# TDS Amendments - Income Tax

IN FINANCE BILL 2015 SOME MAJOR AMENDMENTS REGARDING TDS HAVE BEEN MADE AS UNDER:

Under the existing provisions contained in the proviso to clause (i) of sub-section (3) of the section 194A, income credited or paid in respect of time deposits with a banking company or cooperative society or deposits with a public company, as the case may be, shall be computed with reference to the branch of the banking company or co-operative society or public company, as the case may be.

It is proposed to insert a proviso after the existing proviso to the said clause (i) of sub-section (3) of the aforesaid section so as to provide that the amount referred to in the first proviso shall be computed with reference to the income credited or paid by the banking company or the co-operative society or the public company, as the case may be, where such banking company or the co-operative society or the public company has adopted core banking solutions.

The existing provisions of clause (v) of sub-section (3) of the aforesaid section provide that the provisions of sub-section (1) of the aforesaid section shall not apply to income credited or paid by a co-operative society to a member thereof or to any other cooperative society.

It is proposed to amend the said sub-clause so as to provide that the provisions of sub-section (1) of section 194A shall not apply to income credited or paid by a co-operative society (other than a co-operative bank) to a member thereof or to such income credited or paid by a co-operative society to any other co-operative society.

In this connection some points should be made clear in our mind :

[1] TDS will be deducted on CBS approach. Before 01-06-2015 , TDS was deducted by banks considering branch customer approach. i.e. interest earned on deposits kept with different branches was not clubbed by banks for TDS purpose. Now, the banks will deduct TDS considering bank customer approach.

i.e. interest earned on deposits kept with different branches will be clubbed by banks for TDS purpose. So, customers can not escape by keeping deposits in different branches for TDS purpose.

[2] TDS will be deducted by cooperative banks from their members also. So, for investors there is no benefit of being a member of Cooperative Bank for TDS purpose.

[3] The definition of ‘time deposits’ is also amended and now “Time deposits’ shall not exclude but include recurring deposits.

[4] However, wherever applicable customers can submit 15H/15G form not non dedcution of TDS. It should be noted that PAN is required to submit 15H/15G form to banks. If PAN is given TDS will attract rate of 10% , otherwise TDS will be deducted @ 20%. Investors have to submit this form in the beginning of the financial year to avail the benefit of non deduction of TDS. If a customer submits this form after deducting TDS the bank will not refund it as the bank has already transferred it to Income tax department. If TDS is deducted, the customer can get back as a refund only by filing the Return.

[5] concluding , the limit of Rs.10000/- will be applied bank wise and not branchwise , total interest earned on time deposits including recurring deposits and members of cooperative banks are not exempted for TDS purpose.

No doubt this amendment will force black money to come out but it will hassle for small investors. Also, it will increase administrative burden of refunds to Income tax department.

Small depositors have to complete RETURN PROCESS for refunds by consulting professionals for a very small refund of TDS.

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