

# TAX DEDUCTION AT SOURCE

## **TAX DEDUCTION AT SOURCE**

Tax deduction at source in context of Goods and Services Tax means deducting from payment made or credited to the supplier tax at prescribed rate.

## WHO IS AUTHORIZED TO DEDUCT TAX AT SOURCE?

\* Every registered taxable person is not eligible to deduct tax at source.

- Central Government or a State Government may authorize followings to deduct tax at source:[Section 51(1)

(i) A department or establishment of the Central or State Government; or

(ii) Local authority;

(iii) Government agencies

(iv) Such persons or category of persons as may be notified by the Government on recommendation of the Council.

## **When to deduct tax at source**

Tax at source shall be deducted if the total value of taxable goods or services or both of such supply under a contract exceeds Rs. 2.50 Lakh.(Two lakh and fifty thousand rupees)

## **Value of supply to exclude tax indicated in invoice**

Value of supply shall exclude:

Central tax;

State tax:

Union territory tax;

Integrated tax;

Cess indicated in the invoice.

## **RATE OF TAX DEDUCTION AT SOURCE**

**Not exceeding** 1% from:

(i) payment made; or

(ii) credited to the supplier of taxable goods or services or both

if

the total value of such supply under a contract exceeds Rs. 2.5 Lakh.

TDS rate shall not exceed 1%; It could be less than 1%.

# POINT OF TAX DEDUCTION

Section 51(1) does not specify the point of deduction of tax at source

whether tax at source shall be deducted at time of credit of amount to account of supplier

or

At time of payment.

Credit' means the recipient accounts for the supply and/or acknowledges the liability in his books of accounts.

The author is of the view that the point of deduction of tax at source shall be 'payment' or 'credit' whichever is earlier; otherwise the provision shall become redundant.

## *Illustration*

Supplies made including tax (@ 20%) Rs. 12,00,000/-

Amounts paid during 2017-18 Rs. 9,00,000/-

Supplies accounted for Rs. 12,00,000/-

So value of supplies liable to TDS shall be Rs. 10,00,000/-  
(excluding tax)

TDS shall be @1% Rs. 10,000/-.

Since entire supplies have been credited, amount paid Rs. 9,00,000/- shall be immaterial.

# Tax at source not to be deducted

## **TDS is not to be deducted where:**

If the location of supplier and the place of supply is in a State or Union territory which is different from the State or Union territory of registration of the recipient.

Inter-state supplies are not liable to TDS

## **Payment of tax deducted**

within 10 days after the end of the month in which tax is deducted.

## **Failure to Interest for delayed payment of tax deducted**

Liable for interest @ 18%. [section 51(6)]



## **Certificate for tax deduction**

The deductor shall furnish to the deductee a certificate which shall be available in electronic form at common portal in Form No GSTR-7A. The certificate shall be issued by the deductor to the deductee within 5 days from crediting the amount so deducted to the appropriate government.

## **Contents of certificate of tax deducted**

Contract value;

Rate of tax deduction;

Amount of tax deducted

Amount paid to the appropriate government (tax deposited)

Such other particulars as may be prescribed

## **Failure to furnish to deductee the certificate**

Late fee of Rs. 100/- per day after the expiry of 5 days.

Late fee payable till the default continues.

Maximum amount of late fee not to exceed Rs. 5,000/-.

## **Claim of tax deducted**

The amount of tax deducted shall be reflected in the return of the deductor furnished under section 39. The deductee shall claim credit of tax deducted at source. [Section 51 (5)]

## **Refund to deductor or deductee**

Any amount of refund on account of excess or erroneous deduction shall be refunded in accordance with provisions of section 54.

# Thank You

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