

भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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BLR.HROPS.CTC.No.S4/50-07-003/2022-23

May 11, 2022

The Regional Director/ Principal Chief General Manager/  
Chief General Manager-In-Charge/ Chief General Manager/  
General Manager (O-i-C) / Principal, Training Establishments  
Reserve Bank of India

Madam/Dear Sir,

**Quick Insight of Income-tax implications for Financial Year 2022-23**

Please refer to CTC Circular ref. BLR.HROPS.CTC.No.S7/50-07-003/2021-22 dated June 10, 2021 on the captioned subject. In this regard, please find annexed the brochure on 'Quick Insight of Income-tax implications for Financial Year 2022-23' detailing the various tax implications for the current financial year, in accordance with the amendments made in the Finance Act, 2022.

2. The contents of this circular may be brought to the notice of all concerned.

Yours faithfully,



(Subhransu Kumar Rout)

Deputy General Manager

Encl : as above

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## **Finance Act, 2022**

The Finance Minister, Nirmala Sitharaman, presented her 4th Finance Bill 2022-23 on February 1, 2022 and the Finance Bill 2022-23 has been passed by the Lok Sabha on March 25, 2022. The said Finance Bill acquired presidential consent on March 30, 2022.

Key insights of income-tax implications for the Financial Year 2022-23 which can be relevant for are summarized in this report.

### 1. **Income-tax rates**

There has been no change in Income Tax Rates and cess under the normal tax regime or alternative tax regime.

#### a. **Rates for individuals (including women), HUF, AOP and BOI:**

<b>Individuals (including women), Hindu Undivided Family (Including AOP, BOI and Artificial Juridical Person)</b>		
<i>(Other than senior and super senior citizen)</i>		
<b>Total Income</b>	<b>Rate of Income-tax</b>	
	<b>FY 2022-23</b>	<b>FY 2021-22</b>
Up to INR 2,50,000	-	-
INR 2,50,000 to INR 5,00,000	5%	5%
INR 5,00,000 to INR 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

<b>Senior Citizen</b>		
<i>(Who is 60 years or more at any time during the previous year but below the age of 80 years)</i>		
<b>Total Income</b>	<b>Rate of Income-tax</b>	
	<b>FY 2022-23</b>	<b>FY 2021-22</b>
Up to INR 3,00,000	-	-
INR 3,00,000 to INR 5,00,000	5%	5%
INR 5,00,000 to INR 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

<b>Super Senior Citizen</b>		
<i>(Who is 80 years or more at any time during the previous year)</i>		
<b>Total Income</b>	<b>Rate of Income-tax</b>	
	<b>FY 2022-23</b>	<b>FY 2021-22</b>
Up to INR 5,00,000	-	-
INR 5,00,000 to INR 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

- b. Rates for individuals who opt to pay income tax under section 115BAC of the Income-tax Act, 1961 ('the Act')

Total Income	Tax Rate
Up to INR 2,50,000	Nil
INR 2,50,000 to INR 5,00,000	5%
INR 5,00,000 to INR 7,50,000	10%
INR 7,50,000 to INR 10,00,000	15%
INR 10,00,000 to INR 12,50,000	20%
INR. 12,50,000 to INR 15,00,000	25%
Above INR 15,00,000	30%

The above-mentioned tax rates can be opted by the individuals on forgoing the various exemptions/deductions as per the provisions of section 115BAC of the Act.

**Exemptions/deductions to be forgone:** As RBI is required to deduct TDS under the provisions of section 192 of the Act, we have produced key exemptions/deductions which shall be required to be forgone by employees of RBI to avail new tax regime under provisions of section 115BAC of the Act:

Section	Description	New regime (115BAC)	Old regime
		✓ / ×	
10(5)	Leave Travel Concession	X	✓
<u>10(13A)</u>	House rent allowance	X	✓
<u>10(14)</u>	Specified allowances	X	✓
10(17)	Daily Allowances/ Constituency Allowances received by member of Parliament or member of State Legislative Assembly	X	✓
<u>10(32)</u>	Deduction on clubbing of minor's income	X	✓
<u>16</u>	Deduction from salaries (including standard deduction)	X	✓
<u>24</u>	Interest on borrowing for self-occupied property	X	✓
	Interest on borrowing for vacant property (covered by section 23(2)(b))	X	✓
	Interest on borrowing for let out property	✓	✓

<u>57(iia)</u>	Deduction in respect of family pension	X	✓
<u>80C to 80TTB</u>	All deductions except deductions under section 80CCD(2) and 80JJAA	X	✓
<u>80CCD(2)</u>	Contribution of employer including Central Government added to the income of the employee while computing total income is deductible to neutralize the impact	✓	✓
<u>80(G)</u>	Deduction in respect of donations to certain funds, charitable institutions, etc.	X	✓

- Set off of any loss under the head “Income from house property” shall not be allowed with any other head of income;
- Exemption provided under first proviso to rule 3(7)(iii) of the Income-tax Rules 1962 in respect of free food and non-alcoholic beverage provided by employer through paid voucher.
- No other exemption or deduction for allowances or perquisite shall be allowed provided under any other law for the time being in force.

Note:

- The individuals (who do not have any business or professional income), have the option to choose the new tax rates every year at their option.
- The individuals who have business or professional income, once they have exercised this option for any previous year, they can withdraw the same only once for a previous year other than the year in which it was exercised and thereafter, they shall never be eligible to exercise option under this section, except where such person ceases to have any business income.
- Assumption: we have only captured relevant points pertaining to employees assuming that they will have only salary income, house property income and income from other sources. In the event any of the employees, also have business income, there are various other exemptions/deductions that needs to be given up /foregone, as per the provisions of section 115BAC of the Act that needs to be referred in detail before considering above revised rates.

c. Health and Educations Cess:

There have been no changes in rate of Health and Education Cess (i.e., 4%).

d. Rebate under section 87A of the Act:

An individual resident in India, whose total income is less than INR 5,00,000 shall

be entitled to a deduction of an amount of income-tax of INR 12,500 or 100% of the income tax chargeable on his income for the financial year 2022-23, whichever is less.

There is no change in this section for FY 2022-23.

e. Rate of surcharge

There have been no changes in rate of surcharge for FY 2022-23, the rates are produced as under:

Range of Income	<i>INR 50 Lakhs to INR 1 Crore</i>	<i>INR 1 Crore to INR 2 Crores</i>	<i>INR 2 Crores to INR 5 Crores</i>	<i>INR 5 crores or more</i>
<i>Rate of surcharge</i>	<i>10%</i>	<i>15%</i>	<i>25%</i>	<i>37%</i>

Note: Finance Act, 2022 has introduced an amendment in Surcharge rate wherein Surcharge on long term capital gains arising from transfer of any type of capital assets has been capped at 15%.

## **2. Relevant amendments under the Finance Act 2022**

### **a. Amendment in Section 17 of the Act**

The definition of 'Perquisites' under the head 'Salaries' shall not include any amount received by an employee from his employer for his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions as the Central Government may notify.

The amendment has taken effect from April 1, 2020 (i.e., FY 2019-20 and onwards).

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### **b. Amendment in Section 56 of the Act**

Section 56(2)(x) of the Act has been amended to provide that the following receipts shall not be taxable under Income from other sources:

- Any amount received by an individual from any person for his medical treatment or treatment of any member of his family, in respect of any illness relating to COVID-19 subject to such conditions as the Central Government may notify in this regard.
- Any amount received by a member of the family of a deceased person
  - a. From the employer of the deceased person (without any limit); or

b. From any other person to the extent such amount or aggregate of amounts does not exceed 10 lakhs rupees;

where the cause of death is illness related to COVID-19 and payment is received within twelve months from the date of death of such person, and subject to such other conditions as Central Government shall notify in this regard.

The amendment has taken effect from April 1, 2020 (i.e., FY 2019-20 and onwards).

**c. Insertion of new section 115BBH for taxability of Virtual Digital Asset ('VDA')**

- New Section 115BBH *has been introduced* which provides that income from transfer of any virtual digital asset<sup>1</sup>, shall be taxed @ 30%.
- Further, apart from Cost of acquisition, no other deduction either in the form of any expenditure/allowance/set off of any loss shall be allowed to the assessee against such income.
- Also, no set off of any loss arising from transfer of virtual digital asset shall be allowed against any income computed under any other provision of the Act and such loss shall not be allowed to be carried forward to subsequent assessment years.

The amendment has taken effect from April 1, 2022 (i.e., FY 2022-23 and onwards).

**d. Insertion of new section 194S for withholding tax provisions on transfer of VDA**

- New section 194S has been introduced to provide for TDS on payment for transfer of virtual digital asset by a person to a resident at the rate of 1% of such payment.
- Threshold for applicability of TDS provisions under section 194S are as under:
  - Consideration payable by specified person (being Individual or HUF) exceed INR 50,000
  - Consideration payable in all other cases exceeds INR 10,000
- Section also provides that where payment is partly or wholly in kind or by way of exchange of virtual digital assets, the person responsible for paying such consideration shall, before releasing the consideration, ensure that tax required to be deducted has been paid in respect of such consideration for the transfer of virtual digital asset.

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<sup>1</sup> *Virtual Digital Asset means any information/code/number/token generated through cryptographic means providing a digital representation of value including a non-fungible token or any other token of similar nature.*

The amendment shall take effect from July 1, 2022.

**e. Insertion of section 194R for withholding on value of benefits and perquisite**

- In order to track transaction where the value of benefit or perquisite covered under section 28(iv) of the Act are paid or likely to be paid by any person to a resident in excess of INR 20,000 during relevant financial year, Finance Act 2022 has inserted section 194R for deduction of TDS at 10% on the said value.
- The amendment shall take effect from July 1, 2022.

**f. Insertion of new sub-section (8A) in section 139 and section 140B for introduction of updated return of income**

- New sub-section (8A) in section 139 of the Act has been inserted to enable the assessee (whether or not he has furnished a return under sub-section (1) or (4) or (5) of section 139 of the Act) to file updated return of income within 24 months from end of the relevant assessment year on payment of additional tax subject to conditions specified in the sub-section.
- A person shall not be eligible to file updated return in case of fulfilment of specified conditions like search-initiated under section 132, survey conducted under section 133A, an updated return has already been furnished, any proceedings of assessment/re-assessment is pending etc.
- Further, a new section 140B has been inserted which specifies the additional tax payable in case of filing of updated return of income as under:
  - If updated return of income is filed within 12 months from the end of relevant assessment year- additional tax shall be payable @ 25% of aggregate of tax and interest payable;
  - If updated return of income is filed after expiry of 12 months but within 24 months from the end of relevant assessment year- additional tax shall be payable @ 50% of aggregate of tax and interest payable.
- Applicable Surcharge and Cess shall also be applicable on such additional tax.
- Manner of computation of additional tax and interest has been prescribed in section 140B and 234A/234B/234C respectively.

The amendment shall take effect from April 1, 2022.



3. Deductions under CHAPTER-VI A of Income-tax Act, 1961

a. Deductions under section 80C, 80CCC & 80CCD

Section	Section Reference	Eligible Assessee	Amount of deduction	Remarks
80C*	Deduction in Respect of LIC Premium, contributions to recognized provident, public provident fund, approved superannuation fund, Tuition fees, Sukanya Samridhhi Account Scheme, Home loan principal repayment, ULIP, NSC, Stamp duty on Residential Housing loan, subscription to mutual funds referred to in section 10(23D), terms deposits, etc. subject to conditions specified.	Individual or HUF	Max. INR 150,000	<b>Condition:</b> LIC Premium Deduction is Subject to maximum 20% of capital sum assured.  No amendment as compared to FY 2021-22.
80CCC*	Deductions in respect of contribution to certain pension funds.	Individual	Whole amount deposited or paid but subject to max of INR 150,000	No amendment as compared to FY 2021-22.
80CCD (1)*	Deduction in respect of contribution to pension scheme of central government	Any employee of any employer	Amount not exceeding 10% of salary.	For the words "Central Government", the words "Central Government or State Government" have been substituted.
		Any individual other than employee.	Amount not exceeding 20% of gross total income.	For the words "Central Government", the words "Central Government or State Government" have been substituted.
80CCD (1B)	Deduction in respect of contribution to pension scheme of Central Government	Individual	Whole of the amount deposited under notified Pension scheme subject to maximum of INR 50,000.	No amendment in Finance Act 2022.

			<p>No deduction under this section shall be allowed in respect of the amount on which deduction has been claimed in subsection (1) of the above.</p> <p>Additional deduction: - The deduction under this subsection is additional to the limit of INR 1,50,000 provided under section 80CCE (i.e., 80C).</p>
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***\*As per Section 80CCE, the aggregate amount of deduction u/s 80C, 80 CCC, and 80CCD (1) shall not exceed INR 150,000.***

**b. Section 80D: - Deduction in respect of health insurance premium (Mediclaim)**

Particulars	Case 1		Case 2		Case 3	
	Self & Family (no one of them is a senior citizen)	Parents (no one of them is a senior citizen)	Self & Family (no one of them is a senior citizen)	Parents (at least one of them is a senior citizen)	Self & Family (at least one of them is a senior citizen)	Parents (at least one of them is a senior citizen)
Medical Insurance, etc *	25,000	25,000	25,000	50,000	50,000	50,000
Medical Expenditure	-	-	-	50,000	50,000	50,000
Maximum deduction allowable	25,000	25,000	25,000	50,000	50,000	50,000
Aggregate amount of deduction allowable u/s 80D	50,000		75,000		1,00,000	

\* Includes amount paid for preventive health check-up, up to INR 5,000/-

- Available to assessee, spouse, dependent children and parents.
- Qualifying age for senior citizen is 60 years.
- Payments for Preventive Health check-ups can be paid in any mode.
- Mediclaim Premium is not allowed if paid in cash.
- Deduction in respect of medical expenditure on Senior Citizen will be allowed

provided no medical insurance existing for such senior citizen

- In case of single premium health insurance policies having cover of more than one year, the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided in each such year in an appropriate fraction. "Appropriate fraction" means the fraction, the numerator of which is one and denominator of which is the total number of relevant previous years".

**c. Other Deductions:**

<b>Section</b>	<b>Section Reference</b>	<b>Eligible Assesses</b>	<b>Amount of deduction</b>	<b>Special Remarks</b>
<b>80 DD</b>	Deduction in Respect of Maintenance, Medical treatment of dependent person with disability such as Blindness & Vision problems, Leprosy-cured, Hearing impairment, Locomotor disability, mental retardation or illness.	Resident individual or HUF (any Member of that HUF)	For severe disabilities INR 125,000 (80% or more) and INR 75,000 for other disabilities (40%-80%)	Copy of Medical certificate to be issued by Medical authority in the prescribed Form 10IA to be submitted along with return.

**Conditions for claiming deduction under section 80DD:**

- Disabled dependent means spouse, any child, parents, brother and sister.
- For HUF, any member of HUF can be a disabled dependent.
- No deduction is claimed under section 80U.

<b>Section</b>	<b>Section Reference</b>	<b>Eligible Assesses</b>	<b>Amount of deduction</b>	<b>Special Remarks</b>
80 DDB	Deduction in respect of medical treatment of Serious ailments such as Neurological diseases, Parkinson's diseases, Malignant cancers, AIDS, Chronic renal failure, Hemophilia, Thalassaemia	Resident individual or HUF(any Member of that HUF) Persons covered are same as under section 80DD	After reducing Insurance claim, amount actually paid or INR 40,000 whichever is less. INR 1,00,000 in case of senior citizen.	Certificate from Specialist submitted along with return.  Deduction to be received from insurer or reimburse by employer.
80 E #	Deduction in respect of interest on loan taken for higher education (any course or study after passing SSC or its equivalent) as defined in section 80E(3)(c) for self,spouse, children	Individual only who has taken loan- Interest on such loan paid to financial institution or approved charitable institution	Payment of interest on loan taken for higher education, paid out of income chargeable to tax.	Deduction can be availed for eight assessment years.
80EEA [w.e.f. AY 2021-2022]	Deduction in respect of interest payable on loan taken for the purpose of acquisition of a residential house property.	Individual not eligible to claim deduction under section 80EE – Loan has been taken from any financial institution and sanctioned during April 1, 2019-march 31, 2021. Stamp value of property does not exceed INR 45,00,000 and does not own any other residential property on the date of sanction of loan.	Payment of interest on loan subject to maximum limit of INR 1,50,000	No amendment as compared to FY 2021-22.

80EEB [w.e.f. AY 2021-22]	Deduction in respect of interest payable on loan taken for the purpose of purchase of an electric vehicle.	Individual - Loan has been taken from any financial institution and sanctioned during April 1, 2019- March 31, 2023.	Payment of interest on loan subject to maximum limit of INR 1,50,000	No amendments as compared to FY 2021-22
80U	Deduction in case of a person with disability (Not dependent. Irrespective of amount spent)	Resident individual	In case of severe Disability INR 125,000 or in any other cases INR 75,000.	Assessee shall furnish certificate from medical authority in the prescribed Form 10IA along with Return of Income in respect of the Assessment year in which deduction is claimed and get renewed when expired. Separate forms for separate disability are required.

Section	Section Reference	Eligible Assessee	Amount of deduction	Special Remarks
80 G ##	Deduction in case of donations made to Specified/approved trusts / institutions etc.	Assessee	Any Donation exceeding INR 10,000 shall be allowed as a deduction only if such sum is paid in any other mode other than cash	100% deduction for Prime Minister National Relief fund / family planning institution. Balance 50%. Qualifying amount of donation is up to 10% of Adjusted Gross Total Income*.

\* Adjusted Gross Total Income means Gross Total Income as reduced by:

- Deductions under Chapter VI-A (except 80G)
- exempt Income
- Long Term Capital Gains
- Income referred to in Section 115A, 115AB, 115AC, 115AD and 115D, relating to non-residents and foreign companies.

80 TTA	Deduction in respect of interest on deposits in savings account	Individual/HUF (not being a senior citizen*)  *w.e.f. AY 2019-20 for senior citizens Sec 80TTB has been inserted	Any income in the nature of interest on deposits in a saving account with Banks/Co-operative society/Post office up to INR 10,000/-	No deduction shall be allowed if the interest is derived by an individual/member on behalf of a firm/an AOP/BOI.
80 TTB	Deduction in respect of interest on deposits in case of senior citizens.	Senior citizen	Any income in the nature of interest on deposits (including time deposits) with Banks/Co-operative society/Post office up to INR 50,000/-	No deduction shall be allowed if the interest is derived by an individual/member on behalf of a firm/an AOP/BOI.

# Higher Education means any course of study after passing senior secondary examination.

## Section 80G:

- The above section is to provide that filing of statement of donation by donee has to be done in order to cross-check the claim of donation by donor.
- Further, it is stated that the deduction shall be allowed to a donor only on the basis of information furnished by the donee who shall file a statement of donation with the prescribed income-tax authority or the person authorised by such authority, subject to verification in accordance with the risk management strategy formulated by the Board, i.e., CBDT from time to time. The donee shall also issue a certificate to the donor. On failure to do so, penalty and fees shall be levied on the donee.
- Donations made to “The Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)” is eligible for 100% deduction under section 80G without any limit.
- Also, “SHRI RAM JANMABHOOMI TEERTH KSHETRA” has been notified to be a place of historic importance and a place of public worship of renown for the purposes of Section 80G(2)(b). [Notification No. 24/2020/F. No. 176/8/2017/ITA-I dated 8th May, 2020].

#### 4. Deductions relating to income from house property

- a. In case of let out property or deemed let out property, a standard deduction of 30% of the annual value so determined of such property [section 24(a)]
- b. Interest on borrowed capital under section 24 (b) - Deduction is available on accrual basis.
- c. Where the property consists of house which is in the occupation of owner for the purposes of his own residence (self-occupied property) or when the owner cannot occupy such property owing to the fact that he resides in other building by the reason of his employment, business or profession. In such a case, deduction shall be allowed only up to INR 30,000 on account of interest payment for the capital borrowed for re-construction, repairs or renewals;
- d. Further, the deduction in case of the property as referred above shall be up to INR 2,00,000 where the property referred is **acquired or constructed** with capital borrowed on or after the 1st day of April, 1999 and such acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed.
- e. In case of a property that is let-out, the entire amount of interest on borrowings is allowed as deduction under this section.

Explanation to above provision: Where the capital has been borrowed before the acquisition / commencement of the construction of the property mentioned above, deduction for the interest pertaining to the period between capital borrowed and acquisition / commencement of construction shall be distributed in equal instalments for the previous year in which the capital has been borrowed and for each of the four immediately succeeding previous years in which the construction gets completed;

No such deduction shall be made unless the assessee furnishes a certificate, from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property, or, conversion of the whole or any part of the capital borrowed which remains to be repaid as a new loan.

Further, with effect from the assessment year 2018-19, loss under the head "house property" shall be allowed to be set-off against any other head of income only to the extent of Rs. 2,00,000 for any assessment year and the balance loss can be carried forward up to eight Assessment years.

### Rationalizations of house property income:

- Section 23(4) provides that notional rent on second self-occupied house property shall not be chargeable to tax under the head 'Income from house property'.
- The limit of deduction of interest on borrowed capital as provided in the proviso to Section 24(b) [up to ₹ 2 lakhs] for one self-occupied house property had been made applicable for two self-occupied house properties w.e.f. AY 2020-21.

## **5. Collection and Recovery of Tax**

### **a. Deduction at source and advance payment [Section 190]**

- 1) The income of previous year is taxable in assessment year. For example, Income earned during previous year 2021-22 is taxable in assessment year 2022-23. However, income tax is recovered from assessee in previous year itself through:
  - i. Tax deducted at source.(TDS)
  - ii. Tax collection at source.(TCS)
  - iii. Advance payment of tax.
- 2) Senior citizens not having any business income are exempt from payment of advance tax. They can pay self-assessment tax with IT return on or before due date without interest.

### **b. Deduction of Tax at source**

#### **1. Salary [Section 192]**

- Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2022-23. The income-tax is required to be calculated on basis of Slab Rates given above and shall be deducted at the time of each payment. No tax will, however, be required to be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds INR 250,000 for male and female individual below 60 years of age, INR 300,000 for individuals having age 60 years to 80 years or INR 500,000 for individuals having age above 80 years.
- Such Tax will be deducted at an average rate of tax.  
Average rate of tax =  $\frac{\text{income tax calculated on total income}}{\text{total income}}$ .  
(Computed on the basis of the rates in force for the financial year in which the payment is made of the estimated income of the assessee under this head.)
- Total income includes salary, allowances, perquisites, taxable portion of Leave



travel concession ("LTC"), LTC on declaration, taxable portion of encashment of ordinary leave and gratuity at the time of retirement, arrears, advance of salary, encashment of salary during service, overtime, bonus, etc. and any other income declared by the employee.

- A taxpayer can furnish particulars of income under any head other than Salaries and any tax deducted at source thereon. However, such income should not be a loss under any such head other than the loss under the head "Income from house property" for the same financial year.
- Further, for the purpose of estimating income under section 192(1) of the Act employer shall obtain evidence or proof or particulars of the prescribed claim in the prescribed form and manner from the assessee.

## **2. Deduction of tax at source on interest on Securities [Section 193]**

- Every person responsible for paying to a resident any income by way of interest on securities has to deduct TDS at rates in force from amount payable. Rate at which TDS is to be deducted is 10% in case of domestic companies and resident corporate assesses;
- It should be deducted at the time of credit or payment thereof in cash or cheque or draft or in any mode;
- Interest on some securities does not attract deduction of tax at source. However, if RBI issues securities other than tax free securities, the interest paid on such securities attracts deduction of tax at source;
- Section 193 provides for TDS on interest on securities is amended to allow exemption from TDS from interest on debentures up to INR 5,000 payable, by way of account payee cheque by companies in which public are substantially interested, to individuals and HUFs.

## **3. Deduction of interest other than "interest on securities" [Section 194A]:**

- Deduction shall be made at the rates in force on the income by way of interest other than income by way of interest on securities if such sum exceeds INR 40,000 or INR 50,000 (in case of senior citizens) where the payer is a bank / cooperative society/ post office etc.
- Individuals / HUF who are liable to tax audit under section 44AB during the previous financial year are required to deduct tax under this section.

#### 4. **Payments to contractors and sub-contractors [Section 194C]**

Deduction at Source from Payments made to Resident contractors and sub-contractors.

<b>Payee</b>	<b>TDS rate</b>
Individual/HUF contractor or Sub contractor/Contractors or subcontractors for Advertising.	1%
Other than individual/HUF Contractor or subcontractor/ Contractors or subcontractors for Advertising.	2%
Contractor in Transport business/Subcontractor in transport business. (where such contractor owns <b>ten or less</b> goods carriages at any time during the previous year and <b>furnishes a declaration</b> to that effect along with his Permanent Account Number, to the person paying or crediting such sum)	NIL

- No deduction if Single payment is less than INR 30,000 and Aggregate Payments is less than INR 1,00,000 in a financial year.
- Both the conditions must be mutually satisfied for invoking TDS under this section.
- Some of the contractors or sub-contractors are below:
  - Advertising;
  - Broadcasting and telecasting including production of programmes for such broadcasting or telecasting;
  - Carriage of goods or passengers by any mode of transport other than by railways;
  - Catering;
  - AMC for air conditioners, computers.
  - Housekeeping contracts
  - Security Guard agencies.
  - Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer,
  - But does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer but w.e.f. FY 2020-21 contracts where material is provided even by related persons of the customer is now treated as 'work' liable for TDS.

#### 5. **Deduction of tax at source for Fees for professional and technical services [Section 194J]**

- TDS deduction while payment to resident any sum by way of fees for professional services or fees for technical services or royalty or non-compete fees. The rate of tax to be deducted is 10 %. Tax has to be deducted at the rate of 2% in case of a payee, engaged only in the business of operation of call centre

- w.e.f. FY 2020-21, TDS under section 194J on technical services and royalty (where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films) (other than professional services) is reduced from 10% to 2% to bring it at par with Section 194C.
- No deduction if aggregate fees in a financial year < INR 30,000, in each case.

Explanation - for the purposes of this section,

- "Professional services" means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising or such other profession as is notified by the Board for the purposes of section 44AA or of this section;
- "Fees for technical services" means managerial, technical and consultancy services.

#### **6. Deduction of tax at source on Commission or brokerage [Section 194H]**

- TDS deduction is required to be made while payment to resident any sum by way of commission or brokerage @ 5%.
- No deduction if aggregate commission or brokerage paid in a financial year < 15,000, in each case.
- Any Person other than Individual and HUF or Individual/HUF whose gross turnover/sales/gross receipt from business exceeds 1 crore rupees or Individual/HUF whose gross receipt from profession exceeds 50 Lakh rupees are liable to deduct TDS.

#### **7. Deduction of tax at source on Rent [Section 194I]**

- At the time of payment of rent to a resident, deduction shall be made at the rate of 2% for the use of any machinery or plant or equipment and at the rate of 10% for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings;
- No deduction if the aggregate rent amount in a financial year does not exceed INR 1,80,000 w.e.f. AY 2019-20, the limit of INR 1,80,000 has been increased to INR 2,40,000;
- Any person other than Individuals/HUF and Individuals / HUF who are liable to tax audit under section 44AB during the previous financial year are required to deduct tax under this section;

- No deduction shall be made under this section, where the income by way of rent is credited or paid to a business trust, being a Real Estate Investment Trust ("REIT"), in respect of any real estate asset (referred to in section 10(23FCA) owned directly by such REIT. Applicability: w.e.f. 1 April 2015.

**8. Deduction on payment on transfer of certain immovable property other than agricultural land [Section 194IA]**

- Amendment has been made under section 194-IA, Transferee at the time of payment to the resident transferor by way of consideration for transfer of any immovable property (other than agricultural land) shall deduct an amount equal to 1% of **such sum or credited to the resident or the stamp duty value of such property, whichever is higher.**

The amendment shall come in effect from April 1, 2022.

- As per Explanation (a) inserted by the Finance (No.2) Act, 2019 (w.e.f. 1-9-2019) "consideration for transfer of any immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

**9. Deduction of tax at source on Rent [Section 194IB]**

- At the time of payment of rent to a **resident**, deduction shall be made at the rate of 5%.
- No deduction if rent per month does not exceed Rs. 50,000.
- Individuals / HUF who are not liable to tax audit under section 44AB during the previous financial year are required to deduct tax under this section;
- TDS will be deducted only once in a year at the time of last payment in previous year or last payment if premise is vacated during the year.

**10. Deduction on payment under specified agreement [Section 194IC]**

- Any person at the time of paying to a resident any sum by way of consideration, for the transfer of a capital asset, being land or building or both under the specified agreement referred in section 45(5A) shall at the time of credit of such sum shall deduct an amount equal to 10% of such sum as income-tax thereon.

**11. Deduction of tax at source on income by way of interest on certain Bonds and Government securities [Section 194LD]**

- Rate of 5% of withholding Tax is allowed on interest payment made up to 1 July 2023 in respect of investment in Government securities and rupee denominated corporate bonds.

**12. section 194Q - Deduction of tax at source on payment of certain sum for purchase of goods:**

- This section states that any person, being a buyer who is responsible for paying any sum to any resident (hereafter in referred to as the seller) for purchase of any goods of the value or aggregate of such **value exceeding fifty lakh rupees** in any previous year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, **deduct an amount equal to 0.1 percent of such sum exceeding fifty lakh rupees** as income-tax.

As per the explanation to subsection 194Q(1), “buyer” means a person whose total sales, gross receipts or turnover from the business carried on by him **exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out**, not being a person, as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

**Section 206AA**

As per Section 206AA(1), in case a person entitled to receive any sum or income or amount, on which tax is deductible (i.e., deductee) fails to furnish his Permanent Account Number to the person responsible for deducting such tax (i.e., deductor), tax shall be deducted at the higher of the following rates, namely:—

- (i) at the rate specified in the relevant provision of this Act; or
- (ii) at the rate or rates in force; or
- (iii) at the rate of twenty per cent:

As per the proviso to **Section 206AA(1) to provide that where the tax is required to be deducted under section 194Q**, the rate for the purpose of clause (iii) of Section 206AA(1) [as stated above] shall be **five per cent instead of twenty percent stated therein**.

**13. Introduction of section 194S for withholding tax provisions on transfer of VDA**

- New section 194S of the Act has been introduced to provide for TDS on payment for transfer of virtual digital asset by a person to a resident at the rate of 1% of such payment.
- Threshold for applicability of TDS provisions under section 194S are as under:
  - Consideration payable by specified person (being Individual or HUF) exceed INR 50,000

- Consideration payable in all other cases exceeds INR 10,000
- The section also provides that where payment is partly or wholly in kind or by way of exchange of virtual digital assets, the person responsible for paying such consideration shall, before releasing the consideration, ensure that tax required to be deducted has been paid in respect of such consideration for the transfer of virtual digital asset.

The amendment shall take effect from July 1, 2022.

**14. Insertion of section 194R for withholding on value of benefits and perquisite**

- In order to track transaction where the value of benefit or perquisite covered under section 28(iv) of the Act are paid or likely to be paid by any person to a resident in excess of INR 20,000 during relevant financial year, Finance Act 2022 has inserted section 194R for deduction of TDS at 10% on the said value.
- The amendment shall take effect from July 1, 2022.

**15. Deduction / Withholding of tax on payment to Non-resident [Section 195]**

- The person responsible for paying any sum, whether chargeable to tax or not, to a non- resident, not being a company, or to a foreign company, shall be required to furnish the information of the sum paid in such form and manner as may be prescribed.
- *Vide Income-tax circular no. 1/2014 dated 13 January, 2014 on TDS on Service Tax it is clarified that wherever in terms of the agreement/contract between the payer and the payee, the service tax component comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XVII-B of the Act on the amount paid/payable without including such service tax component.*

**16. Time of deduction of tax**

- Tax shall be deducted at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or a draft or by any other mode, whichever is earlier. **It may be noted that where any such sum is credited to any account, whether called "Suspense account" or by any other name in the books of account of the person liable to pay such amount, such crediting shall be deemed to be credit of such sum to the account of the payee, hence liable to TDS.**

**17. Certificate for deduction of tax at lower rate [section 197]**

- Exemption certificate or lower TDS deduction certificate to be obtained from assesses for deductions of TDS at lower rate or where no deduction is to be made.

**18. Duty of Persons deducting tax [section 200]**

- Deducted sum to be deposited to the credit of Central government in prescribed time [Time limit is given below]
- Deductor has to submit TDS Returns or statements in prescribed form (All in electronic form) after payment of tax deducted at source within prescribed time [Form and time limit is mentioned below].
- Challan for payment of TDS – Challan no. 281

**19. Compliance Calendar [Time limit for TDS return and payment]**

- Form 24Q, 26Q and 27Q

<b>Date</b>	<b>Particulars</b>
7 <sup>th</sup> of every succeeding month	TDS payment for preceding month ( <b>30<sup>th</sup>April</b> with respect to TDS for month of March.)
31 <sup>st</sup> of July	TDS quarterly return [April-June] in 24 Q – under section 192. 26 Q – under section 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – under section 195 – Payment to non-residents
31 <sup>st</sup> of October	TDS quarterly return [July-September] in 24 Q – under section 192. 26 Q – under section 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – under section 195 – Payment to non-residents
31 <sup>st</sup> of January	TDS quarterly return [October-December] in 24 Q – under section 192. 26 Q – under section 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – under section 195 – Payment to non-residents
31 <sup>st</sup> of May	TDS quarterly return [January-March] in 24 Q – under section 192. 26 Q – under section 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – under section 195 – Payment to non-residents

Form 26QB – under section 194IA: Normally, due date is thirty days from the end of the month in which the deduction is made.

**20. Interest on failure to deduct or pay tax at source under section 201 (1A)**

<b>Rate of interest</b>	<b>Period of which interest payable (per month or part thereof)</b>
1% per month or part thereof	From the date on which tax was deductible to the date on which tax is actually deducted.
1.5% per month or part thereof	From the date on which tax was actually deducted to the date on which tax is actually paid.

- Interest must be paid before furnishing quarterly statement of each quarter. It should be rounded off to nearest INR 100.
- Prosecution proceedings under section 276-B for failure to deposit TDS without a reasonable cause.

Remarks:

- *Assessee shall not be deemed to be an assessee in default and interest shall be payable from the date on which such tax was deductible to the date of furnishing of return of income by such resident in case the sum is paid to a resident and the payer has failed to deduct tax, if the following conditions are satisfied:*
  - *If the payee has furnished his return of income;*
  - *He/it has taken into account such income in such return filed and paid the tax due thereon;*
  - *He/ it furnishes an accountant 's certificate to the above effect in prescribed form. [Annexure A to Form No. 26A, rule 31ACB]*
- *Earlier the above remark was not applicable in case the payments are being made to non-resident. However, via Finance Act (No.2), 2019, w.e.f. 1-9-2019, the above remark shall apply even in case of payment made to a non-resident.*

**21. Certificate of TDS to be furnished under section 203 [Rule 31]**

- Form 16 – In case of TDS on Salary [Section 192]  
Above mentioned form has to be issued to payee by June 15 of the financial year immediately the financial year in which the TDS is deducted.



- Form 16 A – In any other case [193 to 196 D]  
Above mentioned form has to be issued to the payee has to be issued quarterly within 15 days from the due date of submission of TDS returns.
- Form 16 B – In case of TDS on consideration for transfer of any immovable property [194-IA]  
Above mentioned form has to be issued to the payee within 15 days from the due date of submission of TDS return.

The forms mentioned above are available to be downloaded from the TRACES portal of income-tax India.

**22. Mandatory requirement of furnishing PAN in all TDS Statements, challans, bills, vouchers& correspondence between deductor and deductee. [Section 206AA]**

- Every deductee has to furnish his PAN to deductor
- Failing of non-furnishing of PAN by the deductee to deductor, the deductor shall deduct TDS at higher of the following:-

- i. Rate Prescribed in the Act
- ii. At the rate of 20%.

PAN is not required in the case of a non-resident, not being a company, or a foreign company and not having permanent account number the provisions of section 206AA shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the non-resident furnish the following details and documents to the deductor, namely:-

- a) name, e-mail id, contact number;
- b) address in the country or specified territory outside India of which the non-resident person is a resident;
- c) a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- d) Tax Identification Number of the non-resident in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

As per proviso to Section 206AA(1) to provide that where the tax is required to be deducted under section 194Q, the rate for the purpose of clause (iii) of Section 206AA(1) [as stated above] shall be five per cent instead of twenty percent stated therein.

Notes:

- Even if the Payee has filed a declaration in form 15 G or 15 H (u/s 197 A) but not furnished / mentioned PAN the above-mentioned higher rates will apply.
- If a person fails to furnish e-TDS statements on quarterly basis, he shall be liable for penalty of Rs.200 per day for each day till default continues.
- However, the total amount will not exceed the TDS amount of such statement.
- Quote correct year, section code and PAN in TDS returns, statements etc.
- Use separate challans for 'corporate' and 'non-corporate' deductees.
- Each branch/division of an entity will have a separate TAN if it is filing separate TDS/TCS returns. However, there will be only one PAN for a legal entity.

**23. Amendment in provisions of Section 206AB related to Special provision for deduction of tax at source for non-filers of income-tax return.**

- Notwithstanding anything contained in any other provisions of this Act, where tax is required to be deducted at source under the provisions of Chapter XVIIIB, other than sections 192, 192A, 194B, 194BB, 194LBC or 194N on any sum or income or amount paid, or payable or credited, by a person to a specified person, the tax shall be deducted at the higher of the following rates, namely :--
  - i. at twice the rate specified in the relevant provision of the Act; or
  - ii. at twice the rate or rates in force; or
  - iii. at the rate of five per cent.
- If the provisions of section 206AA is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in section 206AB and in section 206AA.
- For the purposes of this section "specified person" means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years.
- Provided that the specified person shall not include a non-resident, who does not have a permanent establishment in India.

Explanation- For the purposes of this sub-section, the expression "permanent establishment" includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.'

***As per the amendment brought in by the Finance Act, 2022, the condition for filing of ITR for preceding two years has been reduced to one year w.e.f. April 1, 2022.***

***Also, in order to reduce the additional burden on individual and Hindu undivided family (HUF) taxpayers covered under section 194-IA, 194-IB and 194M of the Act for whom simplified tax deduction system has been provided without requirement of TAN, the provisions of section 206AB shall not apply in relation to transactions on which tax is to be deducted under the said sections of the Act.***

- As a procedure, it is advisable for RBI to obtain proof/declaration from the vendor that he has filed the ITR for relevant assessment years relevant to the preceding previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing ITR under section 139(1) has expired. Hence, in case RBI is required to deduct tax at source in respect of certain persons who have not filed their income-tax return as stated above, RBI will have to deduct tax at source at the highest of the rates provided in Section 206AA and Section 206AB.

**c. Collection of Tax at source:**

**1. Motor car sale**

- Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as TCS.
- A person means who obtains in any sale, above specified goods, but does not include,
  - the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or
  - a local authority (such as panchayat, Municipality, Municipality committee and District Board and Cantonment Board); or
  - a public sector company which is engaged in the business of carrying passengers.]

**2. TCS under Section 206C(IH)**

- This section was introduced by Finance Act 2020 to extend the TCS provisions to the seller of goods. As per this provision, a seller is required to collect tax at source

on the sale of goods at 0.1% on receipt of consideration of value exceeding INR 50 lakh in aggregate in a financial year from the buyer. TCS should be deducted at the time of receipt of such an amount. This provision became applicable from October 1, 2020.

- Further, this section also provides the definition of buyer and seller as follows:

*Where "Buyer" is defined as a person who purchases any goods, but does not include the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of foreign State; a local authority; any other person as notified by the Central Government may;*

*And "Seller" is defined as a person whose total sales, gross receipts or turnover from the business carried on by him exceed Rs. 10 Crore during the immediately preceding FY excluding the person as the Central Government may notify.*

- It must be noted that TCS is not required to be collected under this sub-section:

- If the goods referred above are covered under section 206C(1) or 206C(1F) or 206C(1G) or
- If, buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount
- No tax is required to be collected in respect of goods exported out of India or goods imported into India.

As per section 206CC, if the buyer does not provide PAN/Aadhar number, rate of TCS for the purpose of section 206C(1H) will be 1%.

As per clause 4.5.2 of Circular No. 13/2021 dated June 30, 2021 with respect to sub-section (1 H) of section 206C of the Act, it has been clarified that no seller shall collect tax under section 206C(1H) of the Act on sale of any goods to any concern which is established under an Act.

Hence, no seller shall collect tax from RBI under section 206C(1H) of the Act since RBI is a buyer who is exempt from Income-tax under RBI Act.

### **3. Amendment in provisions of section 206CCA related to Special provision for collection of tax at source for non-filers of income-tax return**

- Notwithstanding anything contained in any other provisions of this Act, where tax is required to be collected at source under the provisions of Chapter XVII-BB, on any sum or amount received by a person (hereafter referred to as collectee) from a specified person, the tax shall be collected at the higher of the following two rates, namely-

- i. at twice the rate specified in the relevant provision of the Act; or
  - ii. at the rate of five per cent
- If the provisions of section 206CC is applicable to a specified person, in addition to the provisions of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC.
- For the purposes of this section “specified person” means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years
- Provided that the specified person shall not include a non-resident, who does not have a permanent establishment in India.

Explanation.--For the purposes of this sub-section, the expression “permanent establishment” includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.’

***As per the amendment brought in by the Finance Act, 2022, the condition for filing of ITR for preceding two years has been reduced to one year w.e.f. April 1, 2022.***

4. Compliance Calendar [Time limit for TCS return and payment]

Date	Particulars
7 <sup>th</sup> of every succeeding month	TCS payment for preceding month
15 <sup>th</sup> of July – Form 27EQ 30 <sup>th</sup> of July – Form 27D	TCS quarterly return [April-June].
15 <sup>th</sup> of July – Form 27EQ 30 <sup>th</sup> of July – Form 27D	TCS quarterly return [July-September]
15 <sup>th</sup> of July – Form 27EQ 30 <sup>th</sup> of July – Form 27D	TCS quarterly return [October-December]
15 <sup>th</sup> of July – Form 27EQ 30 <sup>th</sup> of July – Form 27D	TCS quarterly return [January-March]

**d. Tax Deduction at Source (TDS) & Tax Collection at Source (TCS) rates for FY 2022-23:**

The rates of TDS are specified in the below table:

<b>Section</b>	<b>Nature of payment</b>	<b>Threshold Limit (TDS have to be deducted if it exceeds the limit)</b>	<b>Rate of TDS</b>
194C	Payment to Contractor which is Individual/HUF	Single payment: 30,000; Aggregate payment:	1
	Payment to Contractor which is Other than individual and HUF	1,00,000 per FY	2
194H	Commission	15,000 per FY	5
194I	Person paying income by way of Rent to any Resident Rent of – Plant/Machinery/Equipment	2,40,000 per FY	2
	Person paying income by way of Rent to any Resident Rent of – Land and Building/Furniture & Fixture		10
194IB	Person paying income by way of Rent to any Resident –Rent payment by Individual/HUF	50,000 per month	5
194J	Professional Fees	30,000 per FY	10
	Technical services and royalty (where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films) (other than professional services) (w.e.f. 01.04.2020)	30,000 per FY	2
	Payment to call centre operator (w.e.f. 01.04.2020)	30,000 per FY	2
194Q	The buyer is responsible for making payment of a sum to the resident seller; and such payment is to be done for the purchase of goods of the value/ aggregate of the value exceeding the threshold limit	50 Lakh per payment	0.1
194S	Transfer of virtual digital asset	Individual/HUF: INR 50,000 Others: INR 10,000	1
194R	Benefit or perquisites covered under section 28(iv) of the Act	INR 20,000 per FY	10

e. The rates of TCS are specified in the below table:

Section	Goods & Services liable to TCS	Rate of TCS
		TCS Rate (%)
206C(1)	Sale of Scrap	1
206C(1F)	Sale of motor vehicle above 10lakhs	1
206C(1H)	Sale of any goods (other than export of goods) of the value exceeding 50 Lakhs	0.10