

Tax Deduction at Source

Tax Deduction at Source, or TDS, is a system in which the person making payment is required to deduct tax at the source from the payment made and remit the same to the government on behalf of the person receiving the payment. TDS is applicable to various types of payments such as salaries, interest, rent, commission, etc.

TDS is governed by the Income Tax Act, 1961 and its rules and regulations. The TDS rates are prescribed by the government and are subject to change from time to time.

The process of TDS involves the following steps:

1. Identification of the payer and payee: The person making the payment is the payer and the person receiving the payment is the payee. The payer must obtain the PAN of the payee and verify it with the Income Tax Department's website.
2. Calculation of TDS: The TDS amount is calculated as per the prescribed rates on the amount paid or credited to the payee.
3. Deduction of TDS: The payer deducts the TDS amount from the payment made to the payee and remits the same to the government.
4. Issue of TDS certificate: The payer issues a TDS certificate to the payee within the prescribed time.
5. Filing of TDS return: The payer files a TDS return with the government providing details of TDS deductions made during the period.

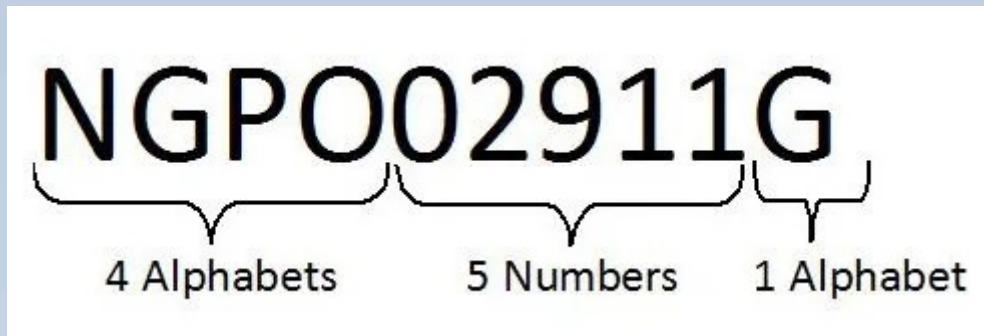
There are various exemptions available on TDS under the Income Tax Act, 1961. Some of the common exemptions are as follows:

1. Threshold limit: There is a threshold limit for TDS deduction, which varies for different types of payments. For example, there is no TDS deduction on payments of up to Rs. 50,000 for rent received by an individual, while the threshold limit for TDS on interest income is Rs. 40,000 for senior citizens and Rs. 50,000 for others.
2. Exemption for certain payments: Certain payments are exempt from TDS, such as interest on savings bank account, dividend income, etc.
3. Exemption for certain payees: In some cases, certain categories of payees are exempt from TDS. For example, payments made to the government, the Reserve Bank of India, etc. are exempt from TDS.
4. Lower TDS rates: In some cases, the TDS rates are lower than the prescribed rates. For example, the TDS rate for payment of rent to a non-resident is 30%, but if the non-resident has a lower income than the prescribed limit, the TDS rate can be lower.
5. No TDS on capital gains: There is no TDS on long-term capital gains arising from the sale of equity shares or equity-oriented mutual funds, provided the Securities Transaction Tax (STT) has been paid.

What is TAN?

A Tax Deduction & Collection Account Number (TAN) is a unique 10 digit number with an alphanumeric combination, allotted by the Income Tax Department. As per the section 203A of the Income Tax Act 1961, any person liable to TDS (Tax Deducted at Source) and TCS (Tax Collection at Source) needs to quote the TAN in returns, challans, and any and all kinds of tax transactions and correspondence with National Securities Depository Ltd (NSDL).

Format of TAN



BAGHEL COMPUTER C