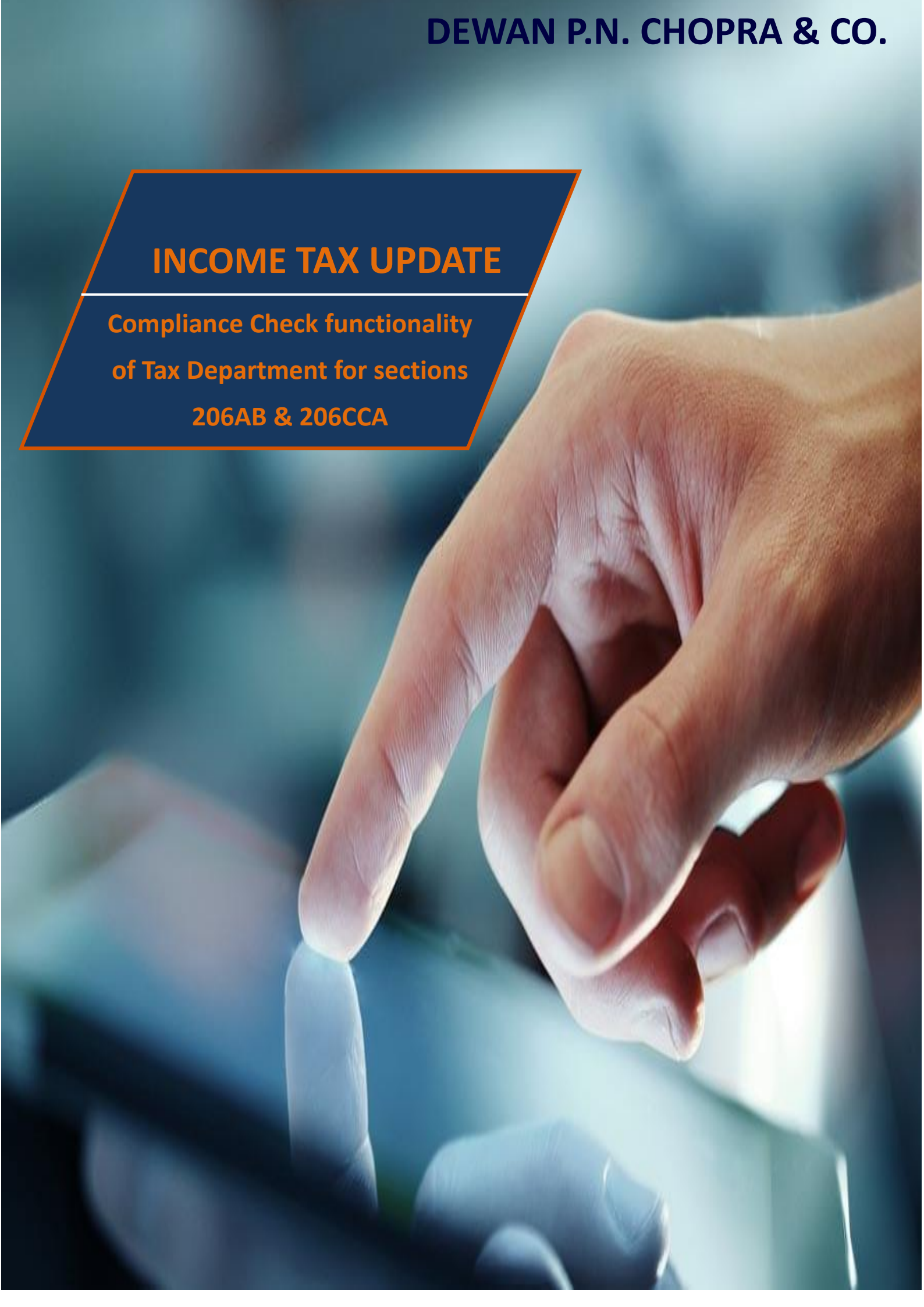


INCOME TAX UPDATE

**Compliance Check functionality
of Tax Department for sections
206AB & 206CCA**



**Compliance Check functionality of Tax
Department for sections 206AB & 206CCA
(applicable w.e.f 1 July 2021)**

The Finance Act, 2021 had brought in section 206AB (*TDS for non-filers of Income Tax Return*) & 206CCA (*TCS for non-filers of Income Tax Return*) **which is effective from 1 July 2021**. These sections mandate tax deduction (section 206AB) or tax collection (section 206CCA) at a higher rate in case of certain non-filers (**specified persons**) with respect to tax deductions (*other than under sections 192, 192A, 194B, 194BB, 194LBC & 194N*) and tax collections. Higher rate is twice the prescribed rate or 5%, whichever is higher.

Specified persons means a person who satisfies the following conditions:

- a) Person who has not filed ITR for both of the two assessment years relevant to the two previous years immediately before the previous year in which tax is required to be deducted/collected. Two previous years to be counted are required to be those whose ITR filing has expired as per section 139.

b) Aggregate of TDS/TCS is INR 50,000 or more in each of the two previous years.

Considering the due-diligence which the tax deductor or tax collector is required to do for satisfying himself if the deductee or collectee is a specified person or not which can lead to extra compliance burden, the **CBDT has issued a new functionality “Compliance Check for sections 206AB & 206CCA”** to ease compl. This functionality is made available through the reporting portal of the Income Tax Department.

The tax deductor or collector can feed the single PAN (PAN search) or multiple PANs (bulk search) of the deductee or collectee and can get a response from the functionality if such deductee or collectee is a specified person. For PAN search, response will be visible on the screen which can be downloaded in the PDF format. For bulk search, response would be in the form of downloadable file which can kept for record.

Logic of the Compliance Check functionality of the Tax Department is as under:

1) List of specified persons is prepared as on the start of the FY 2021-22, taking previous years 2018-19 & 2019-20 as two relevant previous years.

- 2) During FY 2021-22, no new names are added in the list of specified persons. This is a tax friendly measure to reduce the burden on the tax deductor and collector of checking PANs of non-specified person more than once during the FY.
- 3) If any specified person files a valid ITR (filed & verified) for AY 2019-20 or AY 2020-21 during FY 2021-22, his name would be removed from list of specified persons. This would be done on the date of filing of the valid ITR during FY 2021-22.
- 4) If any specified person files a valid ITR (filed & verified) for AY 2021-22 his name would be removed from list of specified persons. This would be done on the due date of filing of ITR for AY 2021-22 or the date of actual filing of the valid return (filed & verified) whichever is later.
- 5) If the aggregate of TDS & TCS, in the case of specified person, in the previous year 2020-21, is less than INR 50,000, his name would be removed from the list of specified persons. This would be done on the first due date under section 139(1) falling in FY 2021-22. For

the FY 2021-22 this due date of 31st July 2021 has been extended to 30th Sept 2021.

6) Belated & revised TCS & TDS returns of the relevant FY filed during FY 2021-22 would also be considered for removing persons from the list of specified persons on a regular basis.

The deductor or the collector may check the PAN in Compliance Check functionality of Tax Department at the beginning of the FY and then he is not required to check the PAN of non-specified person during that FY.

For detailed understanding please refer Circular No. 11 of 2021

https://incometaxindia.gov.in/communications/circular/circular_11_2021.pdf

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