

What is TDS?

The person who is responsible for making payment of certain incomes or disbursing certain amounts has to deduct income tax at the prescribed rates before such payment or disbursal and is known as Tax Deducted at Source (TDS). Such amount should be deposited by the deductor in the Government Treasury within the prescribed limit.

TDS Certificate

The person who deducts TDS is supposed to issue a certificate specifying the income of amount in amount and TDS made and deposited with Government Treasury to the receiver of income or amount and is known as TDS certificate. This is the proof of tax already remitted on behalf of the receiver of income.

Problems and solutions on Advance Tax

PROBLEM NO. 1

Shri Basu has estimated the following income for the financial year 2017-18

- Income from House property (Taxable) – Rs. 75,000
- Income from profession (Taxable) – Rs. 7,07,500
- Dividend from X Ltd – Rs. 10,000

Determine the instalments of Advance Tax payable during financial year 2017-18

SOLUTION:

Computation of Taxable income for the financial year 2017-18

Income from HP (Taxable)	75,000
Income from profession (Taxable)	7,07,500
Income from other sources Dividend from Indian company	Exempted
GTI	7,82,500
Less: Deduction u/s 80	NIL
NTI	7,82,500
Tax on 7,82,500 Upto Rs. 2,50,000 – NIL Next Rs. 2,50,000 – 12,500 Balance Rs. 2,82,500 – 56,500	69,000
Add: 3% cess	2,070
	71,070

Upto 15-06-2017 = 15% x 71,070 = 10661

Upto 15-09-2017 = 30% x 71070 = 21,321 (To make 45%)

Upto 15-12-2017 = 30% x 71,070 = 21,321 (To make 75%)

Upto 15-03-2018 = 25% x 71070 = 17,767 (To make 100%)

Total = **71070**

PROBLEM NO. 2

Mr. Ajay has the following estimated incomes for FY 2017-18.

Business Income (Taxable) = 4,90,000

Income from HP (Taxable) = 1,20,000

Income from other sources - Interest on securities (Taxable) = 30,000

Calculate advance tax instalments.

SOLUTION:

Computation of taxable income for the FY 2017-18

Income from Business	4,90,000
Income from HP	1,20,000
Income from other sources Interest on securities	30,000
Tax payable	6,40,000
Tax payable: First 2,50,000 – NIL Next 2,50,000 – 12,500 Balance 1,40,000 – 28,000	40,500
Add: Surcharge	Nil
Add: 3% Cess	1,215
	41,715

Upto 15-06-2017 = 15% x 41,715 = 6,257

Upto 15-09-2017 = 30% x 41,715 = 12,515

Upto 15-12-2017 = 30% x 41,715 = 12,515

Upto 15-03-2018 = 25% x 41,715 = 10,428

41,715

PROBLEM NO. 3

The following are the incomes of Mr. Saket for the financial year 2017-18

Taxable Income from Business = 6,00,000

Taxable Income from HP = 2,00,000

Taxable Income from other sources = 50,000

Calculate Advance tax instalments

SOLUTION:

Computation of total taxable income for the financial year 2017-18

Taxable income from Business	6,00,000
Taxable income from HP	2,00,000
Taxable income from other sources	50,000
	8,50,000
Tax payable Upto 2,50,000 = NIL Next 2,50,000 = 12,500 Balance 3,50,000 = 70,000	82,500
Add: Surcharge	NIL
	82,500
Add: 3% Cess	2,475
	84,975

Upto 15-06-2017 = 15% x 84,975 = 12,746
 Upto 15-09-2017 = 30% x 84,975 = 25,493
 Upto 15-12-2017 = 30% x 84,975 = 25,493
 Upto 15-03-2018 = 25% x 84,975 = 21,243
84,975

PROBLEM NO. 4

Mr. Sudhi has a taxable total income estimated to be 5,50,000. Calculate the advance tax instalments if the estimated TDS is 5,000.

SOLUTION:

Taxable income = 5,50,000

Tax payable:

Upto 2,50,000 = NIL

Next 2,50,000 = 12,500

Balance 50,000 = 10,000

Total = **22,500**

Add: Surcharge = NIL

= **22,500**

Add: 3% Cess = 675

= **23,175**

Less: TDS = 5,000

Advance Tax = 18,175

Upto 15-06-2017 = 15% x 18,175 = 2,726

Upto 15-09-2017 = 30% x 18,175 = 5,453

Upto 15-12-2017 = 30% x 18,175 = 5,453

Upto 15-03-2018 = 25% x 18,175 = 4,543

18,175

PROBLEM NO. 5

The estimated taxable business income of P Ltd for the financial year 2017-18 is Rs. 6,00,000 and taxable LTCG on 03-06-2017 is Rs. 3,00,000. Calculate the advance tax instalment assuming estimated TDS to be 15,000.

SOLUTION:

Computation of Taxable total income for the financial year 2017-18

Business income	6,00,000
Taxable LTCG	3,00,000
GTI/NTI	9,00,000
Tax payable	
LTCG @ 20% x 3,00,000	60,000
Balance 6,00,000 x 30%	1,80,000
	2,40,000
Add: Surcharge	NIL

	2,40,000
Add: 3% cess	7,200
	2,47,200
Less: TDS	15,000
	2,32,200

Upto 15-06-2017 = 15% x 2,32,200 = 34,830

Upto 15-09-2017 = 30% x 2,32,200 = 69,660

Upto 15-12-2017 = 30% x 2,32,200 = 69,660

Upto 15-03-2018 = 25% x 2,32,300 = 58,050

2,32,200

PROBLEM NO. 6

XY & Co., a firm, has an estimated taxable business income of rs. 4,80,000 and taxable STCG of Rs. 1,20,000 on 03-06-2017. Calculate advance tax in statements if the TDS is estimated to be Rs. 11,000 for the financial year 2017-18.

SOLUTION:

Computation of Taxable income for the financial year 2017-18

Business income taxable	4,80,000
STCG taxable	1,20,000
GTI/NTI	6,00,000
Tax on STCG 1,20,000 x 15%	18,000
Balance 4,80,000 x 30%	1,44,000
	1,62,000
Add: Surcharge	NIL
	1,62,000
Add: 3% cess	4,860
	1,16,860
Less: TDS	11,000
Advance tax payable	1,05,860

Upto 15-06-2017 = 1,05,860 x 15% = 15,879

Upto 15-09-2017 = 1,05,860 x 30% = 31,758

Upto 15-12-2017 = 1,05,860 x 30% = 31,758

Upto 15-03-2018 = 1,05,860 x 25% = 26,465

1,05,860

Problems and Solutions on TDS

PROBLEM NO. 1

Calculate the TDS to be made in respect of the following transactions for FY 2017-18 (AY 2018-19)

- a. Salary estimated for the year Rs. 4,20,000 and income from other sources Rs. 1,20,000 (both taxable)

- b. Gross winnings from lottery Rs. 45,000
- c. Gross amount from Horse race Rs. 4,000
- d. Insurance commission Rs. 25,000
- e. Commission on sale of lottery tickets Rs. 7,000
- f. Interest on securities Rs. 12,000

Solution:

a.

Taxable salary estimated	– Rs. 4,20,000
Taxable income from other sources	– Rs. 1,20,000
GTI/NTI	– Rs. 5,40,000

Income Tax :

Upto 2,50,000	– NIL
Next 2,50,000 @ 10%	– 12,500
Balance 40,000 @ 20%	– 8,000
	20,500
Add: Surcharge	NIL
	20,500
Add: 3% cess	615
	21,150

Per month TDS = 21,150/12 = Rs. 1,760

- b. Gross winnings from lottery = 45,000
TDS @ 30% x 45000 = 13,500
- c. Gross winnings from Horse Race Rs. 4,000
No TDS as its below Rs. 10,000
- d. Insurance commission Rs. 25,000
TDS 25,000 x 5% = Rs. 1,250
- e. Commission on sale of lottery = Rs. 7,000
No TDS as its below Rs. 15,000
- f. Interest on securities Rs. 12,000
TDS = 12,000 x 10% = Rs. 1,200

PROBLEM NO. 2

Calculate TDS in Each case:

- a. Taxable salary income Rs. 3,50,000
Taxable House Property Income 80,000 (estimated)
- b. Payment to Electrical contractor Rs. 40,000, Mr. X who is an individual (Gross)
- c. Payment to L&T Ltd, a civil contracting company Rs. 4,00,000 by cheque (Gross)
- d. Premature withdrawal from RPF Rs. 40,000
- e. Interest on bank deposits (Gross) Rs. 28,000
- f. Commission from Real estate agency Rs. 40,000

Solution:

a. Taxable Salary	3,50,000
Taxable HP income	80,000
GTI/NTI	4,30,000

Tax thereon	
Upto 2,50,000	NIL
Balance 1,80,000 x 5%	9,000

9,000

Add: Surcharge NIL

9,000

Add: Cess @ 3% 270

9,270

Monthly TDS = $9,270/12 = 772.5$ per month

- b. Payment to electrical contractor = 40,000
TDS 1 % of 40,000 is 400
- c. Payment corporate contractor = Rs. 4,00,000
TDS 2% of 4,00,000 is 8,000
- d. Premature withdrawal from RPF 40,000
No TDS as it is below 50,000
- e. Interest on Bank deposits (Gross) 28,000
TDS 10% Rs.2,800
- f. Commission on Real Estate Agency Rs.40,000
TDS 5% of 40,000 is Rs.2,000

PROBLEM NO. 3

Calculate TDS in the following cases:

- a. Amount received from LIC Policy 1,20,000
- b. Amount from sale of building, the total amount of sale consideration = 52,00,000
- c. NSS deposit amount received Rs. 4,000
- d. Professional fees paid to Mr. Kanaka pillai, an auditor for Income tax work Rs. 40,000
- e. House rent paid to owner at Rs. 38,000 per month rent
- f. Compensation for the acquisition of a part of the immovable property for expanding the road Rs. 2,20,000

Solution:

- a. Amount from LIC – 1,20,000

- TDS = $1\% \times 1,20,000 = 1,200$
- b. Amount from sale of building = 52,00,000
TDS = $52,00,000 \times 1\% = 52,000$
- c. NSS Deposit amount received Rs. 4,000
TDS = $4,000 \times 10\% = \text{Rs. } 400$
- d. Professional fees = 40,000
TDS = $40,000 \times 10\% = 4,000$
- e. House rent = Rs. 38,000
No TDS upto Rs. 50,000 per month
- f. Compensation for the acquisition of land Rs. 2,20,000
No TDS upto Rs. 2,50,000

PROBLEM NO. 4

Calculate TDS in the following cases:

- Compensation for the acquisition of land Rs. 5,00,000
- Rent received Rs. 60,000 per month on building
- Amount from RPF on premature settlement Rs. 70,000
- Interest on deposits with a firm Rs. 28,000
- Amount paid to civil contractor Rs. 20,000 but the aggregate amount during the year exceeds one lakh rupees and contractor is X ltd
- Commission on sale of house Rs. 80,000
- Interest on securities Gross Rs. 22,000

Solution:

- Compensation for land acquisition Rs. 5,00,000
TDS = $5,00,000 \times 10\% = 50,000$
- Rent received Rs. 60,000 per month
TDS = $60,000 \times 5\% = 3,000$ per month
- RPF amount on premature settlement Rs. 70,000
TDS = $70,000 \times 10\% = 7,000$
- Interest on deposit with firm Rs. 28,000
TDS = $28,000 \times 10\% = 2,800$
- Payment to X ltd, contractor exceeding rs. 1,00,000 per annum Rs. 20,000
TDS $20,000 \times 2\% = 400$
- Commission on sale of house = Rs. 80,000
TDS $80,000 \times 5\% = 4,000$
- Interest on securities = 22,000
TDS = $22,000 \times 10\% = 2,200$

PROBLEM NO. 5

Calculate TDS in the following cases:

- Amount of gross income from house race Rs. 1,50,000

- b. Interest on securities Rs. 28,000
- c. Amount from premature withdrawal of provident fund Rs. 85,000
- d. Insurance commission Rs. 24,000
- e. Paid to sanitary contractor Mr. Sanjeev Reddy, Gross Rs. 39,000
- f. Amount from sale of immovable property Rs. 30,00,000
- g. Amount from life insurance policy Rs. 90,000
- h. Amount paid to lawyer 80,000

Solution:

- a. Race amount Rs. 1,50,000
TDS $1,50,000 \times 30\% = 45,000$
- b. Interest on securities 28,000
TDS $28,000 \times 10\% = 2,800$
- c. Amount from premature withdrawal Rs. 85,000
TDS $85,000 \times 10\% = 8,500$
- d. Insurance commission 24,000
TDS $= 24,000 \times 5\% = 1,200$
- e. Payment contractor Rs. 39,000
TDS $= 29,000 \times 1\% = 390$
- f. Amount from sale of immovable property Rs. 30,00,000
No TDS as its below 50,00,000
- g. Amount from LIC policy Rs. 70,000
NO TDS as its below Rs. 1,00,000
- h. Amount paid Rs. 80,000 to lawyer
TDS $= 80,000 \times 10\% = 8,000$