

Y.K. Bhushan & Associates

Chartered Accountants



Understanding TDS u/s 194C & 194J.

By : Nitika



INTRODUCTION

TDS stands for Tax Deducted at Source. Person or entity making certain specified payments is required to deduct (Deductor) a certain percentage of tax before making the payment to the recipient (Deductee). The deducted tax amount is then directly deposited with the government.

Time of deduction- At the time of payment of such sum or at the time of credit of such sum whichever is earlier.

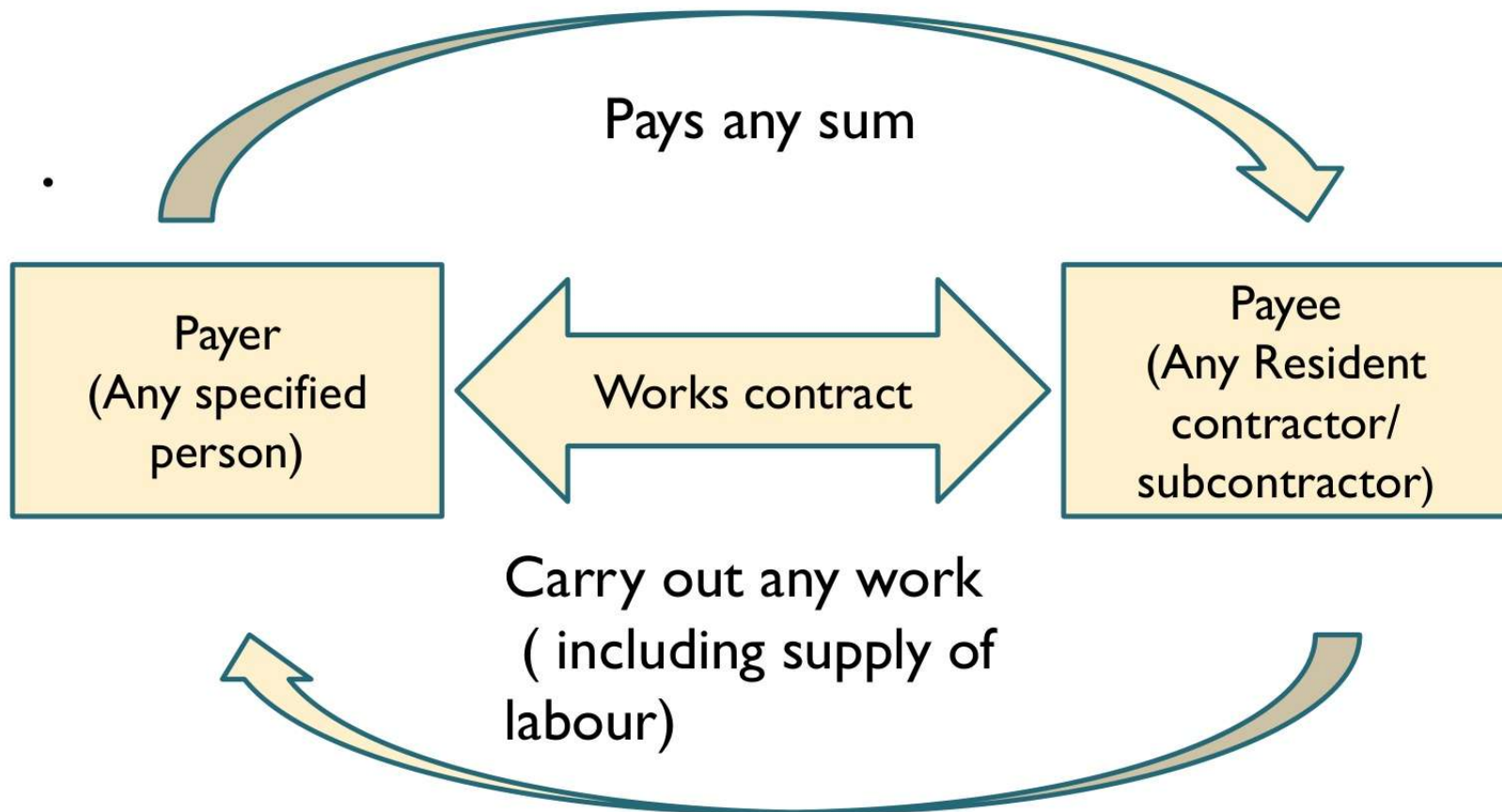
For Both Sections 194C & 194J

Exemption u/s 194C & 194J

Payments made by individuals/ HUF to a contractor exclusively for personal purposes.

In Case PAN is not furnished by Payee, TDS will be deducted @20%.

194C-TDS on payment to contractors & sub-contractors





Meaning of “Specified Person”

- (i) The Central Government or any State Government; or
- (ii) any local authority; or
- (iii) any statutory corporation; or
- (iv) any company; or
- (v) any co-operative society; or
- (vi) any statutory authority dealing with housing accommodation; or
- (vii) any society registered under the Societies Registration Act, 1860; or
- (viii) any trust; or

ix) any university established under a Central, State or Provincial Act and an institution declared to be a university under the UGC Act, 1956; or

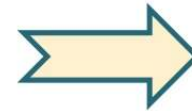
(x) any firm; or

(xi) any Government of a foreign State or foreign enterprise or any association or body established outside India; or

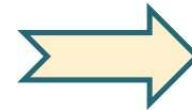
(xii)

Any HUF, Individual, AOP,
BOI

Whose Turnover/ Sales in
FY immediately preceeding
FY in which such payment
is made



From business > 1
crore



From profession >
50 lakhs

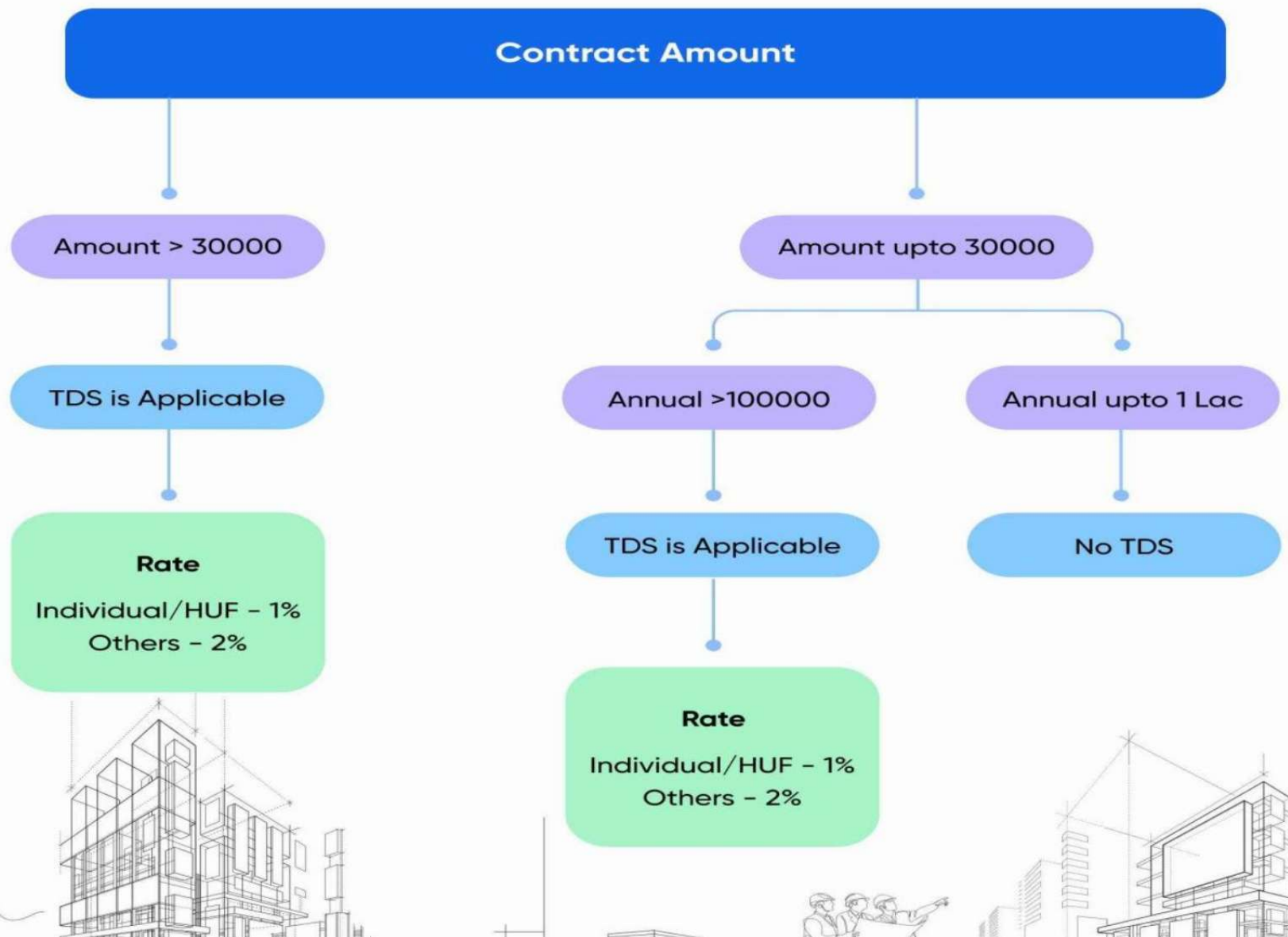
Definition of “Work”

Work includes –

- (a) Advertising;
- (b) Broadcasting and telecasting including production of programmes for such broadcasting or telecasting;
- (c) Carriage of goods or passengers by any mode of transport other than by railways;
- (d) Catering
- (e) Cold storage Facility
- (f) Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person related to the customer



Threshold limit & rate of TDS



Non-applicability of TDS

Contractor have

Business of
plying, hiring
or leasing
goods
carriages

Goods
carriages ≤ 10
at any time
during PY

Has
furnished a
declaration
along with
his PAN



Cases to Discuss

CASE I Payments by broadcasters or Television Channels to production houses

A – Payment is made to production house for producing content as per specifications of broadcaster/ telecaster.

(+)

Copyright of content is transferred to telecaster.

This is works contract & TDS is required to be deducted u/s 194C.

B - Only content rights is acquired by telecaster for content / programme already produced by production house.

This is not works contract Therefore section 194C of TDS is not applicable.

CASE 2 Advance paid to contractor .TDS will be deducted at the time of payment of such advance to contractor if single payment exceeds Rs 30,000.

CASE 3 Purchase of Natural Gas and Transportation made by



CASE 4 Payer → Payee
TERMS OF AGREEMENT/CONTRACT





194J- Fees for professional or technical services

Meaning of Fee for “Technical services”-

Any consideration (including any lump sum consideration) for rendering of any of the following services:

- (i) Managerial services;
- (ii) Technical services;
- (iii) Consultancy services;
- (iv) Provision of services of technical or other personnel.

This will not include

- (i) Consideration for any construction, assembly, mining or like project, or
- (ii) Consideration which is chargeable under the head ‘Salaries’.

Meaning of “Professional services”

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 notified profession (i.e authorised representatives , filmartist, company secretary, Information technology)

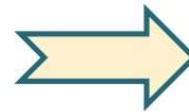


These also includes services by Sports Persons, Umpires and Referees, Coaches and Trainers, Team Physicians and Physiotherapists, Event Managers, Commentators, Anchors and Sports Columnists.

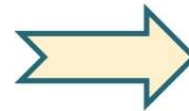
Applicability of 194J

Payment by(Payer)-

Any Person
+
HUF, Individual
Whose Turnover/ Sales in
FY immediately preceeding
FY in which such payment
is made



From business > 1
crore



From profession >
50 lakhs

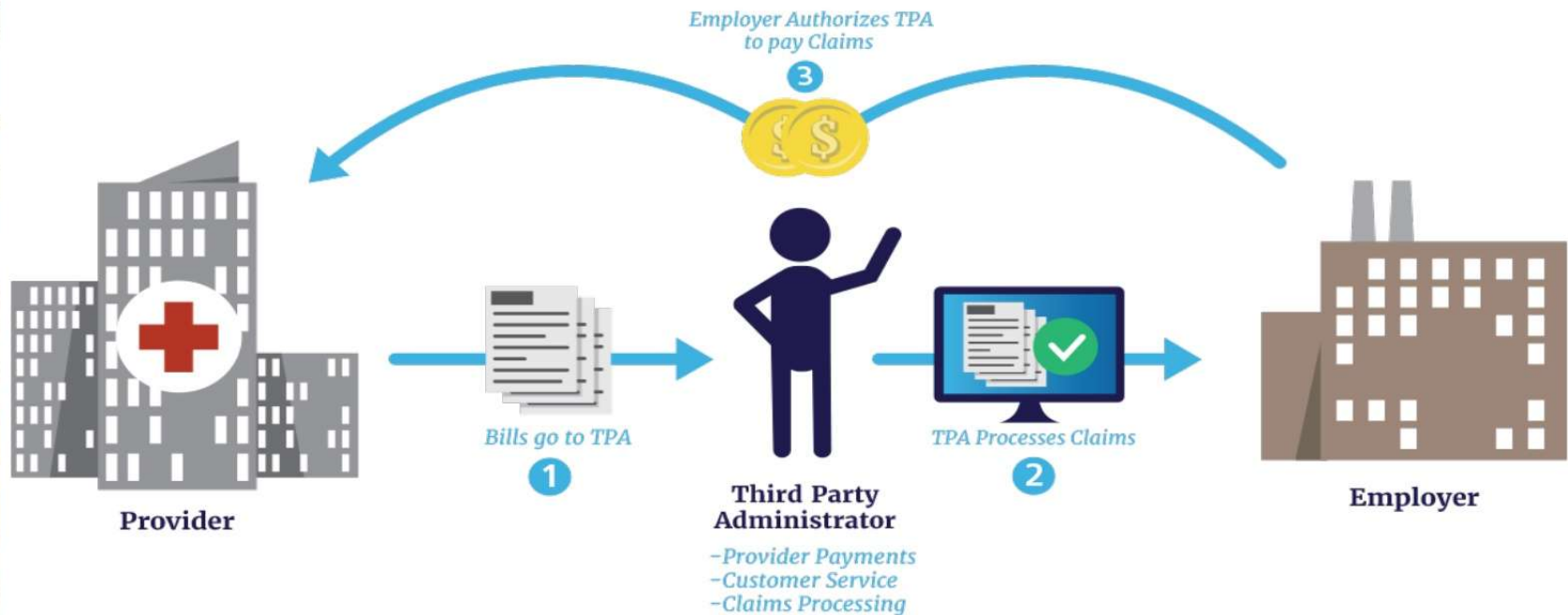
Payment to(Payee)-

Any Resident



Nature of payment	Threshold limit(in Rs)	TDS rate
Fees for technical services	30,000	2%
Payments to call centres	30,000	2%
Royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films	30,000	2%
Other royalty (Royalty to use Patented product/ technology)	30,000	10%
Fees for professional services	30,000	10%
Non-compete fee (Sum received for not competing in a business)	30,000	10%
Any remuneration or fees or commission to independent director	Nil	10%

TPA (Third party administrators)



TPA make payments on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes, including cashless schemes. They are liable to deduct TDS u/s 194J as services rendered by hospitals to various patients are primarily medical services.

Note on Royalty

- ❖ The consideration for use or right to use of computer software would be royalty and thus provisions of TDS u/s 194 J apply .



- ❖ Exemption to deduct tds u/s 194 J in case of payment by the transferee for acquisition of software from a resident-transferor provided :
 - Software is acquired in a subsequent transfer without any modification by the transferor.
 - TDS has already been deducted on payment for any previous transfer of such software.
 - Declaration has been obtained by transferee that tax has been deducted along with PAN of transferor.

DUE DATES TO DEPOSIT TDS

April- Feb	7th of next month
March	30th of April

Interest on Late Deposit of TDS

Section	Nature of default	Rate of interest	Period for which interest is to be paid
201(IA)(i)	TDS not deducted (fully/partly)	1% per month/ Part of month.	From the date on which tax is deductible to the date on which tax is actually deducted.
201(IA)(ii)	TDS not deposited to the government after deduction (fully or partly)	1.5% per month/ Part of Month.	From the date of tax deduction to the date of deposit

RP Jain Associates

GSTIN: 04ARCPD987431Z5

S/1, Panthouse 01, 6th Floor, Rich
Homes Apartment, Richmond
Road, Bengaluru, Karnataka
560025

Billing Details**PR Sharma**

Ground Floor, Building 2A, 23 & 24
AMR Tech Park Internal Rd
Rongasandra, Chennai, Tamil Nadu

Invoice Date
23/04/2017

Payment Terms
On Receipt

Due Date
23/04/2017

S.No.	Item Description	SAC	Discount	Taxable Value	CGST		SGST		IGST	
					Rate	Amt.	Rate	Amt.	Rate	Amt.
1.	Chartered Accountant Services	0040092	-	1,00,000	-	-	-	-	18%	18,000
				TOTAL						18,000

Total invoice value (In figure)

1,18,000

Total invoice value (In Words)

Rupees One Lakh and Eighteen Thousand

Amount of Tax subject to Reverse Charges

-	-	-
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Attachement

1. terms_and_conditions.pdf




Illustrations

Que I XYZ Ltd pays to Mr Dhingra on 10.5.2025
Rs25,000- for Professional fee
Rs15,000-Fee for technical service
Will TDS be deducted u/s 194J ?

Answer-

No, TDS will not be applicable. The limit of Rs30,000 is applicable separately on the services enlisted in 194J.

Therefore Rs30,000 is limit for technical & professional services separately .



Que 2 Following payments are made to Y
(contractor) by ABC Co.

Payment 1- Rs22,000

Payment 2- Rs25,000

Payment 3- Rs28,000

Payment 4- Rs-28,000

Will TDS be deducted in this case u/s 194 C?

Answer

In this case given, Individual payments don't exceeds Rs30,000.

The aggregate amount paid to contractor Y in a year is Rs 1,03,000
i.e. > Rs1,00,000.

Therefore, TDS will be deducted @ 1% of Rs1,03,000

TDS is Rs1,030.

Amount will be paid to contractor after deducting TDS.

Amount paid = $\text{Rs}(28,000 - 1,030) = \text{Rs}26,970$.



Que 3 ABC Co. makes payment to X(contractor).

1st time- Rs25,000

2nd time-Rs30,000

3rd time- Rs35,000

Will TDS be applicable in the given scenario?

Answer

In this case 3rd payment to X exceeds Rs30,000

As per provisions If a single payment exceeds Rs30,000 TDS will be applicable u/s 194C.

Therefore, TDS will be deducted on whole amount paid till date @ 1%.

$$\begin{aligned}\text{TDS} &= \text{Rs}(25,000+30,000+35,000)*1\% \\ &= \text{Rs}90,000*1\% \\ &= \text{Rs } 900\end{aligned}$$

Amount paid to X= Rs34,100 (35,000-900)

Thank You...