

February 1, 2010

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CHARTERED ACCOUNTANTS**

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TDS for non-PAN transactions raised to 20% w.e.f April 1, 2010

A new provision relating to tax deduction at source (TDS) will come into effect from April 1, 2010. Section 206AA inserted by the Finance Act, 2009 provides TDS at higher of the prescribed rate or 20% will be deducted on all transactions liable to TDS, where the Permanent Account Number (PAN) of the deductee is not available. The law will also apply to all non-residents.

In order that there is no dispute regarding quoting/non-quoting of PAN or accuracy thereof, the law requires all deductees and deductors to quote PAN of deductees in all correspondences, bills, vouchers and other documents sent to each other.

All deductors are, therefore, required to intimate their deductees to obtain and furnish their PAN so as to avoid TDS at a higher rate.

All deductees including non-residents having transactions in India liable to TDS, are required to obtain PAN by 31st March 2010 and communicate the same to their deductors before tax is actually deducted on transactions after that date.