for a tax audit. Also, such Individuals and HUF liable to deduct TDS @ 5% need not apply for TAN.

Your employer deducts TDS at the income tax slab rates applicable. Banks deduct TDS @10%. Or they may deduct @ 20% if they do not have your PAN information. For most payments rates of TDS are set in the income tax act and TDS is deducted by payer basis these specified rates.

If you submit investment proofs (for claiming deductions) to your employer and your total taxable income is below the taxable limit – you do not have to pay any tax. And therefore, no TDS should be deducted on your income. Similarly, you can submit Form 15G and Form 15H to the bank if your total income is below the taxable limit so that they don’t deduct TDS on your interest income.

In case you have not been able to submit proofs to your employer or if your employer or bank has already deducted TDS and your total income is below the taxable limit) – you can file a return and claim a refund of this TDS.

The complete list of Specified Payments eligible for TDS deduction along with the rate of TDS.

## **3. What is the due date for depositing the TDS to the government?**

The Tax Deducted at Source must be deposited to the government by the 7th of the subsequent month.

**For instance:**

TDS deducted in the month of June must be paid to the government by 7th July. However, the TDS deducted in the month of March can be deposited till 30th April.

For TDS deducted on rent and purchase of property, the due date is 30 days from the end of the month in which TDS is deducted.

## **4. How to deposit TDS?**

Tax Deducted at Source must be deposited using Challan ITNS-281 on the government portal.

Read our article for a step by step guide to deposit TDS.

## **5. How and When to file TDS returns?**

Filing Tax Deducted at Source returns is mandatory for all the persons who have deducted TDS. TDS return is to be submitted quarterly and various details need to be furnished like TAN, amount of TDS deducted, type of payment, PAN of deductee, etc. Also, different forms are prescribed for filing returns depending upon the purpose of the deduction of TDS. Various types of return forms are as follows:

|  |  |  |
| --- | --- | --- |
| **Form No** | **Transactions reported in the return** | **Due date** |
| Form 24Q | TDS on Salary | Q1 – 31st JulyQ2 – 31st OctoberQ3 – 31st JanuaryQ4 – 31st May |
| Form 26Q | TDS on all payments except salaries | Q1 – 31st JulyQ2 – 31st OctoberQ3 – 31st JanuaryQ4 – 31st May |
| Form 27Q | TDS on all payments made to non-residents except salaries | Q1 – 31st JulyQ2 – 31st OctoberQ3 – 31st JanuaryQ4 – 31st May |
| Form 26QB | TDS on sale of property | 30 days from the end of the month in which TDS is deducted |
| Form 26QC | TDS on rent | 30 days from the end of the month in which TDS is deducted |

 **6. What is a TDS certificate?**

Form 16, Form 16A, Form 16 B and Form 16 C are all TDS certificates. TDS certificates must be issued by a person deducting TDS to the assessee from whose income TDS was deducted while making payment.

|  |  |  |  |
| --- | --- | --- | --- |
| **Form** | **Certificate of** | **Frequency** | **Due date** |
| Form 16 | TDS on salary payment | Yearly | 31st May |
| Form 16 A | TDS on non-salary payments | Quarterly | 15 days from due date of filing return |
| Form 16 B | TDS on sale of property | Every transaction | 15 days from due date of filing return |
| Form 16 C | TDS on rent | Every transaction | 15 days from due date of filing return |

For instance, banks issue Form 16A to the depositor when TDS is deducted on interest from fixed deposits. Form 16 is issued by the employer to the employee.

## **7. TDS credits in Form 26AS**

It is important to understand how TDS is linked to your PAN. TDS deductions are linked to PAN numbers for both the deductor and deductee. If TDS has been deducted from any of your income you must go through the Tax Credit Form 26AS. This form is a consolidated tax statement that is available to all PAN holders. Since all TDS is linked to your PAN, this form lists out the details of TDS deducted on your income by each deductor for all kinds of payments made to you – whether those are salaries or interest income – all TDS linked to your PAN is reported here. This form also has income tax directly paid by you – as advance tax or self-assessment tax. Therefore, it becomes important for you to mention your PAN correctly, wherever TDS may be applicable on your income.

You can easily file your TDS returns through Clear Tax software i.e. Clear TDS. It is an online TDS software that requires no download or desktop installation or software update. It helps you to prepare regular & correction e-TDS statements online easily with just a few clicks on your computer. It is also compatible with TDS returns of previous financial years for easy import.

Also, you can generate your TDS certificates using Clear TDS.

## **8. SMS Alerts for Higher Transparency**

The income tax department has been sending SMS to the taxpayers from VK-ITDEFL that mentions the amount of tax deducted at source (TDS) against the PAN (Permanent Account Number) of the taxpayer. The SMS alert will let you know the TDS credited in respect of your income from salary, interest etc., every quarter. The amount of TDS would stand accumulated in your Form 26AS for the respective financial year.

This initiative was implemented by the Finance Ministry to increase transparency and reduce the cases of TDS mismatches at the time of income tax filing. Taxpayers can cross-check the information provided in the SMS with the information on the payslips to make sure that there is no mismatch. TDS mismatch could be a common reason for incorrect income tax return filing.

## **9. Tax liability in a case where TDS is already deducted from Income**

On salary, TDS is deducted based on the income tax slab applicable to you. In the case of other income types, the TDS rates are fixed and vary between 10% and 20%. The tax rates are not based on your total income. Hence, you would suffer a TDS on your receipts in certain cases.

Separately, you would be required to calculate your annual income by aggregating income from all sources. Your actual tax liability would be calculated on the total taxable income.

From the taxes calculated, you can claim credit for TDS deducted on your various receipts. Reduce the tax deducted at source from your actual tax liability to know the balance to be paid to the income tax department. You may have a refund too. In both cases, you have to file an income tax return and pay the tax due or claim a refund.