

GET DUE CREDIT FOR TAXES DEDUCTED ON YOUR BEHALF



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Income Tax department collects about 38% of the entire direct tax collection through Tax Deduction at Source or TDS. For the current year, this will be in the range of about Rs 142000 crore. While the department has been widening the reach of TDS through legislative measures and tightening its enforcement through use of latest Information Technology tools, serious problems persist regarding grant of credit to taxpayer for the taxes deducted on his behalf. The Income Tax Act obliges all persons/authorities paying salary, interest, lottery winnings, contract amounts, commission, brokerage, rent, professional fees, royalty, and foreign remittances etc to deduct tax on behalf of the payees at the prescribed rates. The deductors, in turn, are legally required to deposit tax so deducted in central government account and to submit a return of TDS on electronic medium every quarter. These quarterly TDS returns contain identity particulars i.e. PAN of all payees along with details and nature of the amounts paid to each and taxes deducted on his behalf.

The law says that any amount deducted under the IT Act and paid to Central Government shall be treated as a payment of tax on behalf of the person from whose income it was deducted (Section 199), and that such person shall not be called upon to pay the tax

to the extent to which it has been deducted. It is, however, a frequent experience of taxpayers that even where taxes have been duly deducted from their incomes, they do not get full credit for the same and have to either run around for this or forego their claims.

The way for the taxpayers to claim credit for the TDS deducted on their behalf is to file their annual return of income and claim credit for the taxes deducted. Earlier, it was necessary to enclose certificates of TDS issued by the deductors with the returns of income. The department allowed credit for TDS on the basis of these certificates. The position changed from 2007 when in order to facilitate electronic filing of returns, the department insisted that no document should be attached with the returns of income.

Annual Tax statement

The underlying premise was that since all TDS returns filed by the deductors will be in electronic mode and will contain complete data of payees with their PANs, the department would be able to electronically verify the claims for pre-paid taxes claimed by the taxpayers in their returns of income. In order to streamline the process, a new Section 203AA was inserted in Income Tax Act and eventually operationalised from 1.4.2008 which obliged the Director General of Income-tax (Systems) or the person authorised by him to prepare a statement of TDS in the prescribed form specifying the amount of tax deducted and other relevant particulars and deliver it to every person from whose income tax has been deducted, within a prescribed time after the end of each financial year. This statement is known as Annual Tax Statement or Form 26AS, and contains particulars of all

pre-paid taxes i.e. TDS, advance tax or self-assessment tax separately-

- Part A gives details of TDS made by each deductor (with his name & TAN) date, amount and nature of payment, and tax deducted at source;
- Part B gives similar details about Tax Collected at Source (TCS) by sellers of specified goods; and
- Part C gives details of income tax paid by the taxpayer as advance tax, self-assessment tax or regular tax.

NSDL and TDS

NSDL has been authorised to generate Form 26AS for all taxpayers from the data of tax payments received by it from banks and the quarterly TDS returns received by it from tax deductors. The central system at NSDL matches the information of deposit of TDS in the TDS returns filed by deductors, with the corresponding information received from the banks and on a successful match posts the relevant particulars to the Form 26AS of the taxpayer concerned. This is done by using PAN of the taxpayer, mentioned by the deductor in the TDS return, as the unique identifier. Similarly, information of payment of advance tax/self-assessment tax by the taxpayer directly in the bank, transmitted to NSDL, is also posted in the respective Form 26AS. This is an ongoing exercise throughout the year and as and when TDS returns are furnished by the deductors and challan information is received from banks, Form 26AS keeps getting updated. NSDL allows access to taxpayers to see their Form 26AS online.

Easy yet complicated at times

Form 26AS is the primary data on which the Department gives credit for pre-paid taxes while processing the returns of income of taxpayers. An entry in this confirms that:

- tax deducted by the deductor on has been deposited in government account
- deductors concerned have correctly filed their returns of TDS
- bank has correctly accounted for and furnished details of tax deducted/deposited



- credit to that extent is available for the taxpayer on whose behalf it was deducted

Therefore, if the entries in Form 26AS are correct and complete, the return of income (and refund claim, if any) will get processed very quickly. Otherwise, the mismatch between the pre-paid taxes claimed in the return of income and the data in Form 26AS available with the department will trigger a complicated reconciliation process delaying the issue of refund.

Online facility to make things easier

NSDL has created an online facility to continuously access data online on the website <http://tin.nsd.com/>. Since the tax payment data is regarded as confidential, the access for taxpayers requires a one-time registration wherein taxpayer can file an online request and thereafter complete a simple verification process, in which his PAN card and signature are verified by NSDL. The registration charges are Rs 15 if the taxpayer visits TIN Facilitation Centre for verification and Rs 100 if the taxpayer requests an agent of TIN to visit him. A similar access facility is also available to taxpayers having internet banking facility.

Importance of quoting right PAN

Since Form 26AS is drawn on the basis of information coming from

deductors on the one hand and from the banks (where tax is deposited) on the other, its accuracy is critically dependent on completeness and correctness of these data sources. Again, since collation of data is based on PAN of the taxpayer, quoting correct PAN is of critical importance. Therefore, it is important for taxpayers to intimate their correct PAN to persons responsible for deducting tax on their behalf and to quote their PAN in challans while paying advance tax or self-assessment tax.

What make things difficult?

The main reasons for some TDS/TCS entries not appearing in Form 26AS of a taxpayer are-

- The most common reason is that one or more deductor(s) have not filed their TDS/TCS returns for one or more quarters. The problem is more common among deductors of government sector and local bodies etc.
- Often taxpayers do not provide their correct PAN to the deductor or the deductor commits a mistake in quoting PAN of the taxpayer;
- If deductor commits some mistake while entering details of the challan(s) against which taxes deducted were deposited in the bank, a data mismatch occurs and the particulars do not get posted to Forms 26AS of all taxpayers concerned.

Similarly, the main reasons for

some entries relating to advance tax or self-assessment tax not appearing in Form 26AS of a taxpayer are that PAN is not properly or correctly quoted in the tax payment challans or the bank has either committed an error in entering the PAN while digitizing the challan data or has not uploaded the challan information on NSDL.

SOLUTION TO PROBLEM

NSDL website lists solutions to rectify these omissions. Where the missing item is due to the fact that PAN was not given by the taxpayer to the deductor or the deductor did not quote it or misquoted it in the quarterly TDS/TCS return, the deductor can furnish a correction statement with NSDL. In cases where the mismatch occurs due to mistakes in particulars of challans by which tax was deposited by the deductor with bank, the deductor can furnish a correction statement with NSDL. Where a taxpayer notices that an amount of TDS deducted on his behalf is altogether missing from his Form 26AS because the deductor concerned has not filed his quarterly TDS return, he should take up the matter with the deductor, and in extreme cases report the matter to the Income Tax Officer in-charge concerned of TDS Section. The deductors are liable to various penal actions for non-filing or late filing of TDS returns as also for non-payment/late-payment of TDS. The latter two defaults can also invite prosecution under the Income Tax Act. If the problems of mismatch are not resolved by the deductor or the bank, the taxpayers can contact TIN Call Centre (3rd Floor, Sapphire Chambers, Baner, Pune-411 045. Tel: 020-2721 8080. E-mail: tininfo@nsdl.co.in).

It is advisable that taxpayers frequently check their Form 26AS online at the NSDL website for any mistake(s) or omission, and take corrective action during the year itself. Sooner such mistakes are noticed, reported and got corrected the better for everyone. A correct and complete Form 26AS will make filing of return of income easier for the taxpayer, and its processing (as also issue of refund) faster for the Tax department.

The writer has served as Member, Central Board of Direct Taxes, Government of India. The author is winner of PM's Award for Excellence in Public administration.