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31 March 2020

COVID 19 - Extension of Nil or Lower TDS /TCS Certificate to 30 June 2020

CBDT Notification granting relief for lower / Nil 195/197/206C certificate

The Central Board of Direct Taxes (CBDT) vide order under section 119 dated 31 March 2020, provided extensions/clarifications to the applicants of certificates for lower or nil tax deduction/collection at source, under section 195/197/206C of the Act for the FY 2020-21.

Background:

Recognising the disruption caused due to COVID-19 pandemic, in the functioning of most sectors including the Income-tax Department and to mitigate the hardship caused to taxpayers, the CBDT on 31 March issued a notification easing the requirements of making an application for issue of certificates for lower or Nil tax deduction at source (TDS) or tax collection at source (TCS), for the Financial Year (FY) 2020-21.

The approach in this regard adopted by the CBDT is as under:

Extension:

- In case of those assesseees who have applied for a nil or lower rate of TDS on the TRACES portal [section 197 / 206C(9)] for FY 2020-21, which are pending disposal as of date and who have been issued a certificate for the preceding FY 2019-20, such certificate shall be applicable till 30 June 2020 for FY 2020-21, or disposal of their applications by the Assessing Officer (AO), whichever is earlier.
- In case of those assesseees who could not apply for FY 2020-21 on the TRACES portal [section 197 / 206C(9)] and who have been issued a certificate for FY 2019-20, such certificate shall be applicable till 30 June 2020 for FY 2020-21. However, such assesseees are required to make an application for issue of certificate for FY 2020-21 at the earliest, giving details of transactions, deductor/collector of the TDS/TCS to the AO, as soon as normalcy is restored or 30 June 2020, whichever is earlier as per the modified procedure as detailed hereunder.
- With respect to payments to non-residents (including foreign companies) having a Permanent Establishment (PE) in India who are not covered by the situations mentioned above (i.e. they do not have an existing lower / nil TDS certificate for the FY 2019-20), tax is to be deducted at 10 percent plus surcharge and cess on payments to be made till 30 June 2020, or disposal of their applications, whichever is earlier.

Modified procedure:

- Those assesseees who have not applied for Nil or lower TDS/TCS certificate in the TRACES portal and who do not have a certificate for FY 2019-20, are required to make an application as per the modified procedure.
- The modified procedure for application under sections 197/206C(9) is briefly stated below:
 - Applications to be made via email to the concerned AO

- Email should contain the following data and documents:
 - Duly filled Form 13 along with Annexure I or III as applicable;
 - Details which otherwise are required to be uploaded on TDS-CPC website while filling up Form 13;
 - Projected Balance Sheet (BS) and Profit & Loss (P&L) Account for FY 2020-21;
 - Provisional BS and P&L Account for FY 2019-20;
 - BS and P&L Account for FY 2018-19;
 - Form 26AS for FY 2019-20 & 2018-19
 - Income tax Return (ITR) Form for FY 2018-19.
- The existing process for making applications under section 195(2) and 195(3) will continue to apply except that such applications need to be made via email to the concerned AO. The certificates under the said sections will be issued by email mode.
- The certificates under the modified procedure shall be issued up to 30 June 2020 or any other date earlier to it, as specified by the AO communicated by email to the applicant containing the following information:

Sr no.	TAN of the Deductor	PAN of the Deductee	Financial Year	Section under which TDS/TCS	Estimated Account of income/sum to be received /paid	Applicable rate of deduction/collection	Valid from	Valid to

The issuance of the certificate will be communicated to the applicant who can share the same with deductor / collector

Observations:

As per the Notification, we observe that the extension of existing certificates is for certificates issued under section 197/ 206C of the Act through TRACES, while certificates under section 195(2) and 195(3) of the Act for FY 2020-21 have to still be applied by email and the certificates issued by email.

Existing certificates under 197 of the Act for FY 2019-20 contain details of deductor as also the amounts payable during the relevant FY and the lower rate of tax. In light of the notification, since existing certificates are extended till 30 June 2020 or earlier, the amount covered per deductor for the FY 2020-21, should be considered proportionately to the amount covered in the certificate for FY 2019-20 for that particular deductor.

The timely clarification by the CBDT and extension of existing nil or lower TDS/TCS certificates for FY 2019-20 till 30 June 2020 for FY 2020-21, is much sought after relief given to taxpayers in the volatile situation caused due to the pandemic and consequent lockdown.

Source: Notification No. F.No.275/25/2020-IT(B) dated 31 March 2020



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