

COVID-19 relief measures: CBDT extends validity of lower/nil deduction certificates till 30 June

31 March 2020

Under the Income-tax Act, 1961 (the Act), a taxpayer can apply to the tax department for obtaining lower/nil tax deduction/collection (TDS/TCS) certificate^[1]. Due to disruption caused by COVID-19, many applications pertaining to financial year (FY) 2020-21 have not been attended by the tax department in a timely manner.

In order to mitigate hardship caused to taxpayers, the Central Board of Direct Taxes (CBDT) has issued following clarifications and guidelines.

Cases where TDS/TCS certificate pertaining to FY20 has been issued

- **Application for FY21 has been filed on the TRACES Portal and the same is pending for disposal:** TDS/TCS certificate for FY20 shall remain valid till 30 June 2020 or disposal of application by the tax officer. The extended validity would be available in respect of the transaction and deductor/collector for whom the certificate for FY20 was issued.
- **Application for FY21 has not been filed:** TDS/TCS certificate for FY20 shall remain valid till 30 June 2020. However, taxpayer would need to apply at the earliest, as per modified procedure, giving details of the transaction and deductor/collector to the tax officer by 30 June 2020 or when normalcy is restored, whichever is earlier.

Fresh application i.e. situation where TDS/TCS certificate pertaining to FY 20 was not issued

- In such cases, the taxpayer would need to follow the modified procedure for application and consequent handling by the tax officer.
- Tax shall be deducted at 10% (including surcharge and cess) on any payments, made upto 30 June 2020, to a non-resident having a permanent establishment (PE) in India.

Modified procedure

- Under the modified procedure, an application along with required details and attachment is to be filed vide an e-mail to the tax officer.
- The tax officer is required to issue the certificate by 30 June 2020 and communicate the same over an e-mail to the taxpayer.

1. Under section 195, section 197 or section 206C(9)

