Proposed amendments in TDS/TCS provisions

(*a*) Finance Bill, 2015 proposes to exempt notified deductors and collectors from the requirement of obtaining PAN. Such amendment is proposed to take effect from June 1, 2015.[1]

(*b*) Currently, Section 194LD of the Act provides a lower withholding tax rate of 5% on interest payable to FIIs and QFIs in respect of investments in government securities and rupee denominated corporate bonds, if the interest is payable on or before June 1, 2015. Finance Bill, 2015 proposes to extend such concessional withholding tax rate on interest payable up to June 30, 2017. Such amendment is proposed to take effect from April 1, 2015.

(*c*) Presently, section 194C of the Act exempts payments made to contractors during the course of plying, hiring and leasing goods carriage if the contractor furnishes his PAN. It is proposed to restrict such exemption to cases where such contractor owns ten or less goods carriages at any time during the previous year and furnishes a declaration to such effect, along side PAN. Such amendment is proposed to come in effect from June 1, 2015.

(*d*) Following changes have been proposed in Section 194A of the Act, which relate to deduction of tax on interest (other than interest on securities). Such changes are proposed to come into effect from June 1, 2015:

(*i*) The current exemption fromTDS on payments of interest to members by a co-operative society will be withdrawn in respect payment of interest by co-operative banks to its members.

(*ii*) The definition of 'time deposits' currently excludes recurring deposits from its scope. It is proposed to amend the definition of "time deposit" so as to include recurring deposits within its scope.

(*iii*) The deduction of tax under this section from interest payments on the compensation amount awarded by the Motor Accident Claim Tribunal shall be made only at the time of payment, if the amount of such payment or aggregate amount of such payments during a financial year exceeds INR 50,000.

(*e*) It is proposed to amend the IT Act to enable computation of late fee payable under section 234E of the Act at the time of processing of TDS statement under Section 200A of the Act. Such amendment is proposed to take effect from June 1, 2015.

(*f*) It is proposed to amend the provisions of Section 206C of the IT Act so as to allow the collector of tax to furnish TCS correction statement. Such amendment is proposed to take effect from June 1, 2015.

(*g*) The Finance Bill proposes to introduce a mechanism for processing of TCS statements on the same lines of the existing provisions for processing of TDS statements(contained in Section 200A of the IT Act).Further, the intimation generated after the proposed processing of TCS statement shall be at par with the intimation generated after processing of TDS statement. Such amendment is proposed to take effect from June 1, 2015.

(*h*) The Finance Bill proposes to amend section 192 of the IT Act to provide that for purposes of estimating income of the employee for deduction of tax thereunder, the employer will obtain from the employee evidence of the prescribed claims (including claim of set off loss) under the Act in the form and manner prescribed. Such amendment is proposed to take effect from June 1, 2015.

(*i*) Currently, section 195(6) of the Act provides that any person responsible for making payments to a non-resident of any sum chargeable under the IT Act will provide such information as may be prescribed. Pursuant to such provision form 15CA and 15CB are required to be furnished by payers.

Such reporting requirements are now proposed to be extended even in respect of payments, which in the opinion of the payer, are not chargeable to tax under the IT Act. Further, currently there is no penalty prescribed for non-furnishing of information or furnishing of incorrect information under section 195(6) of the IT Act (i.e. form 15CA and form 15CB). It is now proposed to provide a penalty of one lakh rupees in case of non-furnishing of information or furnishing of incorrect information under section 195(6) (i.e. form 15CA and form 15CB) of the Act. Such amendments are proposed to take effect from June 1, 2015.

(*j*) A new provision of the Act has been inserted for deduction of tax at the rate of 10% on pre-mature taxable withdrawal from Employees Provident Fund Scheme, 1952 ("**EPFS**").[2] Such provision casts an obligation on the trustee of the EPFS to deduct tax at source. However, to reduce the compliance burden of employees having taxable income below the taxable limit, it is proposed to provide a threshold limit of payment of INR 30,000 for such provision to apply.

In case of employees paying tax at higher slab ratesof 10%, the shortfall in the actual tax liability vis-à-vis TDS will be required to be paid by the employee through advance tax/ self assessment tax.

It is also proposed that in case of non-furnishing of PAN by employees to the trustee of the EPFS, tax would be deductible at the maximum marginal rate.Such amendments are proposed to take effect from June 1, 2015.

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1. Section 203 of the IT Act proposed to be amended

2. Section 192A of the IT Act to be introduced