

# SECTION IV

## SCENARIO

Prem, a resident Indian aged 48 years, is carrying on the sole-proprietary business of retail trade, the annual turnover of which is around ₹ 4.50 crores in the last few years including the current year. Prem's wife Ramya, a resident Indian aged 45 years, is employed with an Art Gallery at a salary of ₹ 2,00,000 p.m. Their son, Siddhant, is studying MS in Data Sciences and Artificial Intelligence in an Ivy League University in the USA. Prem's father is a retired professor aged 78 years and his mother is a house-wife aged 75 years. Both of them are resident Indians. Prem's brother Ram, a resident Indian aged 46 years and an interior decorator, is a partner in Ram & Co. Ram's wife, Harini, is a commerce graduate employed in Ram's firm as a junior accountant. Their daughter, Mega, is also studying in an Ivy League University in the USA. Prem opts out of the default tax regime and pays tax under the optional tax regime as per the regular provisions of the Act. Prem and Ramya have been filing their return of income regularly on or before the due date under section 139(1).

The scenario is continued below and divided into components depicting the different types of transactions entered into by the family members, and "Points to Ponder" are raised in respect of each component in order to urge you to put your thinking caps on and give your responses after reading the chapters and comprehending and analysing the TDS/TCS and other tax consequences of the different transactions.

Read the Scenario and each component thereof described in Column (1) of the table below and the “Points to Ponder” raised in the corresponding row of Column (2). Thereafter, read the relevant chapter and give your responses thereto in Column (5) of the table. Reference to the section number is mentioned in Column (4) to enable you to give your response after reading and understanding the relevant provision of law.

(1)	(2)	(3)	(4)	(5)
Scenario Component	Point(s) to Ponder	Relevant Chapter	Relevant Provision of law	Write your response after reading the Chapter
(1) Prem has to pay to Ravi, a contractor, ₹ 25,000 in June, ₹ 24,000 in July, ₹ 28,000 in August and ₹ 26,000 in September in connection with his business. His contract payments in the earlier years in total to any one contractor were in the range of ₹ 50,000 to ₹ 60,000 and individual	Prem has been splitting up contract payments to every contractor in order to avoid deduction of tax therefrom. By doing so, he was able to avoid tax deduction on contract payments in the earlier years without attracting interest or penalty. He is of the opinion that this year also, he need not deduct tax in respect of contract payments to Ravi since each payment does not exceed the individual threshold limit. (i) Is he correct? If not, why?	7	194C	No, he is not correct. Prem is required to deduct tax on

	installments were in the range of ₹ 15,000 to ₹ 25,000.			<p>contract payments made to Ravi, since the aggregate amount paid to him during the P.Y.2024-25 exceeds ₹ 1,00,000. Since Prem's turnover for the P.Y.2023-24 exceeds ₹ 1 crore, he is liable to deduct tax at source under section 194C in respect of such contract payments.</p> <p>Tax has to be deducted@1% (since Ravi is an individual) on the entire amount of ₹ 1,03,000 from the last payment of ₹ 26,000 due in September. Tax has to be deducted at the time of credit of such sum to Ravi's account or at the time of payment thereof, whichever is earlier.</p> <p>TDS u/s 194C = 1% of ₹ 1,03,000 = ₹ 1,030</p>
(ii)	If tax has to be deducted, how much and at what point of time?			

(2)	Prem's own business premises is under major renovation. Therefore, he rented a premises for carrying on his business from May, 2024 for which he has to pay rent of ₹ 40,000 per month to Hari.	Prem wants to know whether he is liable to deduct tax at source on such rental payment to Hari. If so, how much?	7	194-I	Yes, Prem is required to deduct tax@10% since the rental payments to Hari during the P.Y. 2024-25 aggregate to ₹ 4,40,000, which exceeds the threshold of ₹ 2,40,000. Since Prem's turnover for the P.Y.2023-24 exceeds ₹ 1 crore, he is liable to deduct tax at source under section 194-I in respect of such rental payments. TDS u/s 194-I = ₹ 4,40,000 x 10% = ₹ 44,000
	Ramya thinks she does not have to deduct tax in respect of transactions in (3), (4), (5) and (6) below, since she is a salaried employee and is not carrying on business or profession. Is she correct?				
(3)	Ramya has to pay ₹ 51 lakhs to a contractor for reconstruction of her residential house in January 2025.	Is Ramya liable to deduct tax at source and if so, how much?	7	194M	Yes, Ramya has to deduct tax@2% u/s 194M, since the amount of ₹ 51 lakhs payable exceeds the threshold of ₹ 50 lakhs. Since Ramya is a salaried individual, the provisions of section 194C are not applicable in her case. TDS u/s 194M = ₹ 1,02,000, being 2% x ₹ 51,00,000.

(4)	Ramya has to pay ₹ 2 lakhs as brokerage for purchase of land in Coimbatore in April from Meena for ₹ 40 lakhs. Stamp duty value of land at that time is ₹ 42 lakhs	(i)	Is she liable to deduct tax at source on payment of brokerage? If so, at what rate?	7	194M	TDS provisions under section 194H are not attracted since Ramya is a salaried individual. TDS provisions under section 194M are also not applicable in this case, since the brokerage of ₹ 2 lakhs does not exceed the threshold of ₹ 50 lakhs.
		(ii)	Is she liable to deduct tax at source on the amount payable to Meena?		194-IA	Ramya is not required to deduct tax at source u/s 194-IA since both the consideration for transfer of house property and the stamp duty value of the property are less than ₹ 50 lakhs.
		(iii)	Is she required to quote PAN in the documents related to the purchase transaction?	8	139A	Yes, if the value of transaction or the stamp duty value exceeds ₹ 10 lakhs, PAN is required to be quoted. In this case, both the value of the transaction and the stamp duty value exceed ₹ 10 lakhs. Hence, Ramya has to quote PAN in the documents related to the purchase transaction.

(5)	<p>Ramya transferred the land in Coimbatore for ₹ 52 lakhs to her friend Sheela in December, when the stamp duty value was ₹ 55 lakhs.</p>	<p>(i) Is tax deductible at source by Sheela on the amount payable to Ramya? If so, at what rate?</p>	7	194-IA	<p>Yes, tax is deductible at source by Sheela. In this case, both the sale consideration and the stamp duty value exceed ₹ 50 lakhs. Therefore, Sheela is required to deduct tax at source under section 194-IA. The tax to be deducted would be 1% of ₹ 55 lakhs (higher of ₹ 55 lakhs or ₹ 52 lakhs).</p>
(6)	<p>Ramya is due to receive ₹ 10 lakhs on 31.12.2024 from a life insurance policy for which the sum assured was ₹ 8</p>	<p>(ii) Is Ramya required to quote PAN in the documents related to the sale transaction?</p>	8	139A	<p>Yes, if the value of transaction or the stamp duty value exceeds ₹ 10 lakhs, PAN is required to be quoted. In this case, both the value of the transaction and the stamp duty value exceed ₹ 10 lakhs. Hence, Ramya has to quote PAN in the documents related to the sale transaction.</p>
(6)	<p>Ramya is due to receive ₹ 10 lakhs on 31.12.2024 from a life insurance policy for which the sum assured was ₹ 8</p>	<p>Is tax deductible at source on proceeds of life insurance policy received by Ramya? If so, how much?</p>	7	194DA	<p>Since the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 10 lakhs due on 31.12.2024 are not exempt</p>

(7)	Prem owns a house which he has given on rent to Shyam, who is employed with a multi-national firm, for ₹ 55,000 per month.	Is Shyam liable to deduct tax at source on rent payable to Prem? If so, how much and at what point of time?	7	194-IB	<p>under section 10(10D) in the hands of Ramya.</p> <p>Tax is required to be deducted @2% under section 194DA on the amount of income comprised therein i.e., on ₹ 3,20,000 (₹ 10,00,000, being maturity proceeds - ₹ 6,80,000, being the aggregate amount of insurance premium paid).</p> <p>TDS u/s 194DA = 2% of ₹ 3,20,000 = ₹ 6,400</p>
					<p>Since Shyam pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source @2% in the last month of the previous year.</p> <p>Accordingly, ₹ 13,200 [(₹ 55,000 x 2% x 12) has to be deducted from rent payable for March, 2025.</p>

(8)	Ram renders consultancy services to ABC Ltd. for ₹ 50,000.	Is ABC Ltd. liable to deduct tax on the amount payable to Ram? If so, at what rate?	7	194J	ABC Ltd. is liable to deduct tax at source u/s 194J@10% on the amount payable to Ram for consultancy services, since the same exceeds the threshold limit of ₹ 30,000.
(9)	Prem makes cash withdrawals of ₹ 1.20 crore from his current account with SBI. Last year, his cash withdrawals were ₹ 95 lakhs and the year before, ₹ 80 lakhs.	Prem thinks that since he is filing returns regularly on time, cash withdrawals made by him for business purposes will not attract any TDS, like in the earlier years. Is he correct?	7	194N	No, he is not correct. Since Prem withdraws cash exceeding ₹ 1 crore during the P.Y. 2024-25 from his current account with SBI, tax@2% of ₹ 20 lakhs, being the sum exceeding ₹ 1 crore, would be deductible by SBI.
(10)	Prem's father gets pension of ₹ 80,000 every month which is credited to Bank of India, Tambaram branch. His father's only other source of income is interest of ₹ 14,000 from savings bank	Prem's father wants to know whether he is exempted from filing return of income. Is he eligible for exemption?	7	194P	Prem's father is of the age of 78 years and is having pension income which is credited to Bank of India, Tambaram Branch. His only other income is the interest on savings bank account with the said bank. Hence, he would be a specified senior citizen, if he furnishes a declaration in the prescribed



	account with the said bank.				form to Bank of India, the specified bank. Bank of India is required to compute the total income of Prem's father and deduct income-tax u/s 194P. In such a case, Prem's father would not be required to file his return of income u/s 139.
(11)	Prem purchases an overseas tour package from Thomas Cook Travels for travel to Singapore with family for ₹ 6 lakhs.	Prem thinks that since the value of overseas tour package is less than ₹ 7 lakh, there would be no TCS liability. Is he correct?	7	206C(1G)	No, he is not correct. Thomas Cook Travels has to collect tax at source@5% from Prem on ₹ 6 lakhs.
(12)	Prem remits ₹ 4 lakhs under the LRS of RBI towards tuition fees of Siddhant. He remits the same through SBI, an authorized dealer.	Prem is not sure whether TCS is attracted in respect of this remittance. Is SBI required to collect tax at source on such remittance? If so, how much?	7	206C(1G)	No, SBI is not required to collect tax at source on remittance of ₹ 4 lakhs by Prem towards tuition fees of his son since it is less than the threshold limit of ₹ 7 lakhs.

(13)	<p>Ram remits ₹ 8 lakhs under the LRS of RBI towards tuition fees of Mega out of loan taken from Indian bank. He remits the same through Indian bank itself, which is an authorized dealer.</p>	<p>Ram wants to know whether the transaction attracts TCS and if so, whether he is entitled for any concessional rate, since the remittance is for the purpose of education. Is Indian bank required to collect tax at source on such remittance? If so, how much?</p>	7	206C(1G)	<p>Yes, Indian bank is required to collect tax at source on ₹ 5 lakh, being the total amount remitted under LRS in excess of ₹ 7 lakhs. Tax would be collectible at a concessional rate of tax of 0.5%, since the amount is remitted out of a loan obtained from Indian bank, being a financial institution as defined in section 80E, for the purpose of pursuing any education. Tax collectible at source by Indian bank = ₹ 5 lakh x 0.5% = ₹ 2,500</p>
(14)	<p>Prem purchases goods aggregating to ₹ 60 lakhs this year from MNO Ltd., whose turnover has been around ₹ 12 crores in the last</p>	<p>Prem is of the opinion that since there was no TDS liability in respect of purchases made by him last year and prior to that, there would be no TDS liability this year also. Is he correct?</p>	7		

(15)	couple of years. In the last two years, he had purchased goods aggregating to ₹ 35 lakhs from MNO Ltd. Purchases of goods from other vendors are to the tune of ₹ 10 lakhs to ₹ 15 lakhs.	(i)	Is Prem required to deduct tax at source? If so, how much?	194Q	No, Prem is not required to deduct tax at source u/s 194Q, since his turnover for the F.Y.2023-24 was less than ₹ 10 crores.
		(ii)	Is MNO Ltd. required to collect tax at source? If so, how much?	206C(1H)	Yes, TCS would be attracted in the hands of MNO Ltd. at the time of receipt of consideration from Prem since its turnover exceeded ₹ 10 crores in the F.Y.2023-24 and the value of goods sold to Prem in the P.Y.2024-25 exceeds ₹ 50 lakhs. Tax of ₹ 1,000 (i.e., 0.1% of ₹ 10 lakhs, being the sum exceeding ₹ 50 lakhs) has to be collected u/s 206C(1H) by MNO Ltd.
			Prem is not sure whether this purchase has any TDS/TCS implications.		
		(i)	Is Prem required to deduct tax at source on payment made to Unipro?	7 194Q	No, Prem is not required to deduct tax at source on purchase of car from a dealer.
	Prem purchased a Honda City car from Unipro, a dealer, for ₹ 15 lakhs.				

	(ii)	Is Unipro required to collect tax at source on such receipt from Prem? If so, how much?		206C(1F)	Yes, Unipro has to collect tax at source@1% under section 206C(1F) at the time of receipt since the sale consideration exceeds ₹ 10 lakhs. TCS u/s 206C(1F) = 1% of ₹ 15 lakhs = ₹ 15,000
	(iii)	Is Prem required to quote PAN?	8	139A	Yes
(16)		Prem's mother incurs an expenditure of ₹ 2.20 lakhs for travel to USA to stay with her daughter. She does not have any other income other than interest on fixed deposits of ₹ 3 lakhs.	8	139(1)	No, Prem's mother has to file her return of income on or before the due date under section 139(1), even if her total income is lower than the basic exemption limit, since she has incurred expenditure exceeding ₹ 2 lakhs on foreign travel.
(17)		Ram paid ₹ 60,000 by account payee cheque to a hotel in Manali for a week's stay with his family.	8	139A	No, since the payment was made to a hotel by account payee cheque, he is not required to quote his PAN even though the payment exceeds ₹ 50,000.

(18)	In November, 2025, Ram realized that he has not filed his return of income for A.Y.2025-26.	Ram wants to file his return now (i.e., in November, 2025). Can he do so?	8	139(4)	Yes, Ram can file belated return of income for A.Y. 2025-26 before 31.12.2025 or the completion of his assessment, whichever is earlier.
(19)	Prem has filed his return of income for A.Y.2025-26 in July, 2025. In November, 2025, he realizes that he has not claimed deduction under section 80C in respect of deposit in PPF.	<p>(i) Prem wants to revise his return and claim the deduction now (i.e., in November, 2025). Can he do so?</p> <p>(ii) If so, by what date should he file his revised return?</p>	8	139(5)	Yes, Prem can revise his return of income for A.Y. 2025-26 now (i.e., in November, 2025). He can file a revised return for A.Y. 2025-26 at any time before 31.12.2025 or before the completion of assessment, whichever is earlier.
(20)	Harini made a fixed deposit of ₹ 80,000 with ICICI bank on 3 <sup>rd</sup> October.	Is Harini required to quote her PAN in the documents related to fixed deposit?	8	139A	Yes, since the amount of fixed deposit exceeds ₹ 50,000.



# CROSSWORD PUZZLE

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