

Dated-22nd June, 2021

Note regarding use of functionality under Section 206AB and 206CCA of the Income Tax Act, 1961

Section **206AB and 206CCA** of income tax act, 1961 requires tax deduction/collections to be made at the higher rate in case of “**Specified persons**”.

A ‘specified person’ as mentioned under these sections is someone who fulfils the following conditions:

- The total amount of deduction and collection of tax (TDS and TCS) (in the case of the specified individual) is INR.50,000 or more in each of these two previous years.
- Has not filed income tax returns for two preceding years (e.g. FY 2018-19, 2019-20).
- The respective due dates of their ITR filing of the previous years have expired.

To ease the compliance burden of deductor/collector, CBDT has issued a functionality which provides the list of specified persons. The list has been prepared at the start of F.Y. 20-21 taking FY 2018-19 and FY 2019-20 as two relevant previous years.

The functionality provide option to the deductor/collector to either feed the single PAN (PAN search) or multiple PANs (bulk search) of the deductee/collectee and get a response from the functionality. Since no new name would be added to the list during the F.Y, deductor/collector may bulk search all the deductee/collectee in the beginning of the year. If any of its deductee/collectee are specified person, the deductor/collector has to re-verify the PAN at the functionality before making any payment to them as the names can be removed from the list during the Financial Year.

Let’s suppose a person has 1000 vendors, he bulk searched those at the functionality and found that 5 persons are specified persons. Now 995 vendors will remain outside the list of specified person for whole of the F.Y and these are not required to be searched again. For the other 5 PANs (specified person), there are chances that they may be removed from the list and hence are required to be searched again at the time of making tax deduction or collection.

The process has to be repeated at the beginning of each F.Y. as the list would be drawn afresh.

It is to be noted that this new requirement of Section 206AB and 206CCA are not applicable to non-residents except when a non-resident has a PE (Permanent Establishment) in India. Thus in the case of non-residents a declaration that it doesn’t has a PE will still be required in case it hasn’t filed its tax return.

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