

May 2, 2015

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TDS Update - Budget 2015

1. Rates of TDS

- No change is proposed in the rates of TDS in respect of payments to residents.
- TDS rate on Royalty and Fees for Technical Services paid to a non-resident or a foreign company reduced from 25% to 10% w.e.f. 1st April 2015.
- Rates of TDS applicable for the financial year 2015-16 are as per the TDS rate chart separately attached.

2. TDS applicable on Payments to Transporters w.e.f. 1st June 2015 – Section 194C

- With effect from 1st June 2015 only payment to small transporter who own ten or less goods carriages will be exempt from TDS on furnishing of a declaration by the transporter to this effect alongwith his PAN.
- Payment to transporters other than small transporters will be liable to TDS u/s 194C as under :

Transport Charges paid to Individual/HUF - 1%

Transport Charges paid to Others - 2%

3. TDS on Interest – w.e.f. 1st June 2015 – Section 194A

- TDS to be deducted on interest on recurring deposits.
- Payment of Interest on time deposits and recurring deposits by co-operative banks to its members (other than co-operative society) liable to TDS.
- Threshold limit of Rs.10,000/- for TDS on interest is to be considered not with reference to branch but with reference to the banking company who have adopted core banking solutions.

4. TDS on Salaries – w.e.f. 1st June 2015 – Section 192 – Insertion of sub-section (2D)

Sub section 2D inserted in section 192 requires obtaining of evidence or proof or particulars of prescribed claims (including claim for set-off of loss) in prescribed form from the employee for estimating income or computing tax deductible.

5. TDS on premature payment of accumulated balance of PF – New Section 192A inserted w.e.f.1st June 2015

Premature withdrawal of accumulated PF balance due to an employee is taxable if it is withdrawn in violation of the provisions of rule 8 of Part A of the Fourth Schedule.

With effect from 1st June 2015, such payment of accumulated PF balance is liable to TDS u/s 192A @ 10% at the time of payment, subject to a threshold limit of Rs.30,000.

The employee can furnish Form 15G/H if eligible and no tax will be deducted under this section.

6. TDS on Rent paid – insertion of 3rd proviso to section 194I – w.e.f. 1st June 2015

Rent paid to a business trust, being a Real Estate Investment Trust (REIT) will not be liable to TDS due to insertion of third proviso to section 194I w.e.f. 1st June, 2015.