Applicability and other Clarifications for Section 206AB

1) Applicability: Section 206AB is triggered, where tax is required to be deducted at source on any sum / income /amount paid/ payable /credited, by a deductee to a Specified person.

2) Carve-outs : Except for the specific nature of payments provided under Section 206AB, it is applicable for all other nature of payments under any other provisions of Chapter XVII-B which require deduction of tax at source. The carve outs provided in this Section are as below –

Section 192 – TDS on salary
Section 192A – TDS on withdrawal from EPF
Section 194B – TDS on winning from lotteries, crossword puzzles, etc.
Section 194BB – TDS on winning from racehorses
Section 194LBC – TDS on income in respect of investment in Securitization Trust
Section 194N – TDS on cash withdrawal

3) Date of applicability: From 1 July 2021.

4) Rate of TDS:

Higher of the following:

(a) Twice the rate specified in the relevant provision of the Act;
(b) Twice the rate or rates in force; or
(c) 5%.

5) Specified Person

Coverage	Non-coverage
The term 'specified person' includes the person who satisfies all the following criteria- 1. The person has not filed income tax return of two previous years immediately before the previous year in which TDS is required to be deducted; 2. The time limit of filing of an income tax return as per section 139(1) is expired; and 3. The total TDS and **TCS** is INR 50,000 or more in each of the two previous years.	The term 'specified person' doesn't include a non-resident not having a permanent establishment in India.

6) Actionable Points:

1. Identify list of deductees to whom TDS is applicable during the current year except sections 192, 192A, 194B, 194BB, 194LBC or 194N.
2. Exclude Non-residents from the above list
3. Identify who are the "specified persons" from the list of deductees. For this purpose, the Government has introduced a functionality "Compliance check for Section 206AB & 206CCA'.

This functionality is made available through Reporting Portal of Income tax Department (https://report.insight.gov.in) .The required procedures to be followed to get a report from this portal.

For any queries and requirements, Please feel free to contact us at info@annveshan.com