

FREQUENTLY ASKED QUESTION ON TAX DEDUCTED AT SOURCE (TDS)

1. What is TDS?

Ans. TDS stands for Tax Deducted at Source (TDS). As per section 51, this provision is meant for Government and Government undertakings and other notified entities making contractual payments where total value of such supply under a contract exceeds Rs. 2.5 Lakhs to suppliers excluding GST. While making any payments under such contracts, the concerned Government/authority shall deduct 2% of the total payment made (1% under each Act and 2% in case of IGST) and remit it into the appropriate GST account.

2. Who is liable for Registration as TAX DEDUCTOR under GST Act?

Ans. As per section 51 of the TSGST Act, 2017,

(a) a department or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) such persons or category of persons as may be notified by the Government on the recommendation of the Council is liable for Registration as Tax Deductor under GST Act.

3. Whether separate GSTIN would be allotted to a registered person for deducting TDS?

Ans. Yes. Government entity /public sector undertaking etc., engaged in commercial activity is supposed to get registered as "TAX DEDUCTOR" even though registered already as TAX PAYER.

4. Whether a Government Department, required to deduct tax at source, is liable to take registration as a normal taxpayer?

Ans. The Government Department is required to take registration as a normal taxpayer only if engaged in commercial activities and make regular business as defined under section 2(17) of the TSGST Act, and in such cases, the registration shall be obtained on the basis of PAN but Bank account is not mandatory. However, if it is not making any taxable supply of goods and/or services, it is required to register only as a deductor of tax at source on the basis of TAN/PAN.

5. What shall be the rate of tax to be deducted?

Ans. As per Section 51(1) of the TSGST/CGST Act, 2017 following are the prescribed rate of tax:

1%	CGST/TSGST
2%	IGST

6. What shall be threshold limit over which tax is to be deducted?

Ans. Where the value of taxable supply of goods or services or both exceeds under a contract Rs. 2.5 lakh excluding GST.

7. What is the position in respect of exempted supply of Goods and Services?

Ans. No need to deduct tax.

8. What is the value on which tax is to be deducted?

Ans. Excluding the amount of CGST /SGST/IGST/Cess components indicated in the bill.

9. What if the location of supplier and the place of supply is in a state which is different from the state of the recipient?

Ans. No need to deduct tax.

10. Whether the deductee can claim the input tax credit on the deduction of tax at source amount?

Ans. No. The tax deducted at source is not input tax credit. However, the amount deducted shall be credited to the electronic cash ledger (upon being accepted by the deductee in his Form 'TDS and TCS credit received') of the deductee and can be utilized for payment of output tax.

11. Is a person required to deduct tax at source under Section 51 required to obtain separate registration in addition to his regular registration as a supplier of goods or services?

Ans. Yes, he is required to take additional registration as Tax Deductor by filing FORM GST RGE-07 and RC will be issued in FORM GST REG-06.

12. What shall be the time period within which the amount of deducted tax has to be deposited to Government?

Ans. As per Section 51(2) of the TSGST/CGST Act, 2017, the amount deducted as tax shall be paid to the Government by within ten days after the end of the month in which such deduction is made.

13. What is the return to be filed by Tax Deductor?

Ans. Form GSTR-7.

14. What are the consequences of non-compliances under TDS?

Ans.

Sl.No.	Event	Consequence
1	TDS not deducted.	As per Section 50(1) of the TSGST/CGST Act, 2017, Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law. Taxpayer also liable to pay Penalty as per provision of Section 122(1)(v).
2	TDS certificate not issued or delayed beyond the prescribed period of five days.	As per Section 51(4) of the TSGST/CGST Act, 2017, late fee of Rs. 100/- per day subject to a maximum of Rs. 5000/-.
3	TDS deducted but not paid to the Government or paid later than 10th of the succeeding month.	As per Section 50(1) of the TSGST/CGST Act, 2017, Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law.

4	Late filing of TDS returns.	As per Section 47 of the TSGST/CGST Act, 2017, Late fee of Rs. 100/- for every day during which such failure continues, subject to a maximum amount of five thousand rupees.
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15. Is there any document which the deductor is required to furnish to the deductee, if yes then what is the time limit for the same.

Ans. Yes, as per Section 51(3) of the TSGST/CGST Act, 2017 a Certificate in Form GSTR-7A has to be furnished by the Deductor to the Deductee within five days of crediting the amount so deducted to the Government in the prescribed manner.

16. Is there any remedy for excess or erroneous amount deducted and paid?

Ans. Yes, there is remedy. Any excess or erroneous amount deducted and paid to the Government account shall be dealt for refund under section 54 of the TSGST Act, 2017. However, if the deducted amount is already credited to the electronic cash ledger of the supplier, the same shall not be refunded.