Rawani & Co.
Chartered Accountants

TDS
Centralized Processing Cell

INCOME TAX DEPARTMENT

CONSEQUENCES OF DEFAULTS IN e-TDS RETURNS

TDS Centralized Processing Cell | TRACES
TDS Reconciliation Analysis and Correction Enabling System

सत्यमेव जयते
Government of India
Income Tax Department

- The material contained in the ensuing slides is for general information, compilation and the views of the speaker and is purely for general discussion at the seminar and it should not be construed and binding either on the part of the Speaker or the Institute/Study Circle. It is not intended to be legal advice on any particular matter. Since the features of the website are dynamic in nature, it is advised in your own interest to refer to Government publications including the Income Tax Act and Rules before arriving to any final conclusion. Members are requested to refer to the Act, Laws, Rules and Decisions of the various courts of law from time to time depending on a particular case to case as may be applicable to them.

PROLOGUE.....

TDS IS NOT TEDIOUS

THREE **D**EE **S**YSTEM

THREE **D**EE **S**YSTEM

Deduct ⇨ AS PER PROVISIONS OF Ch. XVII-B

Deposit ⇨ WITHIN DUE DATES

Declare ⇨ BY FILING TDS STATEMENTS

TDS / TCS

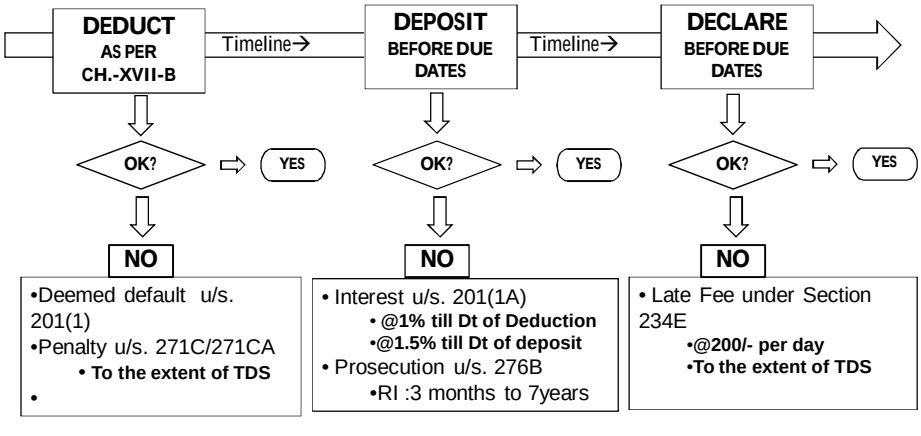
TDS IS NOT TEDIOUS

Chapter XVII-B.

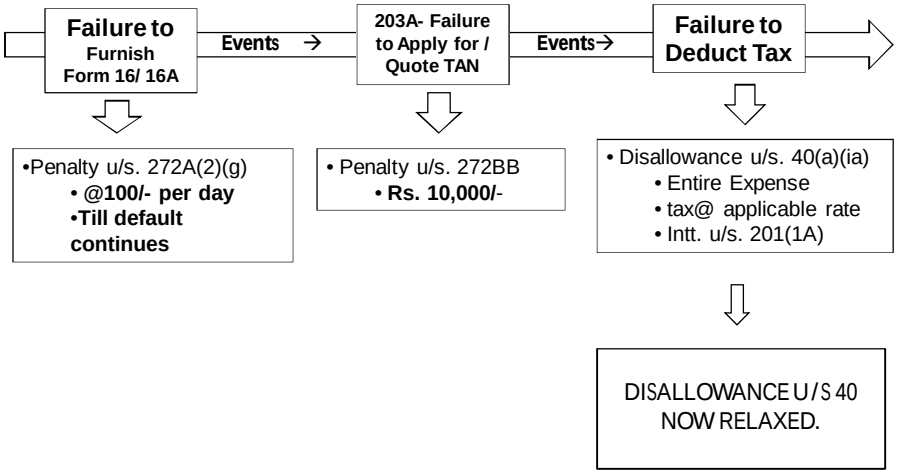
Sections 190 TO 206

A Separate Code

TDS PROVISIONS: AT A GLANCE



TDS PROVISIONS: AT A GLANCE



TDS / TCS

DEFAULT U/S. 201(1)/ MISMATCH U/S. 200A

NATURE & REMEDIES

Notice from TDS Department- Not to Ignore

For Interest on delay remittance of TDS, pay the same after verification and file Revised Return.. Such payment should be under the category of Tax on Regular Assessment..

For short deduction, verify the contents and file revise return accordingly;

Send reply to the Notice of the Assessing Officer with a copy of the receipt of filing Revised Return.

- It is stated that the defaults generated and displayed on the NSDL website is deemed to be the NOD;
- If the errors are not rectifiable by filing e-Revised TDS Return, then to ensure that the necessary correspondence be done with the TDS Assessing Officer to avoid penalties;

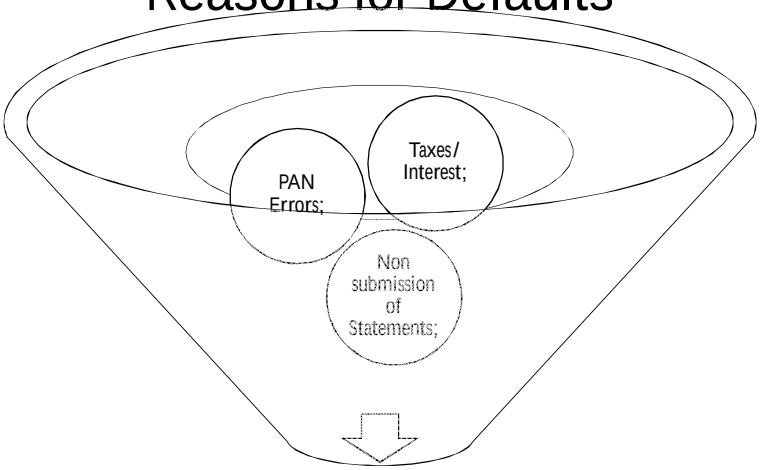
Defaults... Whether Legal

TDS / TCS

DEFAULT's u/s. 201(1)
&
MISMATCHE's u/s. 200A

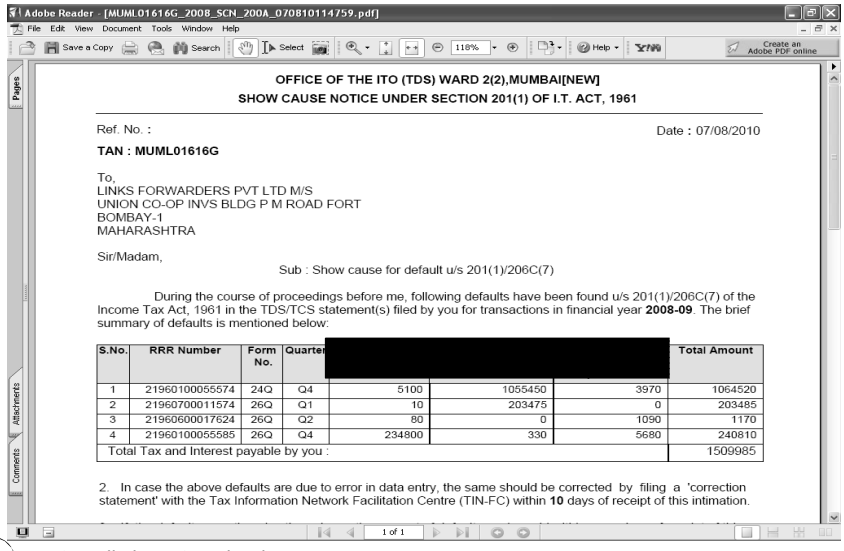
Reasons for Default | Types of Default | How to Correct? | What is the Advantage?

Reasons for Defaults



Show Cause Notice from CPC

Show Cause Notice U/s. 201(1) of I.T. Act, 1961



OFFICE OF THE ITO (TDS) WARD 2(2),MUMBAI[NEW]
SHOW CAUSE NOTICE UNDER SECTION 201(1) OF I.T. ACT, 1961

Ref. No. :
Date : 07/08/2010

TAN : MUML01616G

To,
LINKS FORWARDERS PVT LTD M/S
UNION CO-OP INVS BLDG P M ROAD FORT
BOMBAY-1
MAHARASHTRA

Sir/Madam,

Sub : Show cause for default u/s 201(1)/206C(7)

During the course of proceedings before me, following defaults have been found u/s 201(1)/206C(7) of the Income Tax Act, 1961 in the TDS/TCS statement(s) filed by you for transactions in financial year **2008-09**. The brief summary of defaults is mentioned below:

S.No.	RRR Number	Form No.	Quarter	[redacted]	Total Amount
1	21960100055574	24Q	Q4	5100 1055450 3970	1064520
2	21960700011574	26Q	Q1	10 203475 0	203485
3	21960600017624	26Q	Q2	80 0 1090	1170
4	21960100055585	26Q	Q4	234800 330 5680	240810
Total Tax and Interest payable by you :					1509985

2. In case the above defaults are due to error in data entry, the same should be corrected by filing a 'correction statement' with the Tax Information Network Facilitation Centre (TIN-FC) within **10** days of receipt of this intimation.

13 Compiled By : CA Avinash Rawane 12/04/2014

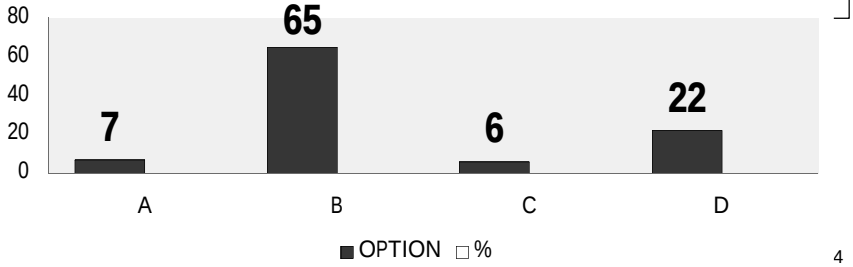
How do we react to Show Cause Notice (SCN) from TDS ?

A. Treat it like any other Notice.

B. SCN is outcome of 'system' trouble.

C. SCN is a mischief by Assessing Officer

D. No need to bother, once the dues have been paid.



14 4

Deductor's Response to Show-Cause Notice?

- Response is very poor: In about 20→25% cases
- Photocopy of Return / Challans are enclosed.
- No attention paid to the direction in SCN
- Person who attends, knows nothing about TDS
- Generally, system is blamed……

Default details

- Download of default - Generated in Excel format from TIN-NSDL / TRACES site
- Facility available for registered TANs
- **Default details contains**:
  - List of **short deduction** records
  - List of **short payment** records
  - List of **late payment** records

Rectification of Errors: Consolidated TDS / TCS File

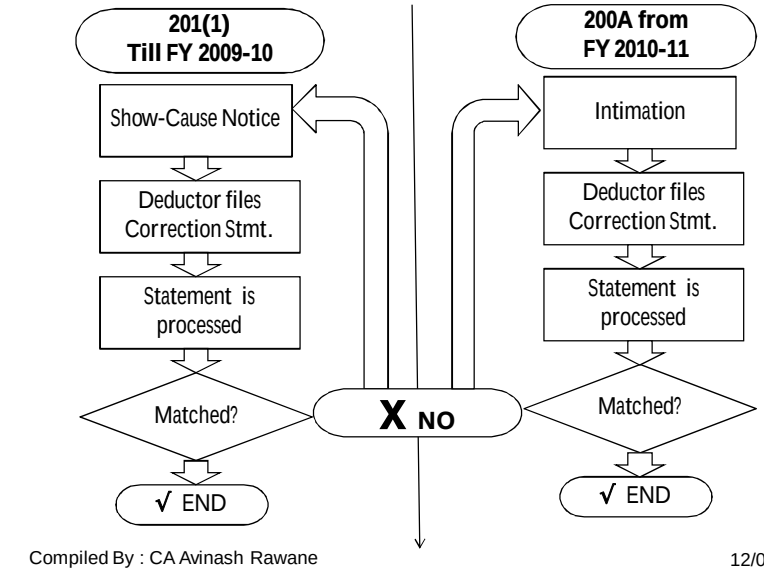
- Available to registered TANs at TIN
- **Mandatory from June 2010-11** to prepare correction return with consolidated TDS / TCS file
- Available on online request and successful verification
- Consolidated file provided by TIN includes
  - all the updates done vide correction statements (accepted at TIN central system) filed by deductor / collector
- Consolidated TDS / TCS file is
  - emailed at email ID in TAN account
  - available for instant download
- eTutorial on TAN registration and Consolidated file request on TIN website

e-TDS/TCS Statements – Key points

BE PROACTIVE

- Check status of **CHALLANS** at OLTAS website
- Check status of **TDS STATEMENTS** at OLTAS website
- 'Original' return should be accepted at OLTAS
- File correction return to make changes in the TDS / TCS return filed (original return should be accepted)

Default & Remedies : Steps involved



Possibility of Error while Data Handling

BANKS (10%) [Assigning Equal Weightage to Each Variables]

- TAN
- AMOUNT
- BSR Code
- Challan Sr. No.
- Date of Deposit

TAN→ Manual : Bank / Assessee

Amount → Computerized / Matched

BSR Code → Computerized

Challan Sr. No. → Computerized

Date → Computerized

Possibility of Error while Data Handling

Deductor (90%)

- CIN Info-Manual
  - TAN
  - AMOUNT
  - BSR Code
  - Challan Sr. No.
  - Date of Deposit
- Deductee Details-
  - PAN
  - Section
  - Amount
  - Date of Deduction
  - Date of Deposit

Some Common Errors

- **Challan Splitting**
- **Challan Combining**
- **Wrong TAN / PAN data**
- **Wrong Amount**
- **Wrong Challan Sr. No.**
- **Wrong Date**
- **Wrong Section / Sub-section**
- **Non-Marking → "A" / "P" / "B" / "C" etc.**

Types of Default

Short deduction

- **Non-marking of "A" deduction (197 Cases)**
- **Quoting Incorrect Section / Sub-section**
- **Referring to an outdated Rate chart**
- **Considering wrong amount of payment**
- **Wrong amount of Payment**
- **Indicating wrong Deductee code**
- **Wrong gender of Employee**
- **Wrong Salary / Exemption information**
- **Quoting Invalid PAN (FY 2010-11 onwards)**

Types of Default

Late Payment

- Non-marking of "B" for 4th Quarter
- E-payment after 8:00 p.m.
- No interest paid in case of delay
- Less interest paid for delayed payment
- Wrong CIN quoted for Interest Challans
- Wrong linking of Challan – Deductions
- TDS paid by cheque, realized after due date
- TDS paid 1 day late, bank holiday on due date.

Types of Default

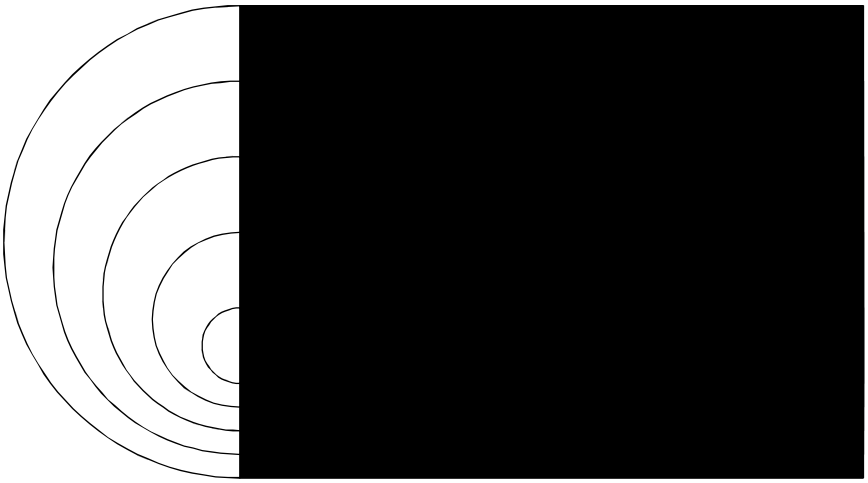
Short Payment / Non-Payment

- Splitting of Challan
- Combining of Challan
- Practically not paid and applied some dummy CIN
- Mistake in quoting the CIN*
- Wrong minor code

*Challan Identification Number Contains→

- TAN +
- AMOUNT +
- DATE OF DEPOSIT +
- BSR CODE +
- CHALLAN SR. NO.

Some Errors Attributable to System



RECTIFICATION OF ERRORS

DEDUCTOR

↓

FILES CORRECTION STATEMENT

↓

RETURN IS PROCESSED

↓

DEFAULT IS REMOVED

Rectification of Errors

TYPES OF CORRECTIONS

- CHALLAN DETAILS
  - ASSESSING OFFICER
  - BANK
- TDS STATEMENTS
  - DEDUCTOR

Rectification of Errors

CORRECTIONS IN CHALLAN DETAILS

- ASSESSING OFFICERS (TDS) →
  - ✓ASSESSMENT YEAR
  - ✓TAN
  - ✓SECTION CODE (94C / 94J etc.)
  - ✓MINOR HEAD CODE (400 / 200)
- BANKS →
  - ✓NAME OF THE DEDUCTOR
  - ✓AMOUNT
  - ✓MAJOR HEAD CODE (20 / 21)

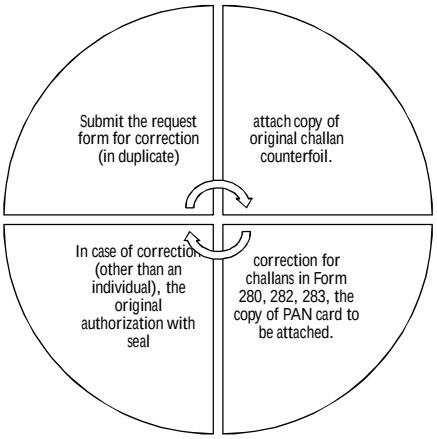
❑ From Sept' 2011, the Banks are allowed to correct A.Y. , TAN Section Code & Minor Head code , if approached within 7 days.

From 01st Sept. 2011, the Banks are allowed to correct Errors in Physical Challan as under

Correction Reqd.	Time-limit from Challan Deposit date
TAN / PAN	Within 7 days
Assessment Year	Within 7 days
Amount	Within 7 days
Other fields (Major Head, Minor Head, Nature of payment)	Within 3 months

The time window for correction by the bank is 7 days from the date of receipt of correction request from the tax-payer.

Procedure for correction



Powers of the Assessing Officer

- After completion of the time period of the Bank, Assessing Officer has the power to rectify the same;
- Details of the Assessing Officer can be known easily through submitted TDS returns;
- Assessing Officer has powers to rectify both the type of tax paid challans, whether it is online paid or offline payments through banks;

Rectification of Errors

CORRECTIONS IN e-TDS STATEMENT

DEDUCTORS

- ❑ Download consolidated TDS/TCS File.
  - ▪ Register your TAN with NSDL (one-time)
  - ▪ Log-in to obtain the following:-
    - Consolidated TDS/TCS file
    - Form 16A download
    - Default Details
- ❑ Prepare the correction in same
- ❑ File the corrected file with TIN-FC
- ❑ Check the status after filing

Rectification of Errors

Points to be remember while depositing TDS/TCS

- Select correct minor head code (200) while making TDS/TCS deposits
- Select correct minor head code (400) while making regular TDS/TCS payments arising out of Order u/s. 201(1)/201(1A)/271C or 272A(2)(k) etc.
- Ensure due diligence in quoting TAN, section code and assessment year while making TDS/TCS deposits
- For deducting TDS/TCS refer to latest chart/rules for TDS/TCS rates
- On due date deposit tax before 20.00 hours (i.e. 8:00 p.m.) to avoid interest for late payment.

For Details on e-TDS Statements & Various Other Queries

Please
Log On To
http://www.tdscpc.gov.in
Help Desk e-mail
contactus@tdscpc.gov.in

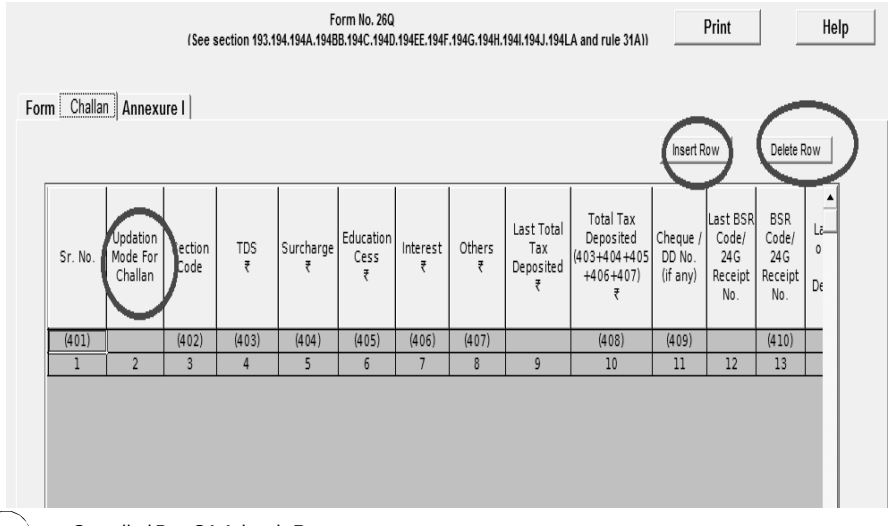
How to file Correction Statements

In case the same is not available or forgotten, the request can be made to TDSCPC after complying their requirements;

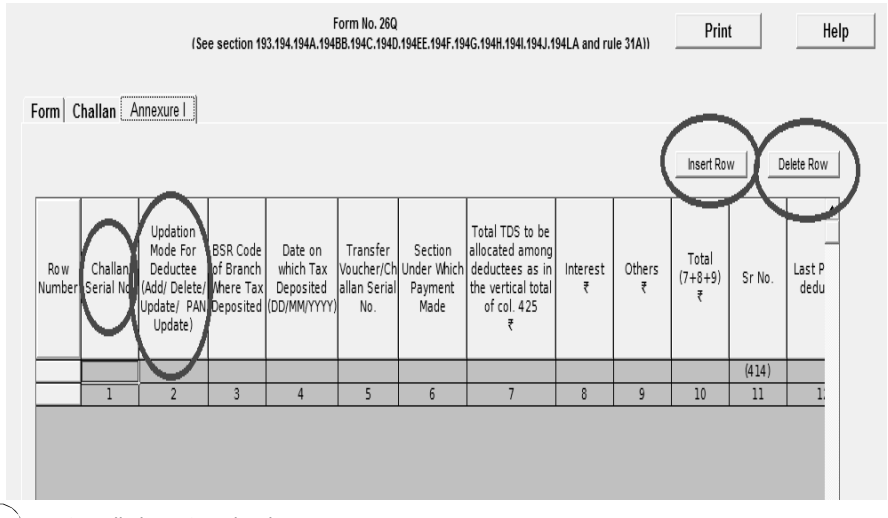
Open the said Consolidated file in the latest RPU version of the TDSCPC which can be downloaded from TDSCPC website;

Rectify the required mistakes as stated in the defaults generated;

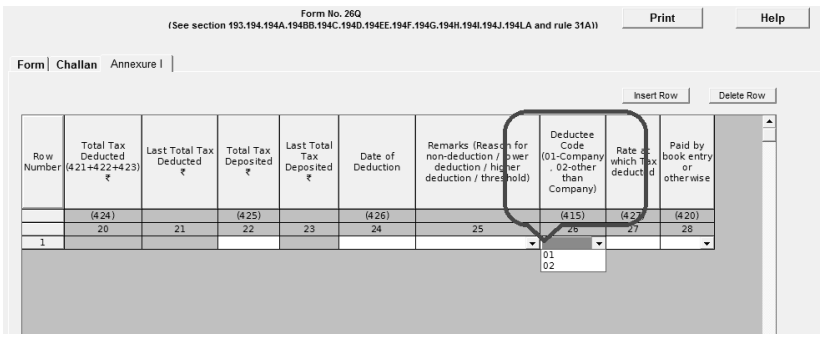
Challan Correction Mode



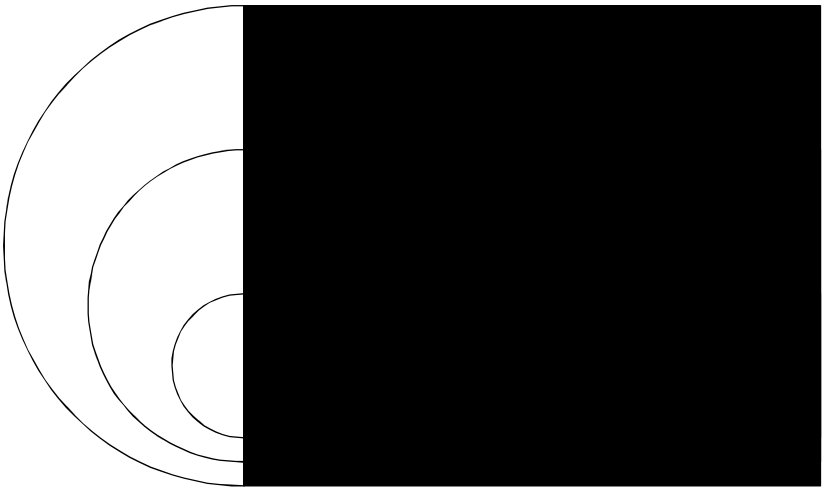
Deductee Details Modification



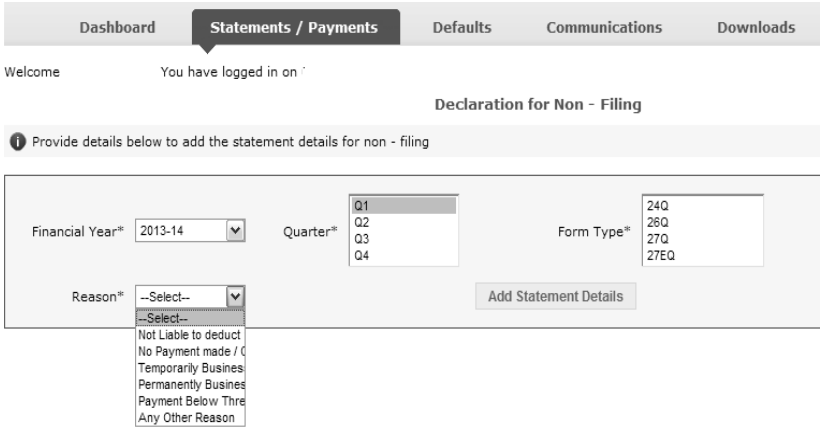
Deductee Code Equally Important



Changes effective 1.10.2013



Non-Filing Reasons can be given



Changes effective 1.10.2013

File correction statements promptly in case of incomplete and incorrect reporting;

Download the justification report to know the details of TDS defaults, if any, on processing of TDS statement;

Do view your Dashboard regularly to know about your TDS performance

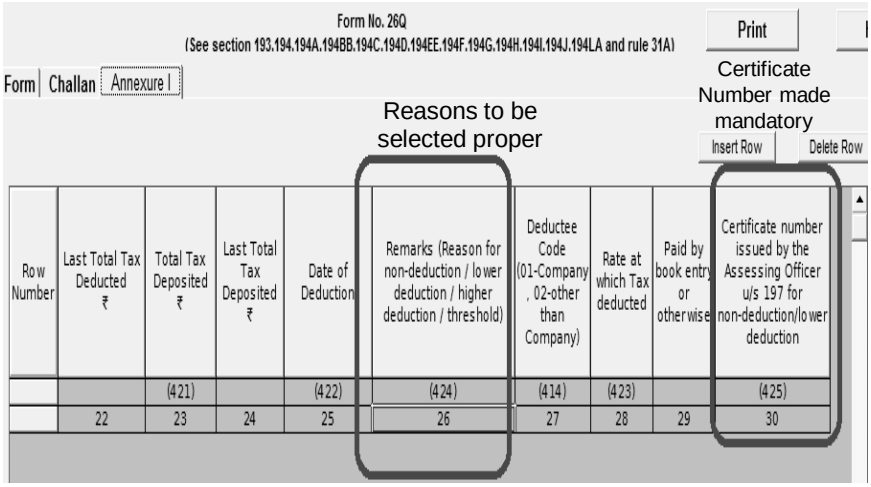
Changes effective 3.01.2014

Deletion of Deductee record:	• Delete feature of the deductee record discontinued. To nullify a deductee recordupdate the amount and related fields to "0" (zero) and add new record with updated values.
Date of deduction:	• Date of deduction in deductee record should not be that of previous quarter. Example if the statement pertains to Q3 of FY 2013-14, then the date of deduction should not be lower than 01/10/2013.
Generation of Form 27A:	• New feature has been enabled wherein Form 27A is generated on validation of statement by TDS/TCS FVU.
Applicability of FVU version:	• FVU version 4.0 and 4.1 are applicable upto January 03, 2014 and from January 04, 2014 FVU version 4.1 would be mandatory.

- Amount field should not be left blank.
- Enter "0" (zero) if no amount is to be mentioned in any of the amount fields.
- Amount must be greater than '0' (zero) in the total amount paid/credited field in annexure I.
- PAN/TAN should be entered in Capital Letters only (e.g. MUMN05226E)**.**

Instructions for using the Return Preparation Utility (RPU)

Changes in Annexure-1



Change of PAN Only

- **If only PAN of deductee is to be updated go to Column No. 2 'Updation mode for eductee (Add / Delete / Update / PAN Update)' select 'PAN Update' mode. In this mode only deductee PAN field can be updated.**

  Note: A valid PAN and invalid PAN cannot be updated with invalid PAN. If value in PAN Field is 'PANINVALID' 'PANNOTAVBL' or 'PANAPPLIED' it can be updated only with valid PAN.

Correction of Deductor Details

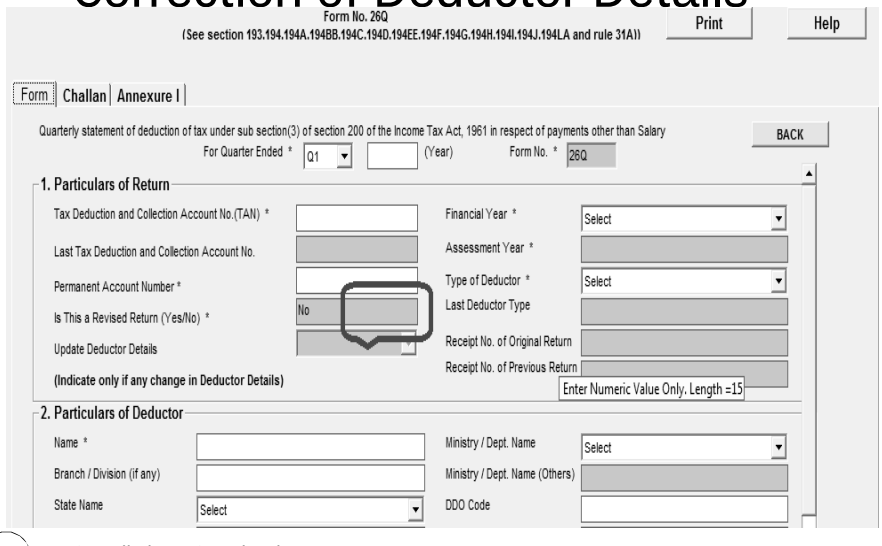
Other than TAN

- **In Form sheet, field 'Update Deductor Details' select 'Other Deductor Details' from drop down menu and update deductor details.**

Change in TAN

- **In Form sheet, field 'Update deductor details' select 'TAN' from drop down menu. Mention new TAN in 'Tax Deduction Account No.' field. If there is a change in TAN no other details in the statement can be updated**

Correction of Deductor Details



Don’t forget to Save

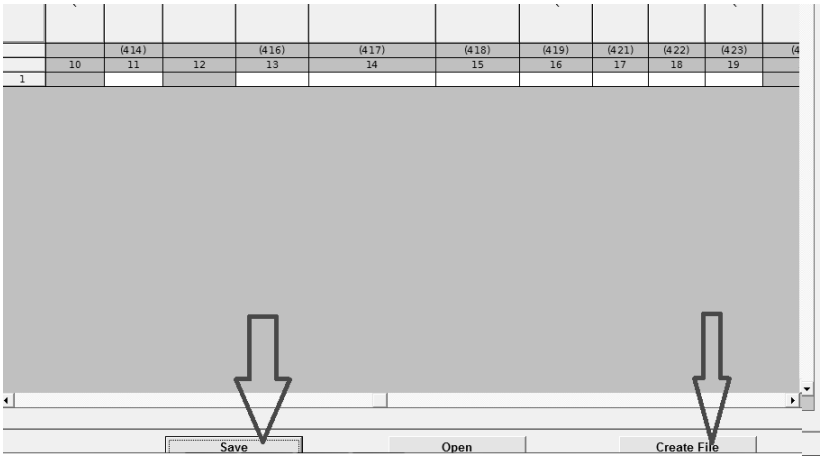
To save intermediate file, click on "Save" button. It will ask for path and name by which file has to be saved. After saving file, do not change its name and path. Note that two hidden files with .ss3 extension are also saved at the same location where original file is saved. To unhide these file go to "Tools -> View -> Hidden files and folders" and click on "Show hidden files and folder".

Example

Original file name:	ETDS26Q4
Hidden file name	ETDS26Q41.ss3, ETDS26Q42.ss3

In order to open saved file on some other computer system these files (i.e. 1 original file and hidden files) are required to be copied to the computer where the file is to be opened.

Don’t forget to Save



Precautions to be Taken at the time of making payment of t.d.s.

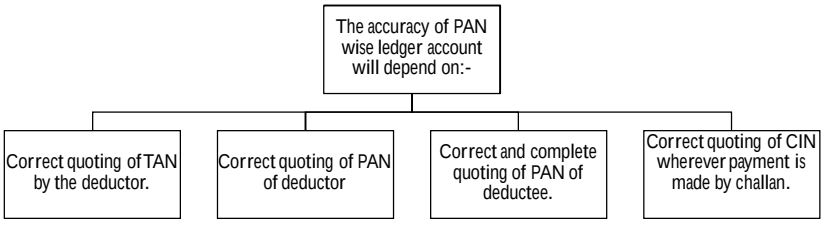
- Payment under each Section to be made separately by way of separate challan and also payment for each quarter to be made separately;
- Do not use a single challan to deposit tax deducted for corporate and non corporate deductees.
- If a single deduction is remitted to the bank with multiple challans (More than One challan), then such remittance are called as part payments and the same has to be reported in parts.

Other Precautions

Do not use

- Same challan for depositing various types of tax like Regular Tax Deduction Payment, Assessment tax Payment etc.
- preprinted Challans you receive without verifying whether the TAN / PAN quoted in these challans

Essential Information required in the quarterly statement



Tips for correct returns

- Use latest FVU (File Validation Utility for generation of ETDS Returns) and generate the file;
- Verify the contents of the HTML file generated with the details stated in Form 27A for e-filing;

PRE-CHECK before Submission

Name of Deductor **TAN of Deductor**

PAN of Deductor **Form Number** 26Q **Form Type** Non-Salary (Electronic)

Assessment Year	Financial Year	Quarter	Upload Type	Type of Correction
2012-13	2011-12	Q4	Regular	NA

No. of Challans	Total Challan Amount (₹)	No. of Deductee Records	No. of Deductee Records where tax is deducted at Higher Rate
2	88030.00	6	0

No. of Challans (excluding nil)	No. of Unmatched challan	No. of Matched challan
2	0	2

Amount of Payment / Credit (₹)	Total Income Tax Deducted at Source (₹)	Total Tax Deposited as per Deductee Annexure (₹)
880295.00	88030.00	88030.00

Deductee PAN Details (Annexure I)

No. of Valid PAN	No. of PAN Applied (PANAPPLIED)	No. of PAN Not Available (PANNOTAVBL)	No. of Structurally Invalid PAN (PANINVALID)
6	0	0	0

Tips for correct returns

- On receipt of PRN, verify the said PRN on the TIN Website generally after a weeks time by clicking on the icon – Quarterly Payment Status.
- Ensure that all the challans in the quarterly statements are shown as **booked and the PAN Details are confirmed.**
- The same details can also be verified directly by logging into TAN Account.

Warning

- PRN receipt issued is only the Provisional Receipt and not final.
- Necessary fines and penalties can be levied for submission of incorrect or non timely filing of details under the provisions of Income Tax Act.

Rectification of errors.

- In case you have made any errors in the e-TDS/TCS statement, you can rectify the same using the file format for correction available on the NSDL web-site (www.tdscpc.com). Common mistake made is return is filed again which need not be done. **Do not file another Return for the same period**
- TRACES will provide RPU for preparation of correction statement.

Filing of Correction Statements

- As correction statements will be furnished only for those records where corrections are to be made and not the entire statement, it is necessary that these correction records are properly identified from the corresponding original (regular) statement before updates are applied. Therefore, in each correction statement (irrespective of the type of correction) it is mandatory to mention details of certain fields that will act as verification keys.

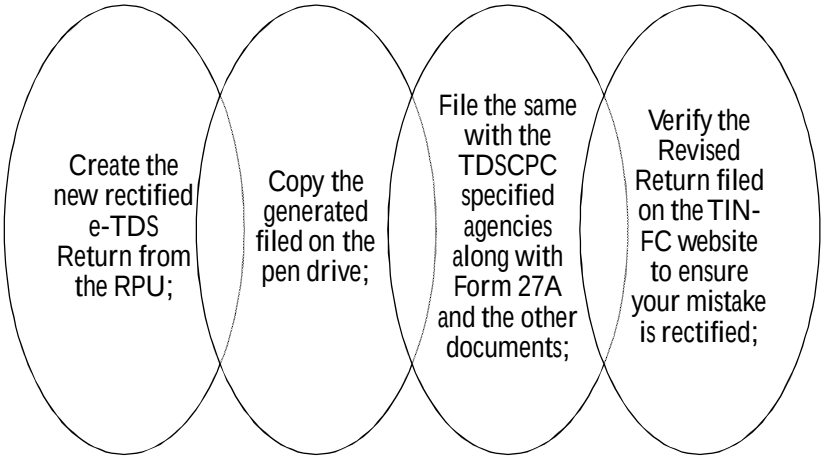
NEGATIVE LIST

- **Financial Year (F.Y.), Assessment Year (A.Y.) and quarter cannot be updated by correction statements. Values in these fields have to be same as specified in corresponding regular statements**

Filing of TDS Returns for Branches

- If you have more than one office/branch you can file a consolidated e-TDS/TCS return for all offices/branches. In this case you should quote the same TAN. You can also file e-TDS/TCS returns office/branch-wise individually. In such cases you need to have separate TAN for every branch. In case you do not have separate TAN for each branch then you should apply for TAN for each of the branches filing separate e-TDS/TCS return.

A Recap of Actions to be Taken



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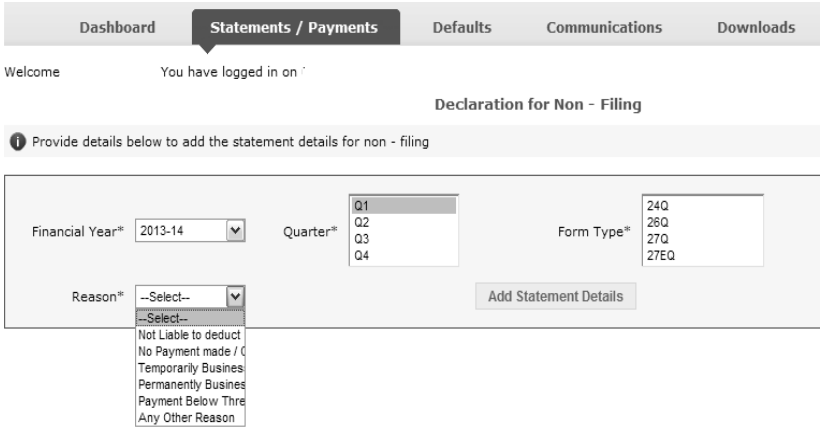
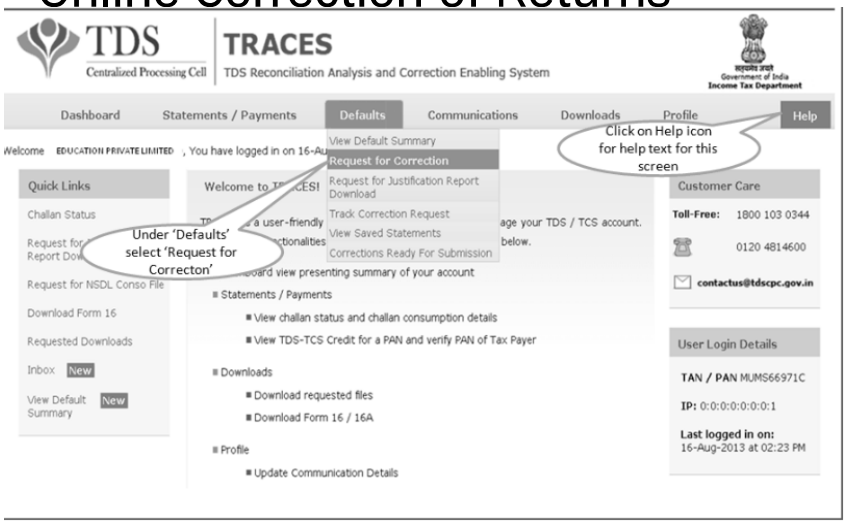
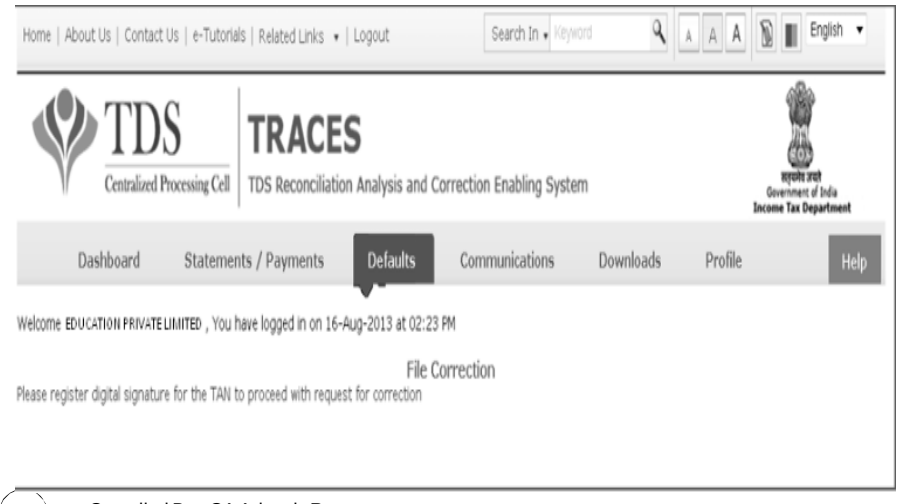


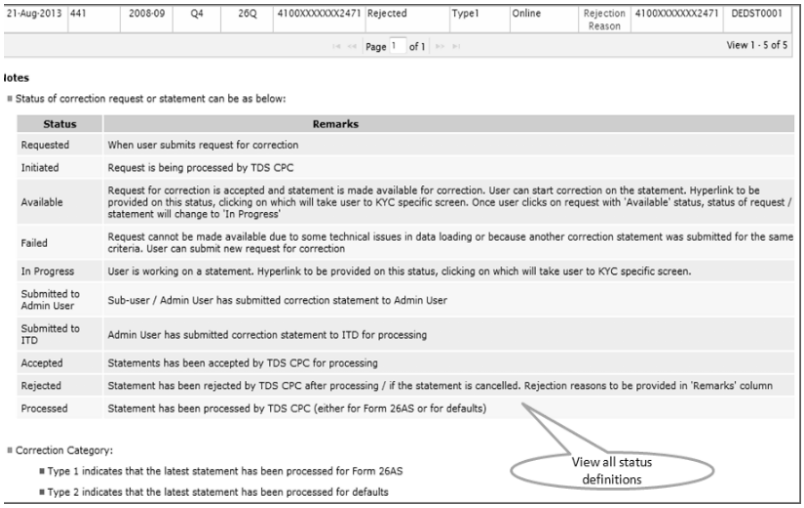
Online Correction of Returns



Online Correction Request Flow



STATUS OF SUBMITTED REQUEST



21-Aug-2013	441	2008-09	Q4	26Q	4100XXXXXXX2471	Rejected	Type1	Online	Rejection Reason	4100XXXXXXX2471	DEDST0001

Page 1 of 1 View 1 - 5 of 5

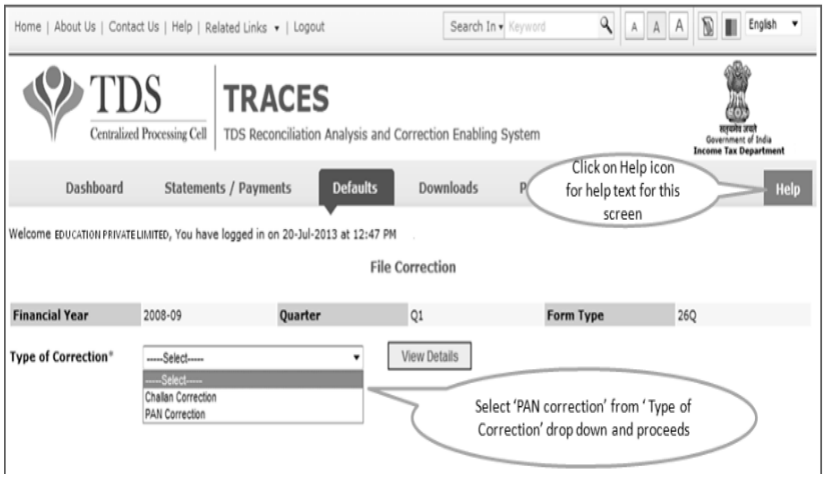
lotes

- Status of correction request or statement can be as below:

Status	Remarks
Requested	When user submits request for correction
Initiated	Request is being processed by TDS CPC
Available	Request for correction is accepted and statement is made available for correction. User can start correction on the statement. Hyperlink to be provided on this status, clicking on which will take user to KYC specific screen. Once user clicks on request with 'Available' status, status of request / statement will change to 'In Progress'
Failed	Request cannot be made available due to some technical issues in data loading or because another correction statement was submitted for the same criteria. User can submit new request for correction
In Progress	User is working on a statement. Hyperlink to be provided on this status, clicking on which will take user to KYC specific screen.
Submitted to Admin User	Sub-user / Admin User has submitted correction statement to Admin User
Submitted to ITD	Admin User has submitted correction statement to ITD for processing
Accepted	Statements has been accepted by TDS CPC for processing
Rejected	Statement has been rejected by TDS CPC after processing / if the statement is cancelled. Rejection reasons to be provided in 'Remarks' column
Processed	Statement has been processed by TDS CPC (either for Form 26AS or for defaults)

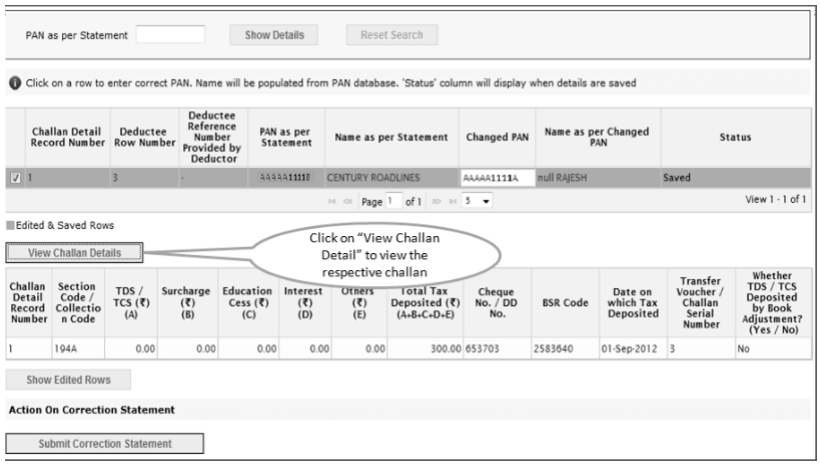
- Correction Category:
  - Type 1 indicates that the latest statement has been processed for Form 26AS
  - Type 2 indicates that the latest statement has been processed for defaults

PAN CORRECTION

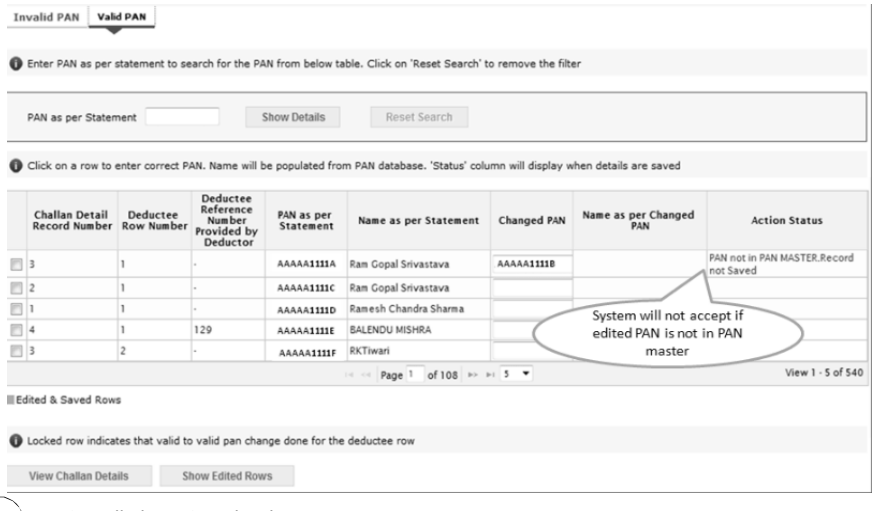


PAN Correction – Invalid PAN(contd.)

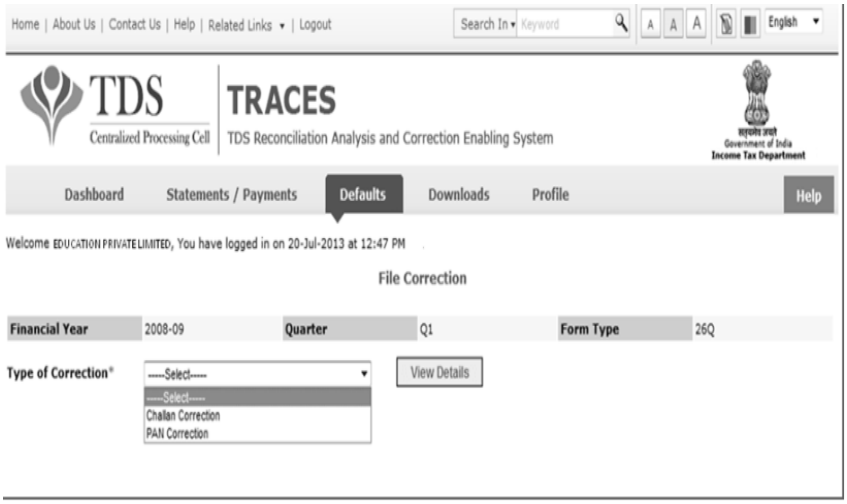
Challan Correction



Valid PAN can also be changed

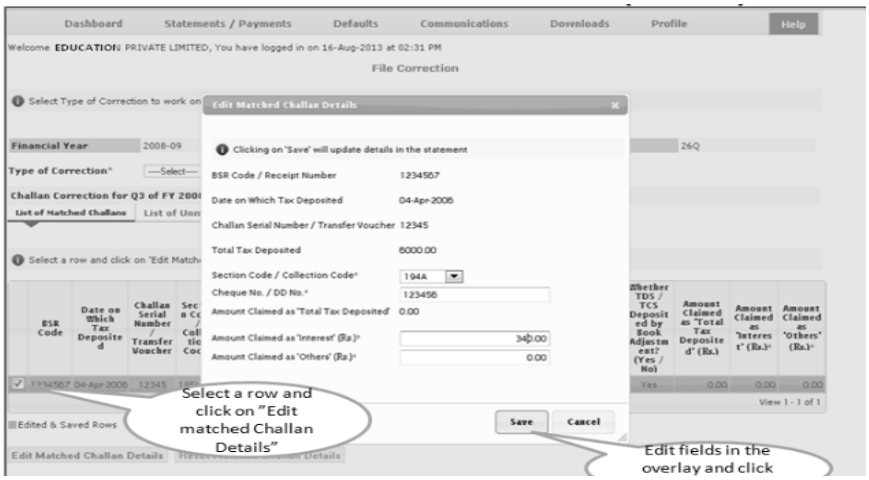


Challan Correction

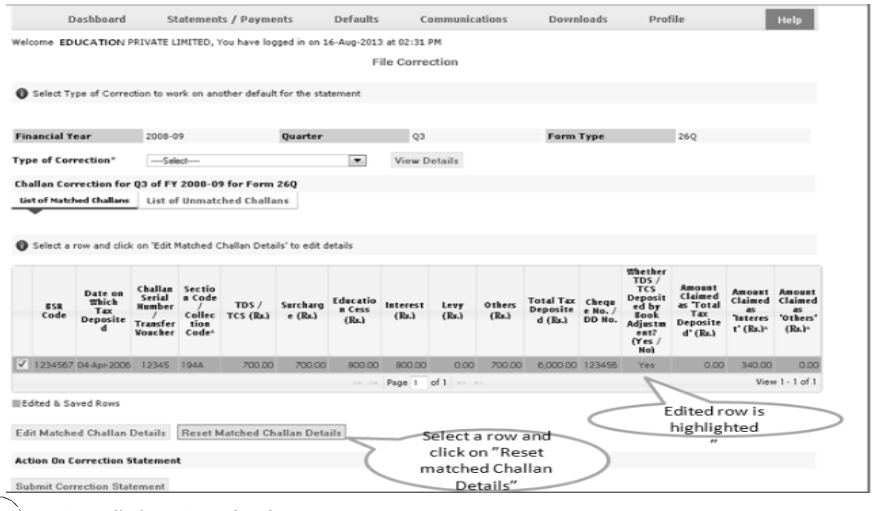


Challan Correction- Matched Correction

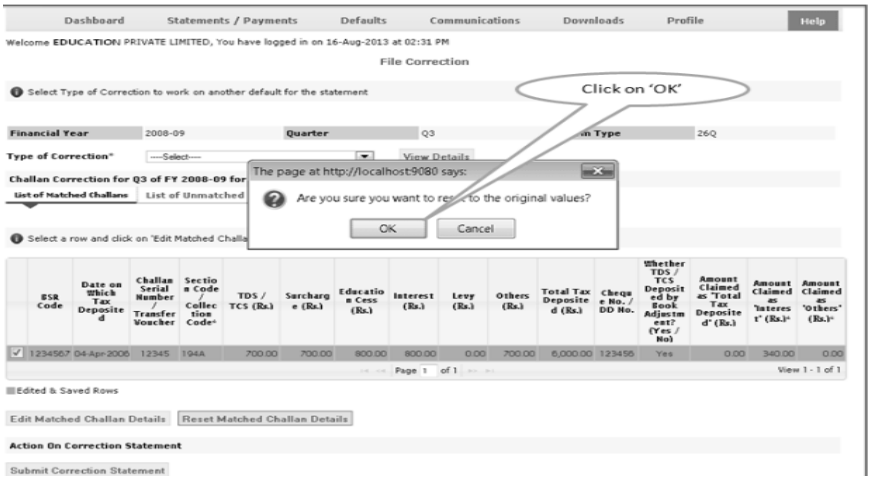
Challan Correction



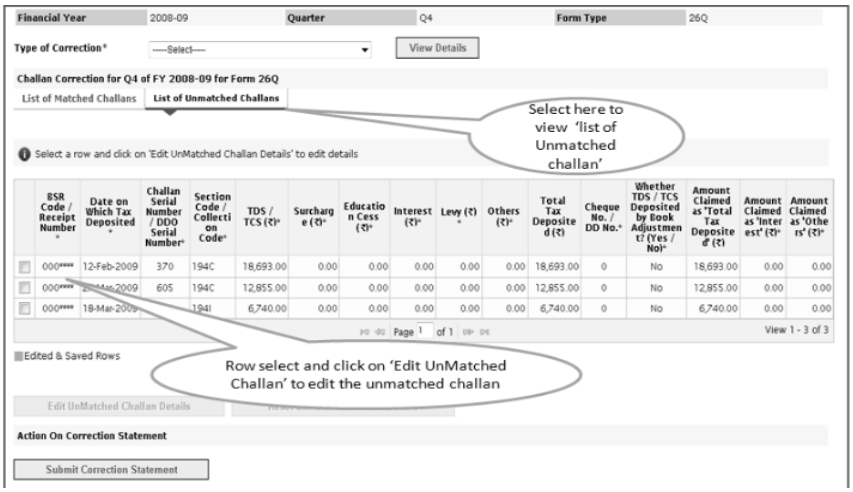
Challan Correction (contd)



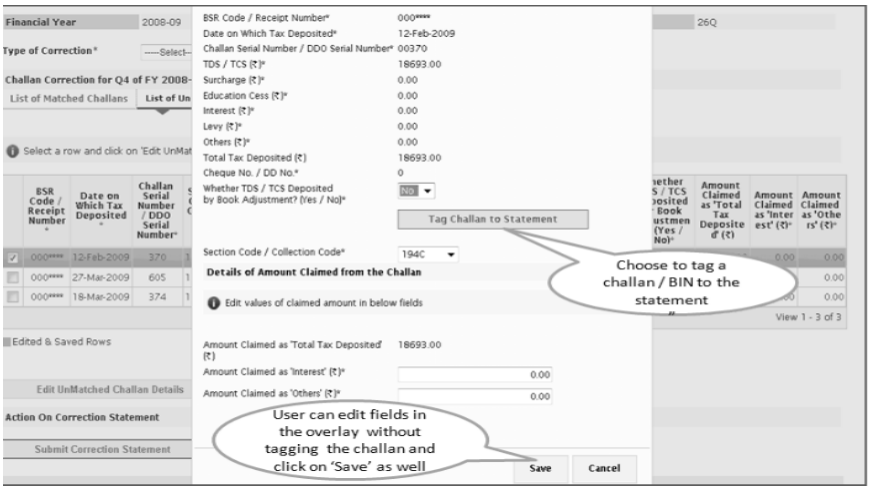
Challan Correction (contd)



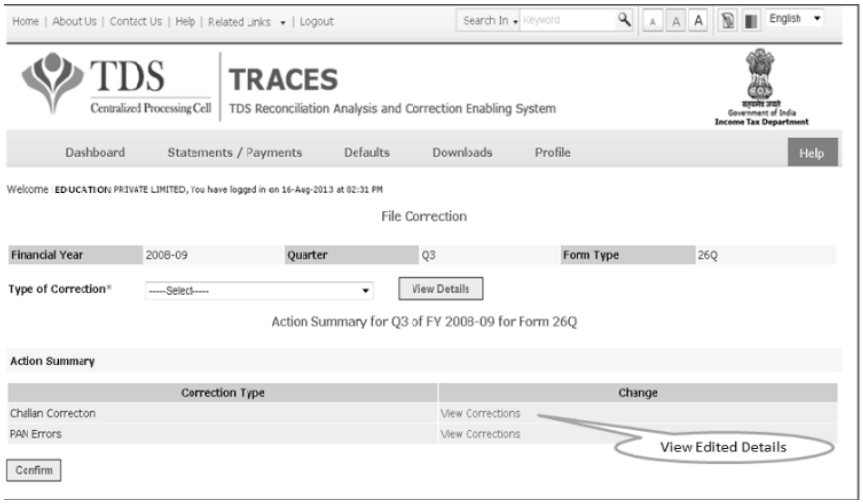
Challan Correction (contd)



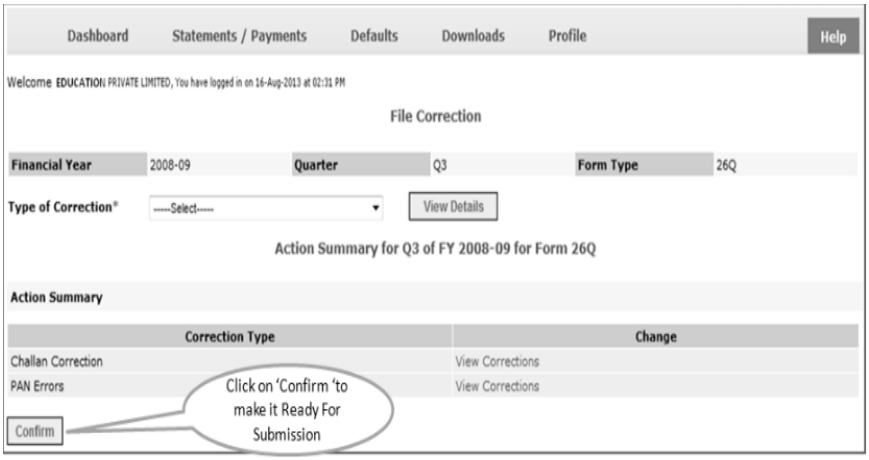
Challan Correction (contd)



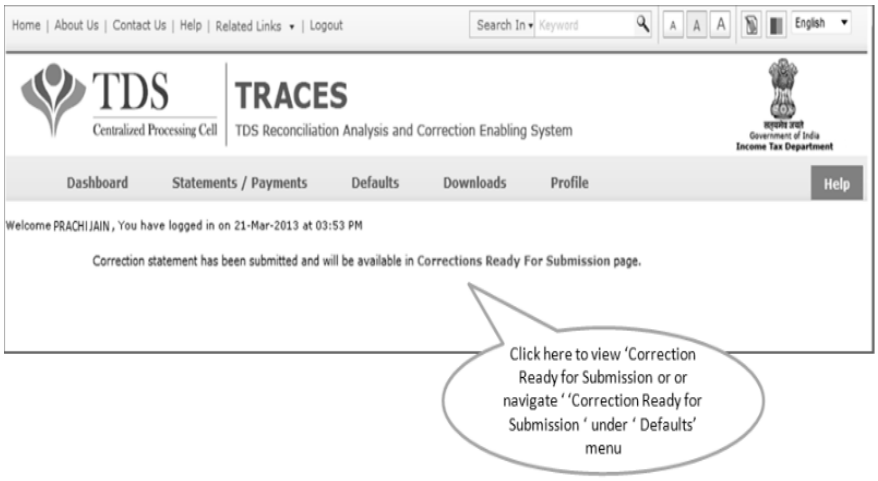
VERIFICATION LIST



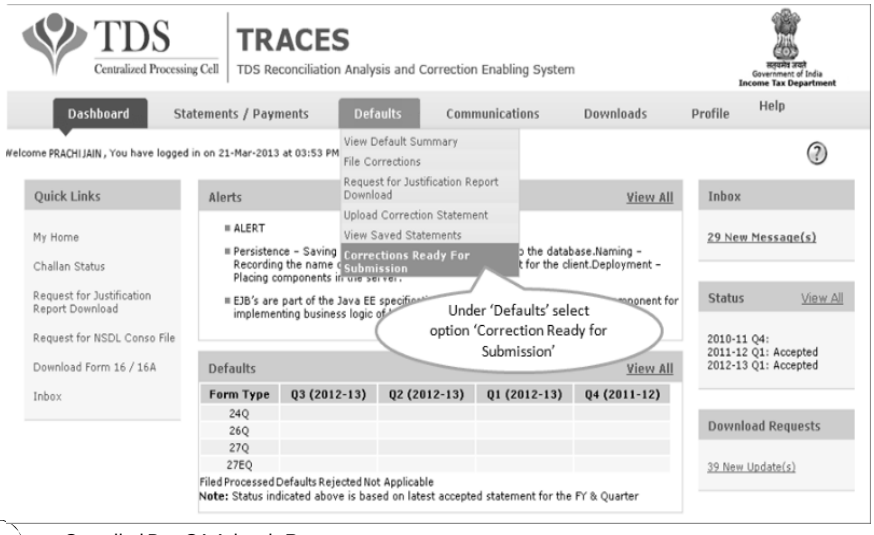
SUBMISSION



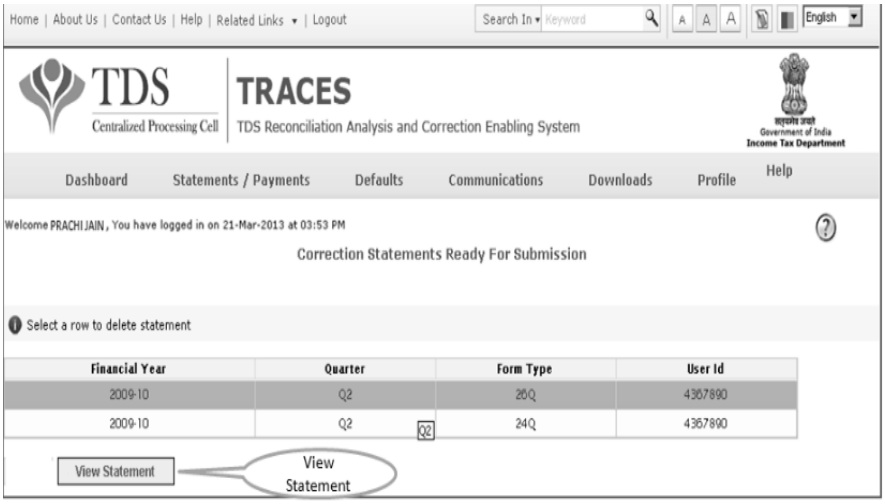
SUBMISSION



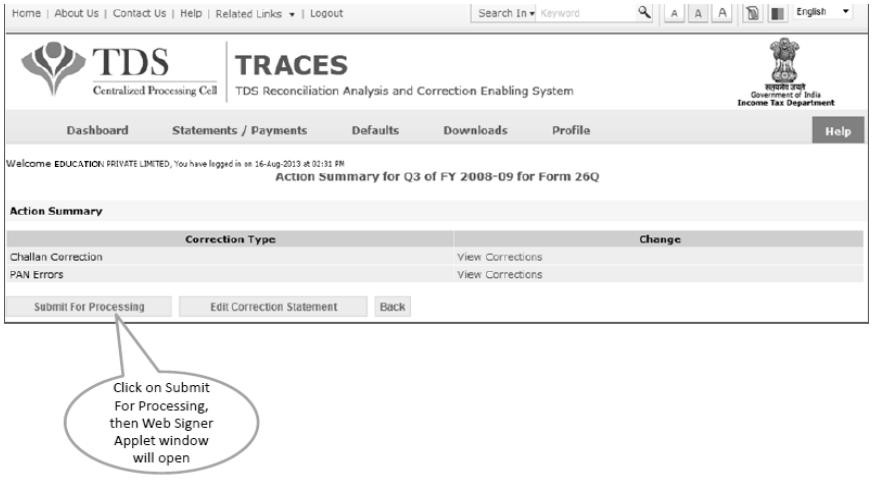
SUBMISSION



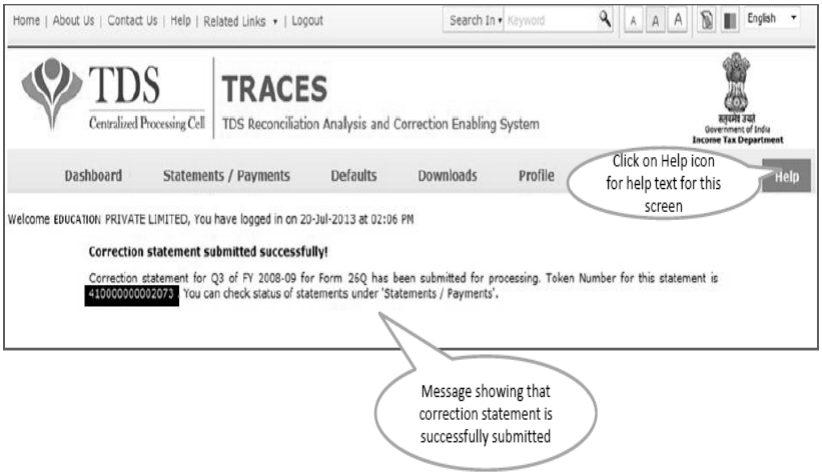
OPTION FOR VIEWING AVAILABLE



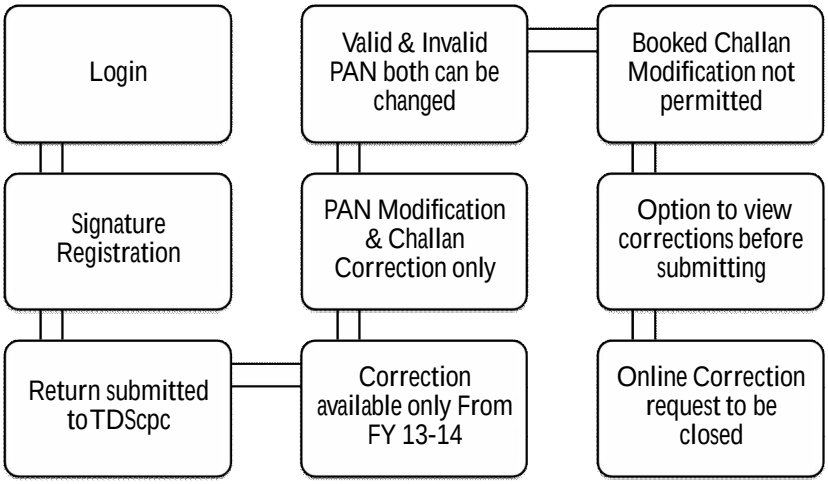
SUBMISSION



RECEIPT OF SUCCESFUL SUBMISSION



ONLINE CORRECTION SYSTEM AT GLANCE



Applicable provisions Finance Act 2012

Penalty of Rs.200 per day, for late furnishing of TDS statement from the due date Maximum penalty cannot exceed the total amount of tax deductible

Provided that no penalty shall be levied for delay in furnishing of TDS statement if the TDS statement is furnished within one year of the prescribed due date after payment of tax deducted along with applicable interest and fee.

Proposed to provide that a penalty ranging from Rs.10,000 to Rs.100,000 shall also be levied for furnishing incorrect information in the TDS statement. (Section 272A and Section 272B) effective 1st July, 2012;

- CP of STDS Scheme notified on 15/01/2013;
- The guidelines are as per normal assessment proceedings;
- Notices to come by way of e-mail only;
- Monitoring through e-mail and communication only and no personal interference on the part of the Department or Assessee

TDS Assessment procedure Notified

Finance Act 2012 Amendments

- Tax Residency Certificate made mandatory for application for lower or non deduction of tax by the non residents (Section 195)

Any Further help required

- The details regarding the help required for filing of e-TDS are available on the Income-Tax Department website and the TDS-CPC website. The TIN-FCs are also available for all related help in the e-filing of TDS returns.

Notification dated 20/03/2013

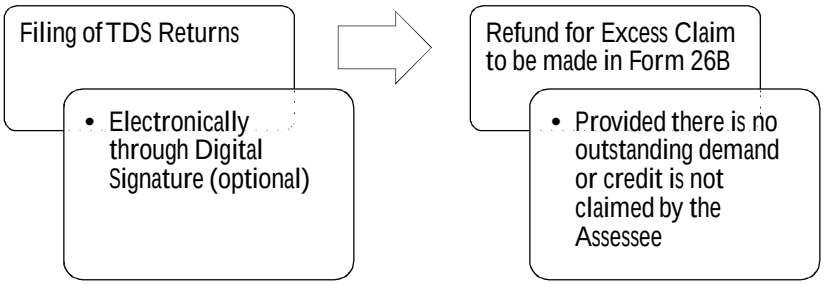


Chart of Password for Deductor

Registration	It should contain a minimum of 8 alpha numeric characters with at least one capital letter.	Password123
Consolidated File	TAN_Request Number of request submitted	DELA11111D_23456
Form 16/ 16A	TAN in capital letters	DELA11111D
Justification Report	JR_TAN_FormType_Quarter_FY	JR_DELA11111D_24Q_Q3_2010-11
Intimation through e-mail	TAN_Date of filing original statement (in DDMMYYYY format)	DELA_13102013

Password for the Tax Payer

Functionality	Password	Example
Registration	It should contain a minimum of 8 alpha-numeric characters with at least one letter in upper case	Password123
Form 26 AS	Date of Birth (in DDMMYYYY format)	If your date of birth is 01-Feb-1980, password will be 01021980

Contact Details changed

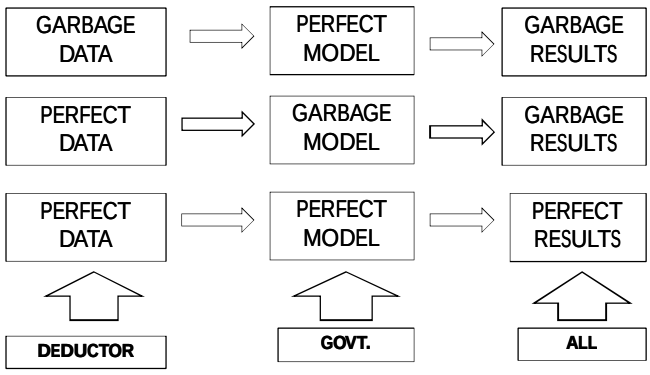
TDS - Centralized Processing Cell	
Address	Aaykar Bhawan, Sector - 3, Vaishali, Ghaziabad, U. P. - 201010
Email	**contactus@tdscpc.gov.in**
Toll Free	1800 103 0344
Phone	0120 4814600

"Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning"

Albert Einstein

Change is a Part of Life..
If you don't accept, circumstances will compel

In Nutshell……Garbage In →Garbage Out



Forgiveness

The TDS Returns should be filed in such a way that is should not make our **Life TeDiouS**

Compiled by CA Avinash Rawane
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Website: www.carawani.com

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