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**Tax Deducted at Source (TDS)**



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# Tax Deduction at Source





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## PROCEDURE, FORMAT AND STANDARDS

Procedure, format and standards for filing an application for grant of certificate for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of Section 197 / collection of the tax at any lower rate under subsection (9) of Section 206C of the Income-tax Act, 1961 through TRACES- reg.

- As per section 197(1) of the Income-tax Act, 1961, where, in the case of any income of any person or sum payable to any person, income tax is deducted when the payment is received or paid as per section 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-1, 194J, 194K, 194LA [, 194LBB, 194LBC] and 195, if the assessing officer is satisfied that the deduction of income tax or not deduction of income tax is correct then assessing officer will issue a certificate to that person. Further as per sub-section (9) of section 206C of the Income-tax Act, 1961, where the Assessing Officer is satisfied that the total income of the buyer or licensee or lessee justifies the collection of the tax at any lower rate than the relevant rate specified in sub-section (1) or sub-section (1e), the Assessing Officer shall, on an application made by the buyer or licensee or lessee in this behalf, give to him a certificate for collection of tax at such lower rate.
- Vide Central Board of Direct Taxes Notification No. 74/2018 dated 25.10.2018, Rule 28/ 37G of the Income-tax Rules, 1962 has been amended to provide for filing an application for grant of certificate for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of Section 197 / collection of the tax at any lower rate under sub-section (9) of Section 206C of the Income-tax Act, 1961 to be made in Form No. 13 electronically in accordance to the procedures, formats and standards for ensuring secure capture and transmission of data and uploading of documents to be laid down by the Principal Director General of Income-tax (Systems).
- In exercise of the powers delegated by the Central Board of Direct Taxes, under sub-rule (2) of Rule 28 / sub-rule (2) of Rule 37G of the Income-tax Rules, 1962, the principal director general of income-tax specifies the procedure, format and standards for the purpose of electronic filling of form No. 13.



## PROCEDURE FOR ELECTRONIC FILLING OF FORM 13

The tax-payer/Deductee shall login in to the TRACES website for submission of application in Form 13 electronically, for grant of certificate for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of Section 197 / collection of the tax at any lower rate under sub-section (9) of Section 206C of the Income-tax Act, 1961 through TRACES, as per procedure specified herein.

If tax-payer/Deductee who is not registered at TRACES shall be first required to register at TRACES ([www.tdscpc.gov.in](http://www.tdscpc.gov.in)) for login and filing application in Form 13.

- The tax-payer/Deductee shall submit the Form No. 13 along with supporting documents electronically which includes digital signature and electronic verification code.
  
- After an online request for lower/no deduction certificate has been submitted successfully, it shall reach the TDS-Assessing Officer on 'TRACES AO Portal' on his/her login. The tax-payer/Deductee can track the status of his / her application through option 'Track Request for Form 13' under the tab 'Statement/Forms'.



## PROCEDURE FOR ASSIGNMENT OF APPLICATION TO THE IOS ASSESSING

- On the basis of details furnished by the applicant in Form No. 13, the application shall be forwarded to TDS Assessing Officer.
- For applications filed in Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad and Pune, cases where revenue exceeds Rs. 50 Lakh, the applications shall be assigned to the DCIT / ACIT exercising jurisdiction over TDS matters, and in other cases, the applications shall be assigned to the ITO exercising jurisdiction over TDS matters. If the jurisdiction orders are otherwise, the applications shall be assigned in accordance to such jurisdiction orders.
- For applications filed in other remaining cities / towns / jurisdictions, the applications where revenue exceeds Rs 10 Lakh, application shall be assigned to the DCIT / ACIT exercising jurisdiction over TDS matters, and in other cases, the applications shall be assigned to the ITO exercising jurisdiction over TDS matters. If the jurisdiction orders are otherwise, the applications shall be assigned in accordance to such jurisdiction orders.
- After the applicant has successfully submitted application in Form 13, the following data, which are considered relevant and essential for the Assessing Officer to take a decision on the application will be obtained from CPC -ITR, E-filing and ITBA modules: (i) Processed data of Income Tax Returns of previous 4 F.Ys (if available). (ii) PAN Demand. (iii) e-filed Income Tax Returns of previous 4 F.Ys. (iv) Audit Report (along with form 3CD if accounts are audited) of previous 4 F.Ys. (v) Assessment Orders of previous 4 F.Ys (if available).
- The application in Form 13 will then be assigned to the Assessing Officer exercising jurisdiction over TDS matters..



## PROCESSING OF THE TAX-PAYER/DEDUCTEE'S REQUEST BY THE TDS ASSESSING OFFICER, RANGE HEADS AND COMMISSIONERS OF INCOME TAX

- **Role of TDS Assessing Officer:** The Assessing Officer shall be required to process the application through TRACES - AO Portal after login using his / her credentials.
- By navigating through the path **Lower/No Deduction Certificate> Generate Certificate> Certificate u/s 197(I)/206C (9)** and select 'Open/ Restored' Request(s)', the Assessing Officer shall be able to access the following information: (i) Information furnished by the tax-payer/Deductee. (ii) Documents submitted by the tax-payer/Deductee. (iii) Information essential for processing the request in respect of the taxpayer/Deductee, as received from CPC (ITRL E-filing and ITBA. (iv) Information essential for processing the request in respect of the taxpayer/Deductee, as available at CPC (TDS).
- If the Assessing Officer wants any other information or clarification or documents from the applicant for arriving decision, the same shall be obtained online. The response submitted by the tax payer/Deductee shall be visible to the Assessing Officer within the functionality for taking a decision on the application.
- Based on the parameters defined in rule 28AA / 28AB / 37H of the Income-tax Rules, 1962 an estimated rate of tax will be suggested by the system functionality. However, the AO shall be free to arrive at independent rate based on his / her method of calculation or by taking into consideration any other information available with him/her.



- Based on his/her findings, the Assessing Officer shall allow the deduction / collection at such rate as evidenced in the "Permitted Tax Rate Table" by making any adjustments in respect of the rate, if required. The Assessing Officer may state the reason for arriving at a modified rate, if so is the case.
- Once the Assessing Officer has taken a decision on the application in Form No. 13, the application will be forwarded to the supervisory authority, i.e. the JCIT or JCIT & CIT for according administrative approval in accordance to CBDT's Instructions on the subject.
- Role of Range Head: The Range Head shall be required to process the application through TRACES - AO Portal after login using his / her credentials for granting administrative approval to the recommendation of the AO or otherwise.
- The Range Head may view the application details, received for administrative approval, through the path 'Lower/No Deduction Certificate> Generate Certificate> Certificate u/s 197(1)/206C (9) and select 'Open Request(s)'. The following information will be available for viewing by the Range Head:
  - Information furnished by the tax-payer/Deductee.
  - Documents submitted by the tax-payer/Deductee.
  - Information essential for processing the request in respect of the taxpayer/Deductee, as received from CPC (ITR), E-filing and ITBA.
  - Information essential for processing the request in respect of the taxpayer/Deductee, as available at CPC (TDS).
  - Recommendation of the TDS Assessing Officer.
- If required, the Range Head may seek clarification from the AO and after submission of clarification by the AO through the AO Portal, the Range Head shall take a final decision on the application. All the steps are carried on AO portal in electronic mode.



- After a decision on the application has been taken by the Range Head, if the revenue foregone is within the powers conferred upon the Range Head (as per CBDTs Instructions on the subject) to accord administrative approval, the application will be marked back electronically on AO Portal to the Assessing Officer for issuance / rejection of the certificate under section 197(1) / 206C (9) of the Income-tax Act, 1961. The procedure for issuance of certificate is prescribed below in paragraph 7. However, if the revenue foregone is within the powers conferred upon the CIT (as per CBDTs Instructions on the subject) to accord administrative approval, the application shall be forwarded to the CIT for a decision in the matter.
  
- Role of the CIT: The CIT shall be required to process the application through TRACES - AO Portal after login using his / her credentials for granting administrative approval to the recommendation of the AO or otherwise.
  
- The CIT may view the application details, received for administrative approval, through the path 'Lower/No Deduction Certificate > Generate Certificate> Certificate u/s 197(1)/206C (9) and select 'Open Request(s)'. The following information will be available for viewing by the CIT:
  - Information furnished by the tax-payer/Deductee.
  - Documents submitted by the tax-payer/Deductee.
  - Information essential for processing the request in respect of the taxpayer/Deductee, as received from CPC (ITRL E-filing and ITBA).
  - Information essential for processing the request in respect of the taxpayer/Deductee as available at CPC (TDS).
  - Recommendation of the TDS Assessing Officer.
  
- If any clarification is required by the CIT, the application may be sent back to the Range Head through TRACES AO-Portal for submitting clarification on the observations of the CIT by the Range Head / AO. All these steps shall be carried out on AO Portal in electronic mode under respective logins of the CIT, Range Head and AO.



- The Range Head shall resubmit the case to CIT alongwith the clarifications as required by the CIT. This will be carried out electronically on AO Portal.
- Based on the information available and the report of the Range Head and the Assessing Officer, the CIT shall take a decision in the case.
- After a final decision on the application has been taken by the CIT, the application will be marked back electronically on AO Portal to the Assessing Officer for issuance / rejection of the certificate under section 197(1) / 206C(9) of the Income-tax Act, 1961.

## ISSUANCE OF CERTIFICATE

- Once approval of the competent authority has been received, the Assessing Officer shall generate the approved certificate / close the request (in case of rejection) based on decision taken on application filed in Form No. 13 through TRACES AO Portal. This will be carried out electronically on AO Portal and the certificate will be system generated and hence will not require a signature.
- The generated certificates shall be available to the deductor and the applicant for download through their TRACES login.



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