

TDS/TCS RATE CHART FY 2012-13 TDS DEPOSIT & RETURN DUE DATES

Sl. No.	Section Of Act	Nature of Payment in brief	Cut Off Amount		Rate %	
			01.04.2012	01.07.2012	HUF/IND	Others
1	192	Salaries	Salary income more then exemption limit after deductions.	must be	Average Rate	
2	193	Interest on debentures		5000	10	10
3	194	Deemed dividend	-	-	10	10
4	194A	Interest other than Int. on securities (by Bank)	10000	10000	10	10
4A	194A	Interest other than Int. on securities (By others)	5000	5000	10	10
5	194B	Lottery / Cross Word Puzzle	10000	10000	30	30
6	194BB	Winnings from Horse Race	5000	5000	30	30
7	194C(1)	Contracts	30000	30000	1	2
8	194C(2)	Sub-contracts/ Advertisements	30000	30000	1	2
9	194D	Insurance Commission	20000	20000	10	10
10	194EE	Payments out of deposits under NSS	2500	2500	20	-
11	194F	Repurchase of units by MF/UTI	1000	1000	20	20
12	194G	Commission on sale of lottery tickets	1000	1000	10	10
13	194H	Commission or Brokerage	5000	5000	10	10
14	194I	Rent (Land & building)	180000	180000	10	10
		Rent (P & M , Equipment, furniture & fittings)	180000	180000	2	2
15	194J	Professional/Technical charges/Royalty & Non-compete fees	30000	30000	10	10
16	194J(1)(ba)	Any remuneration or commission paid to director of the company(Effective from 1 July 2012)	NA	NIL	10	10
17	194LA	Compensation on acquisition of immovable property	100000	200000	10	10
18	194LLA	Payment on transfer of certain immovable property other than agricultural land (Effective from 1 October 2012)	(a) INR . lakhs in case such property is situated in a specified urban agglomeration; or(b) INR 20 lakhs in case such property is situated in any other area) (Effective from 1 October 2012)		1	1

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Note:

1. **Yearly Limit u/s 194C**: Also where the aggregate of the amounts paid/credited or likely to be paid/credited to Contactor or Sub-contractor exceeds Rs.75,000 during the financial year, TDS has to be made u/s 194C.
2. **TDS at higher rate ie., 20%** has to be made if the deductee does not provide PAN to the deductor. ([read detail u/s 206AA](#))
3. **No TDS on Goods Transport** : No deduction shall be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor during the course of business of plying, hiring or leasing goods carriages on furnishing of his Permanent Account Number, to the person paying or crediting such sum. (read details here [No TDS on Goods Transport](#))
4. Surcharge on Income-tax is not deductible/collectible at source in case of individual/ HUF /Firm/ AOP / BOI/Domestic Company in respect of payment of income other than salary.
5. In the case of Company other than Domestic Company, the rate of surcharge is @ 2.5% of Income-tax, where the income or the aggregate of such income paid or likely to be paid exceeds Rs.1,00,00,000.
6. [No Cess on payment made to resident](#): Education Cess is not deductible/collectible at source in case of resident Individual/HUF/Firm/ AOP/ BOI/ Domestic Company in respect of payment of income other than salary. Education Cess @ 2% plus secondary & Higher Education Cess @ 1% is deductible at source in case of non-residents and foreign company.

Other Point to be Noted

1. [TDS on Job work \(194C\)](#) Tds on Job work has been relaxed read new definition u/s 194C.
2. [TDS on Cold Storage \(194C clarification\)](#)
3. [TDS on Rent without service tax \(194 I\) \(clarification 4/2008\)](#)
4. [Tds on Professional service \(194J\) including service tax \(clarification\)](#)
5. TDS on Rent ([various circulars by department on tds on rent](#))
6. [Do and Dont's Tax deposit of Taxes](#)
7. [E-payment of TDS mandatory from 01.04.2008](#)
8. E-Payment [Auto Filler for Tds Challan](#)
9. [E-Payment From Other Banks Account Allowed](#)
10. [TDS challan ITNS 281 In excel &](#)
11. [How to Fill TDS CHALLAN-ITNS 281](#)
12. [How To pay Income Tax/Tds Online FAQ](#)
13. [Nil TDS on Transporter and others to be reported in ETDS quarterly returns](#)
14. [TDS changes by Budget 2012 \(detailed\)](#)
15. [TCS changes by Budget 2012 \(detailed\)](#)

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TCS Rate for Financial Year 2012-13

Sl.No.	Nature of Goods	Rates in %
1	Alcoholic liquor for human Consumption	1
2	Tendu leaves	5
3	Timber obtained under forest lease	2.5
4	Timber obtained by any mode other than a forest lease	2.5
5	Any other forest produce not being timber or tendu leaves	2.5
6	Scrap	1
7	Parking lot	2
8	Toll plaza	2
9	Mining & Quarrying	2
10	Minerals, being coal or lignite or iron ore	1 wef 01.07.2012
11	Bullion or jewellery (if the sale consideration is paid in cash exceeding INR 2 lakhs)	1 wef 01.07.2012

New Section for Penalty for non submission of ETDS /ETDS return (section 271H)(applicable from 01.07.2012)

Failure to deliver statement within time prescribed u/s 200 (3) or to the proviso to sub-section (3) of section 206C may liable to penalty which shall not be less than Rs. 10,000/- but which may extend to Rs. 1,00,000/-. No penalty if payment of tax deducted or collected along with fee or interest and delivering the statement afforsaid before the expiry of 1 year from the time prescribed for delivering the such statement. However No penalty shall be imposed u/s 271H if the person proves that there was reasonable cause for the failure.(section 273B)

Assessee In default (amendment in section 201)

The Deductor will not to be treated as assessee in Default provided the resident payee has furnished his return u/s 139 and has taken into account such amount for computing income in such Return of Income and has paid the Tax Due on the income declared by him in such return of income and furnishes a certificate to this effect, duly certified by a CA, in the prescribed form. This form is yet to be notified.

However, the interest for not deducting tax would be payable from the date on which such tax was collectible till the date of furnishing of return of income by the resident payee.

The limit of passing orders under section 201(1) increased from 2 years to 6 years (retrospective amendment wef 1-04-2010)

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Due date to Deposit TDS and TCS

Rule :30.

(1) All sums deducted in accordance with the provisions of Chapter XVII -B by an office of the Government shall be paid to the credit of the Central Government

Same day when the tax is paid without production of an income tax challan, and

(b) on or before seven days from the end of the month in which the deduction is made or income tax is due under sub section (1A) of section 192, where tax is paid accompanied by an income tax challan.

Tax to be deducted by Govt Office

1 Tax deposited without challan

Same day

2 Tax deposited with challan

7th of next month

3 Tax on perquisites opt to be deposited by the employer

7th of next month

(2) All sums deducted in accordance with the provisions of Chapter XVII -B by deductors other than an office of the Government shall be paid to the credit of the Central Government

(a) on or before 30th day of April where the income or amount is credited or paid in the month of March; and

(b) in any other case, on or before seven days from the end of the month in which

1. the deduction is made; or

2. income-tax is due under sub-section (1A) of section 192.

Tax deducted by other	
1	tax deductible in March 30th April of next year
2	other months & tax on perquisites opted to be deposited by employer 7th of next month

(3) Notwithstanding anything contained in section 194A in Commissioner, sub-rule(2), 194D in permit special or section quarterly cases, 194H the payment for the quarters the Officer tax of may, deducted with under the prior section approval anything 192 or of section the Joint 194A in Commissioner, sub-rule(2), 194D in permit special or section quarterly cases, 194H the payment for the quarters the Officer tax of the financial year specified, to in column (2) of the Table below by the date referred to in column (3) of the said Table:

SrNo	Quarter ended On	Date of payment
1	30th June	7th July
2	30th September	7th October
3	31st December	7th January
4	31st March	30th April

Person required to file ETDS Return Filing due Dates

NOTIFICATION No. 238/2007, dated 30-8-2007. Now following person are liable to file etds/etcs return.

1. All Government department/office or
2. All companies.or
3. All person required to get his accounts audited under section 44AB in the immediately preceding financial year; or
- 4 The number of deductees' records in a quarterly statement for any quarter of the immediately preceding financial year is equal to or more than fifty,

The Due Dates for filing Quarterly Statements for TDS/TCS are as under:[read full rule and notification 41/2010 dated 31.05.2010](#)

Due Dates For ETDS returns (Form 24Q for salary and 26Q for contractors others ,27Q for Non-resident

Due date ETDS return 24Q, 26Q 27Q and Form16 ,Form 16A					
Sl. No.	Quarter ending	From 01.11.2011 onwards For Govt offices		For other deductors	
		Etds return	Form 16A	Etds return	Form 16A
1	30th June	31st July	15th August	15th July	30th July
2	30th September	31st October	15th November	15th October	30th October
3	31st December	31st January	15th February	15th January	30th January
4	31st March	15th May	30th May (31st May for form 16)	15th May	30th May (31st May for form 16)

Changes in TDS related Provision in Budget 2012

Section 193 of the Act- Tax deduction at source from payment of interest on debentures

- **Existing Provision**

Presently, under Section 193 of the Income- tax Act, 1961 ('the Act') a person responsible for paying any income by way of interest on securities to a resident is required to deduct income- tax at the rates in force on the amount of the interest payable. However, certain payments are excluded from tax deduction at source by virtue of proviso to Section 193.

As per clause (v) of the proviso, any interest payable to:

- (a) a resident individual;
- (b) on debentures listed on a recognised stock exchange;
- (c) where such debentures are issued by a company in which the public are substantially interested was not subject to tax deduction at source if the aggregate amount of interest paid during a financial year does not exceed Rs 2,500 and the interest is paid by way of an account payee cheque.

- **Amendment proposed by Finance Bill 2012**

Finance Bill 2012 proposes to amend clause (v) of the proviso to Section 193, whereby tax shall not be required to be deducted on any interest payable:

- (a) to an individual or a Hindu undivided family, who is resident in India;
- (b) on any debenture issued by a company in which the public are substantially interested;
- (c) where the aggregate amount of interest paid during a financial year does not exceed Rs. 5,000 and the interest is paid by account payee cheque.

This amendment will take effect from 01 July 2012.

- **Impact of the amendment**

The above amendment has brought about the following main changes:

1. Interest payment made to resident Hindu Undivided Family ('HUF') has now been exempted from tax deduction at source requirement.

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2. The withholding tax exemption would now apply to debentures issued by a company in which the public are substantially interested, irrespective of the fact whether such debentures are listed on a recognized stock exchange or not.
3. The exemption limit of Rs 2,500 has been increased to Rs 5,000. This would reduce the tax burden (by way of withholding tax) on the small tax payers and also reduce compliance obligations of the company

Section 194E of the Act - Tax deduction at source from payment to non- resident entertainer**Existing Provision**

Presently, under Section 194E of the Act, where any income referred to in Section 115BBA is payable to a non-resident sportsman (including an athlete), who is not a citizen of India or a non-resident sports association or institution, the person responsible for making the payment is required to deduct income-tax at source at the rate of 10%.

Amendment proposed by Finance Bill 2012

The Finance Bill 2012 proposes to extend the scope of Section 194E to cover payments made to 'entertainer' within its ambit. The rate of deduction of tax for all payments covered under Section 194E of the Act is proposed to be increased to 20%. This amendment will take effect from 01 July 2012.

Impact of the amendment

By virtue of this amendment, any payment to an entertainer, who is not a citizen of India and is a non-resident, for his performance in India shall also be subject to tax deduction at source in India.

Further, the quantum of tax deduction on payment made to a non-resident sportsman, sports association or institution or to an entertainer has been doubled from 10% to 20%.

In this regard, it may be noted the term entertainer has not been defined anywhere. This may lead to ambiguity and consequent litigation on interpretation and scope of the term 'entertainer'.

Section 194J of the Act - Tax deduction at source from payment to director**Existing Provision**

Presently, as per Section 194J of the Act any person (other than an Individual or a Hindu undivided family) responsible for paying to a resident any income by way of:

(a) Fees for professional services; or

(b) Fee for technical services; or

(c) Royalty; or

(d) Any sum referred to in clause (va) of Section 28, is required to deduct Income-tax at the rate of 10% of such income. However, there is no specific provision for deduction of tax on remuneration paid to a director, which is not in the nature of salary.

Amendment proposed by Finance Bill 2012

Finance Bill 2012 proposes to insert another clause under sub-section (1) of Section 194J, whereby any remuneration or fees or commission payable to a director of a company, other than those on which tax is deductible under section 192, shall also be liable for tax deduction under the provisions of Section 194J. This amendment will take effect from 01 July 2012.

Impact of the amendment

By insertion of the new clause, now any amount payable to a director of a company, by way of remuneration or fees or commission, which is not in the nature of salary, shall be liable for tax deduction under Section 194 at the rate of 10%.

Accordingly, any payment to a director (whether whole-time or not) including sitting fee made by a company would be liable for tax deduction at source. This would levy an extra compliance burden and responsibility on the companies for deducting taxes on payment made to its directors.

Section 194LA of the Act- Exemption on enhanced compensation**Existing Provision**

Presently, as per Section 194LA of the Act, a person responsible for paying any sum to a resident in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition of any immovable property (other than agricultural land) is required to deduct an amount equal to 10% of such sum as income-tax.

However, as per the proviso to the Section, no deduction is to be made in case the amount of payment does not exceed Rs 100,000 during the financial year.

Amendment proposed by Finance Bill 2012

Finance Bill 2012 proposes to increase the exemption limit from Rs 100,000 to Rs 200,000. This amendment will take effect from 01 July 2012.

Section 194LAA- Tax deduction at source from payment for immovable property in certain cases

Proposal by the Finance Bill 2012

- ◆ The Finance Bill 2012 proposes to insert a new Section 194LLA with effect from 01 October 2012 whereby any person responsible for paying any sum to a resident transferor by way of consideration for transfer of any immovable property (other than agricultural land), shall deduct an amount equal to 1% of such sum as income-tax thereon.
- ◆ It is further provide that no deduction shall be made where the consideration for transfer of an immovable property is less than Rs 50 lakhs in case such property is situated in a 'specified urban agglomeration area' or is less than Rs 20 lakhs in case such property is situated in any area other than specified areas. 'Specified areas' have been categorically listed down and include metro and cities and other areas.
- ◆ It is further proposed to provide that where the consideration paid or payable for the transfer of such property is less than the value adopted or assessed or assessable by any authority of a State Government for the purposes of payment of stamp duty, the value so adopted or assessed or assessable shall be deemed as consideration paid or payable for the transfer of such immovable property.
- ◆ For effective administration and to ensure compliance with these provisions, it is proposed that a registering officer appointed under the Indian Registration Act, 1908 (Registrar) shall not register the transfer of any immovable property, where taxes are required to be deducted under this provision, unless the transferee furnishes proof of deduction and payment of TDS.
- ◆ It is proposed that the provisions of Section 203A (Tax deduction and collection account number) shall not apply to the person required to deduct tax in accordance with the provisions of this section.
- ◆ As per Memorandum Explaining the provisions of Finance Bill 2012, it is proposed that a simple one page challan for payment of TDS would be prescribed containing details (including PAN) of transferor and transferee and also certain details of the property. The transferee would not be required to obtain any Tax Deduction and Collection Account Number (TAN) or to furnish any TDS statement as this would be

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mostly a one- time transaction. The transferor would get credit of TDS like any other pre-paid taxes on the basis of information furnished by the transferee in the challan of payment of TDS.

Impact of the amendment

- ◆ The present Act has provisions for deduction of tax at source on transfer of immovable property situated in India by a non-resident. However, there is no such requirement of deduction of tax on transfer of immovable property by a resident except in the case of compulsory acquisition of certain immovable properties.
- ◆ The proposed amendment would help in reducing the flow of black money in the market and would ensure the adequate reporting of these sale / purchase transactions.
- ◆ The proposed amendment seeks to widen the scope of withholding tax on payments made on transfer of immovable property by a resident. This would also ensure collection of tax at the earliest point of time and proper reporting mechanism.
- ◆ However, the proposed amendment would have an adverse impact on the individuals who purchase a property above the specified limit since this would result in an extra compliances burden on them.

Section 194LC- Tax deduction at source from payment of interest to a non-resident by an Indian company-

New provision

Provision proposed by Finance Bill 2012

- ◆ Finance Bill 2012 proposes to amend Section 115A of the Act by inserting a new clause in sub-section (1) as per which tax shall be charged at the rate of five per cent on any income of a non-resident (not being a company) or a foreign company by way of interest of the nature and extent referred to in section 194LC of the Act.
- ◆ In line with amendment in Section 115A, it is also proposed to insert a new Section 194LC with effect from 01 July 2012 as per which tax would require to be deducted at source by a specified company from any income payable to a non-resident (not being a company) or a foreign company, by way of interest. The tax deduction is required to be made at the rate of five per cent.
- ◆ The interest shall be the income by way of interest payable by the specified company -

1. in respect of monies borrowed by it at any time on or after the 1st day of July, 2012 but before the 1st day of July, 2015 in foreign currency, from a source outside India under a loan agreement approved by the Central Government in this behalf; and

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2. to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.

Impact of proposed provision

- ◆ In order to augment long-term low cost funds from abroad for the infrastructure sector, it is proposed to provide tax incentives for funding certain infrastructure sectors from borrowings made abroad subject to certain conditions.
- ◆ A new clause inserted in sub-section (1) of Section 115A would result in relief in tax rate from 20% to 5% on interest payable to a non-resident and to a foreign company by specified company.
- ◆ Further a new Section 194LC is inserted for deduction of tax at source on payment of such interest to a non-resident. No tax shall be deducted under Section 195 of the Act on this interest.
- ◆ The provisions of this Section would apply to an Indian company engaged in the business of construction of dam, or operation of Aircraft, or manufacture or production of fertilizers, or construction of port including inland port, or construction of road, toll road or bridge, or generation, distribution of transmission of power, or construction of ships in a shipyard or developing and building an affordable housing project as is presently referred to in section 35AD(8)(c)(vii).
- ◆ The amendment would help players in the above sectors to garner funds at lower interest rates to help finance their operations.
- ◆ This would result in higher flow of funds in the infrastructure sector for development purpose.

Section 195 - Amendment Scope of Section 195 of the Act**Applicability of Section 195 of the Act on non- resident**

◆ An amendment has been made in Section 195 of the Act, through which it is proposed to clarify, by way of an explanation, that the obligation to comply with withholding tax provisions under Section 195 of the Act and to make deduction thereunder applies and shall be deemed to have always applied and extends and shall be deemed to have always extended to all persons, resident or non-resident, whether or not the non-resident person has-

1. a residence or place of business or business connection in India; or
2. ii. any other presence in any manner whatsoever in India;

The amendment is brought into retrospective effect from 1 April 1962.

◆ The amendment widens the withholding tax provisions of Section 195 of the Act by applying it to all persons whether resident or non- resident. It is further clarified that

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such non- resident may or may not have a residence or place of business or business connection or any other presence in India.

Determination of sum chargeable to tax

◆ A new sub- section has been introduced as per which the Central Board of Direct Taxes ('the Board') may, by notification in the Official Gazette, specify a class of persons or cases, where the person responsible for paying to a non-resident, not being a company, or to a foreign company, any sum, whether or not chargeable under the provisions of the Act, shall make an application to the Assessing Officer to determine, by general or special order, the appropriate proportion of sum chargeable, and upon such determination, tax shall be deducted under sub-section (1) on that proportion of the sum which is so chargeable.

◆ Accordingly, the Board shall in future specify the class of persons or cases where the person responsible for paying to a non-resident, shall make an application to the Assessing Officer to determine the appropriate proportion of sum chargeable to tax.

The amendment has been brought into effect from 1 July 2012.

Amendment in Section 197A of the Act

Existing Provision

Presently, as per sub-section (1C) of Section 197A of the Act, no deduction of tax shall be made in the case of an individual resident in India, who is of the age of sixty-five years or more at any time during the previous year, if such individual furnishes to the person responsible for paying any income of the nature referred to in section 193 or section 194 or section 194A or section 194EE or section 194K, as the case may be, a declaration in writing in duplicate in the prescribed form and verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil.

Amendment proposed by Finance Bill 2012 and impact

Finance Bill 2012 proposes to reduce the age limit from sixty-five to sixty.

This amendment will take effect from 01 July 2012.

This is a welcome change for the individual tax payers of the age of sixty, who are in receipt of income in the nature of interest on securities, dividends, interest other than

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interest on securities, in respect of deposits under National Savings Scheme and units of mutual funds specified in Section 10(23D).

They have to furnish a declaration in Form 15H verified by him to the effect that the tax on his estimated total income in the previous year will be Nil.

Section 201- Assessee in Default- Amendment**Existing Provision**

Under the Act, in case person fails to deduct taxes on specified payments, he is considered as 'assessee in default' and interest and penalty implications follow such default.

Amendment proposed by Finance Bill 2012

The Finance Bill, 2012 proposes to dilute the responsibility of the 'assessee in default' by providing that a person, including the principal officer of a company, who fails to deduct tax on the sum paid to a resident shall not be deemed to be an 'assessee in default' in respect of such tax if such resident-

- i. has duly furnished his return of income;
 - ii. has taken into account such sum for computing income in such return of income;
- and
- iii. has paid the tax due on the income declared by him in such return of income,

Further, the person is required to furnish a certificate to this effect from a Chartered Accountant in the prescribed form.

Impact of the amendment

The amendment seeks to absolve the 'assessee in default' in case the tax has been duly paid to the Government Exchequer, though by the payee and not by the payer.

Accordingly, in case the taxes have been paid and the income has been duly reported in the return of income by the resident payee, the person making the default would not be regarded as 'assessee in default'. Thus, no interest and penalty would be leviable.

Section 154 of the Act – Rectification of mistake in intimation with respect to TDS statement

Existing Provision

As per the provisions of Section 154 of the ITA, Income- tax authority referred to in Section 116 may amend any order passed by it or amend any intimation issued under Section 143(1) of the ITA.

Amendment proposed by Finance Bill 2012

Finance Bill 2012 proposes to include another clause under sub-section (1) of Section 154, whereby Assessing Officer may amend any intimation issued under sub-section (1) of Section 200A of the ITA. Further, amendments are proposed in other sub-sections of Section 154, whereby it is specified that provisions of Section 154 shall also apply to the deductors

Further, under sub-section (1) of Section 246 of the Act an amendment has been made wherein the assessee may appeal to Commissioner (Appeals) against the intimation issued under sub-section (1) of Section 200A.

This amendment will take effect from 01 July 2012.

Impact of the amendment

As per Memorandum explaining the Finance bill, Section 200A was inserted Vide Finance (No.2) Act, 2009 to provide for processing of TDS statement. After processing of TDS statement, intimation is generated specifying the amount payable or refundable.

The intimation generated after processing of TDS statement is not:

- (i) subject to rectification under section 154;
- (ii) appealable under section 246A; and
- (iii) deemed as notice of demand under section 156.

In order to reduce the compliance burden of the deductor and also to rationalise the provisions of processing of TDS statement, it is proposed to provide that the intimation generated after processing of TDS statement can be rectified under section 154, shall be appealable under section 246A and deemed to be a notice of demand under section 156 of the ITA.

TCS changes in Budget 2012

Introduction:

As per the provisions of Section 206C, tax is required to be collected at source by the seller at the specified rate on certain goods like alcoholic liquor, tendu leaves, scrap etc. at the time of sale of such good. This is done in order to collect tax at the earliest point of time and to ensure more transparency in the system.

Existing Provisions:

- Under the existing provisions of the ITA, tax is required to be collected at source by the seller, at the specified rates, from the buyer of certain goods like alcoholic liquor, tendu leaves, scrap etc.
- Such tax has to be collected at the time of debiting of the amount receivable from the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier.

Finance Bill 2012 proposes the following Amendments in Section 206C of ITA (w.e.f 1 July 2012):

1. TCS on sale of certain minerals:

- It is proposed that TCS provisions shall be made applicable on sale of minerals being *coal or lignite or iron ore* at the rate of 1%. In other words, seller of minerals being *coal or lignite or iron ore* shall be required to collect TCS @1% at the time of debiting the amount receivable from the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier

However, the seller shall not collect tax on sale of the said minerals if the same are purchased by the buyer for personal consumption.

2. TCS on cash sale of bullion and jewellery [Sub-section (1D) to Section 206C]

- It has been proposed that the seller of bullion and jewellery shall, at the time of receipt of such amount in cash, collect tax at the rate of 1% of sale consideration from every buyer of bullion and jewellery, if sale consideration exceeds two lakh rupees.
- Any person collecting any amount under this sub-section shall also pay within the prescribed time the amount so collected to the credit of the Central Government or as the Board directs
- "jewellery" shall have the meaning assigned to it in the Explanation to sub-clause (ii) of clause (14) of section 2
- As per Memorandum Explaining the provisions of Finance Bill 2012, this amendment is being proposed to reduce the quantum of cash transaction in bullion and jewellery sector and for curbing the flow of unaccounted money in the trading system of bullion and jewellery. It is further provided in the Memorandum that the provisions of TCS would apply irrespective of the fact whether buyer is a manufacturer, trader or purchase is for personal use.

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3. A proviso to Sub-section (6A) has been inserted in the proposed Finance Bill that any person (other than a person required to collect tax on cash sale of bullion and jewellery) responsible for collecting tax, who fails to collect the whole or any part of the tax on the amount received from a buyer *shall not be deemed to be an assessee in default* in respect of such tax if such buyer—

- a. has furnished his return of income under section 139;
- b. has taken into account such amount for computing income in such return of income; and
- c. has paid the tax due on the income declared by him in such return of income, and the person furnishes a certificate to this effect from an accountant in such form as may be prescribed.

"accountant" shall have the meaning assigned to it in the *Explanation* to sub-section (2) of section 288;

4. A proviso to Sub-section (7) has been inserted to the effect that in case any person (other than a person required to collect tax on cash sale of bullion and jewellery) who fails to collect the whole or any part of the tax but is not deemed to be an assessee in default under the first proviso of sub-section (6A), the interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer.

Analysis:

1. Mining sector is an important segment of Indian economy but the trading of minerals remained largely unregulated resulting in non-reporting or under-reporting of trading in minerals trading transactions for the taxation purpose.

The proposed amendment with respect to Tax collected on sale of certain minerals has been proposed in order to collect tax at the earliest point of time and also to improve reporting mechanism of transactions in mining sector.

2. The insertion with respect to Tax collected on sale of bullion and jewellery has been proposed in order to curb the rampant use of unaccounted money in bullion and jewellery sector. The proposed amendment would result in checking the use of unaccounted money in this sector and result in adequate reporting and minimizing of tax evasion.