

Budget 2010- Provisions regarding issuance of Certificate for TDS/TCS by the deductor/collector (Section 203 & Section 206C)

Provision before Amendment by Union Budget 2010

The existing provisions contained in subsection 3 of Section 203 states that there is no requirement to issue a certificate by the deductor to the deductee if TDS has been deducted and paid as per the provisions of chapter XVII B. Similarly the first proviso to subsection 5 of Section 206C of the Act prescribes that there is no requirement of TCS certificate to be issued in case the tax has been collected and paid as per Section 206C.

Amendment made in Union Budget 2010

Subsection 3 of section 203 of the Act is amended, to make it mandatory for the deductor of TDS to issue a TDS certificate as per the provisions laid down in subsection 1 & 2 of section 203 of the Act. Omission of subsection 3 would make issuance of TDS Certificate a mandatory exercise as it has been in the past. The first proviso to subsection 5 of Section 206C of the Act has been deleted, so as to make the issuance of TCS certificate as a mandatory exercise as per subsection 5 of section 206C of the Act.

Analysis & Comments

The present proposal to make the issuance of TDS/TCS certificates mandatory by the deductor / collector is a silent rollback of the compliance reforms and reduction of paperwork. The whole concept of doing away with the paper TDS/TCS certificates was to promote the mechanism of providing credit due to online systems based on the e-filed returns of the deductor and the matching PAN of the deductee/assessee. At the same time, it provided for the safeguard against malpractices pertaining to bogus TDS/TCS certificate, as only system reporting credits were provided. But as always the entire implementation of system were faulty from both the sides at one side being the revenue department providing credit and at the other side a big populace of Indian assessee always pointing finger of inefficiency at the Government without performing their own timely compliance, of course with a small section of exceptions. So, the days of issuing the paper certificates will be back and the assessee may be asked to produce them with the department for getting the credit of the same. All assesseees will mandatorily have to issue TDS /TCS certificate in case if they are covered under the provisions of chapter XVII B. Also this amendment being in retrospective from 1st April, 2010, even for the ongoing financial year the TDS/TCS certificates will have to be issued by all the deductor /collector.

Effective Date

This amendment will take effect retrospectively from **1st April, 2010**, and will, accordingly, apply in relation to the **assessment year 2010-2011** and **subsequent years**.