

## **IMPORTANT AND NEWLY INSERTED PROVISIONS OF TDS APPLICABLE FROM F.Y.:- 2020 - 21**

### **1. NEW SECTION 194K :- TDS ON INCOME IN RESPECT OF UNITS OF MUTUAL FUND :**

Now, as per **Section – 194 K**, **A Person** is required to **deduct TDS @10%** with respect to **Payment to any Resident Person** arising out of **Any Income** in respect of :

- a. **Units of Mutual Fund** specified u/s – 10(23D), or
- b. **Units from Administrator of the Specified Undertaking**, or
- c. **Units from the Specified Company**.

**TDS** to be **deducted** At the **time of Payment** or **Credit** to the **Account of Payee** whichever is **earlier**, if **Payment** to a **Person** with respect to the **Units Exceeds Rs.5000** in a **F.Y.**

- **Note** : In a **Press Release** dated **4<sup>th</sup> February,2020**; it has been **clarified** that **Mutual Fund** is required to **Deduct TDS @ 10%** only on **Dividend Payment** and not on **Capital Gain**.

### **2. NEW SECTION 194 O :- TDS ON E-COMMERCE TRANSACTION**

Now, as per **Section – 194 O**, **E-Commerce Operator** (Amazon, Flipkart etc.) is **required to deduct TDS @ 1%** on **Amount of Sale of Goods or Service or Both** made through its **digital / electronic facility** which is provided to **E-Commerce Service Recipient** (i.e. **Seller on E-Commerce Website**) for which **E-commerce Operator** is **responsible** for **making Payment** to **Seller on E-Commerce Website**. **TDS** to be **deducted** at the **time of Payment** or **Credit** to the **Account** of **Service Recipient** (i.e. **Seller**) **whichever is earlier**.

- **Exemption** : Where **Payment** to an **Individual/HUF E-Commerce Service Recipient** is **Rs.500000** or less in a **F.Y.** and **Pan** or **Aadhar** is provided, then **TDS** shall **not be Deducted**.
- **Note** : It is **Clarified** that if **PAN** or **Aadhar** is **not provided** to **E-Commerce Operator** then **TDS** shall be **Deducted @ 5%** u/s – 206AA. Further, If **E-Commerce Service recipient** receives **payment directly** from **Customer** then **TDS** is **not required to be deducted** on such **Amount**.

### 3. Amendment to Section 194LC: Income by way of interest from Indian Company :

- Earlier, The benefit of concessional deduction of tax @ 5% by a specified company or a business trust, on interest paid to Non-Resident was available till 1<sup>st</sup> July, 2020.
- Now, the said Provision has been amended to provide the benefit of Lower TDS @ 5% by extension of the period till 1<sup>st</sup> July, 2023.
- Further, the rate of TDS has been reduced to 4% on interest payment against borrowings through issue of long-term bonds and RDB which are listed only on a recognized stock exchange in any IFSC.

### 4. Amendment to Section 194LD: Income by way of interest on certain bonds and Government Securities :

- Earlier, The benefit of lower TDS of 5% in case of Interest payments to Foreign Institutional Investors (FIIs) and Qualified Foreign Investors (QFIs) on their investment in Government securities and Rupee Denominated Bonds of an Indian company was available till 1<sup>st</sup> July, 2020.
- Now, the said Provision has been amended to provide the benefit of Lower TDS @ 5% by extending the period till 1<sup>st</sup> July, 2023.
- Further, lower TDS of 5% under this section shall also apply on the interest payable to an FII or QFI in respect of the investment made in municipal debt security.

### 5. Other Significant Amendments :

Section	Proposed amendment
194LBA: Certain income from units of business Trust	Now, a <b>business trust</b> is required to <b>deduct TDS</b> at the <b>time of distribution of dividend to its unit-holders</b> at following rates : Payment to <b>resident unit holders @10%</b> Payment to <b>non-resident unit holders @5%</b>
Section 196A: Income in respect of units of Non – Resident	<b>TDS is Applicable</b> on income in respect of units of mutual fund on payment made to non-residents @ 20%.
Section 196C: Income from foreign currency bonds or shares of Indian Company	Now, <b>TDS @ 10%</b> is deductible on dividend paid to a <b>Non-resident</b> in respect of <b>global depository receipts</b> .

<b>Section 196D: Income of Foreign Institutional investor from Securities</b>	Now, <b>TDS @ 20%</b> is applicable on <b>dividend paid to Foreign Institutional Investor.</b>
<b>Section 194- Dividend</b>	<ul style="list-style-type: none"> <li>• <b>TDS @10%</b> on <b>Dividend</b> paid to <b>any person</b> .</li> <li>• <b>Threshold</b> limit <b>increased to Rs. 5,000.</b></li> <li>• Now, <b>“Any Mode” of Payment shall be considered</b> from existing mode of “Account payee cheque or warrant”</li> </ul>
<b>Section 194A- Interest other than “Interest on Securities”</b>	A <b>co-operative society (other than a co-operative bank)</b> shall <b>deduct TDS</b> while <b>paying interest under section 10(23FC)</b> , if <b>its total sales exceeds ₹ 50 crores in the last year</b> and if the <b>amount of interest being credited exceeds ₹ 40,000 (₹ 50,000 in case of a senior citizen)</b>
<b>Section 194C- Payments to Contractors</b>	The <b>definition of work under section 194C is amended to include manufacturing and supplying of a product according to the requirement or specification of a customer by using material purchased from such customer or its associate (Under contract manufacturing)</b>
<b>Section 194J- Fees for professional or Technical Services</b>	<b>Section 194J is amended to provide that TDS shall be deducted @ 2% in case of Fees for Technical Services (other than professional services)</b>

➤ **NOTE : The Finance Minister has Announced Relief in TDS Rates due to COVID - 19 under Atmanirbhar Bharat Scheme on 13<sup>th</sup> May,2020 which provides as follows :**

- 1. The Rates of TDS in respect of Specified Payments under various sections of Income Tax Act shall be reduced by 25%.**
- 2. The Concessional rates shall be available for the Tax deducted between 14<sup>th</sup> May, 2020 till 31<sup>st</sup> March, 2021.**
- 3. The said Relief shall not be available for Salaried and Non-Resident Taxpayer.**