

Frequently Asked Questions

TDS on Salary

1. What is tax deducted at source on Salary?

- a.) The employer is required to deduct tax at source on the amount payable at the **average rate** of income tax (computed on the basis of rates in force for the financial year in which payment is made)
- b.) Thus, the employer is required to compute at the beginning of the financial year, the total salary income payable to an employee during the financial year.
- c.) Further, the employer should also take into account any other income as reported by the employee.
- d.) After considering the incomes exempt, deductions and relief, the tax liability of the employee should be determined on the basis of the rates in force for the financial year.
- e.) Every month, 1/12 of this net tax liability as computed above is required to be deducted.

2. What to do if tax is deducted but the ultimate tax liability of the payee is nil or lower than the amount of TDS?

In such a case, the payee can claim the refund of entire/excess amount of TDS (as the case may be) by filing the return of income.

3. If the payer does not deduct tax at source, will the payee face any adverse consequences by means of action taken by the Income-tax Department?

- a.) It is the duty and responsibility of the payer/employer to deduct tax at source.
- b.) If the payer fails to deduct tax at source, then the payee/employee may not have to face any adverse consequences initially.
- c.) However, in such a case, the payee/employee will have to discharge his tax liability (inclusive of interest & penalty).
- d.) Thus, failure of the payer/employer to deduct tax at source will only relieve the payee/employee from payment of tax on his income after paying interest & penalty on tax short paid.

4. What to do if the TDS credit is not reflected in Form 26AS?

- a.) Non-reflection of TDS credit in Form 26AS can be due to several reasons like non-filing of TDS statement by the payer, quoting incorrect PAN of the deductee in the TDS statement filed by the payer.

b.)Thus, in case of non-reflection of TDS credit in Form 26AS, the payee has to contact the payer for ascertaining the correct reasons for non-reflection of the TDS credit in Form 26AS.

5.I have not received TDS certificate from the deductor. Can I claim TDS in my return of income?

a.)Yes, the tax credit in your case will be reflected in your Form 26AS and, hence, you can check Form 26AS and claim the credit of the tax accordingly.

b.)However, the claim of TDS to be made in your return of income should be strictly as per the TDS credit being reflected in Form 26AS.

c.)If there is any discrepancy in the tax actually deducted and the tax credit being reflected in Form 26AS then you should intimate the same to the deductor and should reconcile the difference.

d.)The credit granted by the Income-tax Department will be as per Form 26AS.