



## Varaiya and Shah LLP

Chartered Accountants

### Tax Alert

#### TDS from Interest and Remuneration to Partners

The last Budget/Finance Act, 2024 has introduced section 194T (Income tax Act, 1961) under which tax has to be deducted @source (by partnership firm) from salary, remuneration, commission, bonus or interest paid to partners of the firm. This provision is in force from 01<sup>st</sup> April, 2025 (Financial Year 2025-26, Assessment Year 2026-27).

Relevant Section 194T reads as under:

- 1) Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest to a partner of the firm, shall, at the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier shall, deduct income tax thereon at the rate of ten per cent.*
- 2) No deduction shall be made under sub-section 1) Where such sum or the aggregate of such sums credited or paid or likely to be credited or paid to the partner of the firm does not exceed twenty thousand rupees during the financial year.*

Secondly, there is also amendment in the amount of remuneration that can be paid to working partners. (effective 01<sup>st</sup> April, 2024). The amended ceiling is as under:

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|--|---|
| <i>a) On the first <b>Rs. 6,00,000/-</b> of the book profit or in case of a loss (earlier <b>Rs. 3,00,000/-</b>)</i> | <i><b>Rs. 3,00,000/-</b> or at the rate of 90 per cent of the book profit whichever is more (earlier <b>Rs. 1,50,000/-</b>)</i> |
| <i>b) on the balance of the book profit</i>  | <i>at the rate of 60 per cent</i>   |

In order to incorporate above change, it is necessary to execute Supplementary Partnership Deed.

Therefore, please mail me soft copy or send me hard copy of last Partnership Deed of your firm at the earliest to enable us to prepare required Supplementary Partnership Deed.

Thanking You,

We, at Varaiya & Shah LLP

Date: 16<sup>th</sup> September, 2024

*Sampada Patil*

**Varaiya & Shah LLP**

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