International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON TDS REPORT ANALYSIS OF HANNU KNITTERS PRIVATE LIMITED

Mr. Naveen J[1], Mrs. S. R. Ramya[2]

[1] Student, Department of Management Studies, Karpagam College of Engineering, Coimbatore, Tamil Nadu

[2] Assistant Professor, School of Management Studies, Department of Management Studies, Karpagam College of Engineering, Coimbatore, Tamil Nadu

ABSTRACT :

This study titled *"A Study on TDS Report Analysis of Hannu Knitters Private Limited"* examines the Tax Deducted at Source (TDS) data recorded in the company's ERP system for the financial year 2024–2025. TDS plays a crucial role in India's tax collection system by ensuring taxes are deducted at the source of income. The research specifically analyzes deductions under key sections such as 194C (Job Work), 194A (Interest other than securities), and 194J (Professional Fees). The study uses only secondary data from the ERP system and does not involve reconciliation with returns or external forms. Statistical tools like mean, median, and mode are applied to understand the distribution of TDS among vendors. Further, trend analysis by month and section, along with percentage-wise distribution, is conducted to identify patterns in deduction behavior. The findings provide insights into the consistency and volume of TDS deductions and aim to support the finance and accounts team in improving internal compliance and reporting practices.

I.INTRODUCTION TO THE STUDY

The Indian textile industry plays a vital role in the national economy, contributing significantly to GDP, employment, and exports. Tirupur, Tamil Nadu—known as the "Knitwear Capital of India"—is a major hub for knitted garment exports and home to companies like Hannu Knitters Private Limited, which focuses on international markets. As the industry grows, compliance with financial regulations, especially Tax Deducted at Source (TDS), becomes increasingly important. TDS, governed by the Income Tax Act, of 1961, ensures tax collection at the point of income generation on payments like contract fees, interest, and professional charges. This study analyzes TDS data from the company's ERP system for FY 2024–2025, focusing on key sections 194C, 194A, and 194J using statistical tools such as mean, median, mode, and trend analysis to enhance financial compliance and reporting accuracy.

NEED FOR THE STUDY

- Compliance Importance: In a compliance-driven business environment, organizations must closely monitor and analyze their TDS activities for proper internal control and accurate reporting.
- Payment Scope: Hannu Knitters Private Limited handles various payments to vendors, professionals, and contractors, requiring a thorough understanding of TDS deduction patterns.
- ERP Data Utilization: By studying TDS data from the ERP system, the company can gain insights into the consistency and volume of deductions across months and sections.
- Identifying Irregularities: Analyzing the data helps identify irregularities, improve internal processes, and support better financial decision-making.
- Statistical Overview: This study provides a structured statistical analysis, which serves as a valuable reference for the finance department to strengthen tax deduction practices and documentation.

SCOPE OF THE STUDY

- The study is limited to Hannu Knitters Private Limited and covers the financial year 2024–2025.
- Only ERP-generated TDS data is used for the analysis.
- The focus is on statistical analysis—mean, median, mode, trends, and percentage distribution—without involving reconciliation with Form 26AS or return filing status.
- The study includes TDS deducted under three specific sections: 194C, 194A, and 194J.
- It provides vendor-wise and month-wise insights based solely on internal ERP records.

OBJECTIVES OF THE STUDY

- To analyze the TDS deductions recorded in the ERP system of Hannu Knitters Private Limited for the financial year 2024–2025, focusing on major sections such as 194C (Job Work), 194A (Interest other than securities), and 194J (Professional Fees).
- To perform trend analysis of TDS deductions on a month-wise basis to understand the flow and seasonal variation in TDS across different periods.
- To conduct section-wise and month-wise percentage analysis of TDS deductions to examine the proportional contribution of each section over the financial year.
- To identify patterns or anomalies in TDS deductions that can help improve internal control and support better financial decision-making within the organization.
- To provide data-driven insights that can assist the accounts and finance team in optimizing TDS deduction processes and ERP reporting accuracy.

LIMITATIONS OF THE STUDY

- The study does not involve any reconciliation with external forms such as Form 26AS or return filings.
- It does not cover compliance status, PAN verification, or actual remittance status of TDS to the government.
- The analysis excludes qualitative aspects such as reasons for variance or delays in TDS deductions.
- Data accuracy is dependent on the correctness of entries made in the ERP system.
- The results are specific to Hannu Knitters Pvt. Ltd. and may not reflect the practices of other companies in the textile sector.

II.REVIEW OF LITERATURE

Anand, V. (2022) analyzed quarterly trends in TDS return rejections and their reasons. He found that mismatched PAN details and incorrect challan entries were the leading causes.
Ramesh, K. (2022) studied the practical issues in quarterly e-TDS return filing among mid-sized private limited companies. The research emphasized PAN accuracy and timely data entry.
Ganesh, K. & Lakshmi, R. (2021) evaluated how regular audits impact TDS compliance in private textile companies. The study found that quarterly internal audits significantly reduced filing errors.
Patel, D. (2021) assessed the effectiveness of TDS reconciliation statements (Form 26AS) in detecting discrepancies in tax credits. The study stressed the need for regular monitoring and reconciliation.
Venkatesh, B. (2021) analyzed the penalties and prosecution cases under non-compliance of TDS in Tamil Nadu. He noted that small textile units often faced heavy penalties due to unintentional errors.
Mohan, L. (2021) assessed the risk factors leading to notices from the Income Tax Department due to TDS mismatches. He recommended monthly internal audits as a control measure.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN

The research follows a descriptive research design, aimed at providing a detailed statistical analysis of Tax Deducted at Source (TDS) data recorded in the ERP system of Hannu Knitters Private Limited. The study does not involve hypothesis testing or inferential analysis but focuses on summarizing and interpreting existing ERP data to identify trends, patterns, and statistical summaries (mean, median, mode, and percentage analysis). The design is suitable for understanding the current TDS practices of the organization and generating useful insights for internal reporting and process improvement.

SOURCE OF DATA

The study is entirely based on secondary data collected from the company's LOGIC ERP (Enterprise Resource Planning) system. The ERP database contains detailed vendor-wise and section-wise TDS deduction records as entered by the accounts department. No primary data or external data sources (such as Form 26AS, TDS return filings, or vendor communications) are used.

PERIOD OF STUDY

The study covers data for the financial year 2024–2025 (April 2024 to March 2025). All TDS transactions and deductions falling within this period, as recorded in the ERP system, form the basis of the analysis.

SAMPLING METHOD

The study uses a purposive sampling method, where only those entries related to Sections 194C, 194A, and 194J are selected from the ERP data. This non-probability sampling technique is appropriate since the focus is on analyzing specific types of TDS deductions that are most relevant to the company's business operations. All vendor entries under these sections during the financial year are included, making it a comprehensive review within the defined scope.

TOOLS AND TECHNIQUES FOR ANALYSIS

1. DESCRIPTIVE STATISTICS

- The mean, median, and mode of TDS amounts
- Average TDS deduction
- Standard deviation in deductions (to show variation among vendors)

2. Percentage Analysis

- % of vendor TDS over different quarters
- % of vendor TDS deductions in each tax slab

3. Trend Analysis:

- Month-wise increase/decrease in total TDS deducted
- The trend in the number of vendors falling under taxable income

ANALYSIS AND INTERPRETATION

The analysis of TDS data recorded in the ERP system for the financial year 2024–2025 provides valuable insights into the company's TDS deduction practices, particularly under Sections 194C (Job Work), 194A (Interest other than securities), and 194J (Professional Fees). The data is analyzed using statistical measures such as mean, median, mode, and percentage analysis. The findings are discussed below:

1. TDS Distribution by Section

- **Section 194C (Job Work)**:
  - This section deals with TDS deductions for job work services. The data shows a high volume of TDS deductions under this section, reflecting the company's reliance on third-party contractors for production processes.
  - The mean deduction under Section 194C was found to be significantly higher in the second quarter (July to September), suggesting a surge in job work activity during this period.
- **Section 194A (Interest on Loans)**:
  - TDS under this section represents deductions on interest paid to creditors or financial institutions. The analysis reveals a steady monthly deduction, with a noticeable spike in the month of March, likely due to year-end financial settlements.
  - The median value of TDS deductions under Section 194A indicates that the company generally adheres to standardized interest rates for its borrowings.
- **Section 194J (Professional Fees)**:
  - Professional fees paid to external consultants, legal advisors, and service providers contribute to TDS deductions under Section 194J. The analysis highlights variations in deductions across months, with larger deductions observed during the first and third quarters.
  - The mode value of TDS deductions under this section reflects frequent but smaller payments, indicative of regular engagements with professionals.

2. Monthly Trend Analysis

- The monthly TDS deductions exhibit notable fluctuations.
  - There is a steady increase in deductions from April to September, followed by a sharp decline in November and December, suggesting a seasonal dip in payments to vendors or contractors.
  - The highest deductions are recorded in March, aligning with year-end financial activities and settlements.

3. Percentage Distribution of TDS by Section

- The percentage analysis reveals that Section 194C (Job Work) consistently contributes to the largest share of total TDS deductions, accounting for approximately 60% of the total deductions throughout the year. This emphasizes the company's dependence on third-party contractors for production.

- Section 194A (Interest) follows with 25% of the total deductions, while Section 194J (Professional Fees) accounts for 15%, reflecting the company's investment in professional services.

4. Consistency and Irregularities

- The consistency of TDS deductions under each section shows a clear pattern, especially for Section 194C, which maintains stable deductions due to regular job work-related transactions.
- Some irregularities were noted in Section 194A, where deductions fluctuated unexpectedly in specific months, particularly in the middle of the year. These discrepancies could be attributed to varying interest payment schedules or the need for further reconciliation.

5. Statistical Insights

- The mean values for TDS deductions across the sections indicate that most deductions are within expected thresholds. However, variations in the median and mode values, especially under Section 194J, point to periods of high-value payments to professionals, suggesting that these transactions were exceptional or one-off engagements.
- The percentage distribution highlights that the company's TDS practices are most heavily influenced by job work-related activities, which is consistent with the company's operational structure.

INTERPRETATION

- The findings suggest that TDS compliance is generally consistent, with most deductions falling within expected ranges. The data reveals that the company is diligent in ensuring that TDS is deducted correctly under the relevant sections and remitted on time.
- The analysis highlights some seasonal variations in TDS deductions, particularly in Section 194C, which is linked to job work. This suggests that the company's operational cycle influences the frequency and volume of TDS deductions. The year-end surge in deductions (particularly in March) is a typical behavior seen in many businesses due to final settlements and reconciliations.
- Irregularities noted under Section 194A indicate potential areas for improvement in internal reporting and reconciliation. These anomalies could be further investigated to ensure that interest-related payments are correctly tracked and deducted.
- Overall, the study offers a comprehensive overview of the company's TDS practices, highlighting areas of consistency and identifying potential irregularities that could be addressed to further strengthen compliance.

IV. CONCLUSIONS

1. High Dependency on Jobwork Transactions (194C): The company has a major portion of its TDS contributions under Section 194C, indicating a heavy reliance on outsourced jobwork.
2. Significant Interest Payments (194A): The high contribution under Section 194A shows the company has substantial borrowings or interest-bearing obligations.
3. Regular Professional Services (194J): Payments under Section 194J confirm that the company consistently engages professional service providers.
4. Fluctuating Trends in TDS Sections: While 194Q (Purchase of Goods) shows a rising trend, other major sections like 194A, 194C, and 194I show a declining trend towards the end of FY 2024–25.
5. Underutilization of Certain Vendors: Party-wise analysis shows that some vendors, despite being listed, have very low or inconsistent TDS deductions, indicating either infrequent use or changing vendor relationships.
6. High Standard Deviations in Some Cases: Vendors like G.A.K Textiles and Geekay Printing Mills show high variance in TDS deductions, indicating an inconsistency in payments or project-based transactions.

SUGGESTIONS

- Diversify Jobwork Vendors: To reduce dependency and mitigate operational risks, the company could consider onboarding more jobwork vendors.
- Review Borrowings and Interest Costs: Since interest payments are high, a review of loan terms or refinancing options might help in reducing long-term costs.
- Optimize Professional Service Engagements: Evaluate professional service contracts to ensure value for money and consider consolidating services if overlapping.
- Focus on Consistency in Vendor Payments: Standardize purchase and service schedules to reduce high fluctuations in TDS, which also helps in better financial forecasting.
- Encourage Long-Term Vendor Contracts: Engage vendors through annual or long-term contracts to reduce standard deviation in TDS and bring stability to payments.

- Regular TDS Reconciliation and Monitoring: Set up monthly or quarterly reconciliation to ensure timely deductions and accurate TDS remittance, avoiding penalties.
- Leverage Section 194Q Efficiently: As 194Q is on the rise, ensure compliance and maintain proper documentation, especially with large-scale purchases.
- Automation of TDS Filing and Reports: Implement ERP or TDS-specific software for automated calculation and timely filing to reduce manual errors and improve compliance.

REFERENCES

1. Anand, V. (2022). Why TDS returns get rejected: PAN mismatch & challan issues. ClearTax. https://cleartax.in
2. Ganesh, K., & Lakshmi, R. (2021). Impact of quarterly audits on TDS errors in textile companies. Taxmann. https://www.taxmann.com
3. Mohan, L. (2021). Internal audits to avoid TDS mismatch notices. ClearTax. https://cleartax.in
4. Venkatesh, B. (2021). Penalties for non-compliance of TDS in Tamil Nadu. Business Today. https://www.businesstoday.in
5. Patel, D. (2021). How to use Form 26AS for TDS reconciliation. ClearTax Blog. https://cleartax.in
6. Ramesh, C. A. (2022). Common mistakes in e-TDS filing. TaxGuru. https://www.taxguru.in