

# TAX FLASH NEWS

14 May 2020



## CBDT issues press release relating to reduction in TDS/TCS rates

On 13 May 2020, the Prime Minister announced INR 20 lakh crore stimulus package, to make the country self-reliant and to revive the stalled economy due to Covid-19. To give effect to the five pillars of 'Aatmanirbhar Bharat' announced by the Prime minister, the Finance Minister announced the first set of package containing several measures. The Finance Minister, *inter alia*, announced that in order to provide more funds at the disposal of the taxpayers for dealing with the economic situation arising out of COVID-19 pandemic, the rates of Tax Deduction at Source (TDS) for the non-salaried specified payments made to residents and rates for Tax Collection at source (TCS) for the specified receipts has been reduced by 25 per cent for the period from 14 May 2020 to 31 March 2021.

### CBDT press release

The Central Board of Direct Taxes (CBDT) has issued a press release<sup>1</sup> providing a table of reduced rates under various TDS/TCS provisions. Therefore, TDS on the amount paid or credited during the period from 14 May to 31 March 2021 shall be deducted at the reduced rates specified in the [Annexure](#) below. Similarly, tax on the amount received or debited during the period from 14 May to 31 March 2021 shall be collected at the reduced rates specified in the [Annexure](#) below.

However, there will be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at a higher rate due to non-furnishing of PAN/Aadhaar. For example, if the tax is required to be deducted at 20 per cent under Section 206AA of the Income-tax Act, 1961 due to non-furnishing of PAN/Aadhaar, it shall be deducted at the rate of 20 per cent and not at the rate of 15 per cent.

### Our comments

Due to COVID-19 pandemic, the taxpayers are facing acute difficulty of managing the cash flow. In order to enhance liquidity in the hands of taxpayers, the finance minister announced reduction in the rate of TDS and TCS by 25 per cent.

However, the relief in the form of lower TDS has not been extended to salaried individuals. Further, the benefit of lower rate of TDS has been provided for specified payments made to residents and the same is not available for payments made to non-resident.

The press release also states that legislative amendments with respect to reduction of TDS/TCS rates will be made in due course.

<sup>1</sup> CBDT press release, dated 13 May 2020

## Annexure

### TDS rates

Sr. No.	Section	Nature of payment	Existing rate of TDS (in per cent)	Reduced rate from 14 May 2020 to 31 March 2021 (in per cent)
1	193	Interest on securities	10	7.5
2	194	Dividend	10	7.5
3	194A	Interest other than interest on securities	10	7.5
4	194C	Payment of contractors and subcontractors	1 (individual/HUF) 2 (others)	0.75 (individual/HUF) 1.5 (others)
5	194D	Insurance commission	5	3.75
6	194DA	Payment in respect of life insurance policy	5	3.75
7	194EE	Payments in respect of deposits under National Savings Scheme	10	7.5
8	194F	Payments on account of re-purchase of units by mutual funds or UTI	20	15
9	194G	Commission, prize etc., on sale of lottery tickets	5	3.75
10	194H	Commission or brokerage	5	3.75
11	194-I(a)	Rent for plant and machinery	2	1.5
12	194-I(b)	Rent for immovable property	10	7.5
13	194-IA	Payment for acquisition of immovable proper	1	0.75
14	194-IB	Payment of rent by individual or HUF	5	3.75
15	194-IC	Payment for joint development agreements	10	7.5
16	194J	Fee for Professional or Technical Services (FTS), royalty, etc.	2 (FTS, certain royalties, call centre) 10 (others)	1.5 (FTS, certain royalties, call centre) 7.5 (others)
17	194K	Payment of dividend by mutual funds	10	7.5
18	194LA	Payment of compensation on acquisition of immovable property	10	7.5
19	194LBA(1)	Payment of income by business trust	10	7.5
20	194LBB(i)	Payment of income by investment fund	10	7.5
21	194LBC(1)	Income by securitization trust	25 (Individual/HUF) 30 (Others)	18.75 (Individual/HUF) 22.5 (Others)

22	194M	Payment to commission, brokerage etc. by Individual and HUF	5	3.75
23	194-O	TDS one-commerce participant	1 (with effect from 1 October 2020)	0.75

### TCS rates

S. No.	Section	Nature of Receipts	Existing rate of TCS (in per cent)	Reduced rate from 14 May 2020 to 31 March 2021 (in per cent)
1	206C(1)	Sale of		
		(a) Tendu Leave	5	3.75
		(b) Timber obtained under a forest lease	2.5	1.875
		(c) Timber obtained by any other mode	2.5	1.875
		(d) Any other forest produce not being timber/tendu leaves	2.5	1.875
		(e) Scrap	1	0.75
		(f) Minerals, being coal or lignite or iron ore	1	0.75
2	206C(1C)	Grant of license, lease, etc. of	2	1.5
		(a) Parking lot		
		(b) Toll plaza	2	1.5
		(c) Mining and quarrying	2	1.5
3	206C(1F)	Sale of motor vehicle above 10 lakhs	1	0.75
4	206C(1H)	Sale of any other goods	0.1 (with effect from 1 October 2020)	0.075 <sup>2</sup>

<sup>2</sup> There seems to be an inadvertent error. The existing rate under Section 206C(1H) for sale of any other goods is 0.1%. Accordingly, the reduced rate should be 0.075% and not 0.75%.

## home.kpmg/in/socialmedia

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