

CNK & Associates LLP

News Flash

CBDT issues clarifications on earlier order regarding certificates for NIL/lower deduction or collection of income-tax for Financial Year 2020-21

In our earlier newsflash, we discussed about the directions / clarifications issued by the Central Board of Direct Taxes (CBDT) in relation to certificates for lower or nil rate for withholding tax (TDS) / collection of tax (TCS) for the Financial Year (FY) 2020-21. The said directions / clarifications were issued by the CBDT vide an order under section 119 of the Income-tax Act, 1961 (the Act) dated 31 March 2020 in order to mitigate the hardships of the concerned assessee (i.e. payees, buyers, taxpayers, etc.).

However, the said order was silent on certain issues for which representations were made seeking further clarifications. In this regard, the CBDT has issued the following clarifications dated 9 April 2020 on the issues raised.

Sr. No.	Situation	Clarification provided
1.	Validity period of lower / NIL deduction / collection certificates for FY 2019-20	<p>Subject to the conditions mentioned in the order dated 31 March 2020, the certificates issued for FY 2019-20 will be valid for the particular period for which these were issued, and for further period from 1 April 2020 to 30 June 2020 for FY 2020-21.</p> <p>For example, if a certificate was issued for a period 1 October 2019 to 15 December 2019, the same shall be valid for FY 2019-20 for the said period from 1 October 2019 to 15 December 2019 and for FY 2020-21, the same shall be valid from 1 April 2020 to 30 June 2020.</p>
2.	Threshold / Transaction limit for lower / NIL deduction / collection certificates for FY 2019-20	<p>Subject to the conditions mentioned in the order dated 31 March 2020, the threshold / transaction limit mentioned in the certificate issued for FY 2019-20 will be taken fresh for FY 2020-21 for the period from 1 April 2020 to 30 June 2020. Further, the amount of threshold limit will be the same as was assigned for the certificate for FY 2019-20.</p> <p>For example, if the threshold limit in the certificate of FY 2019-20 was INR 1 crore, the same limit of INR 1 crore will freshly apply for the period 1 April 2020 to 30 June 2020.</p>
3.	Approval and communication of lower / nil deduction / collection certificates through electronic means	<p>The field authorities of Income-tax department have been instructed to use official emails or other electronic communication for internal approval for issue of certificates as well as for communication to the assessee.</p>
4.	<ul style="list-style-type: none">• New / different TAN mentioned for lower / nil deduction / collection application for FY 2020-21; or• Revision of rates mentioned in certificates of FY 2019-20	<p>The benefit of extension of the certificate upto 30 June 2020 will not apply to payee or buyer / licensee / lessee taxpayer (having a certificate for FY 2019-20) who is making application for FY 2020-21 for a new / different TAN.</p>

		<p>In such cases, a fresh application with the requisite documentation have to be filed vide email as prescribed in the order dated 31 March 2020.</p>
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Similarly, a taxpayer for whom rate of TDS / TCS was approved in the certificate for FY 2019-20 at a higher rate, cannot automatically apply a reduced TDS / TCS rate for FY 2020-21 under the CBDT order in view of impact of Covid-19 outbreak on its business. In order to request for a lower TDS / TCS rate for FY 2020-21, a fresh application with the requisite documentation have to be filed vide email as prescribed in the order dated 31 March 2020.

CNK Comments:

This is a swift and welcome clarification by the CBDT on issues arising from the its earlier order dated 31 March 2020 especially where the certificate of FY 2019-20 contains a transaction limit / upper cap (party-wise or not) for applicability of the NIL/lower tax certificate. This should provide requisite certainty to all stakeholders and enhance the ease of doing business for assesseees / taxpayers.

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This e-publication is published by CNK & Associates, LLP, Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarises the CBDT's order in disposing applications for issue of certificates for lower or nil rate for withholding tax (TDS) / collection of tax (TCS) for the Financial Year 2020-21. Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible.

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