

TAX ALERT

CBDT EXTENDS VALIDITY OF LOWER / NIL WITHHOLDING CERTIFICATES TILL 30.06.2020

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NIL OR LOWER RATE DEDUCTION OF TDS

Date: 01.04.2020

The COVID-19 pandemic has, apart from the health hazard, created an unprecedented disruption to the world economy. In the last few days, the Government has announced certain measures such as extending the deadlines for compliance and relaxation of certain provisions under various Acts.

Recognizing the disruption caused due to COVID-19 pandemic in functioning of most of the sectors including the Income Tax Department, the Central Board of Direct Taxes (CBDT) issued a notification on 31.03.2020 easing the process of issue of certificates for lower rate/nil deduction/collection of TDS or TCS with respect to FY 2020-21. Also considering the constraints of field officers in disposing of applications for lower or Nil rate of TDS/TCS for F.Y.2020-21 and to mitigate the hardship caused to taxpayers, the CBDT **has extended a major relief to taxpayers, as the validity of certificate is extended to June 30,2020**

Directions /clarifications covered in notification are tabulated for ready reference:

| Case | Taxpayer to whom directions/clarifications are applicable | Directions/clarifications |
|------|--|---|
| 1 | <p>a. Taxpayer who have filed application for lower/nil deduction of certificate for F.Y.2020-21 and whose applications are pending for disposal and</p> <p>b. Taxpayer has been issued such certificate for F.Y.2019-20.</p> | <p>✓ Certificate issued for F.Y.2019-20 shall continue to apply till 30.06.2020.</p> <p>✓ If application is disposed by Assessing officer before 30.06.2020 then the new certificate shall be applicable from the date determined in the certificate.</p> |

| Case | Taxpayer to whom directions/clarifications are applicable | Directions/clarifications |
|------|--|---|
| | | ✓ Transactions and deductors/collectors to whom the lower rate of deduction will be applicable shall be the same as determined in the certificate issued for F.Y.2019-20. |
| 2 | <p>a. Taxpayer who could not file application for lower/nil deduction of certificate for F.Y.2020-21 but</p> <p>b. Taxpayer has been issued such certificate for F.Y.2019-20.</p> | <p>✓ Certificate issued for F.Y.2019-20 shall continue to apply till 30.06.2020.</p> <p>✓ However, Taxpayer needs to apply for certificate as soon as the normalcy is restored or 30.06.2020 whichever is earlier.</p> |
| 3 | <p>a. Taxpayer has not applied for issue of lower/nil deduction of certificate for F.Y.2020-21 and</p> <p>b. Taxpayer has not been issued such certificate for F.Y.2019-20</p> | <p>✓ Taxpayer to send an e-mail to the concerned Tax Officer containing filled up Form 13 along with all documents / information</p> <p>(The procedure shall remain same as before with the modification that the application shall be filed via email and certificate will also be issued via email.)</p> |

Withholding tax on Payments to Non-Residents having Permanent Establishment in India:

On Payments to Non-Residents (including foreign Companies) having Permanent Establishment in India and not covered by Sr. No 1 and 2 above, tax on payments made will be deducted at 10% which is inclusive of surcharge and cess on payments till 30.06.2020.

If disposal of application for lower deduction by Assessing officer takes place before 30.06.2020 then the withholding tax shall be applicable at a rate as determined in the new certificate.

Disclaimer: This document is being furnished for information purpose only. The views expressed herein are on the basis of our understanding. Kindly consult your consultant before taking any decision for any provision covered in this note.