

Demystifying TDS/TCS- Practical Insights for Filing Returns and New Amendments

Exploring compliance, procedures, and the role of AI in tax filing

Workshop on TDS& TCS
ICAI Nagpur Branch (WIRC)



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Understanding TDS and TCS Basics

☒ TDS: Tax Deducted at Source

TDS is a method of collecting income tax whereby a portion of the payment is withheld by the payer and remitted to the government.

☒ TCS: Tax Collected at Source

TCS is a tax collected by the seller from the buyer at the time of sale, ensuring tax is collected at the source of income.

☒ Legal Backing: Income Tax Act

Both TDS and TCS are governed under the Income Tax Act, ensuring legal compliance and enforcement of tax collection.

☐ Why It Matters: Early tax collection

Early collection of taxes through TDS and TCS helps in maintaining government revenue and minimizing tax evasion.

☐ Prevents Evasion

Implementing TDS and TCS mechanisms helps in reducing tax evasion and ensures compliance among taxpayers.



Understanding TDS and TCS

01

TDS Sections: Important categories

Understand the different sections of TDS from Sec 192 for salaries to Sec 195 .

02

TCS Sections: Key thresholds

Familiarize yourself with TCS sections, including Sec 206C(1) which deals with scrap and liquor sales, crucial for compliance in sales activities.

03

Amendments: Stay updated

Always check for the latest amendments, especially for FY 2025-26, to remain compliant with changing tax laws and regulations.



TDS/TCS Return Filing Deadlines

Quarter	Period	TDS Due Date	TCS Due Date
Q1	Apr–Jun	31st July	15th July
Q2	Jul–Sep	31st Oct	15th Oct
Q3	Oct–Dec	31st Jan	15th Jan
Q4	Jan–Mar	31st May	15th May

Understanding Late Fees & Penalties



Late Fee: ₹200/day

A late fee of ₹200 per day is applicable under Section 234E for delays in filing TDS returns, accumulating until the return is filed.



Penalty Range: ₹10,000–₹1,00,000

Under Section 271H, penalties range from ₹10,000 to ₹1,00,000 depending on the severity and nature of the non-compliance with TDS regulations.



Interest for Non-Deduction: 1% p.m.

An interest rate of 1% per month is charged for non-deduction of TDS. This interest accrues on the amount that should have been deducted.



Interest for Non-Payment: 1.5% p.m.

For non-payment of TDS, an interest rate of 1.5% per month is applicable. This adds to the financial burden of non-compliance.



Essential Information Checklist

- **TAN, PAN are crucial**

Ensure to have the Tax Deduction and Collection Account Number (TAN), Permanent Account Number (PAN) ready for accurate filing.

- **Clarify Payment Nature & Amounts**

Detail the nature of payments and the respective amounts involved to ensure correct TDS/TCS calculations during the filing process.

- **Understand TDS/TCS Rates**

Familiarize yourself with the applicable TDS/TCS rates for different categories to accurately determine the amounts to be deducted or collected.

- **Gather Deductee Details**

Collect all necessary deductee details, including their identification like PAN, to complete the filing process correctly.



Understanding TDS Deduction Steps



Applicability of TDS Deduction

Understand which transactions or payments are subject to TDS deduction as per the Income Tax Act.



Deduct the Appropriate Amount

Ensure the correct amount of TDS is deducted based on the applicable rates and nature of payment.



Deposit the Deducted Amount

Deposit the deducted TDS amount with the government within the stipulated deadlines to avoid penalties.



File Return in Required Forms

File TDS returns using Form 24Q/26Q quarterly or Form 24G monthly as per the requirements.



Issue Certificates to Deductees

Provide TDS certificates (Form 16/16A) to the deductees to acknowledge the TDS deductions made.



Due Dates for Compliance

Remember the key due dates: Form 24Q/26Q quarterly and Form 24G monthly for timely filing.

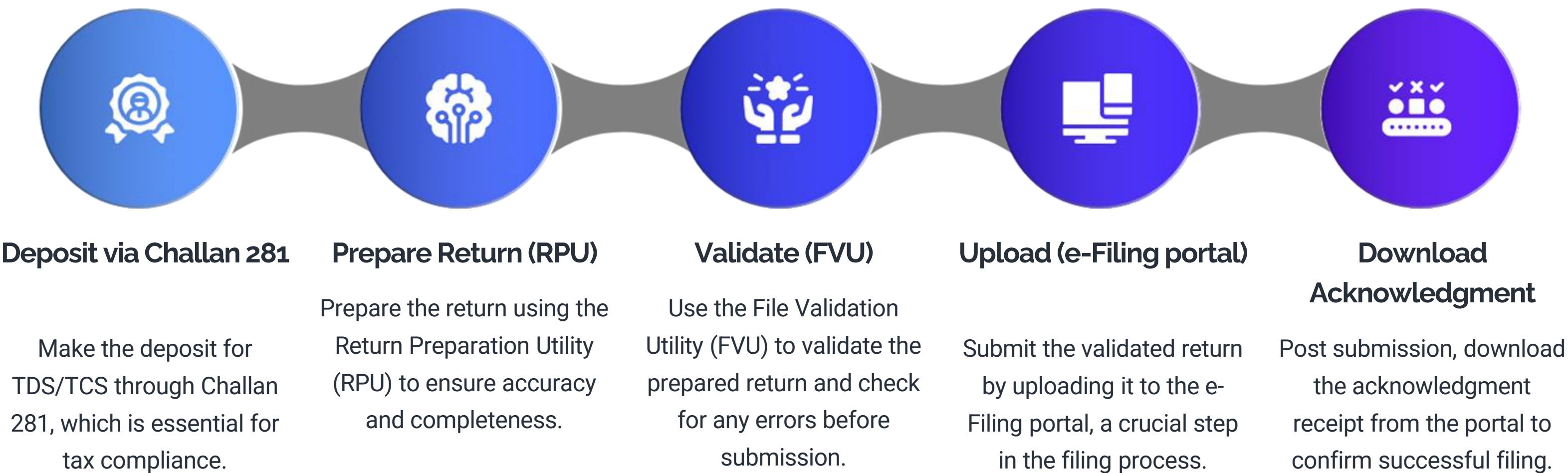


Essential Compliance Practices

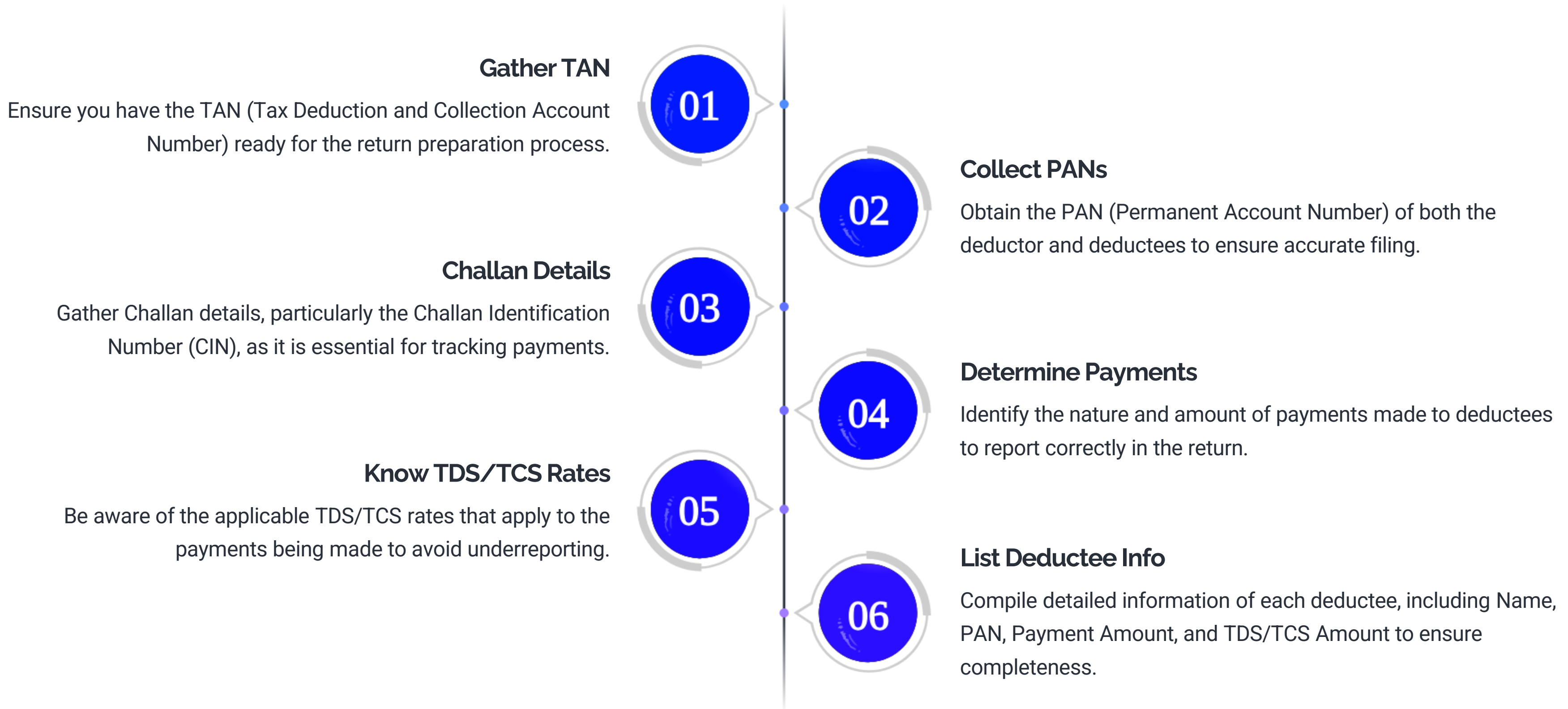
PAN-Aadhaar linking is crucial	Linking PAN with Aadhaar is mandatory to ensure compliance with TDS regulations and to avoid penalties.
Stay updated with utilities	Utilize the latest RPU/FVU utilities for accurate TDS/TCS return filing, ensuring seamless compliance with regulatory standards.
Ensure timely deposits of TDS	Make timely deposits of TDS to avoid interest and penalties, maintaining compliance with statutory deadlines.
Conduct internal checks regularly	Implement regular internal checks to identify discrepancies and ensure adherence to TDS filing requirements and accuracy like Lower deduction certificate validation. PAN verification,etc.



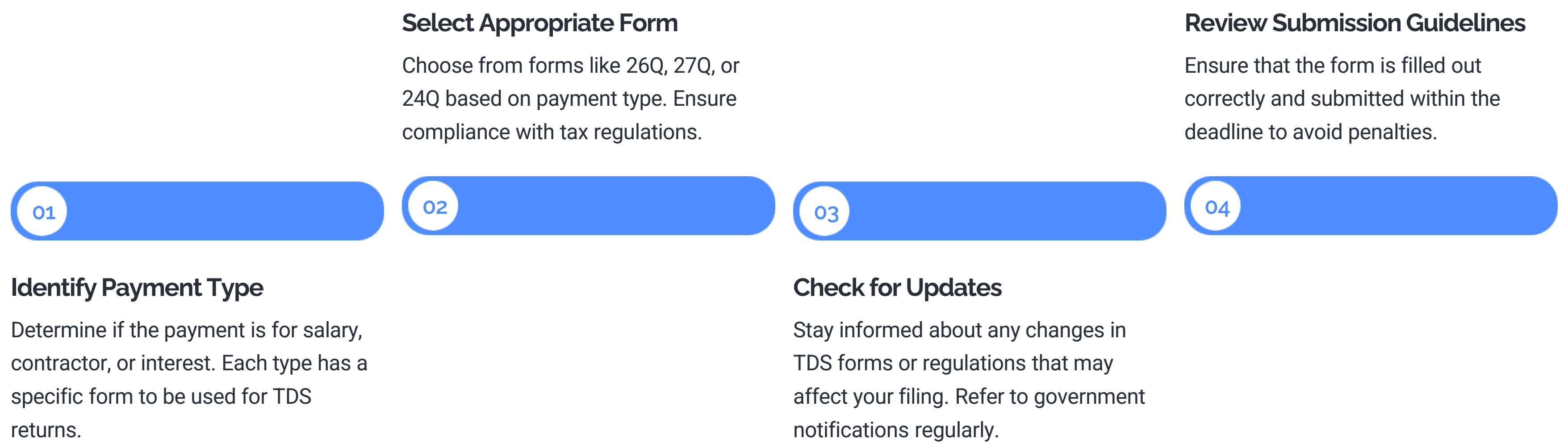
TDS/TCS Filing Workflow Overview



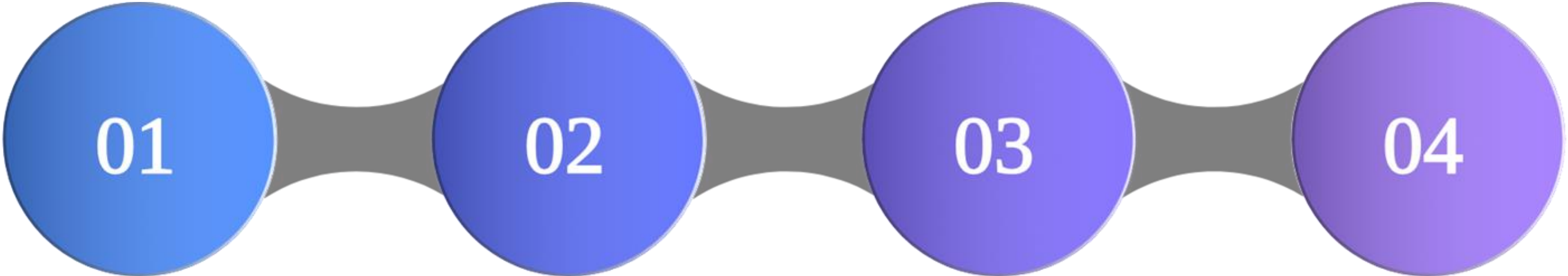
Essential Steps for TDS Returns



Choosing the Right Payment Form



Downloading TDS Utilities



Visit Website for Downloads

Access the official site to obtain the necessary utilities for TDS return preparation, ensuring you have the latest versions.

Download RPU

RPU (Return Preparation Utility) is essential for creating your TDS returns accurately. Download it to begin the process.

Download FVU

FVU (File Validation Utility) is critical to validate your TDS return files before submission, helping to avoid errors.

Commercial Tools Available

Consider using commercial tools like TaxCPC or Clear TDS for additional features and support during TDS filing.

Preparing TDS Returns with RPU

Input Deductor & Deductee

Ensure all necessary deductor and deductee details are accurately filled in for the return process.

Include Payment Info

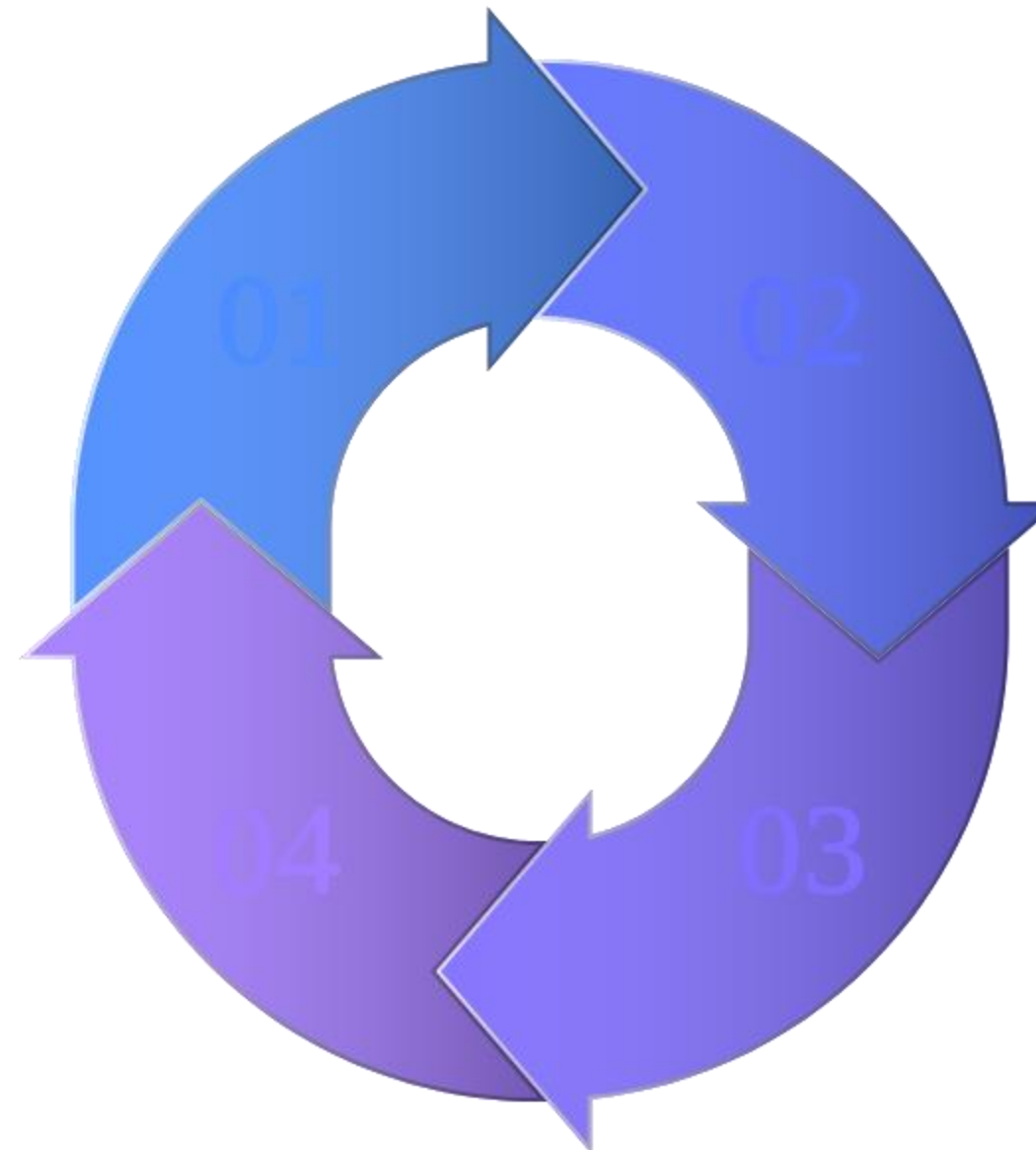
Collect and input all payment information and challans relevant to the TDS return.

Enter TDS/TCS Details

Document the exact amount of TDS or TCS that has been deducted or collected during the period.

File Format Requirement

Ensure the return is saved in the required .txt file format to comply with utility requirements for submission.



Validating the TDS Return File



Run .txt file through FVU

Initiate the validation process by running your .txt file through the FVU (File Validation Utility). This is the first critical step to ensure compliance.



Get .fvu output file

Upon successful validation, you will receive a .fvu output file, which is mandatory for upload to the income tax system. Ensure you keep this file safe.



Fix errors flagged by FVU

Review any errors reported in the .fvu output. It is essential to correct these errors before proceeding with the filing process to avoid rejections.



Uploading TDS Return Files

Visit Filing Portal

Access the designated TDS filing portal to begin the process of uploading your return file.



Upload .fvu File

.fvu files must be uploaded using the File Upload Utility provided on the portal to ensure compliance with tax regulations.

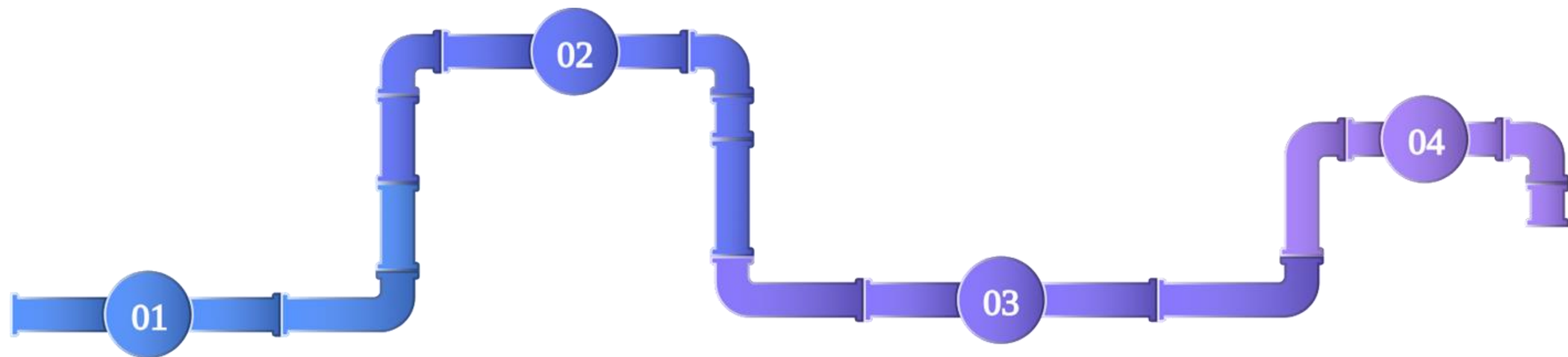


Log in with TAN

Use your TAN credentials to securely log in to your account for TDS return filing.



Acknowledgement Process in TDS



Successful Upload Confirmation

After completing the TDS return filing, you will receive a confirmation indicating that your upload was successful.

15-digit Acknowledgement Number

Upon successful upload, a 15-digit Acknowledgement Number will be issued for tracking your submission.

Importance of Acknowledgement

The acknowledgement number is crucial for reference and any future inquiries regarding your TDS return.

Download and Save

It is important to download and save the acknowledgement number for your personal records and future reference.

Check Status of TDS Return

Statement Status on TRACES

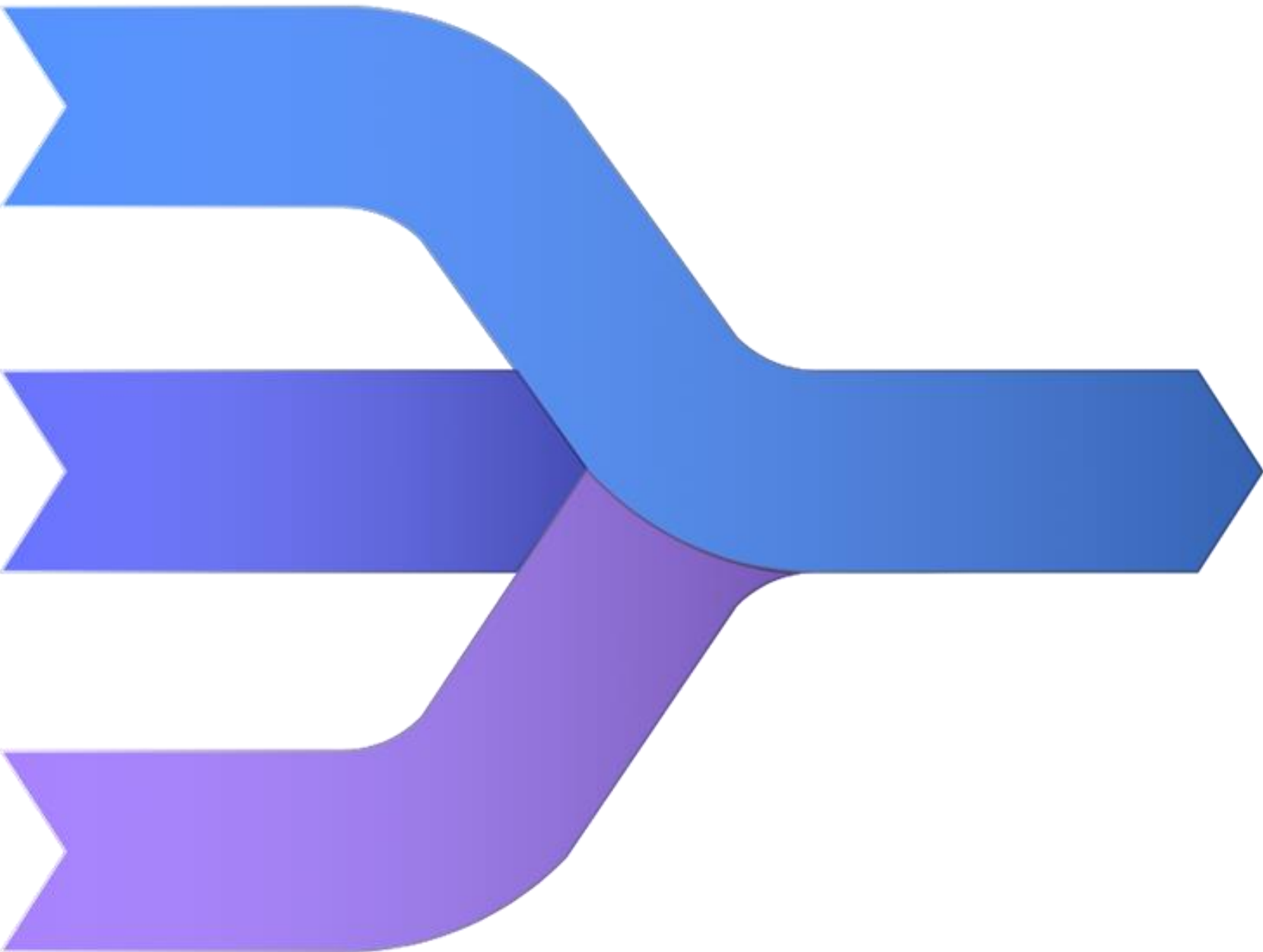
Utilize the Statement Status feature on TRACES to monitor your TDS return effectively.

Return Processing Status

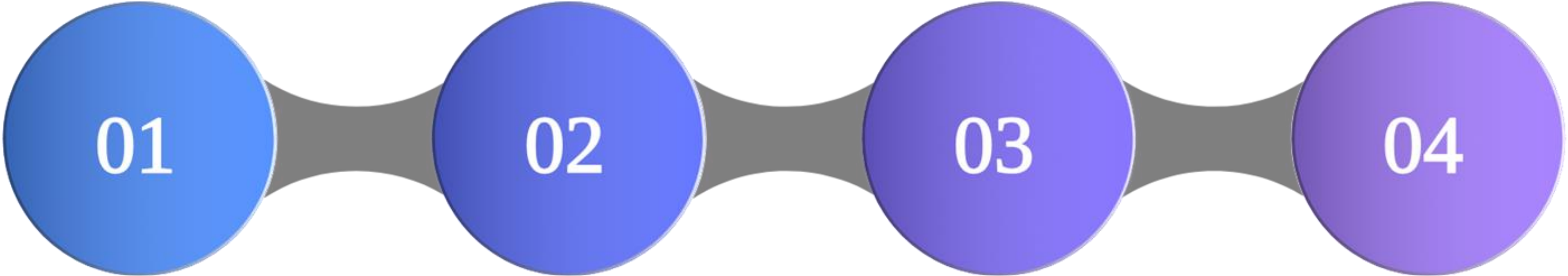
Verify the return processing status to ensure timely updates and compliance with tax regulations.

Identify Defaults

Look for any defaults such as short deductions or late deposits that may affect your TDS return.



Download Form 16/16A Process



Understand Form 16 & 16A

Form 16 is issued for salary payments, while Form 16A is for non-salary payments, ensuring the correct documentation for TDS deductions.

Processing Before Download

Ensure that the TDS return is processed before attempting to download Form 16 or Form 16A from TRACES.

Generating from TRACES

Forms can be generated from the TRACES portal, which requires proper access and authorization to retrieve the necessary data.

Timely Issue to Deductees

It is crucial to issue Form 16 and Form 16A to deductees on time to comply with tax regulations and maintain proper records.

TRACES Overview

Overview of TRACES Services

Explore the role of TRACES in
managing TDS and TCS compliance
for both deductors and taxpayers.



Key Activities for Deductors

01

Login & Dashboard Access

Access your TDS dashboard to manage returns and compliance effectively.

02

Check Return Status

Monitor the status of your TDS returns through the dashboard for timely updates.

03

Defaults Summary

Review any default summaries to ensure compliance and rectify issues promptly.

04

Download Form 16/16A

Easily download necessary forms like Form 16 or Form 16A for your records and filing.

05

Justification Reports

Generate justification reports to understand discrepancies and address them efficiently.

06

Conso Files

Download consolidated files to streamline your TDS filing process and maintain records.

07

File Corrections

Make necessary corrections for PAN or Challan to ensure accurate filing and compliance.



AI Solutions for TDS/TCS Compliance

RPA: Automation Benefits

Implement RPA to automate data entry and uploading processes, enhancing efficiency and minimizing human errors.

01

OCR + NLP: Data Extraction

Utilize OCR and NLP technologies to accurately extract data from invoices, reducing manual effort and increasing accuracy.

02

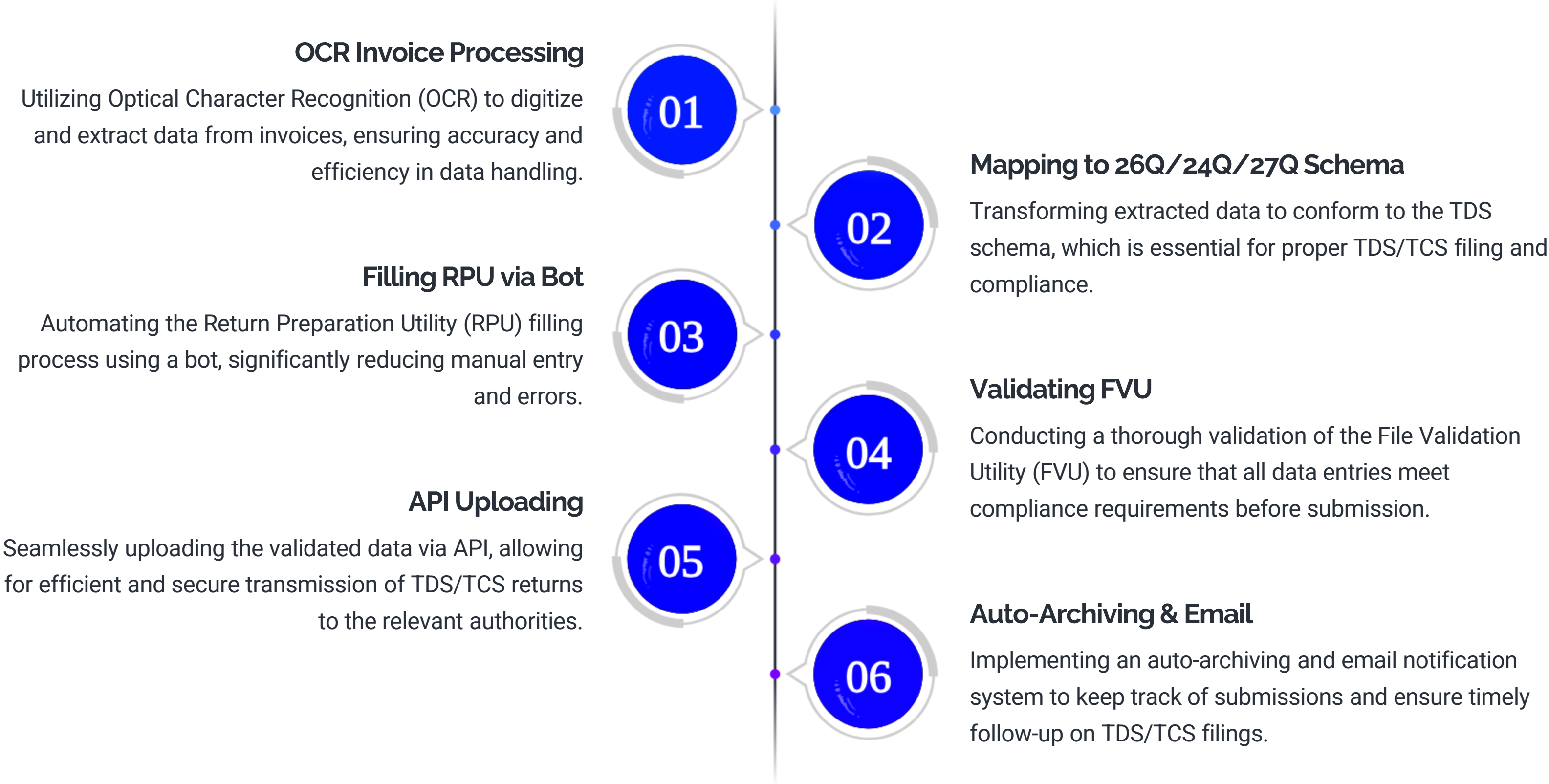
03

Predictive Analytics: Non-compliance Forecasting

Leverage Predictive Analytics to forecast potential non-compliance issues, allowing proactive measures to be taken.



Streamlined AI Invoice Workflow



Understanding Key Amendments

Threshold Changes



Recent updates have introduced new thresholds for TDS/TCS, impacting compliance requirements for various entities.

Section Updates



Specific sections of the regulations have undergone significant updates, enhancing clarity and compliance for taxpayers.

Simplified Provisions



The amendments aim to provide simplified provisions, making it easier for taxpayers to understand and comply with TDS/TCS requirements.

Q&A

Q&A Session

Open for questions, clarifications, or case discussions regarding TDS/TCS Return Filing.

Engaging with TDS/TCS Returns

THANK YOU....