

Analysis of new system for TDS -TCS payment and information reporting

Income Tax Department has introduced a scheme for centralized processing of annual income-tax returns which envisages no interface with the tax payer and processing of returns to be done in an automated jurisdiction-less manner. Implementation of such scheme requires having a robust system for information relating to payment of TDS and TCS so that the credit for TDS and TCS can be granted accurately and the risk of financial fraud is minimized.

In this regard, the Central Board of Direct Taxes (CBDT) issued Notification No. 858(E) dated 25th March 2009 introducing new rules in relation to remittance of taxes deducted at source, issue of certificate of taxes deducted, etc., effective 1st April 2009. As per the said notification, CBDT substituted new rules for existing rules and had inter alia prescribed that TDS and TCS shall be paid electronically by furnishing an income-tax challan in Form No.17. Subsequently, a press release was issued clarifying that the new Form No. 17 will be applicable only for the payment of taxes deducted or collected at source on or after 1st April 2009. Thereafter, another press release was issued by the CBDT deferring the implementation of the above notification to 1st July 2009 from 1st April 2009. The CBDT had also clarified that the tax deductors/collectors may continue to deposit TDS/TCS and file TDS/TCS returns as per the pre-amended provisions in the interim period.

The CBDT has now issued a circular no. 2/2009 dated May 21, 2009 providing detailed clarification with regard to the new scheme. Some of the salient features of this new scheme are discussed in the subsequent paragraphs. The aforesaid circular specifies that henceforth the claim for TDS and TCS shall be allowed only if the following conditions are complied:

- The amount of TDS / TCS has been deposited by the deductor / collector;
- Deductor / collector furnish information relating to the deductee;
- The TDS/TCS claim matches the information furnished by the deductor /collector.

The revised information reporting scheme has been harmonized with a view to make TDS payment and information reporting system uniform across all deductors (including Central and State Government).

Payment of TDS / TCS

Rule 30 and Rule 37CA which provide for time for payment of the TDS / TCS to the credit of the Central Government and the mode of such payment have been substituted. It is now mandatory for all deductors (including the Central and State Governments) to make the payment by electronically furnishing the newly introduced income-tax challan in Form No. 17. While furnishing this challan, the deductor will be simultaneously required to furnish three basic information relating to the deduction i.e., Permanent Account Number (PAN), name of the deductee and amount of TDS / TCS, to the Taxpayer Information Network (TIN) system maintained by National Securities Depository Limited (NSDL) either through screen based upload or file upload.

Effective date

The new system of reporting will be effective for all TDS / TCS transactions made on or after 1st April, 2009. However, any TDS or TCS effected from 1st April 2009 to 31st May, 2009 shall continue to be paid to the credit of the Central Government by using the old challan forms. In this case, the deductor / collector shall,

nevertheless, be required to fill up Form No.17 in respect of such payments at any time between 1st July, 2009 and 15th July, 2009.

The TDS or TCS effected on or after the 1st June, 2009 shall be required to be paid by electronically furnishing income tax challan in Form No. 17.

Obtaining Unique Transaction Number (UTN)

Upon payment of TDS / TCS to the credit of the Central Government and after uploading of basic information, every tax deduction record will be assigned a unique transaction number (UTN). The deductor will be able to get the UTN for all deductions by e-mail or by downloading the UTN file. The deductor will be required to quote such UTN on the TDS/TCS certificate issued to the deductee. NSDL will also create a facility to allow independent viewing of the TDS by the deductee. The deductees will be able to claim credit for the TDS / TCS by quoting the UTN in their annual income-tax return.

The deductors / collectors who have paid TDS / TCS between 1st April 2009 to 31st May 2009 by using old challan form, are nevertheless required to fill up Form No. 17 in respect of such payments at any time between 1st July 2009 and 15th July 2009 so that the UTNs relating to TDS / TCS transactions carried out in the months of April and May can be generated / obtained for onward transmission to the deductees.

The deductors / collectors who have paid TDS / TCS after 1st June 2009 will be able to obtain the UTN as and when the payments are made and the basic information is furnished.

Issuing certificates for TDS/TCS in Form 16 /16A/ 27D

New Form Nos.16/16A /27D have been suitably revised with effect from 1st April 2009 to incorporate the mandatory requirement of quoting UTN.

For deduction / collection made before 1st April 2009, the deductor / collector may opt to issue Form 16/16A/27D in old format but he will be required to send a consolidated statement of UTNs to the deductees as soon as the same are received by him. Alternatively, the deductor/collector may opt to issue certificates for TDS/TCS in new Form 16/16A/27D.

There is no revision in the time-limits for issuing Form 16/16A /27D which is within one month from the end of the month in which the deduction / collection is made. However, if the deductor/collector opts to issue new Form 16/16A/27D, then the new Forms may be issued beyond the stipulated period of one month but not later than 30th June 2009.

For deduction / collection made after 1st April 2009, it is mandatory to use new Form 16/16A /27D.

Quarterly statement of compliance with TDS provisions in Form 24C

Every person (including Central Government and State Governments) who has obtained a Tax Deduction or Collection Account Number (TAN) will be required to electronically furnish a quarterly statement of compliance with TDS provisions in Form No. 24C as per following time limits: Quarter ending on Due date

30th June 15th July

30th September 15th October

31st December 15th January

31st March 15th June

It is mandatory for all TAN holders to furnish this statement irrespective of whether any payment liable to TDS has been made or not. This will apply from the quarter ending on 30th June 2009.

Filing of TDS / TCS returns

The quarterly returns of TDS and TCS will continue to be filed in Form No. 24Q, Form No. 26Q, Form No. 27Q and Form No. 27EQ. However, there is a revision in the time limits for such filing. All the aforesaid quarterly returns will now be required to be filed for all quarters on or before the 15th June following the end of the financial year. Effectively, the quarterly returns have now been replaced by an annual return. This will apply from the financial year 2009-10.

Claiming credit for TDS / TCS through annual income-tax returns

The deductees will be able to claim credit for the TDS / TCS by quoting the UTN in their annual income-tax return. The return of income in Form no. ITR – 1 to ITR – 8 for assessment year 2009-10 have been suitably altered requiring to quote the relevant UTN for every TDS/TCS claim. The key requirement for successfully claiming TDS / TCS credit is that the deductee should correctly quote the UTN which should match with the UTN available in the Income Tax Department database.

For processing of annual income-tax returns for the assessment year 2008-09 (relevant to financial year 2007-08) and assessment year 2009-10 (relevant to financial year 2008-09), NSDL shall assign a UTN for every TDS / TCS transaction records for the financial years 2007-08 and 2008-09 reported in the quarterly TDS / TCS returns received by it. NSDL will communicate the UTN by e-mail or by creating a facility for the deductor to download the UTN file. Upon receipt of UTN, the deductor will be required to inform the UTN to the deductee. The deductor will quote the UTN on the TDS/TCS certificates if such certificates have not yet been issued. If the UTNs are not available

before the issue of TDS/TCS certificate, the deductor will be required to send a consolidated statement of all TDS/TCS transactions indicating the UTNs.

NSDL will also create a facility to allow independent viewing of the UTNs by the deductee. As a result, even if the UTNs are not received by the deductee from the deductor, they can be directly obtained from the NSDL database and quoted while making claims of TDS and TCS in the return of income