



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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June 10, 2021

The Regional Director/ Principal Chief General Manager/
Chief General Manager-In-Charge/ Chief General Manager/
General Manager (O-i-C) / Principal, Training Establishments
Reserve Bank of India

Madam/Dear Sir,

Quick Insight of Income-tax implications for Financial Year 2021-22

Please refer to CTC Circular ref. HRMD.CO.SHO (BG) (CTC) No. 14/50.07.003/2020-21 dated December 08, 2020 on the captioned subject. In this regard, please find enclosed the brochure on 'Quick Insight of Income-tax implications for Financial Year 2021-22' detailing the various tax implications for the current financial year, in accordance with the amendments made in the Finance Act, 2021.

2. The contents of this circular may be brought to the notice of all concerned.

Yours faithfully,

(Subhansu Kumar Rout)
Deputy General Manager

Encl : as above

मानव संसाधन संचालन, म सं प्र वी केन्द्रीय कार्यालय, भारतीय रिज़र्व बैंक, No. 10/3/8, नृपतुंगा रोड, बेंगलुरु 560001
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चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक खाते का न्योरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने के प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरह से जवाब मत दीजिए।

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Quick Insight of Income-tax implications

Financial Year (“FY”) (2021-22)

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Finance Act, 2021

The Honourable Finance Minister of India, Mrs. Nirmala Sitharaman, delivered the Union Budget 2021-2022, on 1st February, 2021 and thereafter presented the Finance Bill, 2021 before both the houses of the Parliament. The same has acquired presidential assent on 28th March, 2021 and passed as Finance Act, 2021.

1. Income Tax Rates

A) Rates for Individuals including Women (below age of 60 years at any time during the year), HUF, AOP, BOI:

Total Income (Men/Women)	FY 2020-21	Total Income (Men/Women)	FY 2021-22	Change
Upto Rs. 2,50,000	Nil	Up to Rs. 250,000	Nil	NO CHANGE
Rs. 2,50,001- Rs. 5,00,000	5%	Rs. 250,001 to Rs. 500,000	5%	NO CHANGE
Rs. 500,001- Rs. 1,00,000	20%	Rs. 500,001 to Rs. 1,00,000	20%	NO CHANGE
Above Rs. 1,00,000	30%	Above Rs. 1,00,000	30%	NO CHANGE
Surcharge, applicable if		Surcharge, applicable if		NO CHANGE
Total Income > Rs. 50 Lakhs and upto Rs 1 crore	10%	Total Income > Rs. 50 Lakhs and upto Rs 1 crore	10%	
Total Income > Rs. 1 Crore and upto Rs 2 Crores	15%	Total Income > Rs. 1 Crore and upto Rs 2 Crores	15%	
Total Income > Rs. 2 Crore and upto Rs 5 crores	25%	Total Income > Rs. 2 Crore and upto Rs 5 crores	25%	
Total Income > Rs. 5 Crore	37%	Total Income > Rs. 5 Crore	37%	
Health & Education Cess	4%	Health & Education Cess	4%	NO CHANGE

B) Rates for Senior citizen (Between the Age 60 and 80 years at any time during the year):

(There is no change in the tax rates for Senior Citizens for the FY 2021-22.)
Basic exemption continues to be Rs. 3, 00,000/-.

C) Rates for Very Senior citizen (Aged 80 and above at any time during the Year):

(There is no change in the tax rates for Very Senior Citizens for the FY 2021-22.)
Basic exemption continues to be Rs. 5, 00,000/-.

D) Rates for individuals who opt to pay income tax under section 115BAC [applicable from FY 2021-22 and onwards] :

- a) The prescribed slab rates under the above section 115BAC are mentioned as under:

Taxable income	Tax Rate	Health and education cess application
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,000 to Rs. 5,00,000	5%	4%
Rs. 5,00,000 to Rs. 7,50,000	10%	4%
Rs. 7,50,000 to Rs. 10,00,000	15%	4%
Rs. 10,00,000 to Rs. 12,50,000	20%	4%
Rs. 12,50,000 to Rs. 15,00,000	25%	4%
Above Rs. 15,00,000	30%	4%

Note: The amount of income-tax computed under this section shall be increased by a surcharge in the case of every individual depending on total income exceeding prescribed thresholds as listed below

Taxable income	Rate of surcharge
Exceeding Rs. 50 Lacs but not exceeding Rs. 1 Crore	10%
Rs. 1 Crore to Rs. 2 Crores	15%
Rs. 2 Crore to Rs. 5 Crores	25%
Exceeding Rs. 5 Crores	37%

- b) The above mentioned tax rates shall be at the option of the individuals. However, this option can be availed only on foregoing various exemptions/deductions as mentioned below. .

From perspective of section 192 applicability for employees of RBI, we have listed below the key exemptions/deductions that ought to be foregone by employees, who opt for the above section (i.e. employees cannot claim the below mentioned exemptions/deductions if they opt for the above mentioned tax rates):

- (i) Leave Travel Concession under section 10(5);
- (ii) House Rent Allowance under section 10(13A);
- (iii) Other Allowances related to performance of official duties under section 10(14) (other than those as may be prescribed for this purpose- currently, the following has been prescribed under newly inserted sub-rule (3) of Rule 2BB of the Income-tax Rules 1962:

- Allowances as mentioned in sub-clauses (a) to (c) of sub-rule (1) of rule 2BB of the Income-tax Rules 1962 has been listed below:

- a) any allowance granted to meet the cost of travel on tour or on transfer;
- b) any allowance, whether, granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;
- c) any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment of profit :

Provided that free conveyance is not provided by the employer;

- Also, as per serial no.11 of the Table provided in sub-rule (2) of rule 2BB of the Income-tax Rules 1962, to the extent and subject to the conditions, if any, specified therein), the following is provided:

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Sl. No.	Name of allowance	Place at which allowance is exempt	Extent to which allowance is exempt
(1)	(2)	(3)	(4)
11.	Transport allowance granted to an employee, who is blind [or deaf and dumb] or orthopaedically handicapped with disability of lower extremities, to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty	Whole of India	Rs.3200 per month

Here it is pertinent to mention that as per Notification No. 38/2020/F. No.370142/15/2020-TPL dated 26th June, 2020, the allowances mentioned in sub-clauses (a) to (c) of sub-rule (1) of rule 2BB of the Income-tax Rules 1962 and serial no.11 of the Table below sub-rule (2) of rule 2BB of the Income-tax Rules 1962 have been prescribed for this purpose i.e. these allowances will continue to be exempted even if employees opt for the above mentioned tax rates.

- (iv) Exemption of minor child income clubbed with income of his father or mother under section 10(32);
 - (v) Deductions from salaries under section 16;
 - (vi) Deduction for interest on housing loan under section 24(b) (in respect of the property referred to section 23(2));
 - (vii) Deduction in respect of family pension under section 57(iia);
 - (viii) Deductions under Chapter VI-A [other than the deduction in respect of new pension scheme under section 80CCD(2) or deduction in respect of employment of new employees under section 80JJAA].
 - (ix) Set off of any loss shall not be allowed for,—
 - under the head "Income from house property" with any other head of income;
 - (x) Exemption provided under first proviso to rule 3(7)(iii) of the Income-tax Rules 1962 in respect of free food and non-alcoholic beverage provided by employer through paid voucher; [Notification No. 38/2020/F. No.370142/15/2020-TPL dated 26th June, 2020]
- c) No other exemption or deduction for allowances or perquisite shall be allowed provided under any other law for the time being in force. Please note that we have only captured relevant points pertaining to employees assuming that they will have only salary income, house property income and income from other sources. In the event any of the employees, also have business income, there are various other exemptions/deductions that needs to be given up /foregone, as detailed in section 115BAC that needs to be referred in detail before considering above revised rates.
- d) If any of the conditions mentioned (i.e., availing deductions/exemptions which are not allowed) are not satisfied in any previous year ("PY"), normal provisions shall be applicable for the AY relevant to such PY.
- e) Further, it must be noted that the individuals, who do not have any business or professional income, have the option to choose the new tax rates every year (as mentioned above) at their option.

However, the individuals who have business or professional income, once they have exercised this option for any previous year, they can withdraw the same only once for a previous year other than the year in which it was exercised and thereafter, they shall never be eligible to exercise

option under this section, except where such person ceases to have any business income.

E) Rebate under section (“u/s”) 87A:

As per Finance Act, 2021, an individual resident in India, whose total income is less than Rs. 5,00,000/- shall be entitled to a deduction of an amount of income-tax of Rs. 12,500/- or 100% of the income tax chargeable on his income for the financial year 2020-21, whichever is less.

There is no change in this section for FY 2021-22.

2. Amendments in definitions under the Act

Insertion of new clause 29A in Section 2 to define the term “liable to tax”:

In Section 2, new clause 29A has been inserted for defining the term ‘liable to tax’ as follows:

- a. The term “liable to tax”, in relation to a person and with reference to a country, *“means that there is an income-tax liability on such person under the law of that country for the time being in force and shall include a person who has subsequently been exempted from such liability under the law of that country”*
- b. The Act currently does not define the term ‘liable to tax’ though this term is used in section 6, in clause (23FE) of section 10 and various agreements entered into under section 90 or section 90A of the Act. Hence, clause (29A) has been inserted in section 2 of the Act providing its definition.
- c. This definition will have to be considered by RBI while interpreting the clauses of Double Taxation Avoidance Agreement in case of payments to non-residents as also residential status of individuals (as applicable) in accordance with section 6.

This amendment has taken effect from 1st April, 2021 [i.e. FY 2020-21 and onwards].

3. Deductions under CHAPTER-VI A of Income Tax Act, 1961

A) Deductions u/s 80C, 80CCC & 80CCD

Section	Section Reference	Eligible Assesseees	Amount of deduction	Special Remarks
80C*	Deduction in Respect of LIC Premium, contributions to recognised provident, public provident fund, approved superannuation fund, Tuition fees, Sukanya Samridhi Account Scheme, Home loan principal repayment, ULIP, NSC, Stamp duty on Residential Housing loan, subscription to mutual funds referred to in section 10(23D), terms deposits, etc subject to conditions specified.	Individual or HUF	Max. Rs. 150,000	Condition: LIC Premium Deduction is Subject to max.20% of capital sum assured. No amendments as compared to FY 2020-21.
80CCC*	Deductions in respect of contribution to certain pension funds.	Individual	Whole amount deposited or paid but subject to max of Rs. 150,000	No amendments as compared to FY 2020-21.
80 CCD(1)*	Deduction in respect of contribution to pension scheme of central government	Any employees (individual) of any employer	Amount not exceeding 10% of salary.	No amendment as compared to FY 2020-21.
		Any individual other than employee	Amount not exceeding 20% of gross total income.	No amendment in Finance Act 2021.
80 CCD(1B)	Deduction in respect of contribution to pension scheme of Central Government	Individual	Whole of the amount deposited under notified pension scheme subject to maximum of Rs. 50,000/-. No deduction under this section shall be allowed in respect of the amount on which deduction has been claimed in sub-section (1) of the above.	No amendment in Finance Act 2021.

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Section	Section Reference	Eligible Assesseees	Amount of deduction	Special Remarks
			Additional deduction: - The deduction under this subsection is additional to the limit of Rs. 1,50,000/- provided under section 80CCE(i.e., 80C).	

****Further, as per Section 80CCE, the aggregate amount of deduction u/s. 80C, 80 CCC, and 80CCD (1) shall not exceed Rs. 150,000.***

B) Section 80D: - Deduction in respect of health insurance premium (Mediclaime)

Deduction in respect of	FY 2020-21	FY 2021-22	Particulars	Additional Deduction		Overall Deduction
				FY 2020-21	FY 2021-22	
Mediclaime Premium for individuals, spouse and children	Maximum Rs. 25,000	Maximum Rs.25,000	Mediclaime Premium for Parents	Maximum Rs. 25,000	Maximum Rs. 25,000	The limit is Rs 50,000.
	Includes Rs. 5,000 for medical health check ups			Includes Rs. 5,000 for medical health check-ups.		
Medical Expenditure incurred on the health of the assessee or any member of his family	Max. Rs.30,000 (Applicable for senior citizens only)	Max. Rs.30,000 * (Applicable for senior citizens only)	Medical Expenditure incurred on the health of any parent of the assessee	Max. Rs.30,000 (Applicable for senior citizens only)	Max. Rs.30,000* (Applicable for senior citizens only)	The limit is Rs 50,000.

- ✓ Available to assessee, spouse, dependent children and parents.
- ✓ Qualifying age for senior citizen is 60 years.
- ✓ Payments for Preventive Health check-ups can be paid in any mode.
- ✓ Mediclaime Premium is not allowed if paid in cash.
- ✓ Deduction in respect of Medical expenditure on Senior Citizen will be allowed provided no medical insurance existing for such senior citizen
- ✓ In case of single premium health insurance policies having cover of more than one year, the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided in each such year in an appropriate fraction. "Appropriate fraction" means the fraction, the numerator of which is one and denominator of which is the total number of relevant previous years"

C) Other Deductions:

Section	Section Reference	Eligible Assesses	Amount of deduction	Special Remarks
80 DD	Deduction in Respect of Maintenance, Medical treatment of dependant person with disability such as Blindness & Vision problems, Leprosy-cured, Hearing impairment, Locomotor disability, Mental retardation or illness.	Resident individual or HUF (any Member of that HUF)	For severe disabilities Rs. 125,000 (80% or more) and Rs. 75,000 for other disabilities (40%-80%)	Copy of medical certificate to be issued by medical authority to be submitted along with return.

Conditions for claiming deduction u/s. 80DD:

- ✓ Disabled dependent means spouse, any child, parents, brother and sister.
- ✓ For HUF, any member of HUF can be a disabled dependent.
- ✓ No deduction is claimed u/s 80U.

Section	Section Reference	Eligible Assesses	Amount of deduction	Special Remarks
80 DDB	Deduction in respect of medical treatment of Serious ailments such as Neurological diseases, Parkinson's diseases, Malignant cancers, AIDS, Chronic renal failure, Hemophilia, Thalasemia.	Resident individual or HUF (any Member of that HUF) Persons covered are same as u/s 80DD	After reducing Insurance claim, amount actually paid or Rs. 40,000 whichever is less. Rs. 1,00,000 in case of senior citizen.	Certificate from Specialist submitted along with return. Deduction to be received from insurer or reimburse by employer.
80 E #	Deduction in respect of interest on loan taken for higher education (any course or study after passing SSC or its equivalent) as defined in section 80E(3)(c) for self, spouse, children	Individual only who has taken loan - Interest on such loan paid to financial institution or approved charitable institution	Payment of interest on loan taken for higher education, paid out of income chargeable to tax.	Deduction for 8 assessment years.
80EEA [w.e.f. AY 2021-2022]	Deduction in respect of interest payable on loan taken for the purpose of acquisition of a residential house property	Individual not eligible to claim deduction u/s 80EE – Loan has been taken from any financial institution and sanctioned during 1 st April, 2019 – 31 st March, 2021.	Payment of interest on loan subject to maximum limit of Rs. 1,50,000	As per Finance Act, 2021 the time limit for sanction of loan from any financial institution is extended from 31-03-2021 to 31-03-2022 for the purpose of

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Section	Section Reference	Eligible Assesses	Amount of deduction	Special Remarks
		Stamp value of property does not exceed Rs. 45,00,000 and does not own any other residential property on the date of sanction of loan.		claiming deduction on interest on loan taken under this section. <i>This amendment will take effect from 01-04-2022 [i.e., FY 2021-22 and onwards]</i>
80EEB [w.e.f. AY 2021-22]	Deduction in respect of interest payable on loan taken for the purpose of purchase of an electric vehicle.	Individual – Loan has been taken from any financial institution and sanctioned during 1 st April, 2019 – 31 st March, 2023.	Payment of interest on loan subject to maximum limit of Rs. 1,50,000	No amendments as compared to FY 2020-21.
80 U	Deduction in case of a person with disability (Not dependent. Irrespective of amount spent)	Resident individual	In case of severe Disability Rs. 1,25,000 or in any other cases Rs. 75,000.	Assesses shall Furnish certificate from medical authority with ROI& get renewed when expired. Separate forms for separate disability are required.
80 G ##	Deduction in case of donations made to Specified/ approved trusts/institutions etc.	Assessee	Any Donation exceeding Rs. 10,000 shall be allowed as a deduction only if such sum is paid in any other mode other than cash	100% deduction for Prime Minister National Relief fund /family planning institution. Balance 50%. Qualifying amount of donation is up to 10% of net taxable income before 80G deduction

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Section	Section Reference	Eligible Assesses	Amount of deduction	Special Remarks
80 TTA	Deduction in respect of interest on deposits in savings account	Individual / HUF (not being a senior citizen*) <i>*w.e.f from AY 2019-20 for senior citizen sec 80TTB has been inserted</i>	Any income in the nature of interest on deposits in a saving account with Banks/Co-operative society/Post office upto Rs. 10,000/-	No deduction shall be allowed if the interest is derived by an individual/member on behalf of a firm/ an AOP/BOI
80 TTB	Deduction in respect of interest on deposits in case of senior citizens.	Senior citizen	Any income in the nature of interest on deposits in a saving account with Banks/Co-operative society/Post office upto Rs. 50,000/-	No deduction shall be allowed if the interest is derived by an individual/member on behalf of a firm/ an AOP/BOI

Higher Education means any course of study after passing senior secondary examination.

Section 80G:

- a. The above section is to provide that filing of statement of donation by donee has to be done in order to cross-check the claim of donation by donor.
- b. Further, it is stated that the deduction shall be allowed to a donor only on the basis of information furnished by the donee who shall file a statement of donation with the prescribed income-tax authority or the person authorised by such authority, subject to verification in accordance with the risk management strategy formulated by the Board, i.e., CBDT from time to time. The donee shall also issue a certificate to the donor. On failure to do so, penalty and fees shall be levied on the donee. These above amendments has taken effect from 01-06-2020

Also, donation made to "The Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)" is eligible for 100% deduction under section 80G without any limit.

Also, "SHRI RAM JANMABHOOMI TEERTH KSHETRA" has been notified to be a place of historic importance and a place of public worship of renown for the purposes of Section 80G(2)(b). [Notification No. 24/2020/F. No. 176/8/2017/ITA-I dated 8th May, 2020]

4. Incomes which don't form part of total income (Exempt income) –

A) **Leave Travel Concession or Assistance (LTC/LTA) Section 10(5)** second proviso has been inserted in clause 5 of section 10 as follows:

- ✓ For the assessment year beginning on the 1st day of April, 2021, **the value in lieu of any travel concession or assistance** received by, or due to, such individual **shall also be exempt under this clause** subject to the fulfilment of such conditions (including the condition of incurring such amount of such expenditure within such period), as may be prescribed

- I. **As per new sub-rule (1A)** which prescribes the threshold for exemption under Section 10(5) of the Income-tax Act:

Where the individual avails any cash allowance from his employer in lieu of any travel concession or assistance, such amount shall be exempt under Section 10(5) of the Income-tax Act subject to the threshold limit of INR 36,000/- per person, for the individual and its family members, or one-third of the specified expenditure, whichever is less, subject to fulfilment of the specified conditions for the assessment year beginning from April 1, 2021 as mentioned below:

- a) the individual has exercised an option to avail exemption under section 10(5), in lieu of the exemption under section 10(5) in respect of **one unutilised journey** during the block of four calendar years commencing from the calendar year 2018;
- b) the payment in respect of the *specified expenditure* (refer note- ii) is made by the individual or any member of his family to a registered person (i.e., GST registered having GSTIN) during the specified period (i.e., 12th October, 2020 to 31st March, 2021) ;
- c) the payment in respect of the *specified expenditure* is made by an account payee cheque drawn on a bank or account payee bank draft, or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under rule 6ABBA; and
- d) the individual obtains a tax invoice (refer note-i) in respect of specified expenditure from the registered person referred in point(b) above.

Notes:

- i. “tax invoice” means an invoice issued by the person registered under GST;
- ii. “specified expenditure” means expenditure incurred by an individual or a member of his family during specified period (i.e., 12th October, 2020 to 31st March, 2021) on goods or services, which are liable to tax at an aggregate rate of 12% or above under various Goods and Services Tax (“GST”) laws and goods are purchased or services procured from GST registered vendors or service providers;

If the amount received by or due to an individual, from his employer in connection with the specified expenditure is in excess of INR 36,000/- per person, for the individual and the member of his family; the above exemption would be restricted to INR 36,000/- for the individual and the member of his family, or one-third of the specified expenditure, whichever is less.

- II. **As per new sub-rule (1B)** - Where an exemption on value in lieu of any travel concession or assistance received by, or due to, such individual, is claimed and allowed, the same shall be available to an individual in respect of one journey performed in a block of four calendar years commencing from the calendar year 1986.

B) Amendment in Section 10(11)–

- ✓ Section 10(11) provides exemption with respect to any payment from a provident fund to which the Provident Funds Act, 1925 (19 of 1925) applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette.
- ✓ As per the amendment, Proviso has been inserted in Section 10(11) to provide that the provisions of Section 10(11) shall not apply to the income by way of interest accrued during the previous year in the account of a person to the extent it relates to the amount or the aggregate of amounts of contribution made by that person exceeding Rs. 2,50,000/- in any previous year in that fund, on or after the 1st day of April, 2021 and computed in such manner as may be prescribed;

This amendment will be relevant to employees of RBI since the provisions of the Provident Funds Act, 1925 are applicable to the provident fund maintained by RBI.

- ✓ As per the amendment, a second proviso has also been inserted to provide that if the contribution by such person is in a fund in which there is no contribution by the employer of such person, then the provisions of Section 10(11) shall not apply to the income by way of interest accrued during the previous year in the account of a person to the extent it relates to the amount or the aggregate of amounts of contribution made by that person exceeding Rs. 5,00,000/- in any previous year in that fund, on or after the 1st April, 2021 and computed in such manner as may be prescribed.

This amendment will be applicable only in case an employee of RBI makes contribution to the Provident Fund whereas the employer (i.e. RBI) does not make any contribution.

One such possibility is as per Regulation 8 of the Reserve Bank of India Employees' Provident Fund Regulations, as per which there are certain instances (one such example being subscribers to whom the Reserve Bank of India pension Regulations, 1990 apply) wherein, the employer i.e. RBI is not required to make any such contribution.

These amendments will take effect from 01-04-2022 [i.e., FY 2021-22 and onwards]

C) Amendment in Section 10(10D) and consequential amendments in other provisions:

- ✓ Section 10(10D) provides exemption for sum received under a life insurance policy subject to satisfaction of certain conditions.

Following amendments have occurred vide Finance Act 2021–

- a. The provisions of Section 10(10D) shall not apply to unit linked insurance policy ('ULIP'), issued on or after the 1st day of February, 2021, if the amount of premium payable for any of the previous year during the term of such policy exceeds Rs. 2,50,000/- Hence, sum received under such ULIP's will not be exempt under Section 10(10D).
- b. Manner of computing the exemption u/s 10(10D) has been prescribed in cases where the premium is payable, by a person, for more than one ULIPs, issued on or after the 1st day of February, 2021;
- c. However, the provisions as stated in a) and b) above shall not apply to any sum received on the death of a person. Hence, in case of death of a person, exemption u/s 10(10D) can be claimed even in case of ULIP subject to satisfaction of other conditions stated in Section 10(10D).
- d. Also, Explanation 3 has been inserted to provide the meaning of ULIP for the purpose of Section 10(10D).

Therefore, the ULIP to which exemption u/s 10(10D) does not apply on account of applicability of provisions stated in a) and b) above, shall be treated as capital asset and amount received under

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such policy shall be taxable under the head capital-gains and the manner of calculating the taxable amount will be prescribed. Further, such ULIP's have also been included in the definition of equity oriented fund in section 112A.

Also, as per the amendment in Section 112A, in case of a scheme of an insurance company comprising ULIP to which exemption under section 10(10D) does not apply on account of the applicability of provisions stated in a) and b) above, the minimum requirement of 90% or 65%., as the case may be, is required to be satisfied throughout the term of such insurance policy.

Detailed amendments are mentioned in Section 3(ii), Section 6(c), Section 16(a), Section 32 of the Finance Act 2021.

These amendments has taken effect from 01-04-2021 [i.e., FY 2020-21 and onwards]

5. Deductions under head “Income from House property”

- A) In case of let out property or deemed let out property, a standard deduction of 30% of the annual value so determined of such property [section 24(a)]
- B) Interest on borrowed capital u/s 24 (b) - Deduction is available on accrual basis.
- C) Where the property consists of house which is in the occupation of owner for the purposes of his own residence (self-occupied property) **or** when the owner cannot occupy such property owing to the fact that he resides in other building by the reason of his employment, business or profession. In such a case, deduction shall be allowed only up to **Rs. 30,000/-** on account of interest payment for the capital borrowed for **re-construction, repairs or renewals**;
- D) Further, the deduction in case of the property as referred above shall be up to **Rs. 2,00,000/-** where the property referred is **acquired or constructed** with capital borrowed on or after the 1st day of April, 1999 and such acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed.

Explanation to above provision: Where the capital has been borrowed before the acquisition / commencement of the construction of the property mentioned above, deduction for the interest pertaining to the period between capital borrowed and acquisition / commencement of construction shall be distributed in equal instalments for the previous year in which the capital has been borrowed and for each of the four immediately succeeding previous years;

Also, no such deduction shall be made unless the assessee furnishes a certificate, from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property, or, conversion of the whole or any part of the capital borrowed which remains to be repaid as a new loan.

Also, w.e.f. FY 2019-20, aggregate of the amounts of deduction under point C and point D as stated above shall not exceed two lakh rupees. There are no amendments as compared to FY 2019-20.

Rationalisation of house property income:

Sec. 23(4) provides that notional rent on second self-occupied house property shall not be chargeable to tax under the head 'Income from house property'. Hitherto, an assessee could claim exemption from levy of tax on notional rent for only one self-occupied house property

The limit of deduction of interest on borrowed capital as provided in the proviso to Sec. 24(b) [up to ₹ 2 lakhs] for one self-occupied house property has been made applicable for two self-occupied house property [w.e.f. AY 2020-21]

Exemption u/s 54GB exemption of long term capital gain tax on transfer of residential property if net consideration is invested in equity shares of a new start-up SME company:

The existing provisions of the section 54GB of the Act, inter alia, provide for exemption of capital gain which arises from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee.

The assessee is required to utilise the net consideration for subscription in the equity shares of an eligible start-up, before the due date of furnishing of return of income under sub-section (1) of section 139 of the Act. The eligible start-up is required to utilise this amount for purchase of new asset within one year from the date of subscription in equity shares by the assessee.

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Further, it has been provided that benefit is available only when the residential property is transferred on or before 31st March, 2021. In order to help such eligible start-up and help investment in them,-

- ✓ Provisions of section 80-IAC of the Act have been amended in order to extend the outer date of incorporation of the eligible start up to before 1st April, 2022 (earlier the said date was 'before 1st April 2021'); and
- ✓ Provisions of section 54GB of the Act have been amended in order to extend the outer date of transfer of residential property from 31st March 2021 to 31st March 2022.

The above amendments are relevant to employees of RBI who sell/transfer a residential property and wish to avail the beneficial provisions of Section 54GB. Such person can now avail the benefit of Section 54GB in case he transfers the residential property upto 31st March 2022 and invests in an eligible start-up which is incorporated before 1st April 2022 and the other conditions are fulfilled

This amendment will take effect from 1st April, 2021 [i.e. FY 2020-21 and onwards]

6. General and administrative

- **Amendment in Section 139:**
 - ✓ Section 139 provides for filing of Income Tax Return. Sub-section (1) of Section 139 provides for the filing of original return of income for an assessment year.
- **Amendment in Section 139(4):**
 - ✓ Presently as per section 139(4), any person who has not furnished a return within the time allowed to him under sub-section (1) of Section 139, may furnish the return for any previous year at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
 - ✓ As there is massive technological upgrade in the Department where the processes under the Act are moving towards becoming faceless and jurisdiction-less, the time taken to conduct and complete such processes has greatly reduced.
 - ✓ Therefore section 139(4) has been amended to provide that any person who has not furnished a return within the time allowed to him under sub-section (1) of Section 139, **may furnish the return for any previous year at any time before three months prior to the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.**
 - ✓ Prior to the amendment, the belated return had to be filed before the end of the relevant assessment year (i.e. 31st March of the Assessment year) or before the completion of the assessment, whichever is earlier. However, vide the amendment, the outer time limit for filing belated return has been reduced by 3 months. Therefore, in case RBI employees need to file belated return for FY 2020-21 (i.e. AY 2021-22), then they are required to file the same by 31st December 2021 or before the completion of the assessment, whichever is earlier.
 - ✓ Further, as per Circular No. 9 dated 20th May, 2021, the due date of filing belated return of Income for FY 2020-21 has been extended from 31st December, 2021 to 31st January, 2022.
- **Amendment in Section 139(5):**
 - ✓ Presently as per Section 139(5), if any person, having furnished a return under sub-section (1) of Section 139 or sub-section (4) of Section 139, discovers any omission or any wrong statement therein, **he may furnish a revised return at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.**
 - ✓ Section 139(5) has been amended to provide that if any person, having furnished a return under sub-section (1) of Section 139 or sub-section (4) of Section 139, discovers any omission or any wrong statement therein, **he may furnish a revised return at any time before three months prior to the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.**
 - ✓ Prior to the amendment, the revised return had to be filed before the end of the relevant assessment year (i.e. 31st March of the Assessment year) or before the completion of the assessment, whichever is earlier. However, vide the amendment, the outer time limit for filing revised return has been reduced by 3 months.
 - ✓ Further, as per Circular No. 9 dated 20th May, 2021, the due date of filing revised return of Income for FY 2020-21 has been extended from 31st December, 2021 to 31st January, 2022.

Thus, in case any of the RBI employees are required to file revised return for FY 2020-21 (i.e. AY 2021-22), then they are required to file by 31st January 2022 or before the completion of the assessment, whichever is earlier.

- **Amendment in Section 139(9):**

- ✓ Sub-section (9) of section 139 of the Act lays down the procedure for curing a defective return.

It provides that in case a return of income is found to be defective, the Assessing Officer will intimate the defect to the assessee and give him a period of 15 days or more to rectify the said defect and if the defect is not rectified within the said period, the return shall be treated as an invalid return and the assessee will be considered to have never filed a return of income.

- ✓ The Explanation to Section 139(9) lists the conditions in which a certain return of income shall be considered to be defective

Considering that the said conditions are creating difficulties for both the taxpayer and the Department, new proviso has been inserted to the said Explanation to provide that the Central Board for Direct Taxes ('CBDT') may, by notification in the Official Gazette, specify that any of the conditions specified in the Explanation shall not apply to such class of assessee or shall apply with such modifications, as may be specified in such notification.

The above amendment may be relevant to the employees of RBI once the CBDT notifies the relaxations pertaining to the conditions mentioned in Section 139(9).

This amendment has taken effect from 01-04-2021 [i.e., FY 2020-21 and onwards]

- **Amendment in Section 234F:**

- ✓ Earlier, Section 234F provided as below:

Where a person required to furnish a return of income under section 139, fails to do so within the time prescribed in section 139(1), he shall pay, by way of a fee, a sum of,-

- a. five thousand rupees, if the return is furnished on or before the 31st day of December of the Assessment Year
- b. ten thousand rupees in any other case

However, if the total income of the person does not exceed five lakh rupees, the fee payable under this section shall not exceed one thousand rupees.

Section 234F(1) has been amended to provide as below:

Where a person required to furnish a return of income under section 139, fails to do so within the time prescribed in section 139(1), he shall pay, by way of a fee, a sum of five thousand rupees. However, if the total income of the person does not exceed Rs. 5,00,000/- the fee payable under this section shall not exceed Rs. 1,000/-

Earlier the fee was either Rs. 5,000/- or Rs. 10,000/- in case where total income of the person exceeded Rs. 5,00,000/- depending upon whether the return of income was filed before December 31st of the Assessment Year or after the said date. However, as per the amendment, the said fee will be Rs. 5,000/-

This will be relevant for employees of RBI who file their return of income after the due date.

It is to be noted that, if the total income does not exceed Rs. 5,00,000/- the fee payable under this section shall not exceed Rs. 1,000/-

7. Collection and recovery of Tax

A) Deduction at source and advance payment [Section 190]

- 1) The income of previous year is taxable in assessment year. For example Income earned during previous year 2020-21 is taxable in assessment year 2021-22. However, income tax is recovered from assessee in previous year itself through:
 - i. Tax deducted at source.(TDS)
 - ii. Tax collection at source.(TCS)
 - iii. Advance payment of tax.
- 2) Senior citizens not having any business income are exempt from payment of advance tax. They can pay self-assessment tax with return in due date without interest.

B) Deduction of Tax at source

a) Salary [Section 192]

- ✓ Every person who is responsible for paying any income chargeable under the head “Salaries” shall deduct income-tax on the estimated income of the assessee under the head “Salaries” for the financial year 2021-2022. The income-tax is required to be calculated on basis of Slab Rates given above and shall be deducted at the time of each payment. No tax will, however, be required to be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs. 250,000 for male and female individual below 60 years of age, Rs. 300,000 for individuals having age 60 years to 80 years or Rs. 500,000 for individuals having age above 80 years.
- ✓ Such Tax will be deducted at an average rate of tax.
Average rate of tax = $\frac{\text{income tax calculated on total income}}{\text{total income}}$.
(Computed on the basis of the rates in force for the financial year in which the payment is made of the estimated income of the assessee under this head.)
- ✓ Total income includes salary, allowances, perquisites, taxable portion of Leave Fair Concession (“LFC”), LFC on declaration, taxable portion of encashment of ordinary leave and gratuity at the time of retirement, arrears, advance of salary, encashment of salary during service, overtime, bonus, etc. and any other income declared by the employee.
- ✓ A taxpayer can furnish particulars of income under any head other than Salaries and any tax deducted at source thereon. However, such income should not be a loss under any such head other than the loss under the head “Income from house property” for the same financial year.
- ✓ Further, for the purpose of estimating income u/s 192(1) of the Act employers shall obtain evidence or proof or particulars of the prescribed claim in the prescribed form and manner from the assessee.

b) Deduction of tax at source on interest on Securities [Section 193]

- ✓ Every person responsible for paying to a resident any income by way of interest on securities has to deduct TDS at rates in force from amount payable. Rate at which TDS is to be deducted is 10% in case of domestic companies and resident corporate assesses;

- ✓ It should be deducted at the time of credit or payment thereof in cash or cheque or draft or in any mode;
- ✓ Interest on some securities does not attract deduction of tax at source. However if RBI issues securities other than tax free securities, the interest paid on such securities attracts deduction of tax at source;
- ✓ Section 193 providing for TDS on interest on securities is amended to allow exemption from TDS from interest on debentures upto Rs. 5,000 payable, by way of account payee cheque by companies in which public are substantially interested, to individuals and HUFs.

c) Deduction of interest other than "interest on securities" [Section 194A]:

- ✓ Deduction shall be made at the rates in force on the income by way of interest other than income by way of interest on securities if such sum exceeds Rs. 40,000/- or Rs.50,000/- (in case of senior citizens) where the payer is a bank / cooperative society/ post office etc.
- ✓ Individuals / HUF who are liable to tax audit u/s 44AB during the previous financial year are required to deduct tax under this section.

d) Payments to contractors and sub-contractors [Section 194C]

Deduction at Source from Payments made to Resident contractors and sub-contractors.

Payee	TDS rate
Individual/HUF contractor or Sub contractor/Contractors or subcontractors for Advertising.	1%
Other than individual/HUF Contractor or subcontractor/ Contractors or subcontractors for Advertising.	2%
Contractor in Transport business/Subcontractor in transport business. (where such contractor owns ten or less goods carriages at any time during the previous year and furnishes a declaration to that effect along with his Permanent Account Number, to the person paying or crediting such sum)	NIL

- ✓ No deduction if Single payment is less than Rs. 30,000 and Aggregate Payments is less than Rs. 1,00,000 in a financial year.
- ✓ Both the conditions must be mutually satisfied for invoking TDS under this section.

Some of the contractors or sub-contractors are below:

- Advertising;
- Broadcasting and telecasting including production of programmes for such broadcasting or telecasting ;
- Carriage of goods or passengers by any mode of transport other than by railways;
- Catering;
- AMC for air conditioners, computers.
- Housekeeping contracts
- Security Guard agencies.
- Manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer,
- But does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer but w.e.f. FY 2020-21 contracts where material is provided even by related persons of the customer is now treated as 'work' liable for TDS.

e) Deduction of tax at source for Fees for professional and technical services [Section 194J]

- ✓ TDS deduction while payment to resident any sum by way of fees for professional services or fees for technical services or royalty or non-compete fees. The rate of tax to be deducted is 10 %.Tax has to be deducted at the rate of 2% in case of a payee, engaged only in the business of operation of call centre
- ✓ w.e.f. FY 2020-21, TDS under section 194J on technical services and royalty (where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films) (other than professional services) is reduced from 10% to 2% to bring it at par with Section 194C.
- ✓ No deduction if aggregate fees in a financial year < Rs. 30,000, in each case.

Explanation - for the purposes of this section,

- ✓ "Professional services" means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising or such other profession as is notified by the Board for the purposes of section 44AA or of this section;
- ✓ "Fees for technical services" means managerial, technical and consultancy services.

f) Deduction of tax at source on Commission or brokerage [Section 194H]

- ✓ TDS deduction is required to be made while payment to resident any sum by way of commission or brokerage @ 5%.
- ✓ No deduction if aggregate commission or brokerage paid in a financial year < 15,000, in each case.
- ✓ Any Person other than Individual and HUF or Individual/HUF whose gross turnover/sales/gross receipt from business exceeds 1 crore rupees or Individual/HUF whose gross receipt from profession exceeds 50 Lakh rupees are liable to deduct TDS.

g) Deduction of tax at source on Rent [Section 194I]

- ✓ At the time of payment of rent to a **resident**, deduction shall be made at the rate of 2% for the use of any machinery or plant or equipment and at the rate of 10% for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings;
- ✓ No deduction if the aggregate rent amount in a financial year does not exceed Rs. 1,80,000/- . W.e.f. AY 2019-20, the limit of Rs. 1,80,000 has been increased to Rs. 2,40,000;
- ✓ Any person other than Individuals/HUF and Individuals / HUF who are liable to tax audit u/s 44AB during the previous financial year are required to deduct tax under this section;
- ✓ No deduction shall be made under this section, where the income by way of rent is credited or paid to a business trust, being a Real Estate Investment Trust ("REIT"), in respect of any real estate asset(referred to in section 10(23FCA) owned directly by such REIT. Applicability: w.e.f. 1 April 2015

h) Deduction on payment on transfer of certain immovable property other than agricultural land [Section 194IA]

- ✓ Transferee at the time of payment to the **resident transferor** by way of consideration for transfer of any immovable property (other than agricultural land) shall deduct an amount equal

to 1% of such sum as income-tax thereon, if such sum is greater than or equal to Rs. 50,00,000/-.

- ✓ As per Explanation (a) inserted by the Finance (NO.2) Act, 2019 (w.e.f. 1-9-2019) "consideration for transfer of any immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

i) Deduction of tax at source on Rent [Section 194IB]

- ✓ At the time of payment of rent to a **resident**, deduction shall be made at the rate of 5%.
- ✓ No deduction if rent per month does not exceed Rs. 50,000.
- ✓ Individuals / HUF who are not liable to tax audit u/s 44AB during the previous financial year are required to deduct tax under this section;
- ✓ TDS will be deducted only once in a year at the time of last payment in previous year or last payment if premise is vacated during the year.

j) Deduction on payment under specified agreement [Section 194IC]

- ✓ Any person at the time of paying to a resident any sum by way of consideration, for the transfer of a capital asset, being land or building or both under the specified agreement shall at the time of credit of such sum shall deduct an amount equal to 10% of such sum as income-tax thereon.

k) Deduction of tax at source on income by way of interest on certain Bonds and Government securities [Section 194LD]

- ✓ Concessional rate of 5% of withholding Tax is allowed on interest payment made up to 1 July 2020 in respect of investment in Government securities and rupee denominated corporate bonds.

*substituted for 2017 by the Finance Act 2017 w.e.f AY 2018-19

l) Introduction of section 194Q - Deduction of tax at source on payment of certain sum for purchase of goods:

- 1) This section states that any person, being a buyer who is responsible for paying any sum to any resident (hereafter in referred to as the seller) for purchase of any goods of the value or aggregate of such **value exceeding fifty lakh rupees** in any previous year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, **deduct an amount equal to 0.1 percent of such sum exceeding fifty lakh rupees** as income-tax.

As per the explanation to subsection 194Q(1), "buyer" means a person whose total sales, gross receipts or turnover from the business carried on by him **exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out**, not being a person, as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

- 2) Where any sum referred to in sub-section (1) is credited to any account, whether called "suspense account" or by any other name, in the books of account of the person liable to pay

such income, such credit of income shall be deemed to be the credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

- 3) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty.
- 4) Every guideline issued by the Board under sub-section (3) shall, as soon as may be after it is issued, be laid before each House of Parliament, and shall be binding on the income tax authorities and the person liable to deduct tax.
- 5) The provisions of this section shall not apply to a transaction on which—
 - a. tax is **deductible under any of the provisions of this Act**; and
 - b. tax is collectible under the provisions of section **206C** other than a transaction to which sub-section (1H) of section 206C applies

Since, the turnover of RBI exceeds the threshold of ten crore rupees in a financial year (and considering that the same will continue), it will be considered as a buyer for the purposes of this section. Please note that since this is a tax deduction mechanism, prima facie, the requirement to comply with this provision applies to RBI even though RBI is exempt from paying income tax on its income. However, in future, in case the Central Government notifies that RBI shall not be considered as a buyer for the purpose of this Section, only then RBI will not be considered as a buyer for the purpose of this Section.

Hence, in case RBI purchases any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, RBI shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount equal to 0.1 percent of such sum exceeding fifty lakh rupees as income-tax.

If on a transaction TDS is required to be deducted under any other provisions of the Act, then it would not be subjected to TDS under section 194Q.

Also, if on a transaction, TCS is required to be collected under Section 206C (other than a transaction to which sub-section (1H) of section 206C applies), then it would not be subjected to TDS under section 194Q.

Hence, if on a transaction, TCS is required to be collected under Section 206C(1H) as well as TDS is required to be deducted under section 194Q, then on that transaction only TDS under section 194Q is required to be deducted.

This amendment will take effect from 01-07-2021.

Related amendment in Section 206AA

As per Section 206AA(1), in case a person entitled to receive any sum or income or amount, on which tax is deductible (i.e. deductee) fails to furnish his Permanent Account Number to the person responsible for deducting such tax (i.e. deductor), tax shall be deducted at the higher of the following rates, namely:—

- (i) at the rate specified in the relevant provision of this Act; or
- (ii) at the rate or rates in force; or
- (iii) **at the rate of twenty per cent:**

A new proviso **has been inserted in Section 206AA(1) to provide that where the tax is required to be deducted under section 194Q**, the rate for the purpose of clause (iii) of Section 206AA(1) [as stated above] shall be **five per cent instead of twenty percent stated therein.**

The above has to be duly considered by RBI while deciding the rate of TDS for transactions covered under Section 194Q.

m) Deduction / Withholding of tax on payment to Non Resident [Section 195]

- ✓ The person responsible for paying any sum, whether chargeable to tax or not, to a non-resident, not being a company, or to a foreign company, shall be required to furnish the information of the sum paid in such form and manner as may be prescribed.

Special Remarks: -

- ✓ Vide Income-tax circular no. 1/2014 dated 13 January, 2014 on TDS on Service Tax it is clarified that wherever in terms of the agreement/contract between the payer and the payee, the service tax component comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XVII-B of the Act on the amount paid/payable without including such service tax component;
- ✓ During the 100th Executive Directors' Committee meeting for compliance held on 12 August, 2014 it was agreed that –
 - Where general provisions have been made without payee being known there is no obligation to deduct TDS;
 - If the creditor is known, tax needs to be deducted from the provisions made.

n) Time of deduction of tax:-

- ✓ Tax shall be deducted at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or a draft or by any other mode, whichever is earlier. **It may be noted that where any such sum is credited to any account, whether called "Suspense account" or by any other name in the books of account of the person liable to pay such amount, such crediting shall be deemed to be credit of such sum to the account of the payee, hence liable to TDS.**

o) Certificate for deduction of tax at lower rate [section 197]

- ✓ Exemption certificate or lower TDS deduction certificate to be obtained from assesses for deductions of TDS at lower rate or where no deduction is to be made.

p) Duty of Persons deducting tax [section 200]

- ✓ Deducted sum to be deposited to the credit of Central government in prescribed time [Time limit is given below]
- ✓ Deductor has to submit TDS Returns or statements in prescribed form (All in electronic form) after payment of tax deducted at source within prescribed time [Form and time limit is mentioned below].
- ✓ Challan for payment of TDS – Challan no. 281

q) Compliance Calendar [Time limit for TDS return and payment]

- Form 24Q, 26Q and 27Q

Date	Particulars
7 th of every Succeeding month	TDS payment for preceding month (30th April with respect to TDS for month of March.)
31 st of July	TDS quarterly return [April-June] in 24 Q – U/s. 192. 26 Q – U/s. 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – U/s 195 – Payment to non-residents
31 st of October	TDS quarterly return [July-September] in 24 Q – U/s. 192. 26 Q – U/s. 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – U/s 195 – Payment to non-residents
31 st of January	TDS quarterly return [October-December] in 24 Q – U/s. 192. 26 Q – U/s. 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – U/s 195 – Payment to non-residents
31 st of May	TDS quarterly return [January-March] in 24 Q – U/s. 192. 26 Q – U/s. 193 to 196 D, for all deductees except “Non-resident” and “Resident but not ordinarily resident” 27 Q – U/s 195 – Payment to non-residents

- Form 26QB – U/s 194IA: Normally, due date is thirty days from the end of the month in which the deduction is made.

Further, as per recent Circular No. 9, the following due dates has been extended for FY 2020-21:

- *Filing of TDS return for Q4 of FY 2020-21 has been extended from 31st May 2021 to 30th June 2021.*
- *Furnishing Certificate in Form 16 to employees for the FY 2020-21 has been extended from 15th June 2021 to 15th July 2021*
- *TDS Book Adjustment Statement in Form No 24G for the month of May 2021 has been extended from 15th June 2021 to 30th June 2021*

r) Interest on failure to deduct or pay tax at source u/s 201 (1A)

Rate of interest	Period of which interest payable (per month or part thereof)
1% per month or part Thereof	From the date on which tax was deductible to the date on which tax is actually deducted.
1.5% per month or part Thereof	From the date on which tax was actually deducted to the date on which tax is actually paid.

- ✓ It is mandatory. It must be paid before furnishing quarterly statement of each quarter. It should be rounded off to nearest 100 rupees.
- ✓ Prosecution proceedings u/s 276-B for failure to deposit TDS without a reasonable cause.

Special Remarks:-

- ✓ Assessee shall not be deemed to be an assessee in default and interest shall be payable from the date on which such tax was deductible to the date of furnishing of return of income by such resident in case the sum is paid to a resident and the payer has failed to deduct tax, if the following conditions are satisfied:

- i. If the payee has furnished his return of income
- ii. He/it has taken into account such income in such return filed and paid the tax due thereon.
- iii. He/ it furnishes an accountant's certificate to the above effect in prescribed form

[Annexure A to Form No. 26A, rule 31ACB]

- ✓ Earlier the above remark was not applicable in case the payments are being made to non-resident. However, w.e.f. 1-9-2019, the above remark shall apply even in case of payment made to a non-resident.

s) Non-Levy of Interest u/s 220 if already charged:

- ✓ Earlier, as per section 220, a person was liable to pay interest at the rate of 1% per month or part if the amount specified in the notice of demand is not paid within 30 days from the service of notice even if interest was charged at the rate of 1% on non-collection or non-payment of TCS.
- ✓ ***It is provided that interest will not be required to be paid if it is already charged at the rate of 1% on non-collection or non-payment of TCS for the same amount for the same period.***

t) Certificate of TDS to be furnished u/s 203 [Rule 31]

- ✓ Form 16 – In case of TDS on Salary [Section 192]
Above mentioned form has to be issued to payee by 15th June of the financial year immediately the financial year in which the TDS is deducted.

Further, as per recent Circular No. 9, the due date for furnishing certificate in Form 16 to employees for the FY 2020-21 has been extended from 15th June 2021 to 15th July 2021

- ✓ Form 16 A – In any other case [193 to 196 D].
Above mentioned form has to be issued to the payee has to be issued quarterly within 15 days from the due date of submission of TDS returns.
- ✓ Form 16 B – In case of TDS on consideration for transfer of any immovable property [194-IA]
Above mentioned form has to be issued to the payee within 15 days from the due date of submission of TDS return.

The forms mentioned above are available to be downloaded from the TRACES portal of income-tax India.

u) Mandatory requirement of furnishing PAN in all TDS Statements, challans, bills, vouchers & correspondence between deductor and deductee. [Section 206AA]

- ✓ Every deductee has to furnish his PAN to deductor

- ✓ Failing of non furnishing of PAN by the deductee to deductor, the deductor shall deduct TDS at higher of the following:-
 - i. Rate Prescribed in the Act
 - ii. At the rate of 20%.

PAN is not required in the case of a non-resident, not being a company, or a foreign company and not having permanent account number the provisions of section 206AA shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the non-resident furnish the following details and documents to the deductor, namely:-

- a) name, e-mail id, contact number;
- b) address in the country or specified territory outside India of which the non-resident person is a resident;
- c) a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- d) Tax Identification Number of the non-resident in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

A new proviso has been inserted in Section 206AA(1) to provide that where the tax is required to be deducted under section 194Q, the rate for the purpose of clause (iii) of Section 206AA(1) [as stated above] shall be five per cent instead of twenty percent stated therein.

The above has to be duly considered by RBI while deciding the rate of TDS for transactions covered under Section 194Q.

Special remarks:-

- ✓ Even if the Payee has filed a declaration in form 15 G or 15 H (u/s 197 A) but not furnished / mentioned PAN the above mentioned higher rates will apply.
- ✓ If a person fails to furnish e-TDS statements on quarterly basis, he shall be liable for penalty of Rs.200 per day for each day till default continues.
- ✓ However, the total amount will not exceed the TDS amount of such statement.
- ✓ Quote correct year, section code and PAN in TDS returns, statements etc.
- ✓ Use separate challans for 'corporate' and 'non-corporate' deductees.
- ✓ Each branch/division of an entity will have a separate TAN if it is filing separate TDS/TCS returns. However, there will be only one PAN for a legal entity. One can apply for a centralized PAN.

C) Collection of Tax at source:

- a) **Motor car sale –**

- ✓ Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as TCS.
- ✓ A person means who obtains in any sale, above specified goods, but does not include,—
 - the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or
 - a local authority (such as panchayat, Municipality, Municipality committee and District Board and Cantonment Board) ; or
 - a public sector company which is engaged in the business of carrying passengers.]

b) Sale of scrap –

- ✓ TCS at the rate of one percent needs to be collected at source on sale of scrap

"scrap" means waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons;

c) Introduction of section 206AB related to Special provision for deduction of tax at source for non-filers of income-tax return.

- 1) Notwithstanding anything contained in any other provisions of this Act, where tax is required to be deducted at source under the provisions of Chapter XVIIIB, other than sections 192, 192A, 194B, 194BB, 194LBC or 194N on any sum or income or amount paid, or payable or credited, by a person to a specified person, the tax shall be deducted at the higher of the following rates, namely :—
 - i. at twice the rate specified in the relevant provision of the Act; or
 - ii. at twice the rate or rates in force; or
 - iii. at the rate of five per cent.
- 2) If the provisions of section 206AA is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in section 206AB and in section 206AA.
- 3) For the purposes of this section “specified person” means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is **rupees fifty thousand or more in each of these two previous years.**

Provided that the specified person shall not include a non-resident who does not have a permanent establishment in India.

Explanation.—For the purposes of this sub-section, the expression “permanent establishment” includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.’

As a procedure, it is advisable for RBI to obtain proof/declaration from the vendor that he has filed the ITR for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing ITR u/s 139(1) has expired. Hence, in case RBI is required to deduct tax at source in respect of certain persons who have not filed their income-tax return as stated above, RBI will have to deduct tax at source at the highest of the rates provided in Section 206AA and Section 206AB.

d) TCS under Section 206C(IH):

This section was introduced by Finance Act 2020 to extend the TCS provisions to the seller of goods. As per this provision, a seller is required to collect tax at source on the sale of goods at 0.1% on receipt of consideration of value exceeding Rs.50 lakh in aggregate in a financial year from the buyer. TCS should be deducted at the time of receipt of such an amount. This provision has become applicable from 1st October 2020.

Further, this section also provides the definition of buyer and seller as follows:

Where "Buyer" is defined as a person who purchases any goods, but does not include the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of foreign State; a local authority; any other person as notified by the Central Government may;

And "Seller" is defined as a person whose total sales, gross receipts or turnover from the business carried on by him exceed Rs. 10 Crore during the immediately preceding FY excluding the person as the Central Government may notify.

It must be noted that TCS is not required to be collected under this sub-section:

- If the goods referred above are covered under section 206C(1) or 206C(1F) or 206C(1G) or
- If, buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount
- No tax is required to be collected in respect of goods exported out of India or goods imported into India.

As per section 206CC, if the buyer does not provide PAN/Aadhar number, rate of TCS for the purpose of section 206C(1H) will be 1%.

While this section may not be much relevant from RBI perspective, however, RBI should take note that TCS will be collected by the seller of goods to RBI as per the above section if TDS is not deducted under section 194Q.

Hence, if on a transaction, TCS is required to be collected under Section 206C(1H) as well as TDS is required to be deducted under section 194Q, then on that transaction only TDS under section 194Q is required to be deducted.

e) Introduction of section 206CCA related to Special provision for collection of tax at source for non-filers of income-tax return

- 1) Notwithstanding anything contained in any other provisions of this Act, where tax is required to be collected at source under the provisions of Chapter XVII-BB, on any sum or amount received by a person (hereafter referred to as collectee) from a specified person, the tax shall be collected at the higher of the following two rates, namely:—
 - i. at twice the rate specified in the relevant provision of the Act; or
 - ii. at the rate of five per cent
- 2) If the provisions of section 206CC is applicable to a specified person, in addition to the provisions of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC.

- 3) For the purposes of this section “specified person” means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years

Provided that the specified person shall not include a non-resident who does not have a permanent establishment in India.

Explanation.—For the purposes of this sub-section, the expression “permanent establishment” includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.’

This can be interpreted as below:

- Applicability of the above provisions to RBI as a Seller:

As a procedure, it is advisable for RBI to obtain proof/declaration from the buyer that he has filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing ITR u/s 139(1) has expired. Hence, in case RBI is required to collect tax at source in respect of certain persons who have not filed their income-tax return as stated above, RBI will have to collect tax at source at the highest of the rates as mentioned above.

- Applicability of the above provisions to RBI as a Buyer:

In case RBI has not been filing its ITR, it is possible that the seller collects tax at source at the highest of the rates as mentioned above in transactions that he undertakes with RBI.

f) Compliance Calendar [Time limit for TCS return and payment]

Date	Particulars
7 th of every Succeeding month	TCS payment for preceding month
15 th of July – Form 27EQ 30 th of July – Form 27D	TCS quarterly return [April-June].
15 th of July – Form 27EQ 30 th of July – Form 27D	TCS quarterly return [July-September]
15 th of July – Form 27EQ 30 th of July – Form 27D	TCS quarterly return [October-December]
15 th of July – Form 27EQ 30 th of July – Form 27D	TCS quarterly return [January-March]

Further, as per recent Circular No. 9, the following due dates has been extended for FY 2020-21:

- Filing of TCS return for Q4 of FY 2020-21 has been extended from 31st May 2021 to 30th June 2021.
- TCS Book Adjustment Statement in Form No 24G for the month of May 2021 has been extended from 15th June 2021 to 30th June 2021

D) Tax Deduction at Source (TDS) & Tax Collection at Source (TCS) rates for FY 2021-22:

The rates of TDS are specified in the below table:

Section	Nature of payment	Threshold Limit (TDS have to be deducted if it exceeds the limit)	Rate of TDS
194C	Payment to Contractor which is Individual/HUF	Single payment: 30,000; Aggregate payment: 1,00,000 per FY	1
	Payment to Contractor which is Other than individual and HUF	-	2
194H	Commission	15,000 per FY	5
194I	Person paying income by way of Rent to any Resident Rent of – Plant/Machinery/Equipment	2,40,000 per FY	2
	Person paying income by way of Rent to any Resident Rent of – Land and Building/Furniture & Fixture		10
194IB	Person paying income by way of Rent to any Resident –Rent payment by Individual/HUF	50,000 per month	5
194J	Professional Fees	30,000 per FY	10
	Technical services and royalty (where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films) (other than professional services) (w.e.f. 01.04.2020)	30,000 per FY	2
	Payment to call centre operator (w.e.f. 01.04.2020)	30,000 per FY	2
194Q	The buyer is responsible for making payment of a sum to the resident seller; and such payment is to be done for the purchase of goods of the value/ aggregate of the value exceeding the threshold limit	50 Lakh per payment	0.1

The rates of TCS are specified in the below table:

Section	Goods & Services liable to TCS	Rate of TCS
		TCS Rate (%)
206C(1)	Sale of Scrap Sales	1
206C(1F)	Sale of motor vehicle above 10lakhs	1
206C(1H)	Sale of any goods (other than export of goods) of the value exceeding 50 Lakhs	0.10

8. Illustration

Under Old Regime:

Calculation of income tax in the case of a male/female employee below 60 years of age, having gross salary income of:

- i. Rs. 2,50,000
- ii. Rs. 5,00,000
- iii. Rs. 8,00,000 and
- iv. Rs. 12,00,000

Computation Taxable Income and Total Income Tax

Name of Assessee: XYZ

PY: 2021-22

AY: 2022-23

PAN No.: XXXXX0000X

Particulars	Case - i	Case - ii	Case - iii	Case - iv
	Rs.	Rs.	Rs.	Rs.
Gross salary	2,50,000	5,00,000	8,00,000	12,00,000
(-) PF deducted (Max. Deduction u/s 80 C is Rs. 1.5 Lakhs)	10,000	12,000	15,000	1,20,000
Taxable income	2,40,000	4,88,000	7,85,000	10,80,000
Tax thereon	NIL	11,900	69,500	1,36,500
Health and Education Cess (4%)	NIL	Nil	2,780	5,460
Tax Relief u/s 87A	NIL	11,900	NIL	Nil
IT payable	NIL	Nil	72,280	1,41,960

Under New Regime (Section 115BAC):

Computation Taxable Income and Total Income Tax

Name of Assessee: XYZ

PY: 2021-22

AY: 2022-23

PAN No.: XXXXX0000X

Particulars	Case - i	Case – ii	Case - iii	Case - iv
	Rs.	Rs.	Rs.	Rs.
Gross salary	2,50,000	5,00,000	8,00,000	12,00,000
No Deduction under section 80C is allowed	0	0	0	0
Taxable income	2,50,000	5,00,000	8,00,000	12,00,000
Tax thereon	NIL	12,500	45,000	1,15,000
Health and Education Cess (4%)	NIL	Nil	1,800	4,600
Tax Relief u/s 87A	NIL	12,500	NIL	Nil
IT payable	NIL	Nil	46,800	119,600