

Module 6: Statutory Compliance-Income tax act

Income Tax Compliances



-  PAN  TAN
-  Tax Audits  TDS Quarterly Returns
-  TDS Quarterly Returns

covering:

- Applicability of tax
- TDS/TCS requirements
- Exemptions for agricultural income
- Filing requirements
- Common sections like 194A, 194H, 206C

Income Tax Act Compliance for FPCs

◆ 1. Applicability of Income Tax

Although FPCs are formed by farmers, they are **registered under the Companies Act** and are treated as **companies** under the **Income Tax Act, 1961**.

Category	Tax Status
Agricultural income (own produce sold)	Exempt under Section 10(1)
Trading income or commission income	Taxable
Processing and input supply services	Taxable

Key Point: If an FPC buys from non-members or sells in bulk to institutions, it is **taxable** on profits from such transactions.

◆ 2. PAN and TAN Requirement

- **PAN (Permanent Account Number)** – Mandatory for:
 - Filing income tax return (ITR-6)
 - Opening bank accounts
 - Receiving grants or loans
- **TAN (Tax Deduction Account Number)** – Required if the FPC:

- Deducts TDS (e.g., rent, commission, interest)
- Files TDS returns (e.g., Form 26Q)

◆ **3. TDS (Tax Deducted at Source) Requirements**

FPCs must **deduct TDS** if they make payments under the following sections:

Section	Nature of Payment	Threshold	Rate
194A	Interest (other than securities)	₹5,000 (₹10,000 for banks)	10%
194H	Commission or brokerage	₹15,000	5%
194C	Contractor payments	₹30,000 (single)/₹1L (annual)	1%/2%
192	Salary to employees	As per slab	Slab-based

TDS Filing Frequency: Quarterly

Form: 26Q (for all domestic non-salary TDS)

◆ **4. TCS (Tax Collected at Source) – Section 206C**

If the FPC sells agricultural produce (like grains, timber, tendu leaves) and receives **cash above ₹2 lakh**, it may be liable to collect **TCS at 1%**.

Sale Type **Rate Form**

Sale of produce (e.g., turmeric) 1% 27EQ

◆ **5. Tax Return Filing**

FPCs must file **ITR-6** if they:

- Have **taxable income**
- Operate as a **company** registered under the Companies Act

Return Type	Form	Due Date (Non-audit)	Due Date (Audit)
Income Tax	ITR-6	31st October	31st October
TDS Returns	26Q	31st July / Oct / Jan / May	—

Return Type	Form	Due Date (Non-audit)	Due Date (Audit)
TCS Returns	27EQ	15th July / Oct / Jan / May	—

FPCs audited under Section 44AB must also submit:

- **Form 3CD (Audit Report)**
- **Form 3CA (if audited under other law)**

Exemptions and Clarifications

- **Section 10(1):** Exempts income from agriculture, but **only if FPC grows and sells its own produce**
- **Trading of member produce:** Some states/NABARD interpret this as exempt, but **CBDT treats it as taxable**
- **Clarify exemptions in writing from Assessing Officer (AO)** if needed

Best Practices

- File **TDS returns quarterly** even if no tax is deducted ("Nil" return)
- Appoint a **Tax Practitioner or CA**
- Maintain:
 - TDS challans
 - Deduction certificates (Form 16A)
 - Payment registers with PAN of payees
- Avoid penalties under **Sections 234E (late fee)** and **271H (non-filing)**

MCQs – Income Tax Compliance for FPCs

◆ General Applicability

1. Under which Income Tax Act section is income from agriculture exempt?

- a) Section 10(1)
- b) Section 80C
- c) Section 44AB
- d) Section 139

 **Answer:** a) Section 10(1)

2. FPCs are treated as:

- a) Trusts
- b) HUFs
- c) Companies under the Income Tax Act
- d) Co-operative societies

 **Answer:** c) Companies under the Income Tax Act

3. Which ITR form is applicable to FPCs?

- a) ITR-4
- b) ITR-5
- c) ITR-6
- d) ITR-1

 **Answer:** c) ITR-6

4. What is the due date for filing ITR for an audited FPC?

- a) 30th September
- b) 31st October
- c) 31st December

- d) 15th August
- Answer:** b) 31st October

◆ **PAN, TAN, TDS Basics**

5. Which of the following is mandatory for TDS deduction?

- a) GSTIN
 - b) TAN
 - c) DSC
 - d) AOC-4
- Answer:** b) TAN

6. TDS must be deducted by FPCs when:

- a) They pay rent, interest, or commission above threshold
 - b) They earn profit
 - c) They hold an AGM
 - d) They sell shares
- Answer:** a) They pay rent, interest, or commission above threshold

7. What is the **TDS rate under Section 194A** for interest payment?

- a) 5%
 - b) 10%
 - c) 15%
 - d) 20%
- Answer:** b) 10%

8. What is the **TDS threshold under Section 194H** for commission payments?

- a) ₹10,000
- b) ₹5,000
- c) ₹15,000

d) ₹50,000

Answer: c) ₹15,000

9. Which form is used to file TDS return for non-salary payments?

a) Form 16

b) Form 26AS

c) Form 26Q

d) Form 3CD

Answer: c) Form 26Q

10. What is the quarterly due date to file TDS return for Q1?

a) 31st August

b) 31st July

c) 30th June

d) 31st May

Answer: b) 31st July

◆ **TCS and Business Income**

11. Section 206C relates to:

a) Deduction of salary

b) Audit report

c) Collection of tax at source (TCS)

d) GST refund

Answer: c) Collection of tax at source (TCS)

12. TCS is applicable on sale of:

a) Capital assets

b) Raw land

c) Agricultural produce in bulk

- d) Company shares
- Answer:** c) Agricultural produce in bulk

13. What is the TCS rate on sale of specified produce under Section 206C?

- a) 0.1%
- b) 5%
- c) 1%
- d) 10%

Answer: c) 1%

14. TCS return must be filed in:

- a) Form 26Q
- b) Form 27A
- c) Form 27EQ
- d) Form 16A

Answer: c) Form 27EQ

15. What is the frequency for filing TCS returns?

- a) Annually
- b) Monthly
- c) Half-yearly
- d) Quarterly

Answer: d) Quarterly

◆ **Audits and Penalties**

16. FPCs are required to get tax audit if turnover exceeds:

- a) ₹20 lakh
- b) ₹1 crore
- c) ₹10 crore

d) ₹5 crore

Answer: b) ₹1 crore (or ₹10 crore in non-cash transactions)

17. What form is used to furnish tax audit report?

a) Form 3CB

b) Form 3CD

c) Form 3CA

d) Form 3CEB

Answer: b) Form 3CD

18. Non-filing of TDS return attracts a late fee under which section?

a) Section 10

b) Section 234E

c) Section 44AA

d) Section 197

Answer: b) Section 234E

19. Penalty for non-filing or incorrect TDS return under Section 271H may go up to:

a) ₹5,000

b) ₹10,000

c) ₹1,00,000

d) ₹50,000

Answer: c) ₹1,00,000

20. What is the best method to ensure timely compliance with TDS/TCS?

a) Wait for notice

b) Use ROC portal

c) Maintain calendar and file quarterly returns

d) File only annually

Answer: c) Maintain calendar and file quarterly returns