

TDS and TCS Certificate Preparation for Salaries and Non-Salaries (With Examples)

1. Introduction to TDS and TCS

TDS (Tax Deducted at Source) and **TCS (Tax Collected at Source)** are mechanisms of collecting income tax at the point of income generation or transaction. TDS is deducted by the payer (deductor) when making certain payments, while TCS is collected by the seller from the buyer during certain transactions.

To ensure proper reporting and credit to the taxpayer, the **deductor or collector must issue certificates** after deduction or collection.

2. TDS Certificate for Salary (Form 16)

What is Form 16?

Form 16 is a TDS certificate issued by an employer to an employee for tax deducted on **salary payments** under **section 192** of the Income Tax Act.

Components of Form 16

Form 16 has two parts:

- **Part A:**
 - PAN and TAN of employer
 - PAN of employee
 - Summary of tax deducted and deposited
 - Period of employment
- **Part B:**
 - Detailed salary breakup (basic, HRA, bonuses, etc.)
 - Deductions under Chapter VI-A (like 80C, 80D, etc.)
 - Net taxable salary
 - Tax calculation and TDS details

Example - Salary TDS Certificate Preparation

Employee: Mr. Ramesh

Gross Annual Salary: ₹6,00,000

Deductions under 80C (PF, LIC): ₹1,50,000

Taxable Income: ₹4,50,000

Income Tax Calculation:

- 0–2.5 lakh: Nil
- 2.5–5 lakh: 5% on ₹2 lakh = ₹10,000
- Rebate u/s 87A = ₹10,000

- Tax Payable = 0

TDS Deducted: ₹0

Employer must issue **Form 16** showing salary breakup, deductions, tax calculation, and TDS (which is zero in this case).

3. TDS Certificate for Non-Salary (Form 16A)

What is Form 16A?

Form 16A is issued for TDS deducted on **non-salary payments** such as:

- Professional fees
- Rent
- Contractor payments
- Commission
- Interest income (bank FD)

It is applicable under **various sections** like 194C, 194J, 194I, etc.

Contents of Form 16A

- Name, PAN, and TAN of deductor and deductee
- Payment details (nature, amount, date)
- Section under which TDS was deducted
- TDS amount
- Challan details

Example - TDS on Professional Fees

Professional: Mr. Suresh

Total Fees Paid: ₹1,00,000

Section: 194J

Rate of TDS: 10%

TDS Deducted: ₹10,000

Form 16A must mention all relevant details including the gross amount, TDS, and challan through which tax was deposited.

4. TCS Certificate (Form 27D)

What is Form 27D?

Form 27D is issued by a **seller who collects tax at source (TCS)** from the buyer under various sections like:

- 206C(1): Sale of scrap, liquor, forest produce, etc.
- 206C(1H): Sale of goods > ₹50 lakhs

Contents of Form 27D

- Name, PAN, and TAN of seller and buyer
- Nature of goods sold
- Invoice amount and date
- TCS rate and amount
- Challan details

Example - TCS on Sale of Goods

Seller: ABC Ltd.

Buyer: XYZ Enterprises

Goods Sold: ₹60,00,000

Section: 206C(1H)

Threshold: ₹50,00,000

TCS applicable on ₹10,00,000 @ 0.1% = ₹1,000

ABC Ltd. will issue **Form 27D** to XYZ Enterprises for TCS of ₹1,000 collected and deposited.

5. Due Dates for Issuing Certificates

Certificate Type	Form No	Period	Due Date
Salary TDS	16	Annual	15th June of next FY
Non-salary TDS	16A	Quarterly	15 days from filing TDS return
TCS Certificate	27D	Quarterly	15 days from filing TCS return

6. Preparation and Download of TDS/TCS Certificates

TDS/TCS certificates can be generated from the **TRACES portal** (<https://www.tdscpc.gov.in>).

Steps to Download Form 16 / 16A / 27D

1. **Login** to TRACES using TAN credentials.
2. Navigate to **Downloads** → **Requested Downloads**
3. Select Form 16/16A/27D.
4. Submit KYC and download .zip file.
5. Use **TRACES PDF Converter** to extract certificates.

Certificates must be digitally signed before issuing to employees or clients.

7. Common Mistakes to Avoid

- Wrong PAN of deductee
- Missing challan details
- Not issuing certificates within due dates
- Incorrect section/rate applied

Such errors can lead to **penalties and notices** from the Income Tax Department.

8. Penalties for Non-Issuance

Default	Penalty
Delay in Form 16A / 27D	₹100 per day (u/s 272A(2)(g))
Incorrect TDS filing	₹200 per day (u/s 234E)
Non-deposit of TDS/TCS	Interest + Penalty

9. Summary Table

Payment Type	Applicable Form	Section	Certificate	TDS/TCS Rate
Salary	Form 16	192	TDS	As per slab
Professional Fee	Form 16A	194J	TDS	10%
Rent	Form 16A	194I	TDS	2% or 10%
Sale of Goods	Form 27D	206C(1H)	TCS	0.1%

10. Conclusion

Preparing TDS and TCS certificates is a legal obligation for deductors and collectors. Employers must issue **Form 16** for salary, while all non-salary deductions must be reported in **Form 16A**. Sellers collecting TCS must issue **Form 27D**. Proper and timely issuance ensures compliance, avoids penalties, and helps deductees claim correct tax credits while filing income tax returns.

Would you like a downloadable PDF or Excel format template for Form 16A or 27D preparation?