

April 1, 2010

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CHARTERED ACCOUNTANTS**

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TDS Update - Budget 2010

1. Rates of TDS

No change is proposed in the rates of TDS. The rates of TDS applicable for the financial year 2010-11 are as per the TDS rate chart separately attached.

2. Change in Threshold limit w.e.f. July 1, 2010

The threshold limit i.e the limit upto which tax is not deductible at source have been raised as under :

Section	Nature of Payment	Threshold Upto 30-06-2010	Threshold w.e.f.01-07-2010
194B	Winnings from Lotteries	5000	10000
194BB	Winnings from Horse Race	2500	5000
194C	Payment to Contractor (For a Single Transaction)	20000	30000
194C	Payment to Contractor (For aggregate transactions during the financial year)	50000	75000
194D	Insurance Commission	5000	20000
194H	Commission / Brokerage	2500	5000
194I	Rent	120000	180000
194J	Professional Fees	20000	30000

3. Interest on delayed deposit of TDS w.e.f. July 1, 2010

- i) At present non-deduction or delayed deposit of TDS entails liability to interest @ 1% for every month or part of a month, on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.
- ii) With effect from July 1, 2010 the substituted section 201 (1A) provides for the liability to interest as under :

- (a) in case of non-deduction of TDS @ **1%** for every month or part of a month on the amount of such tax from the date on which such tax was **deductible** to the date on which such tax is **deducted**.
- (b) in the case of late payment of TDS @ **1.5%** for every month or part thereof on the amount of such TDS from the date on which such tax was **deducted** to the date on which such tax is **paid**.

4. Disallowance of expenses for late payment of TDS – Section 40 (a) (ia)

Under the existing provisions of section 40(a) (ia) disallowance of the expenses for late payment of TDS is not attracted in the following cases :

1. Tax Deducted before March

If TDS is paid by 31st March.

2. Tax Deducted during March

If TDS is paid by the due date of filing the Return of Income.

Under the proposed section 40 (a) (ia) disallowance of the expenses for late payment of TDS will not be attracted if the TDS deducted at source in the entire year i.e from April to March is paid before the due date of furnishing of the Return of Income.

This amendment is applicable from assessment year 2010-11 onwards.

5.TDS Certificate

The Tax Deductor will have to continue to furnish the TDS Certificates for the financial year 2010-11.