



Varaiya and Shah LLP

Chartered Accountants

Tax Alert

LATEST AMENDMENTS IN TDS/TCS PROVISIONS

The Finance (No. 2) Act, 2024 has made various amendments in provisions relating to “Tax deductible @Source” (TDS) and “Tax Collectible @Source” (TCS).

We have hereunder explained salient features of the major amendments:

I. Payment to Partners of firm: Section 194T Applicable from 01st April, 2025

This new provision provides that a partnership firm/LLP shall deduct tax @10%, on payment of salary, remuneration, commission, bonus or interest to a partner, at the time of credit of such sum to partner’s account or at the time of payment thereof, whichever is earlier. This provision applies if aggregate of the said sum exceeds Rs.20,000/-.

Any non-deduction or non payment of such TDS will result into disallowance u/s. 40(a)(ia) to the extent of 30% of such sum paid or credited.

This new provision may cause practical difficulty in calculation of TDS since remuneration to partners is generally determined only on finalisation of accounts which takes place much after 31st March of relevant financial year. This will result in interest and penalty. CBDT should issue appropriate clarification.

II. Credit for TDS/TCS while deducting tax from Salary: Section 192(2b) Effective from 01st October, 2024

It is provided that the employer (while calculating TDS from Salary) shall consider employee’s income (not loss) chargeable under any other heads of income (and loss under the head “Income from House property” if any),

as informed by the employee. The employer shall also consider TDS paid (in respect of such other income) and TCS, if any, borne by the employee.

III. Works Contract/payment to Contractors: Section 194C

Explanation iv(e)

Effective from 01st October, 2024

This provision will not apply in case of manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person other than such customer or associate of such customer.

With effect from 01.10.2024, the said definition also excludes any payment referred to in section 194J(1) i.e. professional fees, fees for technical services, directors fees, royalty and non-compete fees.

IV. TDS on purchase of immovable property: Proviso to Section 194-1A(2)

Effective from 01st October, 2024

Buyer of an immovable property (other than agricultural land) where consideration is 50 lakhs or more, is required to deduct tax @source @1% of consideration or stamp duty value whichever is higher.

New proviso provides that where there is more than one transferor or transferee, then for the purpose of TDS, the consideration shall be aggregate of the amount payable by ALL transferees to the transferor or all transferors.

V. TDS on purchase of goods: Section 197

Apply for lower deduction u/s. 197

Effective from 01st October, 2024)

Section 194Q provides for TDS by purchaser of goods subject to certain conditions. Section 197 is amended so as to enable the seller of goods to apply for certificate for deduction of tax at lower rate.

VI. TCS by seller of Car: Section 206C(1F)
Effective from 01st January, 2025

Currently under this provision, seller of motor vehicle of value exceeding 10 lakhs is required to deduct TCS@1% of such value. Now it is amended that same provision will apply in respect of any other goods as may be notified by the Central Government.

VII. TCS: NIL or lower rate: Section 206C(12)
Effective from 01st October, 2024

This newly inserted section provides that TCS will be NIL or at such lower rate in respect of specified transactions from such persons as may be notified by the Central Government.

VIII. Credit for TCS of “any other person” Section 206C(4)
Effective from 01st January, 2025

Currently this section provides that credit for TCS shall be given to only that person from whom the said tax has been collected @source. The amendment provides that credit of TCS shall also be given to “any other person eligible for credit.”e.g. TCS collected from minor shall be given to the parent.

IX. Penalty for delay in filing TDS/TCS Statements:
Section 271(H) amendment
Effective from 01st April, 2025

This penalty is not leviable if the relevant statement is filed within one year from due date. Now by amendment, the said period of “one year” is reduced to “one month”.

X. Time limit to rectify TDS/TCS Returns/Statements Amendments
Effective from 01st April, 2025:

Second proviso to section 200(3) and Proviso to section 206C(3B)
Currently there is no time limit to file rectified TDS/TCS returns/statements. Now by this amendment, time limit of six years is provided.

XI. Rate of TDS has been reduced/omitted in following items
Effective from 01st October, 2024

Nature of payment	Section	Rate up to 30-09-2024	Rate from 01-10- 2024
Payment in respect of life insurance policies	194-DA	5%	2%
Commission on sale of lottery tickets	194-G	5%	2%
Commission or brokerage	194-H	5%	2%
Payment of Rent by certain individuals/ HUF	194-IB	5%	2%
Payment of certain sums by certain individuals/ HUF	194-M	5%	2%
Payment of certain sums by e-commerce operator to e-commerce participant.	194-O	1%	0.1%
Payment on account of repurchase of units by Mutual Fund or UTI	194-F	omitted	

Thanking You,
We, at Varaiya & Shah LLP
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