

**A Presentation
on**

**TDS, ADV. TAX & PAN
(BUSINESS TAXATION)**

**AT
T.Y.B.B.A (SEMESTER – V)
BJVM COMMERCE COLLEGE**

**PRESENTED BY
Dr. Samir M. Vohra
Assistant Professor
B.J.V.M. Commerce College
Vallabh Vidyanagar**

Deduction of Tax at Source and Advance Payment [Section 190]

The total income of an assessee for the previous year is taxable in the relevant assessment year.

For example, the total income for the P.Y.2019-20 is taxable in the A.Y.2020-21.

- However, income-tax is recovered from the assessee in the previous year itself through –

- (1) Tax Deduction At Source (TDS)
- (2) Tax Collection At Source (TCS)
- (3) Payment Of Advance Tax

TAX DEDUCTED AT SOURCE (TDS)

- The concept of TDS was introduced with an aim to collect tax from the very source of income.
- As per this concept, a person (**Deductor**) who is liable to make payment of specified nature to any other person (**Deductee**) shall deduct tax at source and remit the same into the account of the Central Government.
- The Deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the Deductor.

HOW IS TDS DEDUCTED?

- Income and expenditure such as salary, lotteries, interests from banks, payment of commissions, rent payment, payments to freelancers, etc. fall under the ambit of TDS.
- When making payments under these segments, a percentage of the overall payment is withheld by the source that is making the payments.
- This source, which can be a person or an organization, is known as the Deductor.
- The person whose payment is getting deducted is called the Deductee.
- For instance, a deductor is the employer paying salary to an employee (the deductee).

TDS RATES

TDS RATE CHART FOR THE FY-2019-2020 (AY: 2020-2021)

Sl. No.	Nature of Payment	Section	Basic Cut-off (Rs.) p.a.	TDS rate for		
				Individual and HUF	Other than Individual/ HUF	If PAN is not submitted/ Invalid PAN
1	Payment of Salaries by Employers	192	Slab rate	Slab rate	Not applicable	30%
2	Premature payment by PF Organization from EPF A/c (i.e. before 5 Years).	192A	50,000.00	10%	Not applicable	20%
3	Payment of Interest on Securities by company.	193	10,000.00	10%	10%	20%
4	Payment of Dividend other than dividend as referred to Section 115O by company (i.e. Dividend on which Dividend Distribution Tax is not paid)	194	2,500.00	10%	10%	20%
5	Payment of Interest by bank	194A	40,000.00 (Non Sr.Citizen) 50,000.00 (Sr. Citizen)	10%	10%	20%

TDS & TCS

- The Government of India collects both direct and indirect taxes to generate revenue for the country.
- While direct taxes apply to the income that individuals and corporate earn, indirect taxes are imposed on the sale of goods and services.
- Tax deposition needs to be done by the assesseees directly in the former, while the sellers collect and deposit taxes in the latter case.
- Tax deducted at source (TDS) and tax collected at source (TCS) are two such taxes levied on individuals that are often confused with each other.
- **Both of these are levied at the point of the origin of income.**

DIFFERENCE TDS & TCS

Parameters	TDS	TCS
Definition	Tax deducted on payments made by companies and individuals if the payment exceeds a threshold.	Tax collected by a seller when selling goods to a buyer
What does it apply to?	TDS deductions are made on payments including salary, rent, brokerage, professional fees, commission, interest etc.	TCS deductions are made on the sale of goods such as scrap, timber, mineral wood, tendu leaves etc
When does it apply?	On payments above a specified limit	On the sale of certain goods (barring those used for manufacturing or production)
Who does it apply to?	A person making a specified payment over and above a certain limit can deduct TDS according to the Income Tax Act 1961	A person selling specific goods can collect TCS according to the Income Tax Act, 1961

ADVANCE PAYMENT OF TAX

- As the name suggests, **Advance Tax** refers to paying a part of your **taxes** before the end of the financial year.
- Also called '**Pay-as-you-earn**' scheme, **Advance Tax** is the income **tax payable** if your **tax liability** is more than Rs 10,000 in a financial year.
- It should be **paid** in the year in which the income is received.
- **These payments have to be made in installments as per due dates provided by the income tax department.**
- Advance Tax receipts help the Government to receive a constant flow of tax receipts throughout the year so that expenses can be incurred rather than receiving all tax payments at the end of the year.

ADVANCE PAYMENT OF TAX

- Advance tax is a payment system in which tax is deposited by the assessee in installments instead of depositing entire amount at the end of financial year.

Who Needs To Pay Advance Tax

- “Under income tax law, if taxpayers’ tax liability is more than Rs 10,000 (except for senior citizen not having business income), then taxpayers are subject to payment of advance tax,”.
- “Hence, a taxpayer, who is liable to pay income tax of more than Rs 10,000 in FY 2019-20, was required to discharge its tax liability on or before 15th March 2020 (last date for the last instalment of advance tax).
- However, under the reliefs provided by government due to Covid-19, the last date for payment of advance tax was extended from 15th March 2020 to 30th June 2020.
- So we suggest taxpayers to deposit taxes before 30th June to avoid any interest on tax liability,” he concluded.

ADVANCE TAX DUE DATES FOR (A.Y.2020-21 F.Y. 2019-20)

Advance Tax	Installment	Due Dates
15% of Advance Tax	1 st Installment	15 th June
30% of Advance Tax	2 nd Installment	15 th September
30% of Advance Tax	3 rd Installment	15 th December
25% of Advance Tax	4 th Installment	15 th March

- In the case of salary income the tax is deducted by the employer.
- So TDS is also treated as Prepaid Tax but in the shape of TDS.
- So the Salaried Person need to pay tax, if the tax is less than TDS. But if the TDS is less than Actual Tax then they are also liable to Pay Advance Tax.

HOW TO CALCULATE ADVANCE TAX?

- Advance tax is payable in installment as above on total income estimated for the financial year including capital gains and casual incomes such as winning from lotteries, races etc.
- The income for the current year should be estimated as precisely and correctly as possible. The mistake attracts penal interest.
- If any capital gains or casual income arises subsequent to payment of an installment, the remaining installment of advance tax should be revised. If any income arises after 15th March then advance tax can be deposited on such income up to 31st March.

PERMANENT ACCOUNT NUMBER (PAN) [SECTION 139A]

- A permanent account number (PAN) is a 10 - character alphanumeric identifier, issued in the form of a laminated "PAN card", by the Indian Income Tax Department, to any "person" who applies for it or to whom the department allots the number without an application.
- The Permanent Account Number (PAN) is unique to an individual or entity and it is valid across India. Permanent Account Number once allotted to an individual or entity is unaffected by a change of name, address within or across states in India or other factors.

MEANING OF PAN CARD

A typical Permanent Account Number is would look like AFZPK7190K.

The logic behind the array of numbers and alphabets is as follows:

- **First three characters** i.e. "AFZ" in the above PAN are alphabetic series running from AAA to ZZZ.
- **4TH character** i.e. "P" in the above PAN represents the status of the PAN holder.
 - "P" stands for Individual.
 - "F" stands for Firm.
 - "C" stands for Company.
 - "H" stands for HUF.
 - "A" stands for AOP.
 - "T" stands for TRUST etc.
- **5TH character** i.e. "K" in the above PAN represents first character of the PAN holder's last name/surname.
- **Next four characters** i.e. "7190" in the above PAN are sequential number running from 0001 to 9999.
- **Last character** i.e. "K" in the above PAN is an alphabetic check digit.

WHY PAN CARD IS REQUIRED?

The purpose of having a pan card is strengthened from the fact that from 1 January 2005 it has been made mandatory to quote Permanent Account Number (PAN) on challans for any payments due to Income Tax Department (ITD), while filing returns of income and all correspondence with any income tax authority.

Thus Purpose of having Pan Card has become mandatory.

WHO SHOULD APPLY FOR A PAN CARD ?

- All existing assessees or taxpayers or persons who are required to furnish a return of income, either on behalf of self or others, must obtain PAN . Any person, who intends to enter into economic or financial transactions where quoting PAN is mandatory, must also obtain PAN.

CAN MINOR APPLY FOR A PAN CARD ?

- Section 160 of IT Act, 1961 provides that a non-resident, minor, lunatic, idiot, and court of wards and such other persons may be represented through a Representative Assessee. In such cases, application for PAN will be made by the Representative Assessee.

PERMANENT ACCOUNT NUMBER (PAN)

How to Apply New PAN Card

- Please note that one should apply for new Pan Card when the applicant is a resident Indian citizen, and has never applied for a Permanent Account Number (PAN) or does not have a PAN allotted to him.

What is form 49A?

- Form 49A is a Application for Allotment of Permanent Account Number in case of Indian Citizen/ Indian Companies/Entities incorporated in India/Unincorporated entities formed in India.

What are the procedures involved in applying for a new PAN card?

- **Fill** - Fill the online application form - form 49A
- **Pay** - Make Payment online
- **Sign** - Download the prefilled application and affix photos and signature.
- **Send** - Send the signed application and supporting documents by post or courier to the address provided in the welcome

THANK

YOU