

CHAPTER 14

TAX DEDUCTION/COLLECTION AT SOURCE

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Examine TDS implications u/s 194A in the following situations:

- (i) On 1.10.2021, Mr. Harish made a six-month fixed deposit of INR 10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2022.
- (ii) On 1.6.2021, Mr. Ganesh made three nine-month fixed deposits of INR 3 lakh each, carrying interest @ 9% with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2022.
- (iii) On 1.10.2021, Mr. Rajesh started a 1-year recurring deposit of INR 2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2022.

Solution

- i) ABC Co-operative Bank has to deduct tax at source @ 10% on the interest of INR 45,000 ($9\% \times \text{INR } 10 \text{ lakh} \times \frac{1}{2}$) under section 194A. The tax deductible at source under section 194A from such interest is, therefore, INR 4,500.
- ii) XYZ Bank has to deduct tax at source @ 10% u/s 194A, since the aggregate interest on fixed deposit with the three branches of the bank is INR 60,750 [$3,00,000 \times 3 \times 9\% \times \frac{9}{12}$], which exceeds the threshold limit of INR 40,000.

Since XYZ Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of INR 60,750 exceeds the threshold limit of INR 40,000, tax has to be deducted @ 10% u/s 194A.
- iii) No tax has to be deducted under section 194A by PQR Bank on the interest of INR 28,000 falling due on recurring deposit on 31.3.2022 to Mr. Rajesh, since such interest does not exceed the threshold limit of INR 40,000

Concept Problem 2

ABC Ltd. makes the following payments to X, a contractor, for contract work during the PY 2021-22

INR 20,000 on 01.05.2021

INR 25,000 on 01.08.2021

INR 28,000 on 01.12.2021

On 01.03.2022, a payment of INR 30,000 is due to X on accounts of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to X

Solution

In this case, the individual contract payments made to Mr. X does not exceed INR 30,000. However, since the aggregate amount paid to Mr. X during the P.Y. 2021-22 exceeds INR 1,00,000 (on account of the last payment of INR 30,000, due on 1.3.2022, taking the total from INR 73,000 to INR 1,03,000), the TDS provisions under section 194C would get attracted.

Tax has to be deducted @ 1% on the entire amount of INR 1,03,000 from the last payment of INR 30,000 and the balance of INR 28,970 (i.e., 30,000 – 1,030) has to be paid to Mr. X.

Concept Problem 3

Certain concessions are granted to transport operators in the context of cash payments under section 40A(3) and deduction of tax at source under section 194-C. Elucidate.

Solution

Section 40A(3) provides for disallowance of expenditure incurred in respect of which payment or aggregate of payments made to a person in a day exceeds INR 10,000, and such payment or payments are made otherwise than by account payee cheque or account payee bank draft or use of electronic clearing system through bank account or through other prescribed electronic modes.

However, in case of payment made to transport operators for plying, hiring or leasing goods carriages, the disallowance will be attracted only if the payment made to a person in a day exceeds INR 35,000. Therefore, payment or aggregate of payments up to INR 35,000 in a day can be made to a transport operator otherwise than by way of account payee cheque or account payee bank draft or use of electronic system through bank account or through other prescribed electronic modes, without attracting disallowance u/s 40A(3).

Under section 194C, tax had to be deducted in respect of payments made to contractors at the rate of 1%, in case the payment is made to individual or Hindu Undivided Family or at the rate of 2%, in any other case.

However, no deduction is required to be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor, during the course of the business of plying, hiring or leasing goods carriages, if the following conditions are fulfilled:

1. He owns ten or less goods carriages at any time during the previous year.
2. He is engaged in the business of plying, hiring or leasing goods carriages;
3. He has furnished a declaration to this effect along with his PAN.

Concept Problem 4

Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases:

- i) Mr. X, a resident, is due to receive INR 4.50 lakhs on 31.3.2022, towards maturity proceeds of LIC policy taken on 1.4.2019, for which the sum assured is INR 4 lakhs and the annual premium is INR 1,25,000.
- ii) Mr. Y, a resident, is due to receive INR 3.95 lakhs on 31.3.2022 on LIC policy taken on 31.3.2012, for which the sum assured is INR 3.5 lakhs and the annual premium is INR 30,100.
- iii) Mr. Z, a resident, is due to receive INR 95,000 on 1.8.2021 towards maturity proceeds of LIC policy taken on 1.8.2015 for which the sum assured is INR 90,000 and the annual premium was INR 10,000.

Solution

- i) Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of INR 4.50 lakhs due on 31.3.2022 are not exempt under section 10(10D) in the hands of Mr. X. Therefore, tax is required to be deducted @ 5% under section 194DA on the amount of income comprised therein i.e., on INR 75,000 (INR 4,50,000, being maturity proceeds - INR 3,75,000, being the entire amount of insurance premium paid).
- ii) Since the annual premium is less than 20% of sum assured in respect of a policy taken before 1.4.2012, the sum of INR 3.95 lakhs due to Mr. Y would be exempt under section 10(10D) in his hands. Hence, no tax is required to be deducted at source under section 194DA on such sum payable to Mr. Y.
- iii) Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of INR 95,000 due on 1.8.2021 would not be exempt under section 10(10D) in the hands of Mr. Z, the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than INR 1 lakh.

Concept Problem 5

Moon TV, a TV channel, made payment of INR 50 lakhs to a production house for production of programme for telecasting as per the specifications given by the channel. The copyright of the programme is also transferred to Moon TV. Would such payment be liable for TDS under section 194C? Discuss.

Also, examine whether the provisions of TDS under section 194C would be attracted if the payment was made by Moon TV for acquisition of telecasting rights of the content already produced by the production house.

Solution

In this case, since the programme is produced by the production house as per the specifications given by Moon TV, a television channel, and the copyright is also transferred to the television channel, the same falls within the scope of definition of the term 'work' under section 194C. Therefore, the payment of 50 lakhs made by Moon TV to the production house would be subject to tax deduction at source under section 194C.

If the payment was made by Moon TV for acquisition of telecasting rights of the content already produced by the production house, there is no contract for "carrying out any work", as required in section 194C. Therefore, such payment would not be liable for tax deduction at source under section 194C.

Concept Problem 6

Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakh and ₹ 15 lakh, respectively, to Mr. Y on 1.8.2021. He has purchased the house property and the land in the year 2020 for ₹ 40 lakh and ₹ 10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2021, is ₹ 85 lakh and ₹ 20 lakh for the house property and rural agricultural land, respectively. Examine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

Solution

(i)	Tax implications in the hands of Mr. X
	As per section 50C, the stamp duty value of house property (i.e. ₹ 85 lakh) would be deemed to be the full value of consideration arising on transfer of property, since the stamp duty value exceeds 110% of the consideration received. Therefore, ₹ 45 lakh (i.e., ₹ 85 lakh – ₹ 40 lakh, being the purchase price) would be taxable as short-term capital gains in the A.Y.2022-23. Since rural agricultural land is not a capital asset, the gains arising on sale of such land is not taxable in the hands of Mr. X.
(ii)	Tax implications in the hands of Mr. Y
	In case immovable property is received for inadequate consideration, the difference between the stamp value and actual consideration would be taxable under section 56(2)(x), if such difference exceeds the higher of ₹ 50,000 and 10% of the consideration. Therefore, in this case ₹ 25 lakh (₹ 85 lakh – ₹ 60 lakh) would be taxable in the hands of Mr. Y under section 56(2)(x). Since agricultural land is not a capital asset, the provisions of section 56(2)(x) are not attracted in respect of receipt of agricultural land for inadequate consideration, since the definition of "property" under section 56(2)(x) includes only capital assets specified thereunder.
(iii)	TDS implications in the hands of Mr. Y
	Since the sale consideration of house property exceeds ₹ 50 lakh, Mr. Y is required to deduct tax at source under section 194-IA. The tax to be deducted under section 194-IA would be ₹ 60,000, being 1% of ₹ 60 lakh. TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land.

Concept Problem 7

Mr. X, a salaried individual, pays rent of INR 55,000 per month to Mr. Y from June, 2021. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.

Would your answer change if Mr. X vacated the premises on 31st December, 2021?

Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

Solution

Since Mr. X pays rent exceeding INR 50,000 per month in the F.Y. 2021-22, he is liable to deduct tax at source @ 5% of such rent for F.Y. 2021-22 under section 194-IB. Thus, INR 27,500 [55,000 x 5% x 10] has to be deducted from rent payable for March, 2022.

If Mr. X vacated the premises in December, 2021, then tax of INR 19,250 [55,000 x 5% x 7] has to be deducted from rent payable for December, 2021.

In case Mr. Y does not provide his PAN to Mr. X, tax would be deductible @ 20%, instead of 5%.

In case 1 above, this would amount to INR 1,10,000 [55,000 x 20% x 10] but the same has to be restricted to INR 55,000, being rent for March, 2022.

In case 2 above, this would amount to INR 77,000 [55,000 x 20% x 7] but the same has to be restricted to INR 55,000, being rent for December, 2021.

Concept Problem 8

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

S No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y. 2021-22
1.	Mr. Ganesh, an individual carrying on retail business with turnover of INR 2.5 crores in the P.Y. 2020-21	Contract Payment for repair of residential house	INR 5 lakhs
		Payment of commission to Mr. Vallish for business purposes	INR 80,000
2.	Mr. Rajesh, a wholesale trader whose turnover was 95 lakhs in PY 2020-21.	Contract Payment for reconstruction of residential house (made during the period January-March, 2022)	INR 20 lakhs in Jan 2022, INR 15 lakhs in Feb 2022, and INR 20 lakhs in March 2022.
3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house in March, 2022	INR 51 lakhs
4.	Mr. Dheeraj, a pensioner	Contract payment made during October-November 2021 for reconstruction of residential house	INR 48 lakhs

Solution

S No.	Particulars of the payer	Nature of payment	Aggregate of payments in F.Y. 2021-22	Whether TDS provisions are attracted?
1	Mr. Ganesh, an Individual carrying on retail business with turnover of	Contract for Payment for Repair of residential house	5 lakhs	No, TDS u/s 194C is not attracted since the payment is for personal purpose and TDS u/s 194M is not attracted as aggregate of contract payment to the payee in the P.Y.2021-22 does not exceed Rs. 50 lakh.

	INR 2.5 crores in the P.Y. 2020-21	Payment of commission to Mr. Vallish for business purposes	80,000	Yes, u/s 194H, since Payment exceeds 15,000, and Mr. Ganesh's turnover exceeds 1 crore in P.Y. 2020-21.
2.	Mr. Rajesh, a wholesale trader whose turnover was INR 95 lakhs P.Y.2020-21.	Contract Payment for reconstruction of residential house	55 lakhs	Yes, u/s 194M, since the aggregate of payments (i.e., 55 lakhs) exceed 50 lakhs. Since, his turnover does not exceed 1 crore in P.Y.2020-21, TDS provisions u/s 194C are not attracted in respect of payments made in P.Y. 2021-22.
3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house	51 lakhs	Yes, u/s 194M, since the payment of INR 51 lakhs made in March 2022 exceeds the threshold of Rs. 50 lakhs. Since Mr. Satish is a salaried individual, the provisions of section 194H are not applicable in this case.
4.	Mr. Dheeraj, a pensioner	Contract payment for reconstruction of residential house	48 lakhs	TDS provisions u/s 194C are not attracted since Mr. Dheeraj is a pensioner and hence, not subject to tax audit. TDS provisions u/s 194M are also not applicable in this case, since the payment of INR 48 lakhs does not exceed the threshold of 50 lakhs.

Concept Problem 9

Mr. Gupta, a resident Indian, is in retail business and his turnover for F.Y.2020-21 was ₹ 12 crores. He regularly purchases goods from another resident, Mr. Agarwal, a wholesaler, and the aggregate payments during the F.Y.2021-22 was ₹ 95 lakh (₹ 20 lakh on 1.6.2021, ₹ 25 lakh on 12.8.2021, ₹ 22 lakh on 23.11.2021 and ₹ 28 lakh on 25.3.2022). Assume that the said amounts were credited to Mr. Agarwal's account in the books of Mr. Gupta on the same date. Mr. Agarwal's turnover for F.Y.2020-21 was ₹ 15 crores.

- (1) Based on the above facts, examine the TDS/TCS implications, if any, under the Income-tax Act, 1961.
- (2) Would your answer be different if Mr. Gupta's turnover for F.Y.2020-21 was ₹ 8 crores, all other facts remaining the same?
- (3) Would your answer to (1) and (2) change, if PAN has not been furnished by the buyer or seller, as required?

Solution

- (1) Since Mr. Gupta's turnover for F.Y.2020-21 exceeds 10 crores, and payments made by him to Mr. Agarwal, a resident seller exceed ₹ 50 lakhs in the P.Y.2021-22, he is liable to deduct tax @ 0.1% of ₹ 45 lakhs (being the sum exceeding ₹ 50 lakhs) in the following manner –

No tax is to be deducted u/s 194Q on the payments made on 1.6.2021 and 12.8.2021, since the aggregate payments till that date i.e. 45 lakhs, has not exceeded the threshold of ₹ 50 lakhs.

Tax of ₹ 1,700 (i.e., 0.1% of ₹ 17 lakhs) has to be deducted u/s 194Q from the payment/ credit of ₹ 22 lakh on 23.11.2021 [₹ 22 lakh – ₹ 5 lakhs, being the balance unexhausted threshold limit].

Tax of ₹ 2,800 (i.e., 0.1% of ₹ 28 lakhs) has to be deducted u/s 194Q from the payment/ credit of ₹ 28 lakhs on 25.3.2022.

Note – In this case, since both section 194Q and 206C(1H) applies, tax has to be deducted u/s 194Q.

- (2) If Mr. Gupta's turnover for the F.Y.2020-21 was only ₹ 8 crores, TDS provisions under section 194Q would not be attracted. However, TCS provisions under section 206C(1H) would be attracted in the hands of Mr. Agarwal, since his turnover exceeds ₹ 10 crores in the F.Y.2020-21 and his receipts from Mr. Gupta exceed ₹ 50 lakhs.

No tax is to be collected u/s 206C(1H) on 1.6.2021 and 12.8.2021, since the aggregate receipts till that date i.e. 45 lakhs, has not exceeded the threshold of ₹ 50 lakhs.

Tax of ₹ 1,700 (i.e., 0.1% of ₹ 17 lakhs) has to be collected u/s 206C(1H) on 23.11.2021 (₹ 22 lakh – ₹ 5 lakhs, being the balance unexhausted threshold limit).

Tax of ₹ 2,800 (i.e., 0.1% of ₹ 28 lakhs) has to be collected u/s 206C(1H) on 25.3.2022.

- (3) In case (1), if PAN is not furnished by Mr. Agarwal to Mr. Gupta, then, Mr. Gupta has to deduct tax @ 5%, instead of 0.1%. Accordingly, tax of ₹ 85,000 (i.e., 5% of ₹ 17 lakhs) and ₹ 1,40,000 (5% of ₹ 28 lakhs) has to be deducted by Mr. Gupta u/s 194Q on 23.11.2021 and 25.3.2022, respectively.

In case (2), if PAN is not furnished by Mr. Gupta to Mr. Agarwal, then, Mr. Agarwal has to collect tax @ 1% instead of 0.1%. Accordingly, tax of ₹ 17,000 (i.e., 1% of ₹ 17 lakhs) and ₹ 28,000 (1% of ₹ 28 lakhs) has to be collected by Mr. Agarwal u/s 206C(1H) on 23.11.2021 and 25.3.2022, respectively.

Concept Problem 10

An amount of INR 40,000 was paid to Ravi on 01.07.2021 towards fees for professional services without deduction of tax at source. Subsequently, another payment of INR 50,000 was due to Ravi on 28.02.2022 from which tax @ 10% (amounting to INR 9,000) on the entire amount of INR 90,000 was deducted. However, this tax of INR 9,000 was deposited only on 22.06.2022.

Compute the interest chargeable under section 201.

Solution

Interest under section 201 would be computed as below:

Particulars	Amount
1% on tax deductible but not deducted i.e. 1% on 4,000 for 8 months (01.07.2021 to 28.02.2022)	320
1.5% on tax deducted but not deposited i.e. 1.5% on 9,000 for 4 months (28.02.2022 to 22.06.2022)	540
Total	860

Notes:

- Such interest should be paid before furnishing the statements in accordance with section 200(3).
- Where the tax has not been paid after it is deducted, the amount of the tax together with the amount of simple interest thereon shall be a charge upon all the assets of the Assessee.

Concept Problem 11

Ashwin doing manufacture and wholesale trade furnishes you the following information: Total turnover for the financial year

Particulars	Amount
2020-21	1,05,00,000
2021-22	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2021-22:

Particulars	Amount
Interest paid to UCO Bank on 15.8.2021	41,000

This Question Bank is meant for Nov 2022 exams and must be read with our Lectures (Regular or Fast Track) as many additional concepts are covered in class. We do lots of written practice in class & Kishan Sir personally evaluates grand Mock Test. Must cover Income Tax Chalisa Handwritten Notes as well.

Particulars	Amount
Contract payment to Raj (2 contracts of INR 12,000 each) on 12.12.2021	24,000
Shop rent paid (one payee) on 21.1.2022	2,50,000
Commission paid to Balu on 15.3.2022	7,000

Solution

As the turnover of Ashwin for F.Y. 2020-21, i.e., INR 105 lakh, has exceeded the monetary limit of INR 100 lakh, he has to comply with the tax deduction provisions during the FY 2021-22, subject to, however, the exemptions provided for under the relevant sections for applicability of TDS provisions.

Interest paid to UCO Bank

TDS under section 194A is not attracted in respect of interest paid to a banking company.

Contract payment of INR 24,000 to Raj for 2 contracts of INR 12,000 each - TDS provisions under section 194C would not be attracted if the amount paid to a contractor does not exceed INR 30,000 in a single payment or INR 1,00,000 in the aggregate during the financial year. Therefore, TDS provisions under section 194C are not attracted in this case.

Shop Rent paid to one payee – Tax has to be deducted @ 10% under section 194- I as the annual rental payment exceeds INR 2,40,000.

Commission paid to Balu – No, tax has to be deducted under section 194-H in this case as the commission does not exceed INR 15,000.

Concept Problem 12

Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during FY 2021-22 as per the provisions of the Income-tax Act, 1961.

S. No	Date	Nature of payment
i.	1.10.2021	Payment of INR 2,00,000 to Mr. "R" a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect along with his PAN.
ii.	1.11.2021	Payment of fee for technical services of INR 25,000 and Royalty of INR 20,000 to Mr. Shyam who is having PAN.
iii.	30.06.2021	Payment of INR 25,000 to M/s X Ltd. for repair of building.
iv.	01.01.2022	Payment of INR 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.
v.	01.01.2022	Payment made INR 2,30,000 to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
vi.	01.02.2022	Payment of commission of INR 14,000 to Mr. Y.

Solution

- No tax is required to be deducted at source under section 194C by M/s S Ltd. on payment to transporter Mr. R, since he satisfies the following conditions:
 - He owns ten or less goods carriages at any time during the previous year.
 - He is engaged in the business of plying, hiring or leasing goods carriages;
 - He has furnished a declaration to this effect along with his PAN.
- As per section 194J, liability to deduct tax is attracted only in case the payment made as fees for technical services and royalty, individually, exceeds INR 30,000 during the financial year.

In the given case, since, the individual payments for fee of technical services i.e. INR 25,000 and royalty INR 20,000 is less than INR 30,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for technical services and royalty were made during the year to Mr. Shyam.

3. Provisions of section 194C are not attracted in this case, since the payment for repair of building on 30.06.2021 to M/s. X Ltd. is less than the threshold limit of INR 30,000.
4. According to section 194C, the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer.

Therefore, there is no liability to deduct tax at source in respect of payment of INR 2,00,000 to Mr. A, since the contract is a contract for ‘sale’.

5. As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is responsible for deduction of tax at source if such payment or the aggregate amount of such payments to the resident during the financial year exceeds INR 2,50,000.

In the given case, no liability to deduct tax at source is attracted as the payment made does not exceed INR 2,50,000.

6. As per section 194H, tax is deductible at source @ 5% if the amount of commission or brokerage or the aggregate of the amounts of commission or brokerage credited or paid during the financial year exceeds INR 15,000.

Since the commission payment made to Mr. Y does not exceed INR 15,000, the provisions of section 194H are not attracted.

Concept Problem 13

Examine the applicability of TDS provisions and TDS amount in the following cases:

- (a) Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹ 2,60,000 on 27.9.2021.
- (b) Fee paid on 1.12.2021 to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.
- (c) ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 01-01-2022.

Solution

- (a) Since the rent paid for hire of machinery by B. Ltd. to Mr. Raman exceeds ₹ 2,40,000, the provisions of section 194-I for deduction of tax at source are attracted.

The rate applicable for deduction of tax at source under section 194-I on rent paid for hire of plant and machinery is 2%, assuming that Mr. Raman had furnished his permanent account number to B Ltd.

Therefore, the amount of tax to be deducted at source: = ₹ 2,60,000 x 2% = ₹ 5,200.

Note: In case Mr. Raman does not furnish his permanent account number to B Ltd., tax shall be deducted @ 20% on ₹ 2,60,000, by virtue of provisions of section 206AA.

- (b) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds ₹ 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2021 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted, if the payment or aggregate

of payments exceeded ₹ 50 lakhs in the P.Y.2021-22. However, since the payment does not exceed ₹ 50 lakh in this case, there is no liability to deduct tax at source under section 194M also.

- (c) Section 194J provides for deduction of tax at source @ 10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of ₹ 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax @ 10% has to be deducted at source under section 194J in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.

Therefore, the amount of tax to be deducted at source: = ₹ 19,000 x 10% = ₹ 1,900.

Concept Problem 14

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-22:

- Payment of ₹ 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2021 for contribution of articles in relation to the sport of cricket.
- Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31-03-2022.
- Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.
- ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2022 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

Solution

- a) Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman who is not a citizen of India for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since Jacques Kallis, a South African cricketer, is a non-resident, health and education cess @ 4% on TDS should also be added.

Therefore, tax to be deducted = ₹ 27,000 x 20.80% = ₹ 5,616.

- b) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% in case the payment is made to an individual.

Since the aggregate amount credited or paid during the year is ₹ 4,20,000, tax is deductible @ 1% on ₹ 4,20,000.

Tax to be deducted = ₹ 4,20,000 x 1% = ₹ 4,200

- c) Under section 194BB, tax is to be deducted at source, if the winnings from horse races exceed ₹ 10,000. The rate of deduction of tax at source is 30%.

Hence, tax to be deducted = ₹ 1,50,000 x 30% = ₹ 45,000.

- d) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 2,50,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 2,50,000.

Concept Problem 15

Mr. Sharma, a resident Indian aged 77 years, gets pension of 52,000 per month from the UP State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest @ 8% on fixed deposit

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of 20 lakh with the said bank. Out of the deposit of 20 lakh, 2 lakh represents five year term deposit made by him on 1.4.2021. Interest on savings bank credited to his SBI savings account for the P.Y.2021-22 is 9,500.

- From the above facts, compute the total income and tax liability of Mr. Sharma for the A.Y. 2022-23, assuming that he has not opted for section 115BAC.
- What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr. Sharma required to file his return of income for A.Y.2022-23, if tax deductible at source has been fully deducted? Examine.
- Would your answer to Q.2 be different if the fixed deposit of 20 lakh was with Canara Bank instead of SBI, other facts remaining the same?

Solution

(1) Computation of total income of Mr. Sharma for A.Y.2022-23

Particulars		Amount	Amount
I	Salaries		
	Pension (52,000 x 12)	6,24,000	
	Less: Standard deduction u/s 16(ia)	50,000	
II	Income from Other Sources		5,74,000
	Interest on fixed deposit (20 lakh x 8%)	1,60,000	
	Interest on savings account	9,500	1,69,500
Gross total income			7,43,500
Less:	Deductions under Chapter VI-A		
	Under Section 80C		
	Five year term deposit (2 lakh, restricted to 1.5 lakh)	1,50,000	
	Under section 80TTB		
	Interest on fixed deposit and savings account, restricted to 50,000, since Mr. Sharma is a resident Indian of the age of 77 years.	50,000	2,00,000
Total Income			5,43,500

Computation of tax liability for A.Y.2022-23	
Tax payable [43,500 x 20% + 10,000]	18,700
Add: Health and Education Cess@4%	748
Tax liability	19,448
Tax liability (rounded off)	19,450

- SBI, being a specified bank, is required to deduct tax at source u/s 194P (after considering the tax, if any, deducted on pension u/s 192) and remit the same to the Central Government. In such a case, Mr. Sharma would not be required to file his return of income u/s 139.
- If the fixed deposit of 20 lakh is with a bank other than SBI, which is the bank where his pension is credited, then, Mr. Sharma would not qualify as a “specified senior citizen”, consequent to which SBI would not be liable to deduct tax under section 194P. In this case, Mr. Sharma would have to file his return of income u/s 139, since his total income (without giving effect to deduction under Chapter VI- A) exceeds the basic exemption limit.

It may be noted that in this case, TDS provisions u/s 192 would, in any case, be attracted in respect of pension income. Further, Canara Bank would, be liable to deduct tax @10% u/s 194-A on interest on fixed deposit, since the same exceeds 50,000.

2. ICAI RTPs, MTPs AND PAST YEAR QUESTIONS

Concept Problem 16

Bharat is employed in Tax Ltd. getting salary of INR 1,00,000 p.m. and he has invested INR 50,000 in Provident Fund. Compute tax to be deducted at source at the time of payment of salary.

If the employer has deducted tax at source for the month of April and May and salary was increased to 1,20,000 wef June, calculate the tax to be deducted in subsequent months. Assume that he has not opted for section 115BAC.

Solution

Particulars	Amount
Salary (100,000 x 12)	12,00,000
Less: Deduction u/s 16(ia)	50,000
Income under the head salary	11,50,000
Gross Total Income	11,50,000
Less: Deduction u/s 80C {NSC}	50,000
Total Income	11,00,000
Tax on INR 11,50,000 at slab rate	
Upto 250,000	Nil
250,000 – 500,000 @ 5%	12,500
500,000 – 10,00,000 @ 20%	100,000
Above 10,00,000 (1,00,000 @ 30%)	30,000
Tax on slab (b)	1,42,500
Add: Health and education cess @ 4%	5,700
Tax Liability	1,48,200
Monthly installment shall be 1,48,200/12	12,350

If employer has deducted tax at source for the month of April and May and salary was increased to 1,20,000 wef June, tax to be deducted in subsequent months shall be

Particulars	Amount
Salary (100,000 x 2) + (120,000 x 10)	14,00,000
Less: Deduction u/s 16(ia)	50,000
Income under the head salary	13,50,000
Gross Total Income	13,50,000
Less: Deduction u/s 80C {NSC}	50,000
Total Income	13,00,000
Tax on INR 13,00,000 at slab rate	
Upto 250,000	Nil
250,000 – 500,000 @ 5%	12,500
500,000 – 10,00,000 @ 20%	100,000
Above 10,00,000 (300,000 @ 30%)	90,000
Tax on slab (b)	2,02,500
Add: Health and education cess @ 4%	8,100
Tax Liability	2,10,600

Less: Tax already deducted (12,350*2)	24,700
Balance to be deducted	1,85,900
TDS in installments (1,85,900/10)	18,590

Concept Problem 17

Saiyam has invested some amount in Tax Ltd. and the company has paid him interest of INR 2,70,000 after deducting tax at source @ 10%. The cheque was collected by the bank and the bank charges were 2%. He has also received dividend from domestic company of INR 80,000 (gross) in April 2021 and bank charges were 1%.

Compute his tax liability or tax refund for AY 2022-23, assuming provisions of section 115BAC is not opted.

Solution

Particulars	Amount	Amount
Gross interest (2,70,000 x 100 /90)	3,00,000	
Less: bank charges u/s 57 (2% of 2,70,000)	(5,400)	2,94,600
Dividend	80,000	
Less: bank charges u/s 57	Nil	80,000
Income under the head Other Sources		3,74,600
Total Income		3,74,600

Computation of Tax Liability

Particulars	Amount
Tax on INR 3,74,600 at slab rate	6,230
Less: Rebate u/s 87A	6,230
Tax Liability	Nil
Less: TDS on interest	(30,000)
Less: TDS on dividend	(8,000)
Tax Refund	38,000

Concept Problem 18

Mr. Ram purchased 10 lottery tickets of INR 500 each with a winning of INR 4.2 lakhs (after TDS @ 30%). He has also received interest of INR 90,000 after deducting tax at source @ 10%. The cheque was collected by bank and a service charge @ 1% was charged by the bank. He has received family pension of INR 6,000 p.m. Compute his tax liability and also tax payable/ refund for assessment year 2022-23.

Solution

Particulars	Amount	Amount
Income from lottery (4,20,000 /70% x 100%)		6,00,000
Interest	1,00,000	
Less: Bank charges u/s 57 (1% of INR 90,000)	(900)	99,100
Family pension	72,000	
Less: 1/3 of income or INR 15,000; whichever is less	(15,000)	57,000
Income under the head Other Sources		756,100

Computation of Tax Liability

Particulars	Amount
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Tax on casual income INR 6,00,000 @ 30% u/s 115BB	1,80,000
Tax on INR 1,56,100 at slab rate	Nil
Tax before health and education cess	1,80,000
Add: Health and education cess @ 4%	7,200
Tax Liability	1,87,200
Less: TDS (1,80,000 + 10,000)	1,90,000
Tax Refund	2,800

Concept Problem 19

Discuss whether TDS provision under section 194J is attracted.

- i) Tax Ltd. makes a payment of INR 28,000 to Mr. Ram on 02.08.2021 toward fees for professional services and another payment of INR 25,000 to him on the same date towards fees for technical services.
- ii) Fee paid to Dr. Abhishek by Kant (HUF) INR 35,000 for surgery performed on a member of the family.
- iii) ABC and Co. Ltd. paid INR 19,000 to one of its Directors as sitting fees on 01-01-2022.

Solution

i) TDS provision under section 194J would not get attracted, since the limit of INR 30,000 is applicable for fees for professional services and fees for technical services, separately. It is assumed that there is no other payment to Mr. Ram towards fees for professional services and fees for technical services during PY 2021-22.

ii) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed INR 1 crore in case of business or INR 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds INR 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2021 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted, if the payment or aggregate of payments exceeded INR 50 lakhs in the P.Y. 2021-22. However, since the payment does not exceed INR 50 lakh in this case, there is no liability to deduct tax at source under section 194M also.

iii) Section 194J provides for deduction of tax at source @ 10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of INR 30,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax @ 10% has to be deducted at source under section 194J in respect of the sum of INR 19,000 paid by ABC Ltd. to its director.

Therefore, the amount of tax to be deducted at source: = INR 19,000 x 10% = INR 1,900.

Concept problem 20

Compute the amount of TDS in the following cases:

- a) Payment by a firm to sub-contractor INR 300,000 with outstanding balance of INR 120,000 in books.
- b) Payment of INR 25,000 made to Ricky Ponting by a newspaper for contribution of articles.
- c) Payment of INR 200,000 to Mr. Ram, a transporter having PAN.

- d) Punjab National Bank pays INR 100,000 per month as rent to Central Government for a building in which one of its branches is situated.
- e) Payment of INR 198,000 to Mr. Karan for compulsory acquisition of his urban land by State Government.

Solution

a) TDS u/s 194C shall be required to be deducted on INR 4,20,000 since TDS is required to be deducted on payment or debit in books, whichever is earlier. If the sub-contractor is an individual/HUF, TDS shall be 4,200 @ 1%. In other case, TDS shall be 8,400 @ 2%.

b) As per section 194E, the person making payment of any amount to a non-resident sportsman for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%.

Further, since Ricky Ponting is a non-resident, health and education cess @ 4% on TDS should also be deducted.

Therefore, tax to be deducted shall be $25,000 \times 20.8\% = 5,200$.

c) As per section 194C, tax need not be deducted

- i) if the transporter does not own more than 10 goods carriages at any time during the previous year and
- ii) he has furnished his PAN.

Hence, assuming that Mr. Ram does not own more than 10 goods carriages, no tax needs to be deducted.

d) Rent payable to Central Government and State Government is not liable to deduction of tax at source u/s 194I.

e) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source @ 10%, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds INR 2,50,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. Karan does not exceed INR 2,50,000.

Concept Problem 21

Mrs. Indira, a landlord, derived income from rent from letting a house property to M/s Vaibhav Corporation Ltd. of INR 1,00,000 per month. She charged GST @ 15% on lease rent charges. What is the value on which tax is required to be deducted?

Solution

As per Circular issued by the CBDT, the GST paid by the tenant does not partake the nature of income of the landlord. The landlord only acts as a collecting agency for collection of GST. Therefore, tax deducted at source under section 194-I would be required to be made on the amount of rent paid or payable excluding the amount of GST, i.e., tax has to be deducted under section 194-I on INR 1 lakh per month.

Concept Problem 22

Rahil & Co. a partnership firm is having a car dealership show-room. They have purchased cars for 2 crores from XYZ Ltd. car manufactures, the cost of each car being more than 12 lakhs. 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.

Solution

Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding INR 10 lakhs, is required to collect tax at source @ 1% of the sale consideration from the buyer.

TCS provisions will, however, not apply on sale of motor vehicles by manufacturers to dealers/distributors. Hence, XYZ Ltd., the manufacturer-seller need not collect tax at source on sale of cars to the dealer, Rahil & Co., even if the value of each car exceeds INR 10 lakhs.

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However, TCS provisions would be attracted when Rahil & Co., sells cars to individual buyers, since the value of each car exceeds INR 10 lakhs. Rahil & Co. has to collect tax @ 1% of the consideration on sale of each car to an individual buyer.

Concept Problem 23

What are the clarifications given by CBDT with respect to section 206C(1F) relating to following issues?

- Whether TCS on sale of motor vehicle is applicable only to luxury car?
- Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding INR 10 lakhs?
- Whether TCS is applicable in case of an individual?
- Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer?

Solution

- No, as per section 206C(1F), the seller shall collect tax @ 1% from the purchaser on sale of any motor vehicle of the value exceeding INR 10 lakhs.
- Tax is to be collected at source @ 1% on sale consideration of a motor vehicle exceeding INR 10 lakhs. It is applicable to each sale and not to aggregate value of sale made during the year.
- The term “seller” includes inter alia, an individual whose turnover exceeds 1 crore in case of business or 50 lakhs in case of profession during the financial year immediately preceding the financial year in which the motor vehicle is sold. Thus, an individual shall be liable for collection of tax at source on sale of motor vehicle by him.
- TCS on sale of motor vehicle is applicable on all transactions of retail sales only. Accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.

Concept Problem 24

Mudra Adco Ltd., an advertising company, has retained a sum of INR 15 lakhs, towards charges for procuring and canvassing advertisements, from payment of INR 1 crore due to Cloud TV, a television channel, and remitted the balance amount of INR 85 lakhs to the television channel. Would the provisions of tax deduction at source under section 194H be attracted on the sum of INR 15 lakhs retained by the advertising company?

Solution

As per a circular, CBDT has clarified that liability to deduct tax u/s 194H is not attracted on payments made by television channels to the advertising agency for booking or procuring of or canvassing for advertisements as the relationship between the media company and the advertising agency is that of a 'principal-to-principal'.

Accordingly, in view of the clarification given by CBDT, no tax is deductible at source on the amount of INR 15 lakhs retained by Mudra Adco Ltd., the advertising company, from payment due to Cloud TV, a television channel.

Concept Problem 25

Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31st March, 2022:

- Mr. Tandon received a sum of INR 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.
- A sum of INR 42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr. Hasan (aged 63 years).
- Ms. Kaul won a lucky draw prize of 21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.
- Finance Bank Ltd. sanctioned and disbursed a loan of INR 10 crores to Borrower Ltd. on 31-3-2021. Borrower Ltd. paid a sum of INR 1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.

v) Mr. Ashok, working in a private company, is on deputation for 3 months (from December, 2020 to February, 2021).
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2021) at Hyderabad where he pays a monthly house rent of INR 52,000 for those three months, totaling to INR 1,56,000. Rent is paid by him on the first day of the relevant month.

- vi) Mr. Marwah, aged 80 years, holds 6 ½ % Gold Bonds, 1977 of 2,00,000 and 7% Gold Bonds 1980 of 3,00,000. He received yearly interest on these bonds on 28.02.2022.
- vii) Smt. Sarita paid 5,000 on 17th April, 2021 to Smt. Deepa from the deposits in National Savings Scheme account.
- viii) Rashi Limited is engaged by Jigar Limited for the sole purpose of business of operation of call centre. On 18-03-2022, the total amount credited by Jigar Limited in the ledger account of Rashi Limited is Rs. 70,000 regarding service charges of call centre. The amount is paid through cheque on 28-03-2022 by Jigar Limited.
- ix) Vikas, an Indian resident and salaried individual, makes payments of 15 lakh in January 2022, 30 lakh in February 2022 and 15 lakh in March 2022 to Naveen, a contractor for reconstruction of his residential house.

Solution

- i) On pre-mature withdrawal from EPF, no tax is deductible under section 192A even though the employee, Mr. Tandon, has not completed 5 years of continuous service, since termination of employment is on account of his ill-health.
- ii) On credit of interest on recurring deposit by a banking company, no tax is deductible at source under section 194A since the interest on recurring deposit credited to the account of Mr. Hasan, a senior citizen, does not exceed INR 50,000 in the P.Y.2020-21,
- iii) On payment of prize winnings of INR 21,000, Tax is deductible @ 30% under section 194B by M/s. Maximus Retail Ltd., from the prize money of INR 21,000 payable to the customer, since the winnings exceed INR 10,000.
- iv) Even though service fee is included in the definition of “interest” as defined under section 2(28A), no tax is deductible at source u/s 194A, since the service fee are paid to a banking company, i.e., Finance Bank Ltd.
- v) Mr. Ashok, a salaried individual, is liable to deduct tax at source @ 5% under section 194-IB on INR 1,56,000 (being rent for 3 months from December 2020 to February 2021) from the rent of INR 52,000 payable on 1st February, 2022, since the monthly rent exceeds INR 50,000.
- vi) Tax @10% under section 193 is to be deducted on interest on 6 ½ Gold Bonds, 1977 and 7% Gold Bonds 1980, since the nominal value of the bonds held by Mr. Marwah i.e., 5,00,000 exceed 10,000.

Interest on 6 ½ Gold Bonds, 1977 = 2,00,000 x 6.5% = 13,000

Interest on 7% Gold Bonds 1980 = 3,00,000 x 7% = 21,000

Tax to be deducted at source = 34,000 x 10% = 3,400

- vii) Payments in respect of deposits under NSS

Tax is deductible at source @ 10% under section 194EE, on such payment, since the same is not less than 2,500.

Amount of tax to be deducted = 5,000 x 10% = 500

- viii) **On payment of call centre service charges** - Since Rashi Limited is engaged only in the business of operation of call centre, Jigar Limited is required deduct tax at source @ 2% on the amount of Rs. 70,000 u/s 194J on 18.3.2022 i.e., at the time of credit of call centre service charges to the account of Rashi Limited, since the said date is earlier than the payment date i.e., 28.3.2021.

- ix) Since Vikas is a salaried person and does not have business or profession income, TDS u/s 194C is not attracted in his case. In any case, the contractor is engaged for reconstruction of residential house, hence, the amount paid to him is exclusively for personal purposes of Mr. Vikas. Consequently, section 194C would not be attracted.

Tax is deductible @ 5% under section 194M, since payments to Mr. Naveen, a contractor, for reconstruction of his residential house exceeds 50 lakhs in aggregate during the F.Y. 2021-22.

Amount of tax to be deducted = 5% of 60 lakhs = 3,00,000

Concept Problem 26

Mr. Subhash engaged in the business of trading of electrical appliances. His turnover for F.Y. 2020-21 and F.Y. 2021- 22 was 12 crore and 9.5 crore, respectively. During the previous year, XYZ Ltd. placed order for purchase of electric appliances for 55 lakhs on 01.08.2021. He again placed order for 35 lakhs on 01.11.2021, Mr. Subhash delivered both the orders within 15 days of receipt of orders. Discuss, whether Mr. Subhash is required to collect tax at source, on the consideration received from XYZ Ltd.

Solution

As per section 206(1H), tax is required to be collected at source @ 0.1% on the sales consideration exceeding 50 lakhs at the time of receipt of consideration. Tax is required to be collected at source by a seller, being a person whose total turnover from the business exceeds 10 crore during the financial year immediately preceding the financial year in which sale of goods is carried out.

Hence, in the present case, since Mr. Subhash has sold electric appliance for sale consideration or in aggregate of such considerations, exceeding 50 lakhs, TCS is required to be collected at source @ 1%, on amount of 90 lakhs.

Concept Problem 27

oExamine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

S.No.	Particulars of the year	Nature of payment	Aggregate of payments made in the F.Y. 2021-22
A.	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2021 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
B.	Mr. Rahul, a wholesale trader of spices whose turnover was 5 crores F.Y. 2020-21.	Contract payment for construction of office godown during January to March 2022 to Mr. Akhilesh, an Individual	50,00,000
C.	Mr. Golu, an individual carrying garment trading business with turnover of 95 lakhs in F.Y.2020-21	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2021	1,20,000
D.	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Company a partnership firm, amounting 1.2 crores during financial Year 2021-22. ABC & Company has filed its returns for the last 3 financial years within time.	1,20,00,000

Solution -

- Mr. Kale , being a pensioner, would not be liable to deduct tax at source @ 5% u/s 194M since the aggregate amount of payment to the contractor for his personal purposes i.e., for reconstruction of his residential house in Arunachal Pradesh, exceeds the threshold limit of 50,00,000
Therefore, TDS u/s 194M would be = 52,50,000 x 5% = 2,62,500.
- Mr. Rahul is required to deduct tax at source u/s 194C, since his turnover from business in the financial year 2020-21, being the financial year immediately preceding F.Y. 2021-22 in which such sum is paid, exceeds 1 crore. Tax is to be deducted at source at the rate 1% as the payment is made to an Individual. However, since payment is made during the period 14.05.2021 and 31.3.2022, tax is to be deducted at the reduced rate of 1%.
Therefore, TDS u/s 194C would be = 50,00,000 x % = 50,000.
- Tax is required to be deducted u/s 194H, if the payer is an individual whose turnover from business carried on by him in the financial year immediately preceding the financial year in which commission is paid, exceeds 1

crore. However, where TDS u/s 194H is not applicable, tax is required to be deducted u/s 194M where payment of commission during the relevant previous year exceeds 50 lakhs.

In the present case, Mr. Golu is not required to deduct tax at source u/s 194H on the commission paid to Mr. Vinay in the P.Y. 2021-22 since his turnover from his business does not exceed 1 crore during P.Y. 2020-21.

Further, Mr. Golu is also not required to deduct tax at source u/s 194M in the said commission paid to Mr. Vinay since the commission paid does not exceed 50 lakhs during the P.Y. 2021-22.

- d) A co-operative bank which is responsible for paying any sum, being the amount or aggregate of amounts, as the case may be, in cash exceeding 1 crore during the previous year, to any reason from an account maintained by such person with it, has to deduct an amount equal to 2% of such sum, as income-tax at the time of payment. Accordingly, since XYZ Urban Co-operative is responsible for paying a sum exceeding 1 crore (1.2 crore, in this case) in cash to ABC & Company, a partnership firm, during the F.Y. 2021-22, the bank is required deduct tax at source @ 2% of such sum.

Therefore TDS u/s 194N would be = $20,00,000 \times 2\% = 40,000$.

Concept Problem 28

Mention the significant differences between TDS and TCS.