

**Corporate advisory on Section 206AB to be introduced from 1<sup>st</sup> July 2021**  
**under the Income Tax Act**

**Introduction**

The finance minister in Budget 2021 introduced a special provision of TDS in the Income Tax Act 1961. A new section has been inserted, which shall be applicable from 1st July 2021. The main objective behind inclusion of Section 206 AB is to ensure that taxpayers file their income tax return without fail.

**Provisions of Section 206AB and Section 206CCA**

- **The higher rate of TDS/TCS shall be applicable in case of person where:**
  - He has not filed the return of income for both the two preceding Assessment Years.
  - Aggregate of TDS and TCS is exceeding INR 50000 (approximately Euro 570) in each of these two previous years.
  - For above, the Company is required to provide **declaration** to all its customers that it has duly filed relevant Income Tax returns. The copy of the declaration is separately attached for your records.



Declaration Section  
206AB.rtf

- **TDS shall be deducted at the higher of**
  - twice the rate specified in the relevant provision of the Act; or
  - twice the rate or rates in force; or
  - the rate of five percent (5%).
- **TCS shall be collected at the higher of**
  - twice the rate specified in the relevant provision of the Act; or
  - the rate of five percent (5%)

**The provisions of section 206AA and 206CC, for non-furnishing of PAN shall continue to apply.**

For Example- A deductee has failed to file the return of income for the AY- 2020-21. The TDS deducted under Section 194J shall be higher of-

- Twice the rate mentioned in the relevant provision of the Act- 20%;
- Twice the rates in force- 20%;
- 5%

Eventually, TDS will be deducted at 20%.

**On the below payments Section 206AB of Income Tax Act will not be applicable:**

- Section 192- TDS on salary;
- Section 194A- TDS on premature withdrawal of EPF;
- Section 194B- TDS on winnings from lottery;
- Section 194BB- TDS on winning from horse race;
- Section 194LBC- TDS by securitization trust;
- Section 194N- TDS on withdrawal of cash;
- Non-resident not having permanent establishment in India.

**How can Octagona assist?**

For any doubts, queries, or concerns regarding the shared information, please feel free to contact the following:

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