

# **ALERT!!!**

## **Section 206AB of Income-tax Act : Important points in brief:**

**Mandates deduction of tax at higher rates** based on the status of compliance of tax returns filing by the taxpayers.

**Applicable with effect from** 1 July 2021.

**Applicable to Section** 194C, 194J, 194I 195 etc.

**Applicable rate of TDS when section 206AB becomes applicable:** Higher of the following rates:

- (a) Twice the rate specified in the relevant provision of the Act;
- (b) Twice the rate or rates in force; or
- (c) 5%.

**Basic years to check applicability** of the section as on 01 07 2021: two PYs *i.e.* **FY 2018-19 and FY 2019-20** are relevant PYs for checking the applicability of Section 206AB as of 1 July 2021. This will be fix for the year.

**Not applicable to** : Section 192 – TDS on **salary**, Section 192A – TDS on withdrawal from EPF, etc etc

**Not applicable** : Provisions of Section 206AB would not be applicable if **payment is below threshold** limit as per respective section

**Not applicable** : If assessee has filed the tax return for one of the years out of 2 basic years in question.

**Not applicable** : When the TDS is less than INR 50,000 in one of the two applicable PYs and the Tax deductee has not filed the tax returns for both the applicable PYs, this section would not be applicable since the Section requires the aggregate of TDS and TCS to be INR 50,000 or more in each of the applicable PYs.

**Not applicable** : To a **non-resident** who does not have a "permanent establishment" (PE) in

India is outside the purview of applicability of Section 206AB.

**Applicable rate when PAN not provided :** The tax shall be deducted at the rates provided in this Section or in Section 206AA, whichever is higher.

**No minimum threshold** given for applicability of this Section from deductor point of view/ deductor liability fixation.

**Non compliance implications/ penalty:**

- ◆ Classification as "assessee in default" in terms of Section 201 of the Act
- ◆ Interest in terms of Section 201(1A) of the Act
- ◆ Penalty in terms of Section 221 of the Act
- ◆ Penalty in terms of Section 271C of the Act
- ◆ Where there is said to be a short-deduction of tax due to trigger of Section 206AB, potentially disallowance of expense in terms of Section 40a(ia) of the Act
- ◆ Disclosure in Clause 34 of Form 3CD

**STEP:** Registration on reporting portal, login, verification. Please keep PAN number list ready so that section applicability could be checked as soon as link on income tax portal is activated by dept.

**RAMESH BHATIA**