



OVERVIEW OF SECTION IV

Section IV comprises of the procedural and compliance provisions of income-tax law.

This Section of the syllabus comprises of the following two chapters –

Chapter 7 Advance tax, Tax deduction at source and Tax collection at source

Chapter 8 Provisions for filing return of income and self-assessment.

The provisions relating to advance tax, tax deduction at source (TDS) and tax collection at source (TCS) enable the Government to garner tax revenue at an earlier point of time i.e., in the relevant previous year itself. These provisions are discussed in Chapter 7. TDS and TCS provisions ensure that transactions do not escape the tax net and thus, help in maintaining an audit trail. Also, tax payers are required to pay advance tax in four instalments in the relevant previous year. Failure to remit advance tax as required under the Act will attract interest for deferment and for default in payment. Also, for failure to deduct tax at source/collect tax at source or remit the same within the prescribed time, the deductor/collector will be deemed as an assessee-in-default. For such failure, penal consequences would be attracted.

Chapter 8 contains the provisions relating to filing return of income and self-assessment. Here, you will get to understand the assesseees for whom filing of return of income is mandatory and the due dates for filing of return of income for different persons. Persons who do not file return within the due date can file a belated return within the extended time allowed. Also, persons who have filed their return on time or a belated return can file a revised return within the prescribed time. In this chapter, you will also understand the persons who are mandatorily required to apply for permanent account number (PAN) and the transactions/documents in which PAN has to be compulsorily quoted. This chapter also discusses the provisions for self-assessment.



Read the Scenario below including its different components described in the table below and the “Points to Ponder” indicated in respect thereof. Thereafter, read the chapter, comprehend the TDS, TCS and return filing provisions and write your responses in the last column of the table. Finally, solve the Crossword Puzzle given at the end.

SCENARIO

Prem, a resident Indian aged 48 years, is carrying on the sole-proprietary business of retail trade, the annual turnover of which is around ₹ 4.50 crores in the last few years including the current year. Prem’s wife Ramya, a resident Indian aged 45 years, is employed with an Art Gallery at a salary of ₹ 2,00,000 p.m. Their son, Siddhant, is studying MS in Data Sciences and Artificial Intelligence in an Ivy League University in the USA. Prem’s father is a retired professor aged 78 years and his mother is a house-wife aged 75 years. Both of them are resident Indians. Prem’s brother Ram, a resident Indian aged 46 years and an interior decorator, is a partner in Ram & Co. Ram’s wife, Harini, is a commerce graduate employed in Ram’s firm as a junior accountant. Their daughter, Mega, is also studying in an Ivy League University in the USA. Prem opts out of the default tax regime and pays tax under the optional tax regime as per the regular provisions of the Act. Prem and Ramya have been filing their return of income regularly on or before the due date under section 139(1).

The scenario is continued below and divided into components depicting the different types of transactions entered into by the family members, and “Points to Ponder” are raised in respect of each component in order to urge you to put your thinking caps on and give your responses after reading the chapters and comprehending and analysing the TDS/TCS and other tax consequences of the different transactions.

Read the Scenario and each component thereof described in Column (1) of the table below and the “Points to Ponder” raised in the corresponding row of Column (2). Thereafter, read the relevant chapter and give your responses thereto in Column (5) of the table. Reference to the section number is mentioned in Column (4) to enable you to give your response after reading and understanding the relevant provision of law.

(1)	(2)	(3)	(4)	(5)
Scenario Component	Point(s) to Ponder	Relevant Chapter	Relevant Provision of law	Write your response after reading the Chapter
(1) Prem has to pay to Ravi, a contractor, ₹ 25,000 in June, ₹ 24,000 in July, ₹ 28,000 in August and ₹ 26,000 in September in connection with his business. His contract payments in the earlier years in total to any one contractor were in the range of ₹ 50,000 to ₹ 60,000	Prem has been splitting up contract payments to every contractor in order to avoid deduction of tax therefrom. By doing so, he was able to avoid tax deduction on contract payments in the earlier years without attracting interest or penalty. He is of the opinion that this year also, he need not deduct tax in respect of contract payments to Ravi since each payment does not exceed the individual threshold limit. (i) Is he correct? If not, why?	7	194C	

	and individual installments were in the range of ₹ 15,000 to ₹ 25,000.	(ii)	If tax has to be deducted, how much and at what point of time?			
(2)	Prem's own business premises is under major renovation. Therefore, he rented a premises for carrying on his business from May, 2023 for which he has to pay rent of ₹ 40,000 per month to Hari.		Prem wants to know whether he is liable to deduct tax at source on such rental payment to Hari. If so, how much?	7	194-I	
	Ramya thinks she does not have to deduct tax in respect of transactions in (3), (4), (5) and (6) below, since she is a salaried employee and is not carrying on business or profession. Is she correct?					
(3)	Ramya has to pay ₹ 51 lakhs to a contractor for reconstruction of her residential house.		Is Ramya liable to deduct tax at source and if so, how much?	7	194M	

(4)	Ramya has to pay ₹ 2 lakhs as brokerage for purchase of land in Coimbatore in April from Meena for ₹ 40 lakhs. Stamp duty value of land at that time is ₹ 42 lakhs	(i)	Is she liable to deduct tax at source on payment of brokerage? If so, at what rate?	7	194M	
		(ii)	Is she liable to deduct tax at source on the amount payable to Meena?			
(5)	Ramya transferred the land in Coimbatore for ₹ 52 lakhs to her friend Sheela in December, when the stamp duty value was ₹ 55 lakhs.	(iii)	Is she required to quote PAN in the documents related to the purchase transaction?	8	139A	
		(i)	Is tax deductible at source by Sheela on the amount payable to Ramya? If so, at what rate?	7	194-IA	
(6)	Ramya is due to receive ₹ 10 lakh on 31.3.2024 from a life insurance policy for which the sum assured was ₹ 8 lakh	(ii)	Is Ramya required to quote PAN in the documents related to the sale transaction?	8	139A	
		Is tax deductible at source on proceeds of life insurance policy received by Ramya? If so, how much?		7	194DA	

	and the annual premium was ₹ 85,000. The policy was taken on 1.4.2016.				
(7)	Prem owns a house which he has given on rent to Shyam, who is employed with a multi-national firm, for ₹ 55,000 per month.	Is Shyam liable to deduct tax at source on rent payable to Prem? If so, how much and at what point of time?	7	194-IB	
(8)	Ram renders consultancy services to ABC Ltd. for ₹ 50,000.	Is ABC Ltd. liable to deduct tax on the amount payable to Ram? If so, at what rate?	7	194J	
(9)	Prem makes cash withdrawals of ₹ 1.20 crore from his current account with SBI. Last year, his cash withdrawals were ₹ 95 lakhs and the year before, ₹ 80 lakhs.	Prem thinks that since he is filing returns regularly on time, cash withdrawals made by him for business purposes will not attract any TDS, like in the earlier years. Is he correct?	7	194N	

(10)	Prem's father gets pension of ₹ 80,000 every month which is credited to Bank of India, Tambaram branch. His father's only other source of income is interest of ₹ 14,000 from bank savings account with the said bank.	Prem's father wants to know whether he is exempted from filing return of income. Is he eligible for exemption?	7	194P	
(11)	Prem purchases an overseas tour package from Thomas Cook Travels for travel to Singapore with family for ₹ 6 lakh.	Prem thinks that since the value of overseas tour package is less than ₹ 7 lakh, there would be no TCS liability. Is he correct?	7	206C(1G)	
(12)	Prem remits ₹ 4 lakh under the LRS of RBI towards tuition fees of Siddhant. He remits the same through SBI, an authorized dealer.	Prem is not sure whether TCS is attracted in respect of this remittance. Is SBI required to collect tax at source on such remittance? If so, how much?	7	206C(1G)	

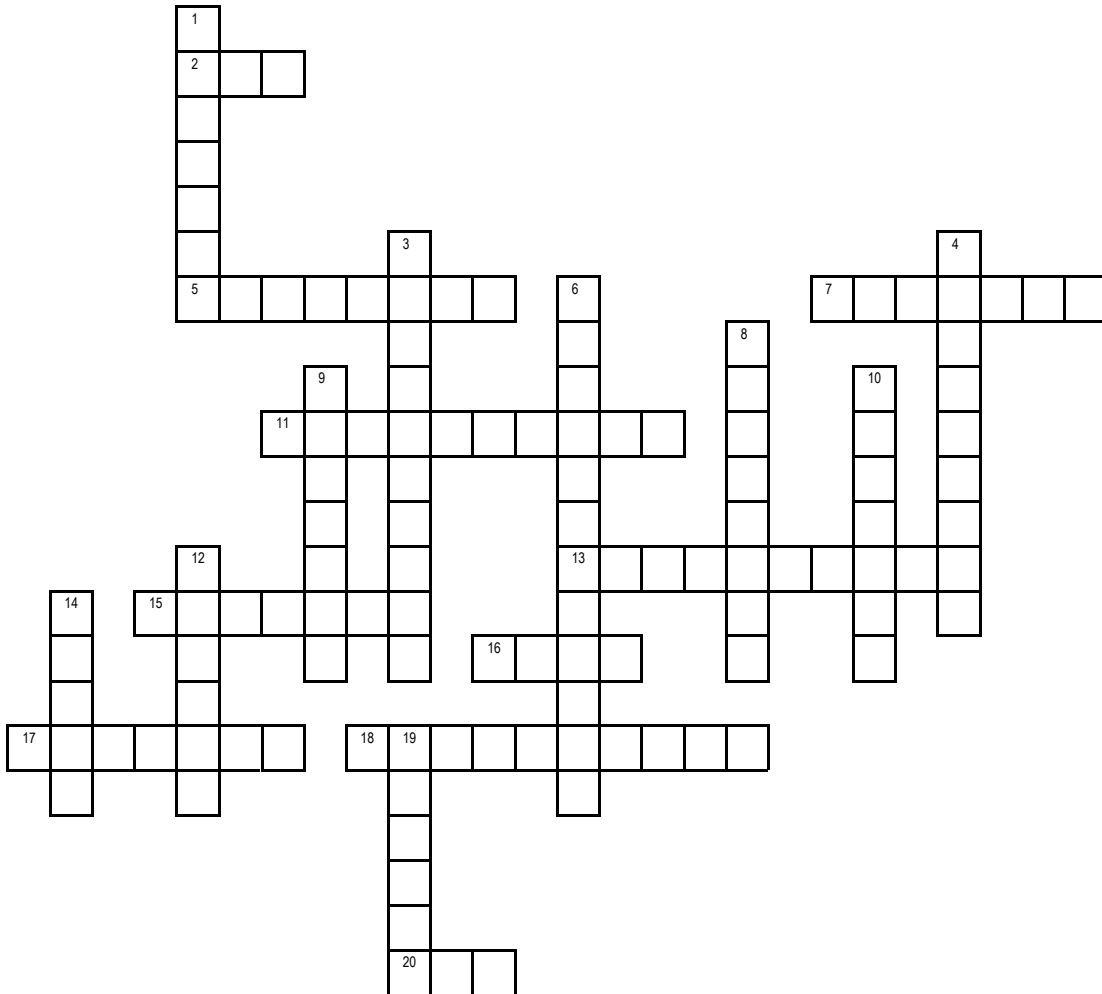
(13)	Ram remits ₹ 8 lakh under the LRS of RBI towards tuition fees of Mega out of loan taken from Indian bank. He remits the same through Indian bank itself, which is an authorized dealer.	Ram wants to know whether the transaction attracts TCS and if so, whether he is entitled for any concessional rate, since the remittance is for the purpose of education. Is Indian bank required to collect tax at source on such remittance? If so, how much?	7	206C(1G)	
(14)	Prem purchases goods aggregating to ₹ 60 lakhs this year from MNO Ltd., whose turnover has been around ₹ 12 crores in the last couple of years. In the last two years, he had purchased goods aggregating to ₹ 35 lakhs from MNO Ltd. Purchases of goods from other vendors are to the tune of ₹ 10 lakhs to ₹ 15 lakhs.	<div> <div>Prem is of the opinion that since there was no TDS liability in respect of purchases made by him last year and prior to that, there would be no TDS liability this year also. Is he correct?</div> <div> <div>(i) Is Prem required to deduct tax at source? If so, how much?</div> <div>(ii) Is MNO Ltd. required to collect tax at source? If so, how much?</div> </div> </div>	7	194Q 206C(1H)	

(15)	Prem purchased a Honda City car from Unipro, a dealer, for ₹ 15 lakhs.	Prem is not sure whether this purchase has any TDS/TCS implications.		7		
		(i)	Is Prem required to deduct tax at source on payment made to Unipro?		194Q	
		(ii)	Is Unipro required to collect tax at source on such receipt from Prem? If so, how much?		206C(1F)	
		(iii)	Is Prem required to quote PAN?	8	139A	
(16)	Prem's mother incurs an expenditure of ₹ 2.20 lakhs for travel to USA to stay with her daughter. She does not have any other income other than interest on fixed deposits of ₹ 3 lakhs.	Prem's mother thinks that she is not required to file her return of income since her income does not exceed the basic exemption limit. Is she correct?		8	139(1)	

(17)	Ram paid ₹ 60,000 by account payee cheque to a hotel in Manali for a week's stay with his family.	Is Ram required to quote PAN in the documents?	8	139A	
(18)	In November, 2024, Ram realized that he has not filed his return of income for A.Y.2024-25.	Ram wants to file his return now (i.e., in November, 2024). Can he do so?	8	139(4)	
(19)	Prem has filed his return of income for A.Y.2024-25 in July, 2024. In November, 2024, he realizes that he has not claimed deduction under section 80C in respect of deposit in PPF.	<div> <div>(i) Prem wants to revise his return and claim the deduction now (i.e., in November, 2024). Can he do so?</div> <div>(ii) If so, by what date should he file his revised return?</div> </div>	8	139(5)	
(20)	Harini made a fixed deposit of ₹ 80,000 with ICICI bank on 3 rd October.	Is Harini required to quote her PAN in the documents related to fixed deposit?	8	139A	



CROSSWORD PUZZLE



ACROSS

2. Higher rate of TDS is attracted for non-furnishing of (acronym)
5. Under section 194, tax is deductible on
7. Under section 194J, tax is deductible in respect of, *inter alia*,
11. Section 193 provides for tax deduction at source on interest on
13. A person authorised to verify return of a company which is being wound up.
15. Tax under section 192 is deductible at the time of of salaries.

16. Advance tax is generally payable in installments
17. Section 139AA requires linking of Number with Permanent Account Number
18. Section 194C provides for TDS on payment to a
20. Section 192A requires tax to be deducted on premature withdrawals from(acronym)

DOWN

1. A return filed under section 139(8A) is an return.
3. TDS under section 194R is attracted on benefit or in respect of business.
4. Under section 194-I, tax is deductible at source@2% in respect of rent for, *inter alia*,
6. Section 194-IA is not attracted on transfer of land.
8. The definition of "work" includes, *inter alia*,
9. A return filed under section 139(5) is a return
10. A return filed under section 139(4) is a return.
12. Tax is deductible at source@30% in respect of income referred to in section 115BB.
14. Under section 206C(1), TCS@1% is attracted on sale of, *inter alia*,
19. Tax is deductible at source@30% u/s 194BA in respect of winnings from games.

Scan the following QR code to find out the answers to the Scenario and Crossword puzzle.

