

<p>वित्तविभाग/FinanceDepartment 2, इंडियाएक्सचेंज प्लेस तृतीय तल 2 INDIA EXCHANGE PLACE 3rd Floor, कोलकाता/Kolkata – 700 001</p>	<p>यूको बैंक  UCO BANK</p> <p>सम्मानआनकेविश्वासका/HONOURS YOUR TRUST</p> <p>प्रधान कार्यालय/Head Office</p>	<p>टेलिफोन-/TEL. 033- 44557258/40/24 FAX : 033 - 2248- 5625 E-MAIL – hoacs.calcutta@ucobank.co.in hofinance.tax@ucobank.co.in</p>
Circular No: CHO/FIN/2020-21/05		दिनांक /Date:06.07.2020

Circular to all Branches/Offices in India

SUB: DEDUCTION OF TAX AT SOURCE (TDS) FOR THE FINANCIAL YEAR- (FY) 2020-21

Ref: CHO/SUA/23/2018-19 dated 23.03.2019

1. RATES OF TDS-RESIDENT

The following rates of tax to be deducted at source from **payment to resident** under various heads during the financial year 2020-21 w.e.f. 14.05.2020:-

Sl. No.	PARTICULARS	U/SEC	TDS%
1.	Interest on Time Deposit including Recurring Deposits: Threshold: If Paid to Senior Citizen >Rs 50,000/- For Others >Rs 40,000/-	194A	7.50
2.	Payment to contractor/sub-contractor: 1) Payment/credit to individual or HUF. 2) Payment/credit to person other than individual or HUF. Threshold: Single payment exceeds Rs 30,000/- or total payment in the financial year exceeds Rs 1,00,000/- .	194C	0.75 1.50
3.	Payment to transport contractors engaged in the business of plying, hiring or leasing goods carriages: 1) Where PAN is quoted and- i. Recipient is engaged in the business of transport (i.e. plying, hiring or leasing of goods carriages) ii Recipient owns 10 or less goods carriages at any time during the financial year. iii Recipient furnishes a declaration to this effect	194C	Nil



Sl. No.	PARTICULARS	U/SEC	TDS%
	<p>along with PAN.</p> <p>If any of the above condition is not fulfilled then tax is chargeable.</p> <p>2) Where PAN is not quoted-</p> <p>i. If payment/credit to individual or HUF</p> <p>ii. If payment/credit to person other than individual or HUF.</p>		<p>20</p> <p>20</p> <p>20</p>
4.	<p>Insurance Commission :</p> <p>1. If payment/credit to all other than those mention in point no. 2 below.</p> <p>2. If payment/credit to a domestic company.</p> <p>Threshold</p> <p>Payment during the financial year exceeds Rs 15000/-</p>	194D	<p>3.75</p> <p>10</p>
5.	<p>Commission or brokerage :</p> <p>Threshold</p> <p>Payment exceeds Rs. 15,000/-per annum.</p>	194H	3.75
6.	<p>Rent :</p> <p>a) Rent on plant & machinery.</p> <p>b) Rent on land or building or furniture or fitting</p> <p>Threshold</p> <p>If amount exceeds Rs. 2,40,000/- p.a.</p>	<p>194 I</p> <p>194I(a)</p> <p>194I(b)</p>	<p>1.50</p> <p>7.50</p>
7.	<p>Payment/credit of consideration to a resident transferor for transfer of any immovable property (other than rural agricultural land):</p> <p>If consideration paid or payable is less than Rs 50,00,000/- no tax is deductible.</p> <p>(For example – Bank sold a property under SARFAESI Act and purchaser will deduct tax.)</p>	194 IA	0.75
8.	<p>Fees for professional or technical services:</p> <p>1. For Technical Services and Payee engaged in the business of operation of call centre.</p> <p>2. For all others.</p> <p>Threshold</p> <p>Payment exceeds Rs. 30,000/- p.a.</p>	194J	<p>1.50</p> <p>7.50</p>



Sl. No.	PARTICULARS	U/SEC	TDS%
9.	When recipient is a resident:- a) On Cash withdrawal – Provision till 30th June 2020 Withdrawal in excess of Rs 1 Crore from one or more account –Tax to be deducted on amount of withdrawal in excess of Rs 1 crore	194N	2
	b) On Cash withdrawal – Provision from 01st July 2020 1. If Customer has not filed the returns of income for all the three assessment years relevant to the three previous years ➤ Cash payment from 20 lakhs to 1 Cr ➤ Cash Payment exceeding Rs 1 Crore 2. If Customer has filed the return of Income for all the three assessment years relevant to the three previous years		2 5 2

C) When Recipient is non-residents individual/HUF/AOP/BOI/artificial juridical person						If recipient is non-resident co-operative society / firms		If recipient is non-domestic company		
Aggregate Payment or credit subject to TDS during the FY 2019-20	Rs. 50 Lakh or less	More than Rs. 50 Lakh but not more than Rs.1 crore.	More than Rs. 1 crore but not more than Rs.2 crore.	More than Rs. 2 crore but not more than Rs.5 crore	More than Rs.5 crore.	0 to Rs 1 crore	More than Rs.1 crore.	0 to Rs 1 crore	More than Rs.1 crore but not more than 10 crore.	Above Rs.10 crore
Rate of TDS	TDS (inclusive of SC: Nil, HEC: 4 %)	TDS (inclusive of SC: 10%, HEC:4 %)	TDS (inclusive of SC: 15%, HEC:4 %)	TDS (inclusive of SC: 25%, HEC:4 %)	TDS (inclusive of SC: 37%, HEC:4 %)	TDS (inclusive of SC: Nil, HEC:4 %)	TDS (inclusive of SC: 12% HEC:4 %)	TDS (inclusive of SC: Nil, HEC:4 %)	TDS (inclusive of SC: 2% HEC:4 %)	TDS (inclusive of SC: 5% HEC:4 %)
	2.08	2.288	2.392	2.60	2.8496	2.08	2.3296	2.08	2.1216	2.184

Note:-

- ✓ If PAN is not furnished to the bank, higher rate of TDS i.e. higher of the prescribed rate or 20% will be deducted.
- ✓ As per Section 10(18)(i), **police medal or gallantry awards** receiver is exempted for calculation of income tax.
- ✓ As per Section 10(26), members of Schedule Tribes of states of Arunachal Pradesh, Manipur, Mizoram, Nagaland, Tripura and Ladakh area is exempted for calculation of income tax. As per Section 10(26AAA) individual being a Sikkimese are exempted.



2. A) TDS -Interest on Deposit-Section 194A

There are certain exceptions to the general rule and TDS is not required to be deducted in the following situations:

- (I) Where interest is credited or paid to:
- A. Any banking company.
 - B. Co-operative society engaged in banking business.
 - C. Public Financial Institutions.
 - D. The Life Insurance Corporation of India.
 - E. The Unit Trust of India.
 - F. A company or co-operative society carrying on the business of insurance.
 - G. Notified Institutions
 - H. Any person in relation to a zero coupon bond issued by the bank.
 - I. Primary Agriculture Society.
 - J. Cooperative land mortgage bank or Cooperative land development bank.
 - K. Where interest is paid (or, up to 31.05.2015 credited) on compensation awarded by the Motor Accidents Claims Tribunal if the amount of payment or the aggregate amount of such payment does not exceed Rs. 50,000/-.
- (II) Where the customer has submitted a declaration in Form 15G/ 15H or Lower tax deduction/Nil Tax deduction certificate U/S 197 of the Income Tax Act, 1961.

Besides the above points, other various situations where TDS should be/ should not be deducted are as under:

B. Instances for Special cases where tax is NOT to be deducted at source:

Sl. No.	Category of person	Exemption granted u/sec	Reason for non deduction
1.	Panchayats, Municipalities etc. who are declared as Local Authorities	10(20)	They do not have the obligation of filing of any Income Tax Return.
2.	All Government Department of Central Govt. or State Govt. including Defence establishments like Defence canteens, deposits by Block Development Officers under any Central or State scheme like MGNREGS etc.		They do not have the obligation of filing of any Income Tax Return.

3.	Court appointed receivers		No. (CBDT Cir No. 23/2015 dated 28.12.2015).
4.	Agricultural Produce Market Committees	10(26AAB)	They are not obligated to file return of income.
5.	Corporations established by any Central or State Act for welfare of the members of SCs/ STs or Minorities or Ex-servicemen	10(26B)/ 10(26BB)/ 10(26BBB)	They are not obligated to file return of income.
6.	Employees provident fund/ Superannuation fund/ Gratuity fund	10(25)	They are not obligated to file return of income.

C. Instances for Special cases of assesses on whose income, tax is to be deducted at source:

Sl. No.	Category of person	Exemption granted u/sec	Whether tax to be deducted at source
1.	Undertakings of Central or State Governments		Yes, as they have the obligation of filing Income tax Returns and they are tax payable entities
2.	Official Liquidator managing affairs of a Company under liquidation		Yes, as he is obligated to file return of income in respect of the company under liquidation
3.	Universities, Colleges	10(23C) (iiiab), (iiiac),	Yes, as they are obligated to file Income Tax Returns
4.	Hospitals, Nursing Homes	(iiiad), (iv), (v), (vi), (via)	Yes, as they are obligated to file Income Tax Returns
5.	Charitable Institutions / Religious Trusts/ Institutions	12A/12AA	Yes, as they are obligated to file Income Tax Returns except Ramakrishna Math and Ramakrishna Mission who are specially exempted from any TDS vide Circular 3 of 2002
6.	Political parties/ Trade Unions		Yes, as they are obligated to file Income Tax Returns

7.	Co-operative Societies including housing Co-operative Societies except societies engaged in carrying on the business of banking/Insurance		Yes, Except for societies established to promote the interests of SCs/STs.
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D. TDS on deposits in banks in the name of the registrar to the Supreme Court/ High Court during pendency of litigation.

Based on judgment in our case (UCO Bank vs. Union of India) CBDT vide Circular No. 23/2015 dated 28.12.2015 has clarified that interest on FDRs made in the name of Registrar General of the Court or the depositor of the fund on the directions of the Court, will not be subject to TDS till the matter is decided by the Court. However, once the Court decides the ownership of the money lying in the fixed deposit, the provisions of section 194A will apply to the recipients of the income.

TDS slab code '**TDS23**' to be used for such deposits in favor of 'Registrar General of Honorable High Court's and Other Deposit under protest in courts till the matter decided by court. TDS in these cases shall be deducted manually at the time of payment.

3. Tax on Works Contract – Sec 194C:- For the purpose of this section, the expression "work" shall also include:-

- Advertising
- Broadcasting and telecasting including production of programmes for such broadcasting or telecasting.
- Carriage of goods and passengers by any mode other than by railways
- Catering

Apart from payment made to contractor for carrying out any work (including supply of labor for carrying out any work) in pursuance of a contract between the contractor and a specified person.

4. Tax on Professional/Technical Fees- 194J

- **Meaning- Professional Services**: - 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 CBDT.



- **Meaning- Technical Services:** - Fees for technical services means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head "salaries".

Remuneration- to Directors:- Tax will be deducted u/s 194J on the remuneration paid or payable to a director, which is not in the nature of salary, at the rate of 7.5% of such remuneration. No threshold limit is provided. Tax will be deductible even if the payment/credit during the financial year is less than Rs. 30,000/-

In view of the above provisions, any payment (directors fees, sitting fees etc. except those which are in the nature of salary) made to the Directors (Managing Director, Whole Time/ Executive Director & Non-executive Directors) shall be subject to TDS @ 7.5%.

Salary paid to the Managing Director and Whole Time Director shall be subject to TDS u/s 192 as per the prevailing practice.

Reimbursement of Expenses

The deduction of tax at source under sections 194C and 194J has to be made out of the gross amount of the bill including reimbursements for actual expenses **if a consolidated bill** is given by a professional/consultant for his fees.

If a separate bill is given for reimbursement of out of pocket expenditure, then reimbursement of expenditure is not subject to tax deduction.

5. TDS UNDER SECTION 194N APPLICABILITY

Finance Act, 2019 and Finance Bill (no.2) 2019 introduced new Tax deduction u/s 194N w.e.f. September 1, 2019 as under:



a)	SCOPE AND RATE OF TDS DEDUCTION	Customer has filed ITR of all three previous years whose due date of filing has expired	2% on Cash Withdrawal exceeding 1 crore
		Customer has not filed ITR of all three previous years whose due date of filing has expired	<ul style="list-style-type: none"> ➤ 2% on Cash Withdrawal exceeding 20 lacs to 1 cr ➤ 5% Cash withdrawal exceeding 1 cr
b)	RATE OF TDS	Mentioned in Point 1. Above	
c)	WHO WILL DEDUCT TDS	<ol style="list-style-type: none"> 1) Any Bank (Private or Public Sector) 2) A Co-Operative Bank. 3) A Post Office. 	
d)	THRESHOLD LIMIT	The tax will be deducted by the payer while making payment to any individual in cash from a taxpayer's bank account on the amount mentioned in point (a)	
e)	EXEMPTIONS	<p>Exemption is available, when payment is made to certain recipients, such as-</p> <ol style="list-style-type: none"> 1) Government 2) Banking company, 3) Co-operative society engaged in carrying on the business of banking, 4) Post office 5) Banking correspondents 6) White label ATM operator of a banking company or co-operative society carrying on the business of banking's, 7) Cash replenishment agency (CRA's)/franchise agents of White label ATM operators (WLATMO'S), 8) Agriculture Produce Marketing Companies who are involved in handling of substantial amounts of cash as part of their business operation. 9) Moreover, the Central Government can exempt other recipients, through a notification in the official Gazette in consultation with the RBI. 	
f)	WHEN DEDUCTIBLE	Tax is deductible.at the time of payment in cash.	
g)	TAX DEDUCTED UNDER SECTION 194N, NOT TO BE TREATED AS DEEMED RECEIPT	Tax deducted under section 194N shall not be deemed to be income received (for the purpose of sec 198) for computing income of recipient.	

6. TDS on purchase of immovable property [Sec.194-IA]

Section 194-1A has been inserted with effect from June 1, 2013

- **Who is responsible for tax deduction** – Any person being a transferee, responsible for paying (other than compulsory acquisition) to a resident transferor any sum by way of consideration for transfer of any **immovable property** (other than agricultural land in rural area in India) is liable to deduct tax at source under section 194-IA.
- Rate of TDS is 1% (20% In case of PAN not submitted)
- **Threshold limit –More than Rs.50,00,000/-**
- **Other points :** The following points should be noted–
 1. No deduction shall be made under section 194-IA where the income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in section 10(23FCA), owned directly by such business trust.

7. TDS Rate-on Non Resident Indian -Deposits (Section 195)

Following Types of accounts are opened in the Bank by NRIs and PIOs where bank credits interest to its customers:

1. Rupee account:
 - (a) Non-resident external (NRE) rupee account
 - (b) Non-Resident ordinary (NRO) rupee account
2. Foreign currency account:
 - (a) Foreign Currency Non Resident Bank Account (FCNR-B)
 - (b) UCO Dollar Plus Account (w.e.f. 15.12.2011)

Tax will be deducted only on interest on Non-Resident ordinary (NRO) rupee account at the following rates:-

When Recipient is non-residents individual/HUF/AOP/BOI artificial juridical person						If recipient is non-resident co-operative society / firms		If recipient is non-domestic company		
Sec	Rs. 50 Lakh or less	>Rs. 50 Lakh < = Rs.1 crore.	> Rs. 1 crore < = Rs.2 crore.	> Rs. 2 crore < = Rs.5 crore	More than Rs.5 crore.	0 to Rs 1 crore	More than Rs.1 crore.	0 to Rs 1 crore	> Rs.1 crore < = 10 crore.	Above Rs.10 crore
195J	TDS (inclusive of SC: Nil, HEC:4 %)	TDS (inclusive of SC: 10%, HEC:4 %)	TDS (inclusive of SC: 15%, HEC:4 %)	TDS (inclusive of SC: 25%, HEC:4 %)	TDS (inclusive of SC: 37%, HEC:4 %)	TDS (inclusive of SC: Nil, HEC:4 %)	TDS (inclusive of SC: 12%, HEC:4 %)	TDS (inclusive of SC: Nil, HEC:4 %)	TDS (inclusive of SC: 2%, HEC:4 %)	TDS (inclusive of SC: 5%, HEC:4 %)
	31.2	34.32	35.88	39	42.744	31.20	34.944	41.60	42.432	43.68



No tax is to be deducted on:-

- (i) Interest on Non-resident external (NRE) rupee account (**Section 10(4)(ii)**),
- (ii) Interest on Foreign Currency Non Resident Bank (FCNR-B) account and UCO Dollar Plus Account (**Section 10(15)(iv)(fa)**)
- (iii) TDS on NRI Payments: Payments, where receiver is NRI, tax will be deducted as stated above like NRI Landlord/ Landlady and NRI Vendor.

8. Applicability of TDS - Provisions for Expenses.

Any provision for expenses made in the books in respect of which the Payee is identifiable, TDS has to be deducted and deposited to Govt. A/c within the stipulated time.

Note- This issue especially arises at the time of 31st March ending of annual closing. So as a matter of prudence, where any bill has been received and pending for payment as on 31st march for which accurate provision has been made in books, TDS has to be deducted.

9. TDS AT LOWER /NIL RATE U/S197.

In case the customer has secured a certificate of tax deduction at a lower/Nil rate from the Assessing Officer(AO) under Section 197of IT Act, the said approved rate may be taken into consideration for the purpose of TDS.

10. NO DEDUCTION OF TDS IN CERTAIN CASES- SPECIFIED PAYMENT UNDER SECTION197A(1F)

No deduction of tax (TDS) shall be made on the payments of the nature specified below, in case such payment is made by a person to a Bank (excluding a foreignBank):-

1. Bank guarantee commission.
2. Cash Management service charges.
3. Depository charges on maintenance of DEMAT accounts.
4. Charges for warehousing services for commodities.
5. Underwriting service charges.
6. Clearing charges (MICR charges).
7. Credit card or debit card commission for transaction between the merchant establishment and acquirer bank.



8. Payment of accumulated balance of provident fund

Accordingly no TDS is applicable while making such payments to another Bank (excluding a foreign Bank).

11. TDS AT NIL RATE U/S 197A

A. If a declaration (**Form 15G/15H**) is submitted under section 197A by the recipient to the deductor/ payer, then **no tax is deductible** in a few cases.

Condition	Taxable premature withdrawal from PF [Sec.192A]	Interest [Sec.193/194A] or Rent [Sec.194I]
Condition 1 – Who is recipient	Individual	Other than a company or firm
Condition 2 – What is income tax on total income of the previous year	NIL	NIL
Condition 3 – How much is total of income covered by sections 192A, 193, 194, 194A, 194EE, 194D & 194DA.	<p>1. Rs. 5,00,000- In the case of a resident super senior citizen born before April 1, 1941.</p> <p>2. Rs. 5,00,000 - In the case of a resident senior citizen born during April 2, 1941 and March 31, 1961</p> <p>3. Rs. 2,50,000- Other resident individuals.</p> <p>Note - <i>In other words, if income of the above recipients exceeds the above limits, Form 15G/H should not be accepted from them. In such cases TDS has to be deducted from the payments @ rate specified in Point No. A.</i></p>	

Following control checks have been put in place in Finacle :-

In case of submission of Form 15G by a customer:	
Points	Check
System will not deduct tax if interest payment on Term Deposit during financial year is up to Rs. 2,50,000/- . For customer with age less than 60 years.	Finacle will take care of such issues automatically.
If Interest Payment exceeds Rs 2,50,000/- TDS will be deducted by system on the entire interest amount	



Permanent Account Number (PAN) is mandatorily to be Entered in Finacle in case a customer has submitted Form 15G	Branch must ensure that PAN is mentioned in 15G form
	Finacle will reject 15G and deduct TDS if valid PAN not entered in Finacle
The 4th letter of the PAN in 15G Form must be any of the following alphabets - (P, H, A, T, B, L, J, G). System will not consider Form 15G where the 4th letter of PAN is different from the above mentioned alphabets.	Finacle will not accept Form 15G where 4 th letter of PAN is different from the mentioned alphabets.

In case of submission of Form 15H (applicable only in case of Resident Individuals) by a customer:

Points	Check
TDS will not be deducted on interest payment on Term Deposit and Recurring Deposit in case a customer has submitted Form 15H during a financial year up to the following limits: ► Rs.5,00,000/- (in case where a person is more than 60 years of age) But, if the interest amount is more than Rs.5,00,000/- as the case may be, then TDS has to be deducted on the whole interest amount.	Finacle will take care of such issues Automatically. So date of birth of the parties must be entered correctly in Finacle.
Mentioning of Valid PAN is compulsory in case where a customer has given Form 15H. The 4th letter of the PAN must be alphabet -'P'. System will not accept Form 15H where the 4th letter of PAN is other than—P.	Finacle will reject the 15H and deduct TDS if valid PAN not entered in Finacle. Finacle System will not accept Form 15H where the 4th letter of PAN is not "P"
Also, Date of Birth (DOB) of customer has been made mandatory in case where 15H is submitted so as to identify whether the limit will be Rs.5,00,000/-. System will not accept Form 15H where either DOB is not mentioned or the DOB mentioned implies that the person is below 60 years of age.	DOB should be correctly entered by the branches. Without DOB 15H will be rejected in Finacle.

Note - All the branches /offices are advised to take a note of same and if any deviations in Finacle are noticed w.r.t. the above issues, same must be brought to the knowledge of HO-DIT immediately with a copy to HO-Finance Department.

B. Electronic Filing of 15G/H Forms

Electronic filing of form 15G and 15H declarations submitted by the payer/branches to Income Tax Department shall be as per the following time schedule :-

Quarter ending	Due date
30 th June	15 th July
30 th September	15 th October
31 st December	15 th January
31 st March	30 th April.

Electronic filing of Form 15G/15H for all Branches and offices will be done from Head Office Finance Department.

Important- Declaration of 15G/15H to be retained by the Branches/Offices for a period of 7 (seven) years.

12. APPLICABILITY OF HIGHER TDS RATE

Tax at higher of prescribed rate or 20% will be applicable if Permanent Account Number (PAN) of the deductee is not available.

*It may be noted that if the recipient does not furnish PAN, tax will be deducted u/s 192A i.e., on "Taxable premature withdrawal from Provident Fund "at the maximum marginal rate of tax i.e. **42.744%**.*

13. TIMELINE DEPOSIT OF TDS

Tax Deducted	Time of Deposit of TDS
In the month of March.	By April 30 th .
In the month of April – Feb	Within next 7 days from the end of the month.
Tax is deducted u/s 194-IA	Within next 30 days from the end of the month.

Tax deposition will be done by HO- Finance department. Branches/offices should not deposit any TDS with Govt.



14. TDS RETURNS - SUBMISSION

TDS Return detailing the customer details from whom the tax is deducted is required to be filed on quarterly basis as under:-

Purpose	For the Quarter	Due Date	Form
TDS on Salaries/Perquisites of employees u/s 192(1 A)	30 th June	31 st July	24Q
	30 th Sept	31 st Oct	
	31 st Dec	31 st Jan	
	31 st March	31 st May	
TDS in cases other than mentioned above	-Do-	-Do-	26Q
Payments to non-residents	-Do-	-Do-	27Q

- **Filing of TDS Returns is done through Head Office, Finance Department centrally**
- Non filing will lead to non-compliance, customer issue and penalty by Income Tax Department.

15. ISSUANCE OF TDS CERTIFICATES

I) TDS Certificates will be issued to the deductees as under:-

Sl. No	Form No.	Periodicity	Due Date
1	16 (Salary)	Annual	By 15 th day of June of the financial year immediately following the financial year in which the income was paid and tax deducted.
2	16A (Other than salary)	Quarterly	For quarter ending June, September and December - within 15 days from the due date for filing e- tds return. For quarter ending March – within 15 th day of June.
3	Form No. 16B (u/s 194-1A)	-	Within 15 days of furnishing challan in Form No. 26QB.

II) Issue of Duplicate 16/16A

We may issue a duplicate certificate in Form No. 16 or 16A if the deductee has lost the original certificate so issued and makes a request for issuance of a duplicate certificate and such duplicate certificate is certified as duplicate by the deductor.

III) PENALTY / INTEREST FOR NON-COMPLIANCE

- a) Penalty of a sum equal to the amount of tax not deducted if any person fails to deduct tax at source wholly or partly – Sec. 271C.
- b) Penalty of rigorous imprisonment for a term between 3 months to 7 years and with fine if any person fails to pay to the credit of the Central Government within the prescribed time the tax deducted at source – Section 276B.
- c) Penalty of ₹10000/- for failing to mention TAN in Challan>Returns etc. – Section 272BB(1A).
- d) Penalty of ₹100/- per day for failing to furnish in due time the quarterly statement in Form 24Q, 26Q 27Q and 27EQ. However, in no case, the penalty shall exceed the amount of tax deductible–Section 272A(2).
- e) Penalty of ₹100/- per day for failure to furnish TDS certificate in Form 16 within the stipulated time. However, in no case, the penalty shall exceed the amount of tax deductible–Section 272A (2).
- f) In case a person fails to deduct tax at source or having deducted, fails to deposit the same in Government Account, such person shall be deemed to be an assessee in default and interest has to be paid as follows:-

Rate of Interest (p.m. or part)	Period for which interest is payable
1 percent	From the date on which tax was deductible to the date on which tax is actually deducted.
1.5 percent	From the date on which tax was actually deducted to the date on which tax is actually paid.

In addition, penalty is also applicable mentioned hereinbefore– Sec 201(1A).

The payer shall not be deemed to be an assessee in default if –

1. The resident recipient has included such income in the return submitted u/s 139 and the recipient has paid the tax on such income and
 2. The payer submits a certificate to this effect from a chartered accountant.
- g) Penalty of ₹10,000/- to ₹1,00,000/- for failing to submit (or furnishing incorrect statements in) quarterly TDS/TCS returns Section 271 H.



16. NO TDS ON GST, IF SHOWN SEPARATELY IN BILLS:

No TDS on 'GST on Services Component' wherever the GST component is indicated separately in the bill, tax shall be deducted on the amount paid or payable without including such GST component.

17. Electronic filing of statement of transaction on which tax has not been deducted [Sec. 206A]

In accordance with Income tax requirement Finance Department, Head Office shall be filing statement (where tax has not been deducted on payment of interest to residents) in prescribed form in the prescribed manner.

20. HOW TO DECODE PAN- LOGIC TO PAN

Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued in the form of a laminated card, by the Income Tax Department, Government of India.

PAN is a 10 digit alpha numeric number, where the first 5 characters are letters, the next 4 numbers and the last one a letter again. These 10 characters can be divided in five parts as can be seen below (for illustration purpose):-

ABC P D 1234 Z

1. First three characters are alphabetic series running from AAA to ZZZ.

2. Fourth character of PAN represents the status of the PAN holder.

C — Company, **P** — Person, **H** — HUF (Hindu Undivided Family)
F — Firm, **A** — Association of Persons (AOP), **T** — AOP (Trust)
B — Body of Individuals (BOI), **L** — Local Authority, **J** — Artificial Juridical Person, **G** — Government

3. The fifth character of the PAN is the first character.

(I) of the surname/ last name of the person, in the case of a "Personal" PAN card, where the fourth character is "P" or

(II) of the name of the Entity/ Trust/ Society/ Organization in the case of Company/ HUF/ Firm/ AOP/ BOI/ Local Authority/ Artificial Juridical Person/ Govt. where the fourth character is not equal to "P"

4. Next four characters are sequential number running from 0001 to 9999.

5. Last character in the PAN is a random alphabetic check digit.

21) Inter-changeability of PAN and Aadhaar [Sec. 139A]

Every person receiving such documents shall also ensure that the PAN or the Aadhaar number, as the case may be has been duly quoted.

It is important to note that there are cases where PAN is Mandatory

	Cases where PAN is Mandatory
1	Deposit of cash more than 50,000/-
2	Tax Deduction at specific rate
3	Applying for lower rate of tax u/s 197
4	Apply for loan/credit card
5	Purchase of DD and FDR in cash
6	Claiming of IT Refund

22. REQUIREMENT OF PAN AND SUBMISSION OF FORM-60

Any person, who does not have a Permanent Account Number (PAN) and enters into transaction as mentioned below which requires quoting PAN, shall make a declaration in **Form No. 60** except for companies or partnership firm whom the submission of PAN is mandatory.

Sl. No.	NATURE OF TRANSACTION	MANDATORY QUOTING OF PAN (RULE 114B OF INCOME TAX)
		New requirement
1.	Time deposit	<ul style="list-style-type: none">Individual deposit exceeding Rs. 50,000/- with a banking company and/orDeposits aggregating more than Rs. 5. Lakh during the year.Deposits with Co- operative banks, Post Office, Nidhi, NBFC companies will also need PAN.
2.	Opening an account (Other than time deposit) with a banking company	Mandatory to obtain PAN except Basic Savings Bank deposit Account excluded (no PAN requirement for opening these accounts (e.g. No-frills Bank account such as Jan Dhan account
3.	Cash purchase of bank drafts/pay orders/banker cheques	Individual Draft/pay order Exceeding Rs. 50,000/- on any day



Sl. No.	NATURE OF TRANSACTION	MANDATORY QUOTING OF PAN (RULE 114B OF INCOME TAX)
		New requirement
4.	Cash deposit with banking company	Cash deposit exceeding Rs. 50,000/- in a day for all account i.e. both borrowal deposit a/c.
5.	Credit Card	Application to banking company/ any other company/ institution for credit card. Co-operative banks also to comply.
6.	RBI bonds	Payment exceeding Rs. 50,000/-

Quoting of PAN will be required for any transaction of over Rs. 2 lakh regardless of the mode of payment.

Quoting PAN is not applicable in the case of "Central Government, the State Governments and the Consular Offices". Accordingly Panchayats, Municipalities, Other Local Authorities, All Government Departments of Central Government or State Government including Defense Establishments, Block Development Offices and such other offices are not required to have PAN and as such they are not subjected to Form 60 also.

Filing of Form 61

Form No. 61 (Summary of Form-60 received by the shall be e-filed by Bank to the Director of Income-tax (Intelligence and Criminal Investigation) or the Joint Director of Income-tax (Intelligence and Criminal Investigation) through online transmission of electronic data by Finance Department, Head office within the following stipulated date :-

Declaration in Form No. 60 received from April 1 to September 30	By October 31.
Declaration in Form No. 60 received from October 1 to March 31	By April 30.

23. Tax Collection at Source (TCS)- on foreign remittance through Liberalized Remittance Scheme (LRS) w.e.f. 01.10.2020.

An authorised dealer receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS as under:-

Section	Nature of Transactions liable to TCS	Rate of TCS If PAN or Aadhaar is furnished	Rate of TCS If PAN or Aadhaar is NOT furnished
206C(1G)	Remittance under Liberalized Remittance Scheme of Reserve Bank of India exceeding Rs. 7 Lakh		
	(a) If the remittance is a loan from any financial institution as defined in section 80E, for the purpose of pursuing any education	0.5%	5%
	(b) Others	5%	10%

24. TAX AUDIT REPORT-TAR


In accordance with Income Tax requirement, we are required to prepare a Tax Audit Report (TAR) as on March every year which is submitted by Branch Auditors/SCAs. In the TAR auditors are reporting several instances where Bank have:-

- 1) Not deducted tax at all in few occasions
- 2) Deducted tax but not deposited the same in time in the Govt Accounts
- 3) Deducted tax at a lesser rate

All the above shortcomings make the Bank liable to punitive measures by Income Tax Department. As per Income Tax laws any expense on which tax is deductible but has not been deducted shall not be allowed as deduction and Bank has to pay tax on these expenses also. So, Branches and Offices should take care of proper deduction of TDS.

We are issuing standard operating procedure also to help Branch/offices in compliance and resolving customer issues.

All Branches/Offices are advised to take a note of instructions given above for strict compliance.


(Ram Kumar)
General Manager
Finance

