

## Section 193 – TDS on Interest on Securities

The term 'interest on securities' is defined under section 2 (28B) of the Income Tax Act, 1961 which means interest on securities of the Central or a State Government and interest on debentures / other securities issued by or on behalf of a local authority / a company / a co-operative society established by the Central or State or Provincial Act.

**Section 193 of the Income Tax Act** deals with the provisions of deduction of **TDS on interest on securities**, and the same has been explained in the present article.

### Brief of provisions of Section 193 –

As per provisions of **Section 193**, any person who is paying interest on securities to a resident is required to deduct TDS. Thus, the provisions of **section 193** do not apply to the payment of interest on securities to a non-resident.

### Rate of TDS on interest on Securities –

The Deductor is liable to deduct TDS @ 10%. However, if the payee fails to furnish his **Permanent Account Number (PAN)**, then, in that case, the Deductor would be liable to deduct TDS at the maximum marginal rate.

### The Time of deduction of TDS on interest on Securities –

The Deductor is required to deduct TDS earlier of the following event –

- At the time credit of income to the account of the payee; or
- At the time of payment in cash or cheque or draft or any other mode.

### The time limit for deposit of TDS on interest on Securities –

The Deductor deducting **TDS on interest on Securities**, as per provisions of **section 193 of the Income Tax Act**, is required to deposit the deducted TDS within 7 days of the next month in which the TDS is deducted. Further, the TDS deducted for the month of March is to be deposited within 30<sup>th</sup> April.

### Issuance of TDS certificate –

The Deductor deducting TDS as per **section 193 of the Income Tax Act** is required to issue TDS certificate in Form 16A within the following due dates –

1. April to June – 15<sup>th</sup> August
2. July to September – 15<sup>th</sup> November
3. October to December – 15<sup>th</sup> February
4. January to March – 15<sup>th</sup> June

### TDS return filing –

The Deductor liable to deduct tax under **section 193 of the Income Tax Act** is required to file quarterly return in Form 26Q within the following due dates –

1. April to June – 31<sup>st</sup> July
2. July to September – 31<sup>st</sup> October
3. October to December – 31<sup>st</sup> January
4. January to March – 31<sup>st</sup> May

### List of interest to which provisions of section 193 doesn't apply –

No TDS is to be deducted for interest payable on the following bonds / securities –

- Interest on 7 year National Savings Certificate (IV issue).

- Interest on the National Development Bonds.
- Interest on 4.25% National Defence Loan, 1968 or National Defence Loan, 1972 held by an Individual.
- Interest on 4.25% National Defence Bonds, 1972 held by a resident Individual.
- Interest on Security of the Central Government or a State Government provided the interest amount doesn't exceed INR 10,000.
- Interest on 6.5% Gold Bonds, 1977 or 7% Gold Bonds, 1980 held by a resident Individual only if the total nominal value of the bonds didn't exceed INR 10,000 at any time during the period to which the interest relates.
- Interest on debentures to a resident individual or HUF provided the aggregate amount of interest doesn't exceed INR 5,000, and the interest is paid by cheque.
- Interest on debentures issued by notified institution/authority/public sector company/a co-operative society.
- Interest to the Life Insurance Corporation on the securities owned by it or in which it has a full beneficial interest.
- Interest to the General Insurance Corporation on the securities owned by it or in which it has a full beneficial interest.
- Interest to any other insurer on the securities owned by it or in which it has a full beneficial interest.
- Interest on securities only if issued by a company in dematerialized form and listed on the recognized stock exchange.

Question (FAQ) –

1. What is Section 193 of the Income Tax Act?

**Section 193 of the Income Tax Act** deals with the provisions of deduction of **TDS on interest on securities**.

2. Is TDS applicable on interest on debentures?

Yes, TDS is applicable on interest on debentures as per provisions of **section 193 of the Income Tax Act**.

3. What happens if TDS is not paid?

In case the TDS has been deducted but not paid, then, the Deductor would be liable to pay interest @ 1.5% per month from the date on which TDS was deducted till the date on which TDS was paid.

4. What is TDS rate on interest?

**Section 193 of the Income Tax Act** requires to deduct **TDS on interest on securities @ 10%**.

Source courtesy: TaxGuru