

Exploring Provisions

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**E-TDS Filing - CPC Processing - Problem
Solving Module - Part I - Deductors**

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“Yatha Drishti, Tatha Srishti- As the vision, so the world”

PREFACE

It was Eleven years ago when the Board devised a scheme for electronic filing of returns of tax deducted at source under Notification No. 205/2003 (F. No. 132/31/2003 TPL), dated 26.8.2003. In the consequence deductors were required to electronically furnish the TDS related information through the NSDL. Those days there used to be filing in Form No. 24 or Form No. 26 or Form No. 27 which are now 24Q, 26Q and 27Q respectively. Such forms to accompany a declaration in Form 27A like today. Even though guidelines relating to filing of returns relating to tax deduction at source on computer media were laid down in Board's earlier Circular No. 008 dated September 18, 2003 yet there was no mechanism to deal with detection of errors or defaults in the course of deduction and deposit of TDS. Thus for about seven years until 1.4.2010 the electronic filing had run through trial phase without putting any additional burden upon the e-deductor. In the Circular No 2 dated 21.5.2009 it was acknowledged that the data held in TDS database was largely unverifiable and further the matching of the deduction reported by the deductor and claimed by the deductee assessee continued to be poor. The Department had thus been allowing credit for TDS claims even though the transactions did not fully match/reconcile with the information provided by the deductor reason being that the Department had not been able to undertake follow up verification of such claims at the deductors end on account of inadequate resources. Thus new strategy was formed to assign unique transaction identification number (UTN) for each deduction record under a new TDS and TCS payment and information reporting system vide Circular No. 2 dated 21.5.2009.

Thus the Finance (No. 2) Act, 2009, inserted a new section 200A (1) in the Income-tax Act, 1961 that empowered the Board to make a scheme for processing of TDS statements and more so for framing of centralized processing scheme. The scheme has been notified via Notification No. 3/2013(F No. 142/39/2012-SO(TPL)) dated 15.1.2013. It thus enables determination of following:

1. Short deduction;
2. Late payment;
3. Nonpayment;
4. Interest;
5. Refund.

Centralized processing of returns scheme envisage no interface with the taxpayer. Under the Centralized processing scheme there is 100% match for TDS compliance for rate of deduction, due date of deduction, due date of deposit, PAN particulars and for any mismatch/inconsistency, the system to roll out defaults and further such default needs to be straightened online only. Deductors of tax and the taxpayer's are thus expected to know the acts of resolve in such a scenario.

Purpose of this Document

This document aims to deal the subject in problem solving approach for the point of view of deductor and the deductee in two parts respectively. This is a step by step guide to TDS mechanism with maximum coverage of practical difficulties faced during its application.

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I. Background

Centralized processing of returns scheme envisage no interface with the taxpayer. Under the Centralized processing scheme there is 100% match for TDS compliance for rate of deduction, due date of deduction, due date of deposit, PAN particulars and for any mismatch / inconsistency the system to roll out defaults and further such default needs to be straightened online only. Deductors of tax and the taxpayer's are thus expected to know the acts of resolve in such a scenario.

II. Duties Of Tax Deductor / Collector

- i. To apply for Tax Deduction Account Number (TAN) in form 49B, in duplicate at the designated TIN facilitation centers of NSDL (please see www.incometaxindia.gov.in), within one month from the end of the month in which tax was deducted.
- ii. To quote TAN (10 digit reformatted TAN) in all TDS/TCS challans, certificates, statements and other correspondence.
- iii. To deduct/collect tax at the prescribed rates at the time of every credit or payment, whichever is earlier, in respect of all liable transactions.
- iv. To remit the tax deducted/collected within the prescribed due dates by using challan no. ITNS 281 by quoting the TAN and relevant section of the Income-tax Act.
- v. To issue TDS/TCS certificate, complete in all respects, within the prescribed time in Form No.16 (TDS on salaries), 16A (other TDS) 27D (TCS).
- vi. To file TDS/TCS quarterly statements within the due date.
- vii. To mention PAN of all deductees in the TDS/TCS quarterly statements. It is deductor's responsibility to mention only valid PAN as for any invalid / no PAN special rate of 20% is to be applied. (It is advisable to obtain photo copy of the PAN card of each deductee)

III. Deductors- Problem Solving

A. PAYMENT OF TAXES

With effect from July 2005, the following challans are to be used for making different types of payment in the banks:

- (i) A common single copy challan no. ITNS 280 for payment of Income tax and Corporation tax;
- (ii) A common single copy challan no. ITNS 281 for depositing Tax Deducted at Source / Tax Collected at Source (TDS/TCS);
- (iii) A common single copy challan no. ITNS 282 for payment of Hotel Receipts Tax, Estate Duty, Wealth Tax, Gift-tax, Expenditure Tax and other direct taxes.
- (iv) A common single copy challan no. ITNS 283 for payment of Banking Cash Transaction Tax and Fringe Benefits Tax.

While depositing tax in banks, the following points should be taken care of:

1) Payment of TDS/ TCS

- i Challan no. 281 should be used for deposit of TDS/TCS.
- ii Correct 10-digit Tax Deduction Account Number (TAN), name and address of the deductor/collector should be quoted on each challan used for depositing tax. TAN details should be verified from the Income Tax Department web-site (www.incometaxindia.gov.in) prior to depositing TDS/TCS
- iii Separate challans should be used to deposit tax deducted under different sections. Correct nature of payment code should be indicated in the relevant column in the challan. (For example, 94C for payment to contractors and sub-contractors, 94I for rent. List of codes is mentioned at the back of challan 281).
- iv Separate challans should be used to deposit tax deducted for different types of deductees, i.e. Corporate or Non Corporate. Type of deductee should be indicated in the relevant column in the challan. (For example, in challans to deposit tax deducted from corporate deductees, indicate "COMPANY DEDUCTEES - 0020" and for non-corporate deductees indicate "NON-COMPANY DEDUCTEES - 0021").

2) Advance Tax / Self-assessment Tax / Tax on Regular Assessment / Surtax / Tax on Distributed Profits of Domestic Companies / Tax on Distributed Income to Unit holders.

- i Challan 280 should be used for deposit of above mentioned tax.
- ii Correct 10-digit Permanent Account Number (PAN), name and address should be quoted on each challan used for depositing the tax. PAN is a unique 10-digit alphanumeric number allotted by ITD to all taxpayers.
- iii Separate challans should be used to deposit taxes for each of the above-mentioned type of tax and indicate the relevant code (for example 100 for advance tax, 300 for self-assessment tax).

3) DON'Ts

- i. Do not use incorrect type of challan.
- ii. Do not make mistake in quoting PAN / TAN..
- iii. Do not give PAN in place of TAN or vice versa.
- iv. 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.
- v. Do not use a single challan to deposit tax deducted under various sections.
- vi. Do not use a single challan to deposit tax deducted for corporate and non corporate deductees.
- vii. Do not use same challan for depositing various types of tax like advance tax, selfassessment tax etc.
- viii. Do not make mistake in the F.Y. and A.Y. to be indicated in the challan.
- ix. If you have multiple TANs for the same division filing TDS statements, do not use different TANs in different challans. Use one consistently and surrender the others.
- x. Do not use the preprinted Challans you receive without verifying whether the TAN / PAN quoted in these challans belongs to you.

You can verify the same from the allotment letter you have received from NSDL or from ITD website.

4) **Handling Mistakes-What if there is-**

I. Use of incorrect type of challan-

There is no inter challan adjustment possible. If challan 280 is used for TDS deposit then it cannot be adjusted against such TDS. A fresh payment vide correct challan 281 will have to be made as TDS and refund of earlier payment can be claimed in the computation of Income at the time of filing return or it can also be adjusted in the subsequent installment of advance Tax .

II. Wrong Assessment Year, Major Head Code, Minor Head Code, TAN/PAN, Total Amount, Nature of payment (TDS Codes)

- (i) **Wrong** quoting PAN / TAN.
- (ii) **Give** PAN in place of TAN or vice versa.
- (iii) **Make** mistake in the F.Y. and A.Y. to be indicated in the challan.
- (iv) **Mistake** in writing account head

To remedy this situation, the time window for the correction request by tax payer is as follows:

S.No	Correction required in Field name	Period of Correction Request (from Challan Deposit Date)
1	TAN/PAN	7 days
2	Assessment Year	7 days
3	Amount	7 days
4	Other fields (Major head, Minor head, Nature of payment)	Within 3 months

Also see that:

- The time window for correction by the bank is 7 days from the date of receipt of correction request from the tax-payer.
- After the window period available to banks for challan correction, the assessee can make a request for correction to his or her assessing officer, who is authorized under the departmental OLTAS application to make such correction in challan data in bonafide cases, to enable credit of the taxes paid, to the concerned assessee.

Conditions:

The changes can be made by the banks, subject to following conditions:

- i Correction in Name is not permitted.
- ii Any combination of correction of Minor Head and Assessment Year together is not allowed.
- iii PAN/TAN correction will be allowed only when the name in the challan matches with the name as per the new PAN/TAN.
- iv The change of amount will be permitted only on the condition that the amount so corrected is not different from the amount actually received by the bank and credited to Govt. Account.
- v For a single challan, correction is allowed only once. However, where 1st correction request is made only for amount, a 2nd correction request will be allowed for correction in other fields.
- vi There will be no partial acceptance of change correction request, i.e. either all the requested changes will be allowed, if they pass the validation, or no change will be allowed, if any one of the requested changes fails the validation test.

Procedure:

- i The tax-payer has to submit the request form for correction (in duplicate) to the concerned bank branch.
- ii The tax-payer has to attach copy of original challan counterfoil.

- iii In case of correction desired for challans in Form 280, 282, 283, the copy of PAN card is required to be attached.
 - iv In case of correction desired for payments made by a tax-payer (other than an individual), the original authorization with seal of the non-individual taxpayer is required to be attached with the request form.
 - v A separate request form is to be submitted for each challan.
- III.** When Intra head adjustments and TAN discrepancies need a resolve for existence of any of the following situations:
- i **Use** of a single challan to deposit tax deducted under various sections.
 - ii **Use** of a single challan to deposit tax deducted for corporate and non corporate deductees.
 - iii **Use** of same challan for depositing various types of tax like advance tax, self assessment tax etc.
 - iv **Use** of different TANs in different challans if you have multiple TANs for the same division filing TDS statements.

The assessee can make a request for correction to his or her assessing officer, who is authorized under the departmental OLTAS application to make such correction in challan data in bonafide cases, to enable credit of the taxes paid, to the concerned assessee.

B. PROOF OF PAYMENT

After the taxes are paid, the collecting bank branch will give a counter foil as acknowledgement for the taxes paid. Ensure that the bank has mentioned the Challan Identification Number (CIN) on the counter foil. If not, immediately take up the matter with the bank.

Sr. No.	CIN Particulars	No. of characters
1	Bank Branch Code (BSR code)	7 digits
2	Challan serial number	upto 5 digits
3	Date of tender of challan	DD/MM/YY

C. VERIFICATION OF TAX INFORMATION UPLOADED BY BANKS Online Verification

The collecting bank branch will transmit the details of taxes deposited to the TIN central system through the Online Tax Accounting System (OLTAS).

- (i) Status of challans deposited can be viewed on the NSDL-TIN website (www.tin-nsdl.com) under the link “Challan Status Enquiry”.
- (ii) On clicking “Challan Status Enquiry” the below screen (Figure 2) will be displayed. There are two types of views for taxpayers; CIN Based View and TAN Based View.
- (iii) **Through CIN Based View**, deductor can verify details of any particular challan.

The screenshot displays the 'Tax Information Network of Income Tax Department' website. The main heading is 'Challan Status for Tax Payer'. Below this, there are four input fields: 'BSR Code of Collecting Branch', 'Challan Tender Date (Cash/Cheque Deposit Date)' (set to 3 Oct 2011), 'Challan Serial No.', and 'Amount'. A verification instruction states: '* Verify the text in the below picture. Please enter alphabets and digits only and characters are case sensitive.' Below this is a CAPTCHA image showing the text 'LAGDM'. To the right of the image is a label '* Enter the code shown:' and an input box. At the bottom of the form are 'VIEW' and 'CLEAR' buttons. A 'Note:' section follows, containing three points: 1. Details stamped on the acknowledgement for challan given by the bank have to be entered herein above. 2. Challan Status may be viewed after a week from depositing the challan with the bank. 3. In case on making a query on the site, if the following message is displayed "no records found for the above query" or if there is any other discrepancy in the data, then please enquire with the bank where you have deposited the challan. If you do not get a satisfactory reply, you may email/write to NSDL. At the bottom, there are two links: 'View Quarterly Statement status' and 'SMS facility for Challan Status'.

- a. If the CIN provided in input is present in the TIN central system, then the following details will be displayed:

Sr. No.	Particulars
1	Bank Branch Code (BSR code)
2	Challan serial number
3	Date of tender of challan
4	Major head Code – Description
5	TAN / PAN
6	Name of the Tax payer
7	Received by TIN on (date of receipt by TIN)

- b. The amount field is optional. If the amount data is submitted as an input and matches with the amount of tax details transmitted by the bank, then “amount matched” will be displayed along with the above details.
- c. If the CIN entered is correct but the amount stated as input is incorrect, then “amount not matched” will be displayed.
- d. In case the details are not available with TIN, then “No records found for the above query” will be displayed. The details may not be available with TIN in case the bank has not transmitted the tax collected data to TIN central system or the CIN details transmitted by the bank are different then the CIN issued to the deductor. In such cases, deductor should contact the bank where the tax has been deposited.

(iv) **TAN Based View**

- i) Through the **TAN Based View**, deductor can view as well download challan details deposited by it in the banks for a given TAN during a specified period.
- ii) TAN and period for which challan details are to be viewed / downloaded should be provided as input.

Tax Information Network
of Income Tax Department

Challan Status Query for Tax Payer

Tax Deduction / Collection Account Number (TAN)	<input style="width: 90%;" type="text"/>
Challan Tender Date/Date of Deposit (Period)	From: DD --select-- To: DD --select--

Note:

Enter TAN in upper case. E.g MUMM11111A

View Challan Details:

- On selecting this option challan details for the selected TAN and period car

Download Challan Details:

- On selecting this option text file containing challan details for the selected T
- This file should be used to verify the challan details mentioned in the Quart
- For verifying the challan details import the challan file in the File Validation t
- (Quarterly e-TDS/TCS statement)
- On successful validation of Quarterly e-TDS/TCS statement, FVU will provid
- details mentioned in the e-TDS/TCS statement
- Period selected should be within 15 months.
- Challan details of TDS/TCS Payments made for Regular Assessment (Rai
- challan file downloaded

[View Quarterly Statement status](#)

- e. The following details of challans deposited by the deductor and transmitted by banks with this TAN during the period specified will be displayed.

Sr. No.	Particulars
1	Challan serial number
2	Date of tender of Challan
3	Date of Receipt
4	Major head Code – Description
5	Minor Head Code
6	Nature of Payment
7	Amount

- f. Following mismatch could be there:
- i Challan serial number is different
 - ii Date of tender is different

- iii Nature of Payment is different
- iv Major / Minor head is different

For such cases, the deductor should approach the bank. The time available to deductor is three months from the date of tender. If the deductor fails to note the discrepancy within three months of the date of tender, he will have to go through the correction process through assessing officer which could be very time consuming and cumbersome.

D. Checks before filing e TDS return with TIN facilitation Centre

1) **Valid File:** The Control Totals in Response File are generated only when a valid file is generated. Otherwise, the Error File shows the nature of error. The control totals are as under:

- **Number of deductee / party records:** In case of Form 24Q, it is equal to the number of employees for which TDS return is being prepared. In case of Form to 1 party would mean 10 deductee records.
- **Amount Paid:** This is the total amount of all payments made on which tax was deducted. In case of Form 24Q, it is equal to the Total Taxable Income of all the employees. In case of Form 26Q/27Q, this is equal to the total of all the amounts on which tax has been deducted at source.
- **Tax Deducted:** This is the total amount of tax actually deducted at source for all payments.
- **Tax Deposited :** This is the total of all the challans deposited for the period. This is normally the same as Tax Deducted but at times may be different due to interest or other amount.

In case of mismatch- In such a case the e-TDS/TCS return will not be accepted by the TIN-FC. You should ensure that the control totals generated by FVU and that

mentioned on Form No. 27A match. Recently, the provisions have changed and now Form 27A is generated automatically after validation.

2) **Invalid File:** Once the statement is prepared and it has passed through validation tests, it is important to study the files that are generated:

- I. TDS statement Statistics report that is generated. The three columns namely No. of challans, no. of unmatched Challans and No. of Matched challans are importantly to be attended. In case of any unmatched challan attention must be paid on the reason of mismatch. Scrutiny of challan deposited viz a viz challan details uploaded on the challan status enquiry is a must. There can be two ways:
 - 1) If this report can be rectified immediately – If the deductor has time for filing and the mismatch is due to bank upload error, the deductor should try and get it resolved through bank immediately as the time frame for resolve by bank is within 7 days. This could possibly save the frequent visits to AO for rectification at their end.
 - 2) If the deductor has no time left for filing because of due date- Deductor should file the current statement and after getting the correction done should immediately file a correction statement
- II. 26Q_Electronic_Statement_Warning_File(.html file)- Such file is generated if:
 - 1) The bank branch code (BSR code is not present in the list of authorised bank branches)
 - 2) If the PAN of the deductor is same as that of any deductee in the TDS statement.
 - 3) If the challan details of the statement do not match with the details uploaded by the bank.

FVU - TDS STATEMENT STATISTICS REPORT - Batch Number 1

You are advised to verify the details of your TAN at Income Tax Department's web-site (www.incometaxindia.gov.in) before submission of the statement. If the data displayed is not updated then request for necessary changes by submitting 'Form for Changes or Corrections in TAN data for TAN allotted' along with the statement. If such a request has already been filed, then please enclose a copy of acknowledgment of such request with the Form 27A.

The details in the report are as per the statement prepared by you. In case of any discrepancy in the details, rectify the statement accordingly. Thereafter, validate the rectified statement again through FVU.

The details provided in the physical Form 27A should match with the statistics report.

You can track the status of the challans as well as the statements furnished at www.tin-nsdl.com using TAN and Provisional Receipt Number.

Name of Deductor	TAN of Deductor
Challanwiddededucteedetails 123456789012345678901234567890123456789	AGRA10088B

PAN of Deductor	Form Number	Form Type
AAACA1234A	26Q	Non-Salary (Electronic)

Assessment Year	Financial Year	Quarter	Upload Type	Type of Correction
2011-12	2010-11	Q1	Regular	NA

No. of Challans	Total Challan Amount (₹)	No. of Deductee Records	No. of Deductee Records where tax is deducted at Higher Rate
15	621762.00	15	3

No. of Challans (excluding nil)	No. of Unmatched challan	No. of Matched challan
15	Challan not verified	Challan not verified

Amount of Payment / Credit (₹)	Total Income Tax Deducted at Source (₹)	Total Tax Deposited as per Deductee Annexure (₹)
153744.00	51070.00	51070.00

Deductee PAN Details (Annexure I)

No. of Valid PAN	No. of PAN Applied (PANAPPLIED)	No. of PAN Not Available (PANNOTAVBL)	No. of Structurally Invalid PAN (PANINVALID)
15	0	0	0

Distinct Count of mismatch of Bank branch code in e-TDS/TCS statement with the authorized bank branch code master	2
--	---

Details of bank branch code not present in list of authorized bank branch code master
2222222, 1111111

Last Deductee (LD) Detail Record Number in Challan : LD1=1, LD2=1, LD3=1, LD4=1, LD5=1, LD6=1, LD7=1, LD8=1, LD9=1, LD10=1, LD11=1, LD12=1, LD13=1, LD14=1, LD15=1 (eg. LD1=2 means "Last Deductee detail record no. of Challan 1 is 2")
FVU Version : 3.2 Input File Name : 26QRQ1.txt

- 3) **Missing PANs:** In case PANs of some of the deductees are not mentioned in the e-TDS/TCS return, the Provisional Receipt will mention the count of missing PANs in the e-TDS/TCS return. The details of missing PANs (to the extent it can be collected from the deductees) may be filed within seven days of the date of Provisional Receipt to TIN-FC. e-TDS/TCS return will be accepted even with missing PANs. However, if PAN of deductees is not given in the TDS return, tax deducted from payment made to him cannot be posted to the statement of TDS

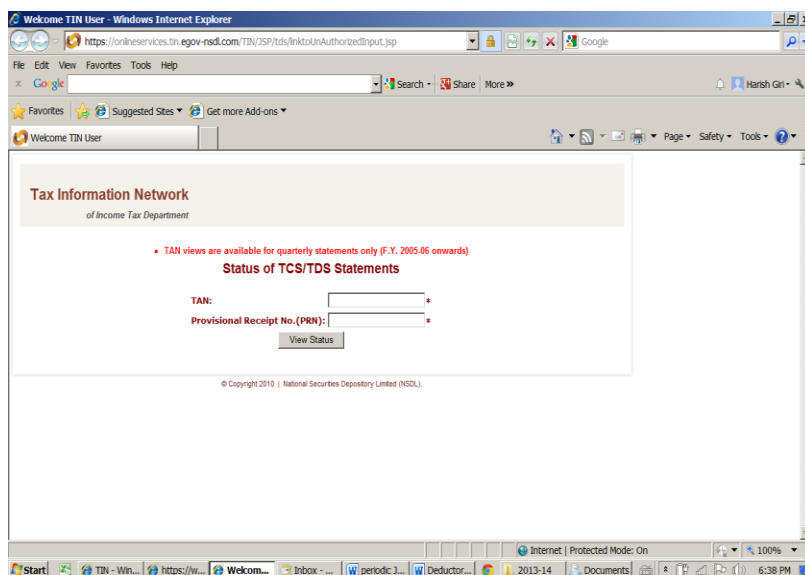
to be issued to him u/s 203AA. In case PANs of some of the deductees are not available with you for quoting in the TDS statement, you need to deduct tax at a higher rate as prescribed by ITD and flag such deductee records as 'C' in the statement.

In case of TCS statement, PAN quoting compliance of 85% is mandatorily required for validation, i.e. out of the total collectee records in the TCS statement, the PAN should be present for 85% of the records failing which the statement will not be validated through the File Validation Utility. In view of this, it is recommended that the records comprising 85% of valid PAN be reported first and the records for the remaining collectees may be reported as and when PAN details are received.

E. Verification of Status of e-TDS/TCS statement furnished to TIN

1. You can verify the status of your statements through TIN website. To view these details, click on “Quarterly Statement Status”.

- (a) Enter TAN and Provisional Receipt Number (PRN) of the statement for which the status needs to be verified.
- (b) These views are available only for e- TDS/TCS statement for F.Y. 2005-06 and onwards.
- (c) You can verify the information without any other authentication. In this case no financial information will be displayed. You can also enquire on the above information from TIN Call Centre.
- (d) In case you have a Digital Signature Certificate (DSC) you can verify the above details along with the financial information.



On providing the TAN and provisional receipt number / Token Number, the deductor can view the following details:

- Whether quarterly statements have been uploaded to TIN central system by TIN-FC.
- Whether quarterly regular statements have been accepted/rejected by TIN central system.
- Whether quarterly correction statements have been accepted/rejected /are under process at CPC.

2. Access with Authentication-

To access this view, the tax payer should have a Digital Signature Certificate (DSC) which has to be registered with NSDL in advance. (Details of the same are available at Online Uploads section of the NSDL-TIN website.) The tax payer has to authenticate its identity using the DSC. All the views mentioned above will be available with financial details.

F. Correction Statements: To facilitate correct credit in Form 26AS of the deductee, Deductor is required to remove deficiencies, if any, in the accepted regular TDS/TCS statement by filing correction statement

1) Following type of corrections can be made:

1. C1- update deductor details such as Name and address
2. C2- Update challan details such as challan serial no. BSR code, challan tender date, challan amount etc
3. C3- update/add deductee details
4. C4- Add/delete salary detail records
5. C5- Updation of deductee PAN and/or salary detail records
6. C9- Add new challan and underlying deductees
7. Y- cancellation of accepted statement. It can be cancelled only if the TAN of the deductor is to be corrected.

2) Files to be submitted along with correction statement

1. .FVU file on a CD/ pen drive
2. Statement of statistics report
3. Form 27A
4. Copy of provisional receipt of last statement submitted

G. Inconsistencies under intimation under section 200A

1. Short Payment
2. Short Deduction
3. Interest on payment defaults
4. Interest on deduction defaults
5. PAN errors

H. Action required to remove these inconsistencies

Challan Status	Error in TDS statment	Error in challan details uploaded by bank / incorrect TAN provided by	Action required from deductor

		deductor	
Short payment on account of challan mismatch (Amount mismatch)	yes	no	File correction statement
Short payment on account of challan mismatch (Amount mismatch)	No	yes	Contact Bank
Short payment on account of challan mismatch (TAN mismatch in challan and statement)	Yes	No	Cancellation of TDS statement and submission of fresh statement for correct TAN
Short payment on account of challan mismatch (TAN mismatch in challan and statement)	No	Yes	Contact Assessing Officer

I. Refund of tax deducted at source under section 195- to the person deducting the tax

There are certain situations when the tax deducted at source under section 195 can be claimed back as refund:

- a. the contract is cancelled and no remittance is made to the non-resident;
- b. the remittance is duly made to the non-resident, but the contract is cancelled. In such cases, the remitted amount has been returned to the person responsible for deducting tax at source;
- c. the contract is cancelled after partial execution and no remittance is made to the non-resident for the non-executed part;
- d. the contract is cancelled after partial execution and remittance related to non-executed part is made to the non-resident. In such cases, the remitted amount has been returned to the person responsible for deducting the tax

at source or no remittance is made but tax was deducted and deposited when the amount was credited to the account of the non-resident;

- e. there occurs exemption of the remitted amount from tax either by amendment in law or by notification under the provisions of Income-tax Act, 1961;
- f. an order is passed under section 154 or 248 or 264 of the Income-tax Act, 1961 reducing the tax deduction liability of a deductor under section 195;
- g. there occurs deduction of tax twice from the same income by mistake;
- h. there occurs payment of tax on account of grossing up which was not required under the provisions of the Income-tax Act, 1961;
- i. There occurs payment of tax at a higher rate under the domestic law while a lower rate is prescribed in the relevant double taxation avoidance treaty entered into by India.

In the cases mentioned above, income does not either accrue to the non-resident or it accrues but the excess amount in respect of which refund is claimed, is borne by the deductor. The amount deducted as tax under section 195 and paid to the credit of the Government therefore belongs to the deductor and is thus allowed to be refunded to the person deducting the tax (**CIRCULAR NO. 7/2007 DATED 23-10-2007 Procedure for refund of tax deducted at source under section 195 to the person deducting the tax Section 239 of the Income-tax 1961**)- Appendix

J. Issuance Of TDS certificate Form 16 and Form 16A

Tax deducted on or after 01.04.2012, it is mandatory for all type of deductors to issue quarterly form 16A (non-salary tds certificate) only after downloading the same from the TDSCPC website. Earlier this was mandatory only for companies ,Banks and co-operative societies engaged in Banking services with effect from 01.04.2011 through circular number 3/2011.

Form 16A downloaded from TDSCPC can be signed manually or can be authenticated through digital signature.

Though this will be an increase in work load on small traders also but it is welcome step as it will reduce arbitrary demands by department due to mismatching of TDS claimed and TDS shown on form 26AS. Moreover small traders are also not small now .TDS is to be deducted by HUF and Individual only if their turnover/Receipt is during the immediately preceding year more than limit prescribed under section 44AB .Present limit for FY 2012-13 is proposed to be increased to 1 crore for business and 25 lakh for Professionals.

	FY 2010-11	FY 2011-12	FY 2012-13 onwards
Download Form 16A from TDSCPC Web Site	Optional	Mandatory for Companies and Banks. Optional for others	Mandatory for all type of deductors
Digitally Sign Form 16A	Optional but only if downloaded from TDSCPC Web site	Optional but only if downloaded from TDSCPC Web site	Optional but only if downloaded from TDSCPC Web site
Manually Issue TDS Certificate (Form 16A)	All deductors can manually issue TDS Certificate	Companies and Banks cannot manually issue TDS Certificate	No deductor can issued manually TDS certificate
Manually Issue TDS Certificate (Form 16 salary)	All deductors can manually issue TDS Certificate	All deductors can manually issue TDS Certificate	Companies can only issue Part B of TDS Certificate manually. Part A of Form 16 Has to mandatorily be downloaded from TDSCPC Web site

Hence, manual form 16A cannot be issued for tax deducted on or after 01.04.2012. However, Part B of form 16 salary can be issued without downloading from the TRACES site.

K. TDS on Income from Pension:

In the case of pensioners who receive their pension from a nationalized bank, the instructions contained in this circular shall apply in the same manner as they apply to salary-income. The deductions from the amount of pension under section 80C on

account of contribution to Life Insurance, Provident Fund, NSC etc., if the pensioner furnishes the relevant details to the banks, may be allowed. Necessary instructions in this regard were issued by the Reserve Bank of India to the State Bank of India and other nationalized Banks vide RBI's Pension Circular(Central Series) No.7/C.D.R./1992 (Ref. CO: DGBA: GA (NBS) No.60/GA.64(11 CVL)-/92), dated the 27th April, 1992, and, these instructions should be followed by all the branches of the Banks, which have been entrusted with the task of payment of pensions. Further all branches of the banks are bound u/s 203 to issue certificate of tax deducted in Form 16 to the pensioners also vide **CBDT circular no. 761, dated 13-1-1998**.

New Pension Scheme:

The New Pension Scheme(NPS) has become operational since 1st Jan. 2004 and is mandatory for all new recruits to the Central Government Services from 1st January, 2004. Since then it has been opened to employees of State Governments, Private Sector and Self Employed. The income received by the NPS trust is exempt. The NPS trust is exempted from the Dividend Distribution Tax and is also exempted from the Securities Transaction Tax on all purchases and sales of equities and derivatives. The NPS trust will also receive income without tax deduction at source. The above amendments are retrospectively effective from 1-4-2009 (AY 2009-10) onwards.

L. Consequences Of Default

Failure to deduct or remit TDS /TCS (full or part)

- i Interest: Interest at the rates in force (12% p.a.) from the date on which tax was deductible /collectible to the date of payment to Government Account is chargeable. The Finance Act 2010 amended interest rate wef 01.07.2010 and created a separate class of default in respect of tax deducted but not paid to levy interest at a higher rate of 1.5 per cent per month, i.e. 18 per cent p.a. as against 1 per cent p.m., i.e. 12 per cent p.a., applicable in case the tax is deducted late after the due date. The rationale behind this amendment is that the tax once deducted belongs to the government and the person withholding the same needs to be penalized by charging higher rate of interest Penalty equal to the tax that was failed to be deducted/collected or remitted is leviable. That is to say-
 - a) at 1% for every month or part of the month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted and

- b) at one and one-half per cent for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.
- ii In case of failure to remit the tax deducted/collected, rigorous imprisonment ranging from 3 months to 7 years and fine can be levied.
- iii Failure to apply for TAN in time or Failure to quote allotted TAN or Wrong quoting of TAN :Penalty of Rs.10,000 is leviable u/s.272BB (for each failure)
- iv Failure to issue TDS/TCS certificate in time or Failure to submit form 15H/15G in time or Failure to furnish statement of perquisites in time or Failure to file Quarterly Statements in time: For each type of failure, penalty of Rs.100/- per day for the period of default is leviable. Maximum penalty for each failure can be up to the amount of TDS/TCS.
- v New Section for Penalty for non-submission of ETDS /ETDS return (section 271H)(applicable from 01.07.2012)
- vi Failure to deliver statement within time prescribed u/s 200 (3) or to the proviso to sub-section (3) of section 206C may liable to penalty which shall not be less than Rs. 10,000/- but which may extend to Rs. 1,00,000/-. No penalty if payment of tax deducted or collected along with fee or interest and delivering the statement aforesaid before the expiry of 1 year from the time prescribed for delivering the such statement. However No penalty shall be imposed u/s 271H if the person proves that there was reasonable cause for the failure.(section 273B)

M. All about TDS at a Glance

1) A snapshot of WHT for 2014-15 fiscal

Sl. No.	Section Of Act	Nature of Payment in brief	CUT OFF	Rate %	
				HUF/IND	Others
1	192	Salaries		Average Rate	
2	193	Interest on debentures	5000	10	10
3	194	Deemed dividend	-	10	10

4	194A	Interest other than Int. on securities (by Bank)	10000	10	10
4A	194A	Interest other than Int. on securities (By others)	5000	10	10
5	194B	Lottery / Cross Word Puzzle	10000	30	30
6	194BB	Winnings from Horse Race	5000	30	30
7	194C(1)	Contracts	30000	1	2
8	194C(2)	Sub-contracts/ Advertisements	30000	1	2
9	194D	Insurance Commission	20000	10	10
10	194EE	Payments out of deposits under NSS	2500	20	-
11	194F	Repurchase of units by MF/UTI	1000	20	20
12	194G	Commission on sale of lottery tickets	1000	10	10
13	194H	Commission or Brokerage	5000	10	10
14	194I	Rent (Land & building) furniture & fittings)	180000	10	10
		Rent (P & M , Equipment)	180000	2	2
15	<u>194 IA</u>	TDS on transfer of immovable property other than agriculture	50 Lakh	1	1

		land (wef 01.06.13)			
16	194J	Professional/Technical charges/ Royalty & Non-compete fees	30000	10	10
17	194J(1)(ba)	Any remuneration or commission paid to director of the company (Effective from 1 July 2012)	NIL	10	10
18	194LA	Compensation on acquisition of immovable property	200000	10	10

Note:

- Yearly Limit u/s 194C:** Where the aggregate of the amounts paid/credited or likely to be paid/credited to Contractor or Sub-contractor exceeds Rs.75,000 during the financial year, TDS has to be deducted u/s 194C.

Various situations and Surcharge /Cess applicable on TDS/TCS				
Payment to		payment	Surcharge	Cess
Resident	Non-corporate	salary(up to 1 crore)	No	yes(3%)
	Non-corporate	salary(> 1 crore)	yes (10%)	yes (3%)
	Non-corporate	other than salary	No	No
	Corporate	other than salary	No	No
Non-Resident	Non-corporate	salary(up to 1 crore)	No	yes (3%)
	Non-corporate	salary(> 1 crore)	Yes (10 %)	yes (3%)

	Non-corporate	other than salary up to 1 Crore	No	yes (3%)
	Corporate	other than salary (> 1 Crore to 10 crore)	yes(2%)	yes (3%)
	Corporate	other than salary > 10 Crore	yes(5%)	yes (3%)

2) TDS by Individual and HUF (Non Audit) case not deductible

An Individual or a Hindu Undivided Family whose total sales, gross receipts or turnover from business or profession carried on by him does not exceed the monetary limits(Rs.100,00,000 in case of business & Rs.25,00,000 in case of profession) under Clause (a) or (b) of Sec.44AB during the **immediately preceding financial year** shall not be liable to deduct tax u/s.194A,194C, 194H, 194I & 194J. So no tax is deductible by HUF/Individual in first year of operations of business even sales/Fees is more than 100/25 Lakh.

3) TCS (tax collection at source rates FY 2013-14) (read more details under Tax collection at source)

Sl.No.	Nature of Goods	Rates in %
1	Alcoholic liquor for human Consumption	1
2	Tendu leaves	5
3	Timber obtained under forest lease	2.5
4	Timber obtained by any mode other than a forest lease	2.5
5	Any other forest produce not being timber or tendu leaves	2.5
6	Scrap	1
7	Parking lot	2

8	Toll plaza	2
9	Mining & Quarrying	2
10	Minerals, being coal or lignite or iron ore	1 wef 01.07.2012
11	Bullion or jewellery (if the sale consideration is paid in cash exceeding INR 5 lakhs in jewellery and two lakh in case of Bullion)	1 wef 01.07.2012

4) Due date to Deposit TDS and TCS

Time and mode of payment to Government account of tax deducted at source or tax paid under sub section (1A) of section 192.

Rule :30.

1. All sums deducted in accordance with the provisions of Chapter XVII-B by an **office of the Government** shall be paid to the credit of the Central Government -
 - i. on the same day where the tax is paid without production of an income-tax challan; and
 - ii. on or before seven days from the end of the month in which the deduction is made or income-tax is due under sub-section (1A) of section 192, where tax is paid accompanied by an income-tax challan.

Tax to be deducted/collected by Govt Office		
1	Tax deposited without challan	Same day
2	Tax deposited with challan	7th of next month
3	Tax on perquisites opt to be deposited by the employer	7th of next month

2. All sums deducted in accordance with the provisions of Chapter XVII-B by deductors **other than an office of the Government** shall be paid to the credit of the Central Government -

- (a) on or before 30th day of April where the income or amount is credited or paid in the month of March; and
- (b) in any other case, on or before seven days from the end of the month in which-
1. the deduction is made; or
 2. income-tax is due under sub-section (1A) of section 192.

Tax deducted/collected by other		
1	tax deductible in March	30th April of next year In case of TCS 7th April
2	other months & tax on perquisites opted to be deposited by employer	7th of next month

3. Notwithstanding anything contained in sub-rule (2), in special cases, the Assessing Officer may, with the prior approval of the Joint Commissioner, permit quarterly payment of the tax deducted under section 192 or section 194A or section 194D or section 194H for the quarters of the financial year specified to in column (2) of the Table below by the date referred to in column (3) of the said Table:-

SrNo	Quarter ended On	Date of payment
1	30th June	7th July
2	30th September	7th October
3	31st December	7th January
4	31st March	30th April

5) Person required to file ETDS Return

NOTIFICATION No. 238/2007, dated 30-8-2007. Now following person are liable to file e tds / e tcs return.

1. All Government departments /offices or

2. All companies.or
3. All persons required to get their accounts audited under section 44AB in the immediately preceding financial year; or
4. The number of deductees' records in a quarterly statement for any quarter of the immediately preceding financial year is equal to or more than fifty,

6) Filing due Dates

Dates of filing Quarterly Statements E-TDS Return 24Q

Sl. No	Return for Quarter ending	Due date for Government Offices	Due date for Other Deductors
1	30th June	31st July	15th July
2	30th September	31st October	15th October
3	31st December	31st January	15th January
4	31st March	15th May	15th May

7) Functionalities in TDS Reconciliation Analysis and Correction Enabling System-

7.1 The following functionalities are available to a deductor after logging in to TRACES

- View Challan Status
- View TDS / TCS Credit
- PAN Verification
- View Statement Status
- View Challan Status Query for Statement
- Download Consolidated TAN PAN File
- Request for Conso file
- View Default Summary
- Request for Justification Report
- Download Form 16 / 16A
- Manage Profile

- Add / Edit sub-users for a TAN

7.2 The different statuses available on TRACES regarding TDS / TCS statement

Following processing status shall be displayed for regular statement:

- Pending for Processing
- Processed for Form 26AS
- Processed without Defaults
- Processed with Defaults

Following processing status shall be displayed for correction statement:

- Pending for Processing
- Processed for Form 26AS
- Processed without Defaults
- Processed with Defaults
- Rejected

8) The common reasons for rejection of correction statement by TDS-CPC

Following are the common reasons for rejecting a correction statement:

- TAN is not valid as per data at TDS CPC
- Statement corresponding to regular token number / previous token number field, as given in correction return, does not exist
- Previous token number does not correspond to the last accepted correction statement at TDS CPC
- Correction is filed for a regular return which is in cancelled state
- In a correction statement, below are the verification keys which should match with the corresponding fields of regular statement :
 - RRR assessment year

- Return Financial Year
- Periodicity
- Previous Token number
- Last TAN of Deductor
- Receipt number of Original / Regular Return
- Form number
- Sum given in 27A form should match with the sum of deducted amount of deductee records given in the correction statement

8.1 The reasons to reject the correction in challan detail by TDS-CPC

Rejection reasons pertaining to challan details are as follows:

- Challan detail record on which correction has been filed does not exist in regular / previous statement
- In a correction statement, verification keys from challan data should match with the corresponding fields in regular statement
 - Verification keys for Non Nil Statement - Last transfer voucher number, Last Bank-Branch Code / Form 24G Receipt Number, Last date of transfer voucher / bank Challan, Last deposit amount as per challan
 - Verification keys for Nil challan - Last date of transfer voucher number / bank challan, last total deposit amount as per challan
- If an unmatched challan is being corrected, then the sum of deposit amount of all the active deductee rows in the regular and correction statement and corrected values of claimed TDS interest and claimed TDS Others amount should be less than or equal to Total deposit amount of challan given in statement
- If a matched challan is being corrected, then available balance amount in the challan should be sufficient for consumption of updated sum of deposit amount of all the active deductee rows in correction and corrected values of claimed TDS interest and claimed TDS Others amount

- In case of existing matched / partially matched challan, deductor can only update Cheque / DD Number, claimed TDS Interest amount, claimed TDS Others amount and Section code
- If deductor updates only deductee details, then claimed TDS Interest amount and claimed TDS Others amount as given in the challan should match with the corresponding values present in regular / previous return

8.2 The reasons to reject the correction in deductee records by TDS-CPC

Rejection reasons pertaining to deductee details are as follows:

- In a correction statement that updates / deletes deductee rows, verification keys from deductee data that should match with corresponding fields in regular / previous return are - Last PAN, Last total amount deducted at source, Last total amount deposited
- Updation / deletion on deductee record is submitted in a correction statement but this deductee record does not exist in previous/ regular return
- Valid PAN to invalid PAN update is not allowed for a deductee row
- Deductee detail record number should be unique in case of addition of deductees
- If value of Reason for non-deduction / lower deduction / higher deduction / threshold field as per regular or last correction statement is 'C' , then update can be performed only on 'PAN', 'Amount of Payment' and 'Date of Payment'
- Deletion of deductee record having value C in Reason for non-deduction / lower deduction/ higher deduction / threshold field, is not allowed
- Valid PAN to another valid PAN update can be done only once for a given deductee row

8.3 The reasons to reject the correction in salary detail records by TDS-CPC

Rejection reasons pertaining to salary details are as follows:

- In case of salary detail PAN update or delete of salary detail record, last total gross income should match with corresponding value in regular / previous statement
- Salary detail record on which correction is filed does not exist in the regular / previous return
- In case of addition of salary detail record, the record number should be unique and in sequence with the existing records in regular / previous return

9) The different statuses of challan in a TDS / TCS statement

The challan statuses available on TRACES are:

- Matched
- Unmatched - Unmatched status is identified if TAN / challan detail quoted in the statement is incorrect when verified with OLTAS. In order to rectify such errors, correction statement is required to be filed. Otherwise, corresponding deductees (tax payers) will not be able to claim credit for the TDS deducted
- Overbooked

10) Checking status of TDS / TCS challan on ;TRACES

There are two search options for checking challan status on TRACES:

- Option 1 requires following fields to be entered:
 - Challan Deposit Date (both From and To date)
 - Challan Status - Claimed / Unclaimed / All

After deductor provides the 'From' and 'To' dates and proceeds, all challans deposited during that period will be populated in 'Challan Details' table. Deductor can narrow down the search by selecting 'Challan Status' from the drop-down. Deductor can view consumption details of challans with 'Claimed' status only. 'Consumption Details' can be viewed by selecting a row with challan status as 'Claimed' and then clicking on 'View

Challan Consumption Details' button. Deductor will be asked to provide 'Challan Amount' and after challan amount is verified, deductor will be able to view consumption details for that challan

- Option 2 requires following fields to be entered:
 - BSR code
 - Date of Deposit
 - Challan Serial Number
 - Challan Amount

You can also check consumption details of the challan by clicking on 'View Challan Consumption Details'.

After deductor provides challan details and proceeds, challan pertaining to these details will be populated in 'Challan Details' table. Deductor can view consumption details of challans with 'Claimed' status only. 'Consumption Details' can be viewed by selecting a row and then clicking on 'View Challan Consumption Details' button

Challan Consumption Details table displays the statement(s) in which the particular challan was consumed.

- Challan status is displayed as 'Over Booked' when sum of tax deposited for underlying deductee rows against challan ('Amount Claimed') is greater than balance available for the challan in OLTAS.
- Challan status is displayed as 'Matched' when:
 - The challan is not consumed by the deductor, i.e., sum of tax deposited for underlying deductee rows against the challan ('Amount Claimed') is 'Zero',
 - The challan is Partially Consumed by the deductor, i.e., sum of tax deposited for underlying deductee rows against the challan ('Amount Claimed') is less than challan amount the challan,

- The Challan is Fully Consumed by the deductor, i.e., sum of tax deposited for underlying deductee against challan, i.e., 'Amount Claimed' is equal to the challan amount.

11) Miscellaneous Functions:

- **Verifying Pan-** Login to TRACES as deductor and click on 'PAN Verification' under 'Statements / Payments' tab. Enter PAN and select Form Type and proceed. Status of the PAN (whether valid / invalid) and name of PAN holder will be displayed as per PAN database
- **Viewing TDS / TCS Credit-** Deductor must enter PAN, FY, Quarter and Form Type to see information for a particular PAN. 'Statement Details' table will be populated irrespective of whether PAN is present in the statement or not. This table provides information related to the statement pertaining to the input criteria selected by user. 'Deductee Details' table will be populated only if the PAN entered by user is present in the latest accepted statement for the input criteria selected. This table shows the status of booking for a PAN.
- **Consolidated TAN-PAN file** -This consolidated file contains details of all Tax Payers for a TAN. This file consists of the valid PANs for which the TAN has filed TDS / TCS statement. This helps in identifying the valid and invalid PAN of Tax Payers for whom you have filed TDS / TCS statement. This is an offline verification tool. Login to TRACES as deductor and submit download request for this file under 'PAN Verification' in 'Statements / Payments' tab. File will be available under 'Requested Downloads' in 'Downloads' tab

12)How to track justification report-

- i) Visit - <https://www.tdscpc.gov.in>
- ii) Log in with your particulars namely TAN, User ID and password
- iii) On the landing page following tabs will appear on top:
 - Dashboard
 - Statements/ Payments
 - Defaults

- Communications
- Downloads
- Profile

Under 'Defaults' tab click on 'Request for Justification Report Download' to place download request.

Please see that download request for justification report for a particular statement can be submitted only when the statement is filed by Deductor and processed by TDS CPC. It is made available from FY 2007-08 onwards.

- iv) Select Financial year, Quarter and Form type for which justification report is required and click on GO
- v) Validation screen will be presented on the click of GO
It can be submitted only if the selected statement has not been filed as paper return
- vi) On the next landing page, please enter token no. of regular statement filed for financial year, Quarter and Form type as mentioned there
- vii) In continuation window will ask for challan details for the type of challan selected. Challan selected could be the one with three valid PANs , Two valid PANs, one valid PAN or nil valid PAN (Help is available on selection of challan by clicking on ?)
- viii) Enter three PAN – Amount combinations (in two decimal places) and proceed
- ix) Authentication code will be generated on clearing validations and it will have one day validity which can be used for various other requests.
- x) Download request confirmation will be displayed and the file requested will be available in the download section
- xi) Click on requested downloads under 'Downloads'
- xii) All the files requested for download can be viewed or required files can be filtered.
- xiii) The password for opening Justification Report will be JR_TAN_FormType_Quarter_FY, i.e., JR_AAAA11111A_24Q_Q3_2010-11

- xiv) The requested files can be generated in excel format.
- xv) Report generation utility can be downloaded by clicking on 'download utility' in 'download section'
- xvi) Download the zip file and save it to local machine and follow steps to convert the justification report text file into excel.
- xvii) The justification report may show 'Not Available' for cases where a correction statement has been filed and is pending for processing

13)Conso File

- i Login to TRACES as deductor and submit download request for the conso file under 'Request for Conso File' in 'Statements / Payments' tab. File will be available under 'Requested Downloads' in 'Downloads' tab.
- ii The password for opening Conso file will be your TAN_Request Number in capital letters
- iii The file extension of this file would be in ".tds" format
- iv Conso file will not be available in case of paper return

14)Useful Tips for Filing Correct Correction Statements

- i **Challan Information for payment of demand amount** Challan no. ITNS 281 should be used for deposit of demand amount and minor head ticked should be 400
- ii **in case of Late Payment / Late Deduction intimation received-** Download conso file from TRACES for filing correction and update the challan detail. While filing correction, fill up interest amount in column no. 403 in Form 26Q, column no. 304 in Form 24Q, column no. 705 in Form 27Q and column no. 655 in Form 27EQ. Mention default interest amount in second last interest column in challan detail of conso file.
- iii **calculating interest on Late Deduction**

You have to deposit late deduction interest @ 1% per month or part of the month from the date of payment / credit to deductee till date of deduction.

Procedure for calculating Late Deduction:

Interest Calculation						
Amount Paid / Credited (Rs.)	TDS Deducted (Rs.)	Date of Payment	Due Date of Deduction	Date of Deduction	Period of Delay in Months	Interest on Late Deduction U/S 201 (1A)(Rs.)(Col 2 * Col 6 * 1%)
100000.00	10000.00	03/03/12	03/03/12	04/03/12	1	100.00
Total						100.00

Correct Calculation

No. of months in Defaults=1 i.e., 3-Mar-2012 to 4-Mar-2012

$$10000 * 1\% * 1(\text{Months}) = 100.00$$

- iv **On receiving an intimation of Short Deduction for payment amount which is not eligible for TDS as the amount is below the threshold limit-** File correction statement and raise threshold flag ('Y') in column no. 326 (24Q), column no. 424 (26Q), column no. 729 (27Q) and column no. 680 (27EQ) for 'Reason for no / lower deduction'.
- v **On receiving an intimation of Short Deduction u/s 194C for a deductee who is a transporter-** File correction statement and raise transporter flag ('T') for the particular deductee, who is a transporter, in column no. 424 (26Q) for 'Reason for no / lower deduction'.
- vi **On receiving an intimation of Short Deduction for deductee having a lower rate certificate -** File a correction statement and raise 'A' flag for respective deductees, in column no. 326 (24Q) & column no. 424 (26Q) for 'Reason for no / lower deduction'

vii While filing a correction statement if Late

Deduction Interest amount is quoted in 'Other' column - File a correction statement, delete the amount from 'Other' column and mention interest amount in interest column no. 403 in Form 26Q, column no. 304 in Form 24Q, column no. 705 in Form 27Q and column no. 655 in Form 27EQ. You also need to mention demand amount of interest in second last column of interest in challan details

viii Please note that the system will not allow rounding off under section 288B at the transaction level but only at the statement level

ix What should be done on receipt of demand notice u/s 234E Late Filing- The default amount will have to be deposited through challan no. 281. Download conso file from TRACES for filing correction and tag the paid challan detail without adding any deductee records. While filing correction, fill up the fee amount in 'Fee' column in challan detail. (Refer e-tutorial - <https://www.tdscpc.gov.in/en/download-nsdl-conso-file-etutorial.html>)

Note: There is no. need to send any communication to TDSCPC separately

x Correction of valid PAN to valid PAN can be performed only once. If you have consumed all your attempts, you need to deposit short deduction default amount and file correction to close the defaults

Appendix 1

CIRCULAR NO. 7/2007 DATED 23-10-2007 Procedure for refund of tax deducted at source under section 195 to the person deducting the tax Section 239 of the Income-tax 1961

Refunds

The Board had issued Circular No. 790 dated 20th April, 2000, laying down the procedure for refund of tax deducted under section 195, in certain situations to the person deducting the tax at source from the payment to the non-resident. Representations have been received in the Board from taxpayers requesting that the said Circular may be amended to take into account situations where genuine claim for refund arises to the person deducting the tax at source from payment to the non-resident and it does not fall in the purview of the said Circular.

2. The cases which are being referred to the Board mainly relate to circumstances where, after the deposit into Government account of the tax deducted at source under section 195

- a) the contract is cancelled and no remittance is made to the non-resident;
- b) the remittance is duly made to the non-resident, but the contract is cancelled. In such cases, the remitted amount has been returned to the person responsible for deducting tax at source;
- c) the contract is cancelled after partial execution and no remittance is made to the non-resident for the non-executed part
- d) the contract is cancelled after partial execution and remittance related to non-executed part is made to the non-resident. In such cases, the remitted amount has been returned to the person responsible for deducting the tax at source or no remittance is made but tax was deducted and deposited when the amount was credited to the account of the non-resident;

- e) there occurs exemption of the remitted amount from tax either by amendment in law or by notification under the provisions of Income-tax Act, 1961;
- f) an order is passed under section 154 or 248 or 264 of the Income-tax Act, 1961 reducing the tax deduction liability of a deductor under section 195;
- g) there occurs deduction of tax twice from the same income by mistake;
- h) there occurs payment of tax on account of grossing up which was not required under the provisions of the Income-tax Act, 1961;
- i) there occurs payment of tax at a higher rate under the domestic law while a lower rate is prescribed in the relevant double taxation avoidance treaty entered into by India.

2.1 In the cases mentioned above, income does not either accrue to the non-resident or it accrues but the excess amount in respect of which refund is claimed, is borne by the deductor. The amount deducted as tax under section 195 and paid to the credit of the Government therefore belongs to the deductor. At present, a refund is given only on a claim being made by the non-resident with whom the transaction was intended or in terms of Circular No. 790 dated 20th April, 2000.

3. In the type of cases referred to in sub-paragraph (a) of paragraph 2, the non-resident not having received any payment would not apply for a refund. For cases covered by sub-paragraph (b) to (i) of paragraph 2, no claim may be made by the non-resident where he has no further dealings with the resident deductor of tax or the tax is to be borne by the resident deductor. This resident deductor is therefore put to genuine hardship as he would not be able to recover the amount deducted and deposited as tax.

4. The matter has been considered by the Board. In the type of cases referred to above, where no income has accrued to the non-resident due to cancellation of contract or where income has accrued but no tax is due on that income or tax is due at a lesser rate, the amount deposited to the credit of Government to that extent under section 195, cannot be said to be tax.

4.1 It has been decided that, this amount can be refunded, with prior approval of the Chief Commissioner of Income-tax or the Director General of Income-tax concerned, to the person who deducted it from the payment to the non-resident, under section 195.

5. Refund to the person making payment under section 195 is being allowed as income does not accrue to the non-resident or if the income is accruing no tax is due or tax is due at a lesser rate. The amount paid into the Government account in such cases to that extent, is no longer tax. In view of this, no interest under section 244A is admissible on refunds to be granted in accordance with this circular or on the refunds already granted in accordance with Circular No. 769 or Circular No. 790.

6. In case of refund being made to the person who made the payment under section 195, the Assessing Officer may, after giving intimation to the deductor, adjust it against any existing tax liability of the deductor under the Income-tax Act, 1961, Wealth-tax Act, 1957 or any other direct tax law. The balance amount, if any, should be refunded to the person who made such payment under section 195. A separate refund voucher to the extent of such liability under each of the direct taxes should be prepared by the Income-tax Officer or the Assessing Officer in favour of the Income-tax Department and sent to the bank along with the challan of the appropriate type. The amount adjusted and the balance, if any, refunded would be debitabe under the major head 020-Corporation Tax or the major head 021-Taxes on incomes other than Corporation tax depending upon whether the payment was originally credited to the major head 020-Corporation tax or to the major head 021-Taxes on Income other than Corporation tax.

7. A refund in terms of this circular should be granted only after obtaining an undertaking that no certificate under section 203 of the Income-tax Act has been issued to the non-resident. In cases where such a certificate has been issued, the person making the refund claim under this circular should either obtain it or should indemnify the Income-tax Department from any possible loss on account of any separate claim of refund for the same amount by the non-resident. A refund in terms of this circular should be granted only if the deductee has not filed return of income and the time for filing of return of income has expired.

8. The refund as per this circular is, inter alia, permitted in respect of transactions with non-residents, which have either not materialized or have been cancelled subsequently. It, therefore, needs to be ensured by the Assessing Officer that they disallow corresponding transaction amount, if claimed, as an expense in the case of the person, being the deductor making refund claim. Besides, in all cases, the Assessing Officer should also ensure that in the case of a deductor making the claim of refund, the corresponding disallowance of expense amount representing TDS refunded is made.

9. The limitation for making a claim of refund under this circular shall be two years from the end of the financial year in which tax is deducted at source. However, all cases for claim of refund under items (c) to (i) of paragraph 2 which were pending before the issue of this circular and where the claim for refund was made after the issuance of Circular No. 790 may also be considered.

10. It has been represented to the CBDT that in Circular No. 769 dated 6th August, 1998, there was no time limit for making a claim for refund. A time limit of two years, for making a refund claim, was stipulated vide Circular No. 790 dated 20th April, 2000. Some cases covered by Circular No. 769, which were also covered by Circular No. 790, now listed in item (a) and (b) of paragraph 2 of this Circular, and filed before the issue of Circular No. 790, became time-barred because of the specification of time limit in Circular No. 790. It is hereby clarified that such cases may also be considered for refund.

11. This Circular is issued in supersession of the Circular No.790/2000 dated 20th April, 2000.

12. The contents of this Circular may be brought to the notice of all officers in your region.

Appendix 2

Cost of non-compliance

section	nature of default	degree of offence	implication 1	implication 2	implication 3	implication 4	implication 5 (non deposit of TDS)	implication 6	implication 7	Implication 8
s. 200(1) / 201 (1)	failure to deduct/short deduction of tax	serious	amount of tax deductible	simple interest meter starting date of credit / payment (1%PM)	penalty equivalent to tax in arrears	interest u/s 220(2) on arrears of tax and interest	Penalty upto 100% of TDS u/s 221	NA	penalty @ 100% of TDS	
s. 201 (1)	failure to pay after deduction	very serious	amount of tax deducted	simple interest meter starting date of deduction (1.5% PM)	penalty equivalent to tax in arrears	interest u/s 220(2) on arrears of tax and interest	Penalty upto 100% of TDS u/s 221	default creation of charge upon all assets of the deductor		Prosecution
s. 203	failure to issue certificate of deduction	less serious	penalty @ 100 per day for delay	NA	NA	interest u/s 220(2) on arrears of tax and interest	NA	NA		
s. 200 (3)	failure to furnish statement of TDS	less serious	penalty ranging from 10K to 1 Lac	NA	NA	interest u/s 220(2) on arrears of tax and interest	NA	NA		
s. 206AA / 201(1)	invalid PAN quoting/invalid TRC/invalid declaration u/s 197 / 197A	serious	higher burden of 20%	simple interest meter starting date of credit / payment (1%PM)	penalty equivalent to tax in arrears	interest u/s 220(2) on arrears of tax and interest	Penalty upto 100% of TDS u/s 221			
s. 200(3)	incorrect furnishing of state of TDS	serious	penalty ranging from 10K to 1 Lac	NA	NA	interest u/s 220(2) on arrears of tax and interest	NA	NA		
s. 272B	false quoting of PAN	serious	penalty of 10k	NA	NA	interest u/s 220(2) on arrears of tax and interest	NA	NA		

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