

## TDS on transport contractors

Finance Act 2009 has made an important change in respect of applicability of TDS on transport contractors.

Section 194C has been replaced and the following two sub sections provide for non deduction of TDS on transport contractors

(6) No deduction shall be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor during the course of business of plying, hiring or leasing goods carriages, on furnishing of his Permanent Account Number, to the person paying or crediting such sum.

(7) The person responsible for paying or crediting any sum to the person referred to in sub-section (6) shall furnish, to the prescribed income-tax authority or the person authorized by it, such particulars, in such form and within such time as may be prescribed.

“goods carriage” means any motor vehicle constructed or adopted for use solely for the carriage of goods, or any motor vehicle not so constructed or adopted when used for the carriage of goods,”

### Rate of TDS

Deductee	Status	TDS rate upto 30 <sup>th</sup> Sept 2009	TDS rate from 1 <sup>st</sup> Oct 2009	
			VALID PAN	PAN NOT AVBL
Individual / HUF	Contractor	2%	NIL	1%
Individual / HUF	Sub-Contractor	1%	NIL	1%
Others	Contractor	2%	NIL	2%
Others	Sub-Contractor	1%	NIL	2%

#### Condition for NIL deduction

- Amount paid/ credited on or after 01-10-2009
- To a contractor during the course of business of plying , hiring or leasing goods carriage
- If the contractor furnishes valid PAN

#### Prescribed return

- It is necessary to track all such transactions as these will have to be reported to the income tax department.
- The form and manner of reporting of such transactions is yet to be prescribed by CBDT.

#### Whether to include such transactions in eTDS statement

- A question arises if it is necessary to show such transactions in eTDS statement.
- One way would be show these transactions in eTDS statement with normal rate and TDS amount as Zero.
- Another way is not to show such transactions in eTDS statement, as a separate form will have to be filed in any case.