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A Study on Tax Deducted at Sources (TDS)

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ABSTRACT:

To Study and analyses all the purposes for which TDS in India was introduced to ensure whether they are properly achieved for collection of more revenues to Govt. Also study major types of tax system in the world. Study whether Adam smith's all the four Canon of Taxation are satisfied by TDS mechanism and to what extent with reasons there for. To conclude, considering major tax collection mechanism, whether TDS mechanism is effective or not

Keywords: - TDS, India, Tax

Introduction

What is Tax Deducted at sources ?

Income – Tax is Collected / recovered at two stages, namely pre-assessment stage and post assessment stage. The method by which pre-assessment tax are collected is in the following manner at different stages namely

- ✚ Aims at collection of revenue at the very sources of income
- ✚ An indirect method of collecting Tax
- ✚ Combines the Concepts of

TDS is one of the modes of collection of taxes, by which a certain percentage of amount are deducted by a person at the time of making / crediting specific nature of payment to the other person and deducted amount is remitted to the government account.

TDS is one kind of advance Tax. It is tax that is to be deposited with the government periodically and the onus of the doing the same on time lies with the deductor. For the deductee, the deducted TDS can be Claimed in the form of a Tax refund after they file their ITR.

TDS is certain percentage deducted at the time of payments of various kind such as Salary, Commission, Rent, Interest, on Dividends etc and deducted amount is remitted to the government Account. This amount can be adjusted against tax due.

To prevent Tax Evasion

This is the unlawful evasion of taxes by individuals, corporations and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned, or overstating deductions. Unreported income, which is the difference between the amount of revenue that should have been declared to the tax authorities and what it actually amounts to, constitutes one measure of the extent of tax evasion. Those are some of the ways in which we can get away with evading taxes.

Failing to pay the Due

This is the simplest way for someone to avoid paying taxes. They simply won't pay it to the government, not even when the dues are called for. A person who engages in this kind of evasion will not, voluntarily or unwillingly, pay taxes before the date on which they are to be paid

Smuggling

A fee or charge may be charged for the carriage of certain goods, if they are moved from one place to another across international and national borders. Nevertheless, those goods may be moved by some individuals, surreptitious ways in order to avoid paying those taxes that evading the tax altogether

TYPES OF TDS

- ✚ TDS on Contractor
- ✚ TDS on Professional Fees
- ✚ TDS on Purchases
- ✚ TDS on Interest on Securities
- ✚ TDS on Brokerage
- ✚ TDS on Salary
- ✚ TDS on Rent
- ✚ TDS on Sale of House

1. Mechanisms and Procedures:

- ✚ Process of TDS deduction and remittance
- ✚ Role of deductors and deductees
- ✚ TDS certificates and reporting requirements

2. Types of Incomes Covered by TDS:

- ✚ Salary income
- ✚ Interest payments
- ✚ Rental income
- ✚ Contract payments
- ✚ Dividends and capital gains

3. Challenges and Issues:

- ✚ Compliance challenges for deductors and deductees
- ✚ Ambiguities in TDS provisions
- ✚ Litigation and disputes related to TDS

4. Impact on Businesses:

- ✚ Cash flow implications
- ✚ Administrative burden and compliance costs
- ✚ Strategies for efficient TDS management

5. Impact on Individuals:

- ✚ TDS on salary and other income
- ✚ Refund processes and timelines
- ✚ Planning to minimize TDS impact

6. Government Revenue and Economic Implications:

- ✚ Contribution of TDS to government revenue
- ✚ Economic effects of TDS policies

- ✦ TDS and fiscal discipline

7. International Perspectives:

- ✦ Comparative analysis of TDS systems globally
- ✦ Lessons learned from international best practices

8. Future Trends and Recommendations:

- ✦ Emerging trends in TDS administration
- ✦ Policy recommendations for enhancing TDS efficiency
- ✦ Technological advancements in TDS implementation

Old Tax Slabs		New Tax Slabs	
Up to Rs 2.5 lac	Nil	Up to Rs 2.5 lac	Nil
Rs 2.5 - 5 lac	5%	Rs 2.5 - 5 lac	5%
Rs 5 - 10 lac	20%	Rs 5 - 7.5 lac	10%
Rs 10 lac & above	30%	Rs 7.5 - 10 lac	15%
-	-	Rs 10 - 12.5 lac	20%
-	-	Rs 12.5 - 15 lac	25%
-	-	Rs 15 lac & above	30%

CONCLUSION

TDS (Tax Deducted at Source) is a vital component of the tax framework, ensuring efficient tax collection and compliance. Whether you are an individual or a business entity, understanding TDS and its implications is crucial for maintaining financial discipline and meeting your tax obligations. By being aware of the applicable rates, exemptions, and deductions, you can optimise your tax planning and minimise your overall tax burden.

Remember, it is advisable to consult with a tax professional or seek guidance from the relevant authorities to ensure accurate compliance with TDS regulations.

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