

CBDT Circular on New Functionality for identifying “Specified Persons” mentioned in new S.206AB & S.206CCA

Dated 21st June 2021

Note:

This note is an addendum to our earlier presentation titled “Higher rate of TDS & TCS w.e.f. 01st July 2021 on S.206AB & S.206CCA. This update is to be read in conjunction with the earlier released note. In case you haven't received the same, kindly contact us. Thank you.

S.206AB & S.206CCA - Background

Finance Act, 2021 has introduced two new sections **206AB** and **206CCA** to provide for higher rate of Deduction / Collection of taxes for **NON-FILERS OF INCOME-TAX RETURNS**. These new provisions shall come into effect from **01ST JULY 2021**

“SPECIFIED PERSON”:

Upon satisfaction of certain conditions viz., non-filing of return of income for preceding two previous years and aggregate of TDS & TCS exceeding INR 50,000 in each of the two previous years, a person shall be categorized as **“SPECIFIED PERSON”**

RATE OF TDS / TCS:

The rate of TDS / TCS for Specified Person shall be the higher of:

- (a) double the applicable TDS / TCS rates; or
- (b) 5%

For detailed conditions / non-applicability, kindly refer to our earlier note



Situation **BEFORE** CBDT Circular dated 21-06-2021 & Gist of the Circular

- Upon introduction of these new provisions, it has resulted the assesseees with **HUGE COMPLIANCE BURDEN** as follows:
 - With no practical mechanism to independently verify whether the vendors have filed Return of Income in previous two years, the assesseees would be required to obtain a **DECLARATION** from the vendors regarding satisfaction / non-satisfaction of **”SPECIFIED PERSON”** criteria
 - In the absence of declaration, the deductors / collectors will have to deduct TDS / collect TCS at penal rates
- Even where the declarations are obtained by the Assesseees, there is no mechanism to validate the same and it may lead to inaccuracies while deducting / collecting taxes.

In a welcome relief, the CBDT vide Circular No. 11 of 2021 dated 21-06-2021 has **ACKNOWLEDGED** the **EXTRA COMPLIANCE BURDEN** posed on the tax deductor / collector. To ease the same, a new functionality, **”Compliance Check for Sections 206AB & 206CCA”** shall be issued by the CBDT through reporting portal. Key features of this new functionality are as under:



- PAN based checking facility whether the PAN holder falls under **”SPECIFIED PERSON”** criteria or not
- Facility to input either SINGLE PAN or MULTIPLE PANs (i.e. bulk search) – *Helpful for assesseees with huge vendors*
- Results of above search can be downloaded and saved for documentation purposes
- This being a tax-payer friendly measure, no additional Specified Persons would be added during FY 2021-22

Situation **AFTER** CBDT Circular dated 21-06-2021

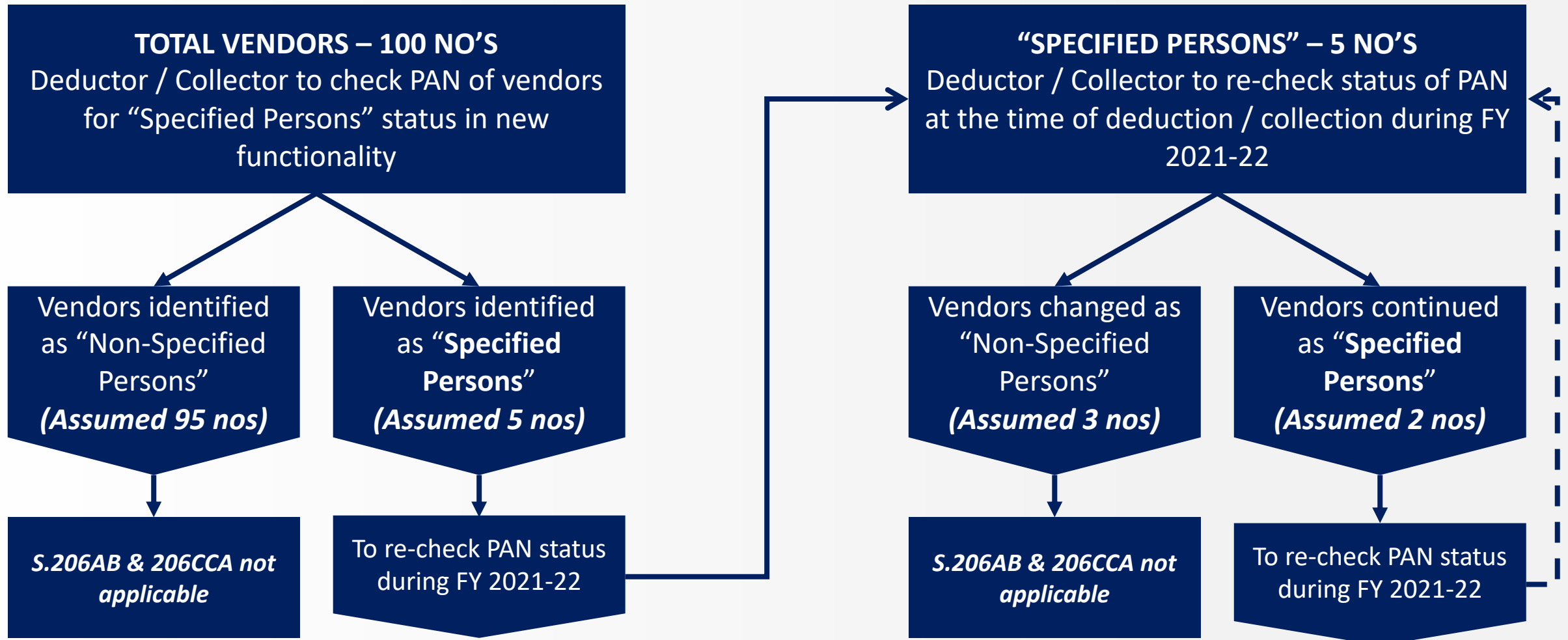
- Deductor / Collector shall check the PAN functionality at the beginning of the Financial Year for purposes of S.206AB & 206CCA applicability
- This being a **“TAX-PAYER FRIENDLY MEASURE”**, no fresh names shall be added to the list of “Specified Persons” during FY 2021-22. It means that only those PANs identified as “Specified Persons” as at beginning of FY 2021-22 shall be relevant and needs to be periodically checked during the year.
- During the process of checking PAN, where a vendor is identified as a **“NON-SPECIFIED PERSON”**, then the deductor / collector is not required to re-check the functionality for such vendor again during that Financial Year
- For those vendors identified as **“SPECIFIED PERSONS”**, it is advisable for the deductor / collector to recheck the status again at the time of deducting or collecting the taxes
- Where any person has filed ROI for AY 2019-20 and AY 2020-21 during the FY 2021-22, his name would be removed from list of “Specified Persons” as on the date of filing such ROI
- It has also been clarified that **“BELATED & REVISED TDS & TCS RETURNS”** filed for relevant previous years during FY 2021-22 would also be considered for removal of persons from “Specified Persons” criteria on a regular basis.

*To summarize, the CBDT has provided **MUCH NEEDED AND TIMELY RELIEF** to the tax-payers in reducing the compliance burden for checking the PAN status to once in a financial year. However, for the limited purpose of those vendors in “Specified Persons” criteria, assesseees would still be required to periodically check the status during the financial year.*

Flow chart decoding the Circular dated 21-06-2021

Start of FY 2021-22

During FY 2021-22



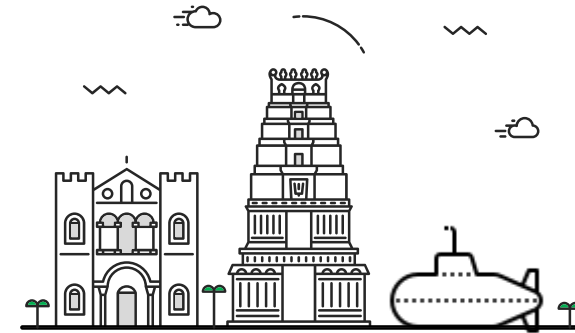
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