Soften tax blow with smart TDS management

To avoid tax deduction at source (TDS) for bank fixed deposits, an investor must file Form 15H and Form 15G at the beginning of a financial year. Any resident individual who is 60 years of age or more needs to submit Form 15H. Resident individuals below 60 have to file Form 15G. Non-resident individuals or companies cannot file these forms.

The bank will deduct TDS if the interest from fixed deposits exceeds R10,000 in a financial year. This limit of R10,000 is applicable for each bank branch and not for all branches of a bank taken together. However, the bank will not deduct any TDS on interest from deposits in a savings account if the interest paid is below R10,000 in a year.

Banks deduct 10% TDS on the interest paid on fixed deposits. While submitting the forms, the individual investor must ensure that he gives the correct permanent account number (PAN). If the individual does not provide the bank with his PAN, the bank will deduct TDS on interest from fixed deposits at 20%.

If you have deposits in various banks or in various branches of the same bank, you need to submit these forms at each branch. Ideally, you must submit the form before the first payment of interest. In case of a delay, the bank will deduct TDS and issue a TDS certificate at the end of year. After submitting the form, you must take a written acknowledgement from the bank.

Moreover, both 15 H and 15G are self-declaration forms that have to be submitted by an individual if his total taxable income is going to be less than the permissible limit. So, if an individual is sure that he will not have to pay any tax in a particular year, he can submit these forms with banks to avoid TDS from interest income.

The investor has to give details of various investments, code of the income tax assessment office, complete address, email, phone number and occupation. One must note that while submitting the forms, one also needs to mention details of other incomes such as dividends from shares and mutual funds and the money withdrawn from national savings scheme.

The declaration has to submitted in duplicate. Before signing the verification, the declarant must ensure that the information furnished is correct and complete. Any person making a false statement is liable for prosecution under Section 277 of the Income Tax Act, 1961. On conviction, if the tax sought to be evaded is more than R25 lakh, the punishment is rigorous imprisonment of six months. It can even extend to seven years and a fine.

If the investor finds the bank has deducted TDS despite submitting the forms, he will have to file It returns after the end of the financial year to claim the TDS amount as refund. The bank will not refund the TDS to the investor as it has to deposit the tax in the central government's kitty.

(Financial Express)