

**H.M.KATARIA & ASSOCIATES  
CHARTERED ACCOUNTANTS**

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**TDS and Budget 2008**

**1. No Change in the rates of TDS**

No change is proposed in the rates of TDS. The rates of TDS applicable for the financial year 2008-09 are as per the TDS rate chart separately attached..

**2. No TDS u/s 193 on interest corporate debt securities issued in dematerialized form and listed on a stock exchange**

Any interest payable on any security issued by a company in a dematerialised and listed on a recognized stock exchange is exempt from TDS u/s 193 with effect from 1.6.2008.

**3. AOP / BOI made liable to deduct tax on payment to contractors / sub-contractors u/s 194C**

Presently AOP / BOI are not liable to deduct tax u/s 194C from payment to contractors / sub-contractors. With effect from 1.6.2008 even AOP / BOI will be liable to deduct TDS on payments to contractors / sub-contractors u/s 194C.

**4. Persons liable to deduct tax on payments to non-residents u/s 195 to furnish information relating to such payments**

Under u/s 195 any person responsible for paying to a non-resident or a foreign company any interest or any other sum chargeable to tax (except salary) is liable to deduct tax at source on such payments.

With effect from 1.4.2008 such persons are liable to furnish the information relating to payment of any sum in such form and manner as may be prescribed by the Board.

**5. Credit of TDS / TCS**

Section 199 governing the grant of credit of TDS is substituted with effect from 1.4.2008. The new section 199 authorises the Board to make such rules as may be necessary for the purpose of grant of credit and the assessment year for which such credit may be given and the person to whom such credit may be given.

**6. Consequences of failure to deduct or pay – section 201**

Under the present provisions of sub-section (1) of section 201 a person who does not deduct tax at source or after deducting tax at source fails to pay it to the credit of the Central Government is treated as an assessee in default. The language of the present section leaves room for an interpretation that a person required to deduct tax at source but not deducting the same will not be deemed to be an assessee in default.

Therefore sub-section (1) of section 201 has been substituted with retrospective effect from 1.6.2002 to provide that where a person is required to deduct tax t source but fails to do so shall also be deemed to be an assessee in default.