

Course Code – COM (H) 226

Lecture 20



Introduction to TDS

TDS means Tax Deducted at Source. The concept of TDS was introduced in the Income Tax Act, 1961, with the objective of deducting the tax on an income, at the source of income. It is one of the methods of collecting Income Tax, which ensures regular flow of income to the Government.

Scope & Applicability

Tax deduction at source means the tax required to be paid by the assessee, is deducted by the person paying the income to him. Thus, the tax is deducted at the source of income itself. The income tax act enjoins on the payer of such income to deduct the given percentage of income as income tax and pay the balance amount to the recipient of such income. The tax so deducted at source by the payer is to be deposited in the income tax department account. The tax so deducted from the income of the recipient is deemed payment of income tax by the recipient at the time of his assessment.

TDS Process

1. A seller (Deductee) provides services to the buyer (Deductor).
2. The buyer deducts the Tax at the time of payment of advances or while accounting the Bills received.
3. The buyer deposits the deducted amount to the designated branches of the authorised bank
4. The buyer issues Form No.16A to the Deductee
5. The buyer files annual returns electronically to the Income Tax department.
6. The seller files returns, along with Form 16A claiming the credit of the Tax deducted at source.

Thank You