



CENTRAL INSTITUTE FOR COTTON RESEARCH

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F.No./AA/O.N./2013-14/TDS/

Dt. 09.05.2013

Office Note

It has been observed that tax deduction at source (TDS) is being deducted from the bills at a uniform rate i.e. 2.2 percent which is not commensurate with the provision of Income Tax Act 1961(Act). Section 192 to 206 AA of the Act deals with the procedure and rates applicable for TDS. The rates of TDS as prescribed in the aforesaid sections vary from 1 percent to 20 percent. Due to deduction of TDS at a uniform rate, in some cases TDS is being deducted at higher rate and in some cases, TDS is being deducted at lower rate which may attract penal interest to be levied by Income Tax Department at any time. Hence in both the cited situations are not in the conformity with the existing Tax laws.

After presentation of Finance Bill 2013, the rate of TDS applicable in Financial Year 2013-14 is as detailed below:

SL. No.	Section of Act	Nature of payment in brief	Cut off limit	Rate in percent	
				Individual/Hindu Undivided Family	Others
(1)	(2)	(3)	(4)	(5)	(6)
1.	192	Salaries		Average Rate	
2.	193	Interest on debentures	50000	10	10
3.	194	Deemed dividend	-	10	10
4.	194A	Interest other than Int, on securities (by Bank)	10000	10	10
5.	194A	Interest other than Int. on securities (By others)	5000	10	10
6.	194B	Lottery/ Cross Word Puzzle	10000	30	30
7.	194BB	Winnings from Horse Race	5000	30	30
8.	194C	Contracts	30000(for single bill) / 75000(for whole financial year)	1	2
		Sub-contracts/ Advertisements			
9.	194(D)	Insurance Commission	20000	10	10
10.	194EE	Payments out of deposits under NSS	2500	20	-
11.	194F	Repurchase of units by MF/UTI	1000	20	20
12.	1940	Commission on sale of lottery tickets	1000	10	10
13.	194H	Commission or Brokerage	5000	10	10
14.	194 I	Rent (Land & building) furniture & fittings)	180000	10	10

		Rent (P & M , Equipment)	180000	2	2
15.	194 IA	TDS on transfer of immovable property other than agriculture land (w.e.f. 1.06.2013)	5000000	1	1
16.	194 J	Professional/Technical charges/Royalty & Non compete fees	30000	10	10
17.	194 J (1) (ba)	Any remuneration or commission paid to director of the company (Effective from 1 July 2012)	Nil	10	10
18.	194 LA	Compensation on acquisition of immovable property	200000	10	10

* TDS rate mostly used in Institute are depicted in bold letters.

2. Provision of Section 194 (C) relating to tax deduction from payment to contractors/sub contractors are applicable only where contract is either a 'work contract' or a contract for supply of labour for works contract. These provisions are therefore not applicable for contract for sale of goods. **In simple words, TDS is not applicable in case of procurement of any goods/equipment. In case of ICAR system, work contract includes repair/ maintenance contract, hiring of vehicles, advertisement, broadcasting contract, payment to clearing and forwarding agents, contract for carriage of goods with transport agency etc.**
3. For Section 194 (C), Where the aggregate of the amounts paid/credited or likely to be paid/credited to Contractor or Sub-contractor exceeds Rs.75,000 during the financial year, TDS has to be deducted u/s 194C.

Example:

- a. If an amount of ₹ 30000 is paid to M/S ABC for repair and maintenance and overall payment to firm is not likely to be exceed ₹ 75000, there is no need to deduct TDS u/s 194 (C) as threshold limit for a single bill is ₹ 30000.
- b. if an amount of ₹ 30000 is paid to M/s ABC for repair and maintenance and overall payment to M/s ABC in the same financial year is likely to be exceed 75000, TDS is to be deducted on ₹ 30000 even the amount of single bill is within threshold limit.
- c. If an amount of ₹ 30000 was paid to M/S ABC for repair and maintenance without deduction of TDS and another bill of Rs 46000 is to be paid/credited in the same financial year, TDS will be computed on whole payment to firm during the year i.e. ₹ 76000 instead of ₹ 46000.

It is therefore advisable to keep in mind the overall threshold limit of ₹ 75000 at the time of taking decision of TDS u/s 194 (c) on each bill .

4. If the firm/ contractor is a transport operator (i.e. in the business of plying, hiring or leasing goods carriages) and he furnishes his 'PAN' to the payer, TDS rate is Nil. However, if 'PAN' is not furnished, TDS will be deducted @ 20 percent.
5. Provision of section 194 J are applicable for paying to a resident any sum by way of fees for professional services, technical services, royalty etc. For this section, 'professional services' mean services rendered by a person in the course of carrying on legal, medical, engineering or

architectural profession or the professional of accountancy or technical consultancy or interior decoration or advertising (i.e. models, artists, photographers providing services to an advertising agency) or such other profession as is notified by the Board for the purposes of section 44 AA (i.e. authorised representative, film artist or company secretary or information technology).

For ICAR system, TDS on fee paid to Chartered Accountant, Doctor, Architect, Engineer, Technical consultant is to be deducted as per provisions of section 194 J. If reimbursement of pocket expenses has been claimed by the professional/consultant on separate bill, TDS will not be deducted. However, in case of consolidated bill, TDS will be computed on gross amount without separating pocket expenses. The threshold limit for the whole financial year is ₹ 30000/- u/s 194 J.

6. For all cases, TDS is deductible on the entire consideration including service tax, if any.
7. **Surcharge on tax, education cess and higher education cess are not deductible at source in case of resident individual/ HUF /Firm/ AOP / BOI/Domestic Company.** Surcharge on tax and education cess is deductible only in case of non- resident and company other than domestic company. **As in ICAR System, Institute generally don't deal with non- resident contractor and other than domestic company, surcharge and education cess is not deductible.**
8. In compliance of section 206 AA, it is compulsory to obtain PAN from the firm before releasing payment. If PAN is not provided by the firm, TDS will be deducted @ 20 percent in all cases without considering threshold limit.

Example:

If M/s ABC submit a bill of ₹ 15000 for vehicle hiring charges and does not provide PAN, TDS will be deducted @ 20 percent i.e. ₹ 3000 however bill amount is under threshold limit. Hence it is advisable to deal with such firms which have provided PAN to the Institute.

9. **Quarterly statement of tax deduction/collection**

In respect of tax deducted at source, quarterly statement shall be submitted in the in the following forms-

	Form No.
Tax deduction from salary under section 192	24 Q
Tax deduction in any other case	26 Q

10. **Due Date of Submission of Quarterly Returns**

	Due date of submission of quarterly TDS/TCS returns.
For the quarter ending June 30 of the financial year	July 15 of the financial year
For the quarter ending September 30 of the financial year	October 15 of the financial year
For the quarter ending December 31 of the financial year	January 15 of the financial year
For the quarter ending March 31 of the financial year	May 15 of the financial year immediately following the financial year in which tax is deducted

11. For issue of Form 16 and Form 16 A, Circular No. 04/2013 dt. 17.04.2013 issued by central Board of Direct Taxes may be referred (Copy enclosed).
12. All above instructions are of general nature. As changes in provision of Income tax Act take place frequently, there is a need to keep regular update with modification in provision of Income tax. For this purpose, website <http://incometaxindia.gov.in> may be visited regularly.

Deepak Maheshwari
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F&AO

Copy to :

1. Sr. Administrative Officer for information & perusal
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4. DDO Nagpur/Coimbatore/Sirsa for compliance
5. A& A Section for compliance
6. Incharge/ Stores for compliance
7. Incharge/ME Cell for compliance
8. Incharge Works for compliance
9. Incharge ARIS Cell for placing on institute's website
10. All Head of Divisions for information
11. PS to Director

F.No 275/34/2011-IT(B)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, the 17th April, 2013

Sub: Issuance of certificate for tax deducted at source in Form No. 16 in accordance with the provisions of section 203 of the Income-tax Act, 1961 read with the Rule 31 of the Income-tax Rules 1962 -- regarding

1. Section 203 of the Income-tax Act 1961 ("the Act") read with the Rule 31 of the Income-tax Rules 1962 ("the Rules") stipulates furnishing of certificate of tax deduction at source (TDS) by the deductor to the deductee specifying therein the prescribed particulars such as amount of TDS, valid permanent account number (PAN) of the deductee, tax deduction and collection account number (TAN) of the deductor, etc. The relevant form for such TDS certificate is *Form No. 16 in case of deduction under section 192* and *Form No. 16A for deduction under any other provision of Chapter XVII-B* of the Act. **TDS certificate in Form No. 16 is to be issued annually whereas TDS certificate in Form No. 16A is to be issued quarterly. TDS Certificate in Form No 16 as notified vide Notification No. 11/2013 dated 19.02.2013 has two parts viz Part A and Part B (Annexure). Part A contains details of tax deduction and deposit and Part B (Annexure) contains details of income.**

2. With a view to streamline the TDS procedures, including proper administration of the Act, the Board had issued Circular No. 03/2011 dated 13.05.2011 and Circular No. 01/2012 dated 09.04.2012 making it mandatory for all deductors to issue TDS certificate in Form No. 16A after generating and downloading the same from "**TDS Reconciliation Analysis and Correction Enabling System**" or (<https://www.tdscpc.gov.in>) (hereinafter called TRACES Portal) previously called TIN website. In exercise of powers under section 119 of the Act, the Board has now decided as following:-

2.1 ISSUE OF PART A OF FORM NO. 16 FOR DEDUCTION OF TAX AT SOURCE MADE ON OR AFTER 01.04.2012:

All deductors (including Government deductors who deposit TDS in the Central Government Account through book entry) shall issue the Part A of Form No. 16, by generating and subsequently downloading through TRACES Portal, in respect of all sums deducted on or after the 1st day of April, 2012 under the provisions of **section 192** of Chapter XVII-B. Part A of Form No 16 shall have a unique TDS certificate number.

2.2 AUTHENTICATION OF TDS CERTIFICATE IN FORM NO. 16:

The deductor, issuing the Part A of Form No. 16 by downloading it from the TRACES Portal, shall, before issuing to the deductee authenticate the correctness of contents mentioned therein and verify the same either by using manual signature or by using digital signature in accordance with sub-rule (6) of Rule 31.

2.3 In other words, Part A of Form No. 16 shall be issued by all the deductors, only by generating it through TRACES Portal and after duly authenticating and verifying it.

2.4 'Part B (Annexure)' of Form No. 16 shall be prepared by the deductor manually and issued to the deductee after due authentication and verification alongwith the Part A of the Form No. 16 stated above.

2.5 Sub rule (3) of rule 31 of the Rules sets the time limit for issuance of Form 16 by the deductor to the employee. Currently, Form 16 should be issued by 31st May of the financial Year immediately following the financial year in which income was paid and tax deducted.

3.1 The Director General of Income-tax (Systems) shall specify the procedure, formats and standards for the purpose of download of Part A of Form No. 16 from the TRACES Portal and shall be responsible for the day-to-day administration in relation to the procedure, formats and standards for download of Part A of Form No. 16 in electronic form.

3.2 It is further clarified that Part A of Form No. 16 issued by the deductors in accordance with this circular and as per the procedure, formats and standards specified by the Director General of Income-tax (Systems) and containing Unique Identification Number shall only be treated as a valid compliance to the issue of Part A of Form No. 16 for the purpose of section 203 of the Act read with rule 31 of the Rules.

4. Hindi version shall follow.

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(Anshu Prakash)
Director (Budget)
Central Board of Direct Taxes

Copy to:

1. The Chairperson, Members and all other officers of the CBDT of the rank of Under Secretary and above
2. All Chief Commissioners of Income-tax (CCA) & All Directors General of Income-tax
3. The Director (PR, PP & OL), Mayur Bhawan, New Delhi for printing in the quarterly tax bulletin and for circulation as per usual mailing list (100 copies)
4. The Comptroller and Auditor General of India (40 copies)
5. All Directors of Income Tax, New Delhi;
6. All CsIT (TDS)
7. The Director General of Income-tax, NADT, Nagpur
8. Guard file

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Central Board of Direct Taxes