

TDS and TCS Return Filing

1. Introduction

The Indian Income Tax Act mandates that certain persons deduct or collect tax at source while making payments. **TDS (Tax Deducted at Source)** and **TCS (Tax Collected at Source)** are methods of tax collection to ensure early and steady inflow of revenue to the government.

TDS is deducted by the **payer** on specified payments such as salaries, interest, professional fees, rent, etc., while TCS is collected by the **seller** from the buyer on the sale of certain goods or services. Once the deduction or collection is made, the deductor/collector must file **quarterly returns** to the Income Tax Department, giving complete details of transactions, taxes deducted or collected, and challan information.

2. What is TDS Return Filing?

TDS return is a **quarterly statement** submitted by the deductor to the **Income Tax Department**. It contains:

- PAN and TAN of the deductor
- PAN of the deductees (employees, vendors, contractors)
- Details of payments made
- TDS deducted and deposited
- Challan details (BSR code, date, CIN, amount)

TDS returns must be filed even if **no deduction** was made in a quarter (in some cases).

3. What is TCS Return Filing?

TCS return is also a **quarterly statement** filed by collectors who collect tax from buyers. It includes:

- Seller and buyer details
- PAN and TAN numbers
- Nature of goods sold
- Invoice value
- TCS amount and payment details

Both TDS and TCS returns are filed using **Form 24Q, 26Q, 27Q, and 27EQ** as applicable.

4. Types of TDS Return Forms

Form No	Description	Applicable Transactions
24Q	TDS on salary	Salary payments under section 192
26Q	TDS on non-salary payments	Interest, commission, rent, fees (Indian residents)
27Q	TDS on non-salary payments to non-residents	Payments to NRIs
27EQ	TCS return	Tax collected at source

5. Example of TDS Return Filing (Form 26Q)

Scenario:

Company XYZ makes monthly professional payments of ₹1,00,000 to consultant Mr. Arvind.

- Nature of payment: Professional Fees
- Section: 194J
- TDS Rate: 10%
- TDS Amount: ₹10,000 per month

For the **April–June quarter**, XYZ deducts and deposits ₹30,000 as TDS in 3 installments.

Filing Form 26Q will require:

- PAN of Mr. Arvind
- Date and amount of each payment
- Date of TDS deduction
- Challan details of each deposit
- Section code 194J
- Amount paid and amount of TDS

XYZ must submit **Form 26Q** for that quarter by **31st July**.

6. Example of TDS Return Filing (Form 24Q – Salary)

Scenario:

XYZ Pvt. Ltd. pays salary of ₹50,000 per month to employee Ms. Sneha. TDS on her salary comes to ₹2,000 per month (based on her estimated tax liability).

For the quarter April–June:

- Gross Salary Paid: ₹1,50,000
- TDS Deducted: ₹6,000
- Section: 192

XYZ files **Form 24Q**, mentioning:

- Employee PAN
- Salary details
- Deductions (like 80C, 80D if declared)
- Monthly breakup of salary and TDS
- Challan details

7. Example of TCS Return Filing (Form 27EQ)

Scenario:

ABC Traders sells scrap worth ₹5,00,000 to a buyer. As per **section 206C(1)**, TCS is applicable @1%.

- TCS Collected: ₹5,000
- Total Invoice: ₹5,05,000

In the **July–Sept** quarter, ABC files **Form 27EQ** with:

- Buyer PAN
- Invoice details
- TCS rate and amount
- Challan details
- Section code: 206C(1)

8. Due Dates for TDS/TCS Return Filing

Quarter Period	Due Date for TDS Returns	Due Date for TCS Returns
Q1	Apr–Jun 31st July	15th July
Q2	Jul–Sep 31st October	15th October
Q3	Oct–Dec 31st January	15th January
Q4	Jan–Mar 31st May	15th May

9. How to File TDS/TCS Returns

Returns can be filed through the **TIN-NSDL** or **TRACES** portal, either directly or through **approved software** or **TIN-FCs**.

Steps to File TDS/TCS Return

1. **Prepare return file** using utilities like **RPU (Return Preparation Utility)** and validate using **FVU (File Validation Utility)**.
2. Login to **TIN-NSDL** or **TRACES**.
3. Upload the .FVU file using **TAN-based login**.
4. Acknowledgement with 15-digit **Token Number** will be generated.
5. Return can also be filed using **professional software** like ClearTDS, Winman, Saral, etc.

10. Common Errors in TDS/TCS Return Filing

- Wrong PAN of deductee
- Incorrect challan details (BSR code, CIN)
- Late payment or short payment of TDS/TCS
- Non-quoting of section or incorrect section
- Mismatch between actual deduction and return filed

Corrections can be made using **Revised Return Filing** through TIN.

11. Penalties and Late Fees

Default	Section	Penalty
Late filing of TDS/TCS return	234E	₹200 per day (max up to TDS amount)
Failure to file return	271H	₹10,000 – ₹1,00,000
Non-deduction or non-payment	201	Interest + penalty

Interest for Late Payment:

- 1% per month from date of deduction to deposit
- 1.5% per month if TDS was not deducted and later paid

12. Benefits of Timely Filing

- Avoid penalties
- Enables deductees to claim **TDS credit** while filing their ITR
- Builds credibility and compliance record
- Avoids notices or prosecution

13. Checklist for Filing

Before filing, keep the following ready:

- TAN and PAN details
- Deductee/Collector details
- Challans with BSR code and CIN
- Section and rate applied
- Validated FVU file

14. Summary Table

Form Usage	Filing Due Date	Applicable Section
24Q TDS on Salary	31st July / Quarter-wise	192
26Q TDS on Non-Salary (Domestic)	Quarterly	194 series

Form Usage	Filing Due Date	Applicable Section
27Q TDS on Non-residents	Quarterly	195
27EQ TCS Return	Quarterly	206C

15. Conclusion

TDS and TCS return filing is an integral part of income tax compliance for businesses, employers, and sellers. Correct and timely filing not only avoids penalties but also ensures smooth credit for the deductees or buyers. Whether it is Form 24Q for salaries, 26Q for contractor or professional payments, or 27EQ for sales with TCS, every return has specific compliance rules and deadlines. Use appropriate tools and validate all details before submission to ensure error-free filing.

TDS Return Filing Checklist

- ☐ Obtain valid TAN (Tax Deduction and Collection Account Number).
- ☐ Collect PAN of all deductees.
- ☐ Ensure all payments liable for TDS are identified correctly.
- ☐ Apply the correct TDS rate as per Income Tax Act.
- ☐ Deduct TDS at the time of payment or credit, whichever is earlier.
- ☐ Deposit the TDS with the government within due dates using challan ITNS 281.
- ☐ Keep all challans and payment details (BSR Code, CIN, payment date, etc.).
- ☐ Use RPU (Return Preparation Utility) to prepare TDS return.
- ☐ Validate the return file using FVU (File Validation Utility).
- ☐ Ensure correct section codes are used (e.g., 194C, 194J, etc.).
- ☐ Use correct deductee PAN numbers in the return.
- ☐ Upload the validated file on the TRACES/TIN-NSDL portal using TAN credentials.
- ☐ Download and keep the 15-digit Token Number (acknowledgment) safely.
- ☐ Issue TDS certificates (Form 16/16A) to deductees within the due date.
- ☐ File Nil return if no TDS is deducted in the quarter.
- ☐ Correct any errors by filing a revised return if needed.