

# File past yr returns, avoid higher taxes

Steeper TDS, TCS rates will apply from July 1 as new tax provisions kick in

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Two new Sections, 206AB and 206CCA, were added to the Income-Tax (I-T) Act, 1961, by the Finance Bill, 2021. They contain special provisions for deduction or collection of tax at source (TDS/TCS) at a higher rate under certain conditions.

Suresh Surana, founder, RSM India, says, "These two Sections contain special provisions for deduction of TDS or TCS at higher rates in case of specified persons or certain non-filers of I-T returns (ITRs)."

They are basically an extension of Sections 206AA (TDS) and 206CC (TCS), and are aimed at bringing more people into the tax net.

According to Manish P Hingar, founder, Fintoo, a tax and wealth advisory firm, "The purpose is to tax those who hold a permanent account number (PAN) and have taxable income but don't file their ITRs for some reason or the other."

## Rate of deduction

Section 206AB states that where tax has to be deducted at source on any sum or income paid by any person to a specified person, it should be deducted at the highest of the following rates: twice the rates specified in the relevant provisions of the Act; Twice the rate or rates in force; or at 5 per cent.

Similarly, Section 206CCA states that where tax has to be collected at source on an amount received from a specified person, it should be deducted at the higher of the following: Twice the rates specified in the relevant provisions of the Act, or at 5 per cent.

Vikash Mittal, partner, Vikash Mittal and Associates, says, "In case Section 206AA/206CC applies to a specified person, that is, for non-furnishing of PAN, in addition to Section 206AB/206CCA, then tax shall be deducted or collected at the higher of the two rates provided in Section 206AB/206CCA and Section 206AA/206CC."

## Who is a specified person

There are a few criteria for defining a specified person. "The total amount of tax deducted or collected



## HOW TO CHECK FOR 'SPECIFIED PERSON'

- ▶ **The tax deductor or collector** can feed a single PAN (in PAN Search) or multiple PANs (in Bulk Search) on the reporting portal to check if someone is a 'specified person'
- ▶ **In PAN Search, response** will be visible on the screen and can be downloaded in pdf format by the deductor/collector
- ▶ **In Bulk Search, response** will be in the form of downloadable file which can be kept for record
- ▶ **In the case of non-specified persons**, the deductor/collector can check PAN in the functionality at the beginning of the financial year; there is no need to do so again during the financial year
- ▶ **In the case of a specified person, verification of PAN** needs to be done at the time of making tax deduction or collection, as that PAN can move out of the specified persons list during the financial year

Source: RSM India

(TDS/TCS) from that person should be ₹50,000 or more in each of the previous two years. The person should not have filed ITR for the two preceding years (for example, 2018-19 and 2019-20), and the due dates for filing ITR for those years should have expired," says Hingar.

These new provisions don't apply to a non-resident who does not have a permanent establishment in India. They also don't apply to a few other cases. "The new provisions apply to all TDS/TCS deductions barring a few, like tax deducted on salary payment, premature withdrawal of Provident Fund, income from derby, etc," says Archit Gupta, founder and chief executive officer, ClearTax.

## Deductor/collector's responsibility

The person responsible for deducting or collecting tax must ensure compliance. "To ensure compliance with Sections 206AB and 206CCA,

the tax deductor or collector must do due diligence to satisfy himself whether a person is a specified person," says Surana.

The Central Board of Direct Taxes has provided a new functionality — compliance check for Sections 206AB and 206CCA — on the reporting portal of the I-T department (<https://report.insight.gov.in>), which can be accessed via the I-T portal as well.

Deductors and collectors can use it. The list of specified persons will be updated on the portal from time to time — on the due date of filing ITR for Assessment Year 2021-22 or the date of actual filing of valid return (filed and verified), whichever is later.

All taxpayers (falling under 'specified person') who have not filed their ITRs for 2018-19 and 2019-20 should do so before June 30 to avoid attracting Section 206AB or 206CCA.

If a taxpayer is not a 'specified person' as defined in these Sections, then he must give a declaration to his vendors or suppliers stating such.

