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E-circular dated. 21st Jan 2014
(TDS Calculation Logic Changes + Increase in Charges for PAN Card)

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and

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Dear Members,



TDS Logic has changed after 5 years
(reverts back to pre-2008 logic)
Calculate TDS on Basic Value Only



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Short Summary

Earlier if there was a Professional charges bill for Rs 1,00,000, and service tax on that 12.36% = Rs 12360. TDS was deductible on full bill value, basic + service tax = on 112360 x 10% = Rs 11236. This was always against the spirit of the law.

But Income tax dept was following the **CBDT circular number 4/2008 dt 28.4.2008**, And all of us were forced to do the wrong thing.

Now, thankfully, the **Rajasthan High Court** has RULED AGAINST the same And CBDT has humbly agreed to the correct legal position



In future, if you are Providing Professional Service then your customers to deduct **TDS on basic value** only. Same is the case for any TDS, be it TDS on Contractors or Sub-contractors, TDS on Technical Service, TDS on Royalty, TDS on any other income where service tax was being levied.

Similarly, If you are Customer then **deduct TDS on basic value only**

TDS on Professionals/Tech.	Old Calculation	New Calculation
Basic Value	100000	100000
Service tax @ 12.36%	12360	12360
Subtotal	112360	112360
TDS @ 10% of Gross vs 10% of Basic	11236	10000
Effective TDS Rate	10.00%	8.90%

TDS Logic has changed after 5 years
Yes it will affect every Business

TDS on Contractors	Old Calculation	New Calculation
Basic Value	100000	100000
Service tax @ 12.36%	12360	12360
Subtotal	112360	112360
TDS @2% of Gross vs 2% of Basic	2247.2	2000
Effective TDS Rate	2.00%	1.78%



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Note : From accountant's point of view, or E-TDS return point of view, you do not have to deduct at lesser rate. You have to deduct at same 10% (or 2%). But this time on the "Basic" value only.



Tell your Customers / Vendors about it.
They may not be knowing, about this. Most of us SAVE this money.
This has not been covered by many newspapers till now.
This change has happened this week only

Source :CBDT Circular 1- 2014 dated 13.1.2014 (reproduced below)
F. No. 275/59/2012-IT(B)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, the 13th January'2014

Subject: TDS under Chapter XVII-B of the Income-tax Act, 1961 on service tax component comprised in the payments made to residents - clarification regarding

1.The Board had issued a Circular No.4/2008 dated 28-04-2008 wherein it was clarified that tax is to be deducted at source under section 194-I of the Income-tax Act, 1961 (hereafter referred to as 'the Act'), on



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the amount of rent paid/payable without including the service tax component. Representations/letters has been received seeking clarification whether such principle can be extended to other provisions of the Act also.

2. Attention of CBDT has also been drawn to the judgement of the **Hon'ble Rajasthan High Court dated 1-7-2013, in the case of CIT (TDS) Jaipur v. Rajasthan Urban Infrastructure (Income-tax Appeal No.235, 222, 238 and 239/2011)**, holding that if as per the terms of the agreement between the payer and the payee, the amount of service tax is to be paid separately and was not included in the fees for professional services or technical services, no TDS is required to be made on the service tax component u/s 194J of the Act.

3. The matter has been examined afresh. In exercise of the powers conferred under section 119 of the Act, the Board has decided that wherever in terms of the agreement/contract between the payer and the payee, the service tax component comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XVII-B of the Act on the amount paid/payable without including such service tax component.

4. This circular may be brought to the notice of all officers for compliance

PAN Application Fee Increased

PAN Application fee revised **from Rs 96 to Rs 105** for dispatch of PAN Card in India [Circular NSDL/ TIN/ 2014/ 004 of 15-01-2014].

However we all know that this is a very nominal cost for a excellent service that the E-intermediaries are currently giving to us for this. This includes the cost of processing as well as the cost of courier to your address.

Just for information the cost for slab 2 (sending courier outside India) is Rs 962 to Rs 971 .

Time Limit Fixed for Disposal of “Lower-TDS-Rate” applications

To end the “never ending time delays”, and to make the process faster, the Government has done another good thing.

Now, all Applications for Lower or No Deduction of TDS u/s 197 of Income Tax Act must be disposed of within 1 month. [Income Tax Instruction 1/2014 of 15-01-2014].

Sensible U-Turn by Govt on Excise Matter

About 20 days ago, Honorable Supreme Court had ruled against FIAT India in an excise case. This was good in law, but very difficult for the automobile makers, many of them already in losses.

SC had observed that Fiat was selling cars at a loss. And it was selling cars at this lower value to gain an entry in Indian car Market. SC had ruled that the company must pay excise duty on the normal price — manufacturing cost plus a reasonable profit margin — and not on the discounted price charged to customers in order to gain market share.

However, there was a huge risk, of all the car companies being hauled up on this ground. Especially the loss making ones.

The finance ministry has given a directive to tax officers not to reopen past records of automakers to enforce this SC decision. This is being seen as sensible and pragmatic.



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For queries, suggestions and feedback , you can e-mail us

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