



TDS/TCS Reduction: A Sigh of Relief

Times have been challenging since the starting of this year as enterprises all across the country are facing liquidity crunches. Amidst this corona war like situation government brought forward one of the biggest relief package of Rs 20 lakh crore as a solution for all fiscal injuries. Under this FM Nirmala Sitaraman announced 25% temporary reduction in TDS/TCS rates for non salaried taxpayers. The decision will be effected from 14th May, 2020 till 31st March, 2020 in the current financial year.

New rates of TDS w.e.f 14th May 2020 to 31st March 2021

Section	Nature of income	Rates of TDS	
		Before reduction (in %)	After reduction (in %)
193	Interest on securities	10%	7.5%
194	Dividend	10%	7.5%
194A	Interest other than on securities	10%	7.5%
194C	Payment to contractors	Individual or HUF deductee – 1% Any other case – 2	Individual or HUF deductee – 0.75% Any other case – 1.50 %
194D	Insurance commission	10%- domestic company 5 %- any other case	7.5% – domestic company 3.75% – any other case
194G	Commission and other payments on sale of lottery tickets	5%	3.75 %
194H	Commission and brokerage	5%	3.75%

Section	Nature of income	Rates of TDS	
		Before reduction (in %)	After reduction (in %)
194-I	Rent	2%- on plant and equipments 10%- on immovable property and furniture and fittings	1.50 %- on plant and equipments 7.50% - on immovable property and furniture and fittings
194-IB	Payment of rent by individual or HUF	5%	3.75%
194-J	Royalty and fees for professional or technical services	2%- If royalty is payable for sale , distribution or exhibition of cinematographic films. →Involved solely in the business of operation of call centre →Fees for technical services 10 %- Any other cases	1.50% : If royalty is payable for sale , distribution or exhibition of cinematographic films →Involved solely in the business of operation of call centre →Fees for technical services 7.50 %- Any other cases
194M	Payment to contractor, commission agent , broker or professional by individual or HUF	5%	3.75%
194N	Cash withdrawal	2% →if cash withdrawal exceeds Rs 1 crore →If assessee has not furnished return for last assessment years and cash withdrawal exceeds Rs1 crore 5%- If return not furnished for last 3 assessment years and cash withdrawal exceeds Rs 1 crore.	1.50% →if cash withdrawal exceeds Rs 1 crore →If assessee has not furnished return for last 3 assessment years and cash withdrawal exceeds Rs1 crore 3.75%- if return not furnished for last 3 assessment years and cash withdrawal exceeds Rs 1 crore.

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New rates of TCS w.e.f 14th May 2020 to 31st March 2021

Section	Nature of income	Rates of TCS	
		Before reduction (in %)	After reduction (in %)
206C(1)	Alcoholic liquor for human consumption	1%	.75%
	Timber obtained under forest lease Timber obtained by any other mode. Any other forest produce other than timber and tendu leaves	2.5%	1.875%
	Tendu leaves	5%	3.75%
	Minerals, being coal or ignite or iron ore	1%	0.75%
	Scrap	1%	.75%
	206C(1C)	Parking lot	2%
	Toll plaza	2%	1.5%
	Mining and quarrying	2%	1.5%
206C(1F)	Motor car	1%	0.75%
206C(1G)	Overseas tour travel package	5%	3.75%
	Remittance of forex under LRS of Rs 7 lakh or more in a financial year	0.5%- in case remittance is a repayment of loan obtained for the purpose of pursuing any education 5 %- any other case	0.375%- in case remittance is a repayment of loan obtained for the purpose of pursuing any education 3.75% – any other case
206C(1H)	Sale of goods in excess of Rs 50 lakh	0.10%	0.75%

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Key points

- This step of government has resolved the major problem of cash flow with the taxpayers, hence providing them more liquidity.
- The mere reduction of TDS/TCS rate doesn't mean waiver of the tax for the assessment year. This simply means that the taxpayer has to pay the remaining amount in the form of advance tax or self assessment tax.
- This may lead to higher self assessment tax, as now taxpayer under 30% slab rate will have to pay 22.5% tax instead of 20%, if the TDS deducted earlier equals to 10% (after amendment 7.5%).
- This will also put forward the obligation of advance tax payment in front of many taxpayers. According to income tax act, 1961, an individual is liable to pay advance tax at certain date in an assessment year, if his advance tax payable is Rs 10,000 or more. He will also be liable for interest under section 234B and 234C for defaults in payment of advance tax. As there will higher self assessment tax obligation.
- It has also saved them from massive tax penalties which they would have to pay for default in time bound compliance.
- The step will benefit the self- employed the most as for now they can focus more on their business revival rather than tax compliance.
- Though the step is loudly applauded , but there is still a hope for the extension of advance tax payment installment dates.
- The measure will provide the real cash flow of Rs 50000 crore in the economy.
- Though the reduction is slightly below the expectations but the longer time duration will perfectly ripen the results.

Conclusion

Thus this chunk of Atamnirbhar Bharat will give a kick start to the taxpayers in reviving their livings and business with the weapons of liquidity and lowered tax compliance.

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