

FAQ - Tax Deduction at Source (TDS)

1. What is TDS?

TDS means Tax Deducted at Source. It is the amount withheld from payments of various kinds such as salary, interest, contract payment, commission etc. The tax amount deducted at source can be adjusted against your tax due.

2. Whether TDS needs to be deducted on interest on Domestic Term Deposits?

As per 194A of IT Act, 1961, banks are required to deduct TDS on interest paid on term deposits where the total interest paid exceeds the prescribed limit (at present Rs.10000) in the financial year.

3. Whether TDS needs to be deducted on interest on Non-Resident Deposits?

Interest earned by a Non Resident Indian (NRI) from the NRO deposits is taxable in India as per the provisions of Sec 9(1)(V) of the Income Tax Act, 1961 and TDS has to be effected as mentioned in the Finance Act. The rate at present is 30% plus surcharge and Education cess. However, deduction of TDS depends upon the country of residence of the depositors and based on DTAA (Double Taxation Avoidance Agreement) entered into by the Government of that country with Government of India. Form No.15G/15H shall not be accepted in the case of NRO a/c holders.

4. At what rate TDS will be deducted on interest on Domestic Term Deposit?

If the interest paid on domestic term deposits exceeds Rs.10000/- p.a., TDS will be deducted @ 10% provided PAN is available. If PAN is not submitted, TDS will be deducted @20% as per section 206AA of Income Tax Act, 1961.

5. Is PAN mandatory for opening a domestic term deposit?

A PAN number has been made mandatory w.e.f. 01.04.2010 as per section 206AA of Income Tax Act, 1961.

6. How to avoid the deduction of TDS from my term deposit interest income?
7. I have made some deposits with a bank on which annual interest is around Rs.15000. My income is below taxable limit. The banker wants to deduct tax. What do I do?

As per section 197A of IT Act, 1961, TDS need not be deducted in respect of persons who submit a declaration in Form 15G (Regular) and Form 15H (Senior Citizens). Form No.15G/15H shall not be accepted in the case of NRO a/c holders.

Declaration in Form 15G/15H, if submitted, shall be invalid unless the correct PAN is furnished in the declaration and consequently interest payable to such customer shall be liable for deduction of tax at source at higher rate of 20%.

However, acceptance of Form 15G and Form 15H are subject to the following:

1. Tax on the estimated total income (of the depositor) for the financial year is nil and
2. The aggregate amount of interest credited or paid or likely to be credited or paid during the financial year is not more than the maximum amount which is not chargeable to tax.

Please note that the depositor has to submit Form 15G / Form 15H at the beginning of every year (i.e. in April) or at the time of opening of term deposits in triplicate,

The form (15G /15H) can be downloaded from the website <http://www.incometaxindia.gov.in/>. This form should be filed before the interests begin to accrue in the fixed deposit account, since the declaration has no retrospective effect.

8. What can I do if I am unable to get the TDS certificate [form-16 or 16A]?

It is the duty of every person deducting tax to issue TDS certificate. You can insist for issue of TDS certificate.

9. In case the deductee comes back stating that the original TDS certificate is lost, whether a duplicate certificate can be issued?

Yes. The deductor will have to issue the certificate in a plain paper giving necessary details of deduction and remittance.

10. What are the rights of a tax payer (deductee)?

Tax payer is entitled to obtain a certificate from the tax deductor u/s 203 of Income Tax Act, 1961 in Form 16-A specifying the amount of tax deducted and other prescribed particulars. TDS certificate in Form 16-A shall be treated as valid only if it is downloaded by the deductor from the TIN website.

Form 26AS is a consolidated tax statement issued under Rule 31 AB of Income Tax Rules to PAN holders. This statement, with respect to a financial year, will include details of:

- a. Tax deducted at source (TDS);
- b. Tax collected at source (TCS); and
- c. Advance tax / self-assessment tax / regular assessment tax etc., deposited in the bank by the taxpayers (PAN holders).
- d. Paid refund received during the financial year
- e. Details of transaction of Mutual Fund, Shares and Bonds.