

Nangia Andersen LLP



NEWS FLASH

CBDT notifies new functionality -
'Compliance check for Section 206AB and
206CCA'

CBDT notifies new functionality - 'Compliance check for Section 206AB and 206CCA'



Background

- Budget 2021 had brought about two new sections i.e., section 206AB and 206CCA in the Income Tax Act (the Act) which **take effect from July 1, 2021**. The sections mandate tax deduction (section 206AB) or tax collection (206CCA) at higher rate in case of **non-filers of return of income (specified person)** with respect to tax deductions¹ and tax collections.
- **Higher rate is twice the prescribed rate or 5%, whichever is higher**

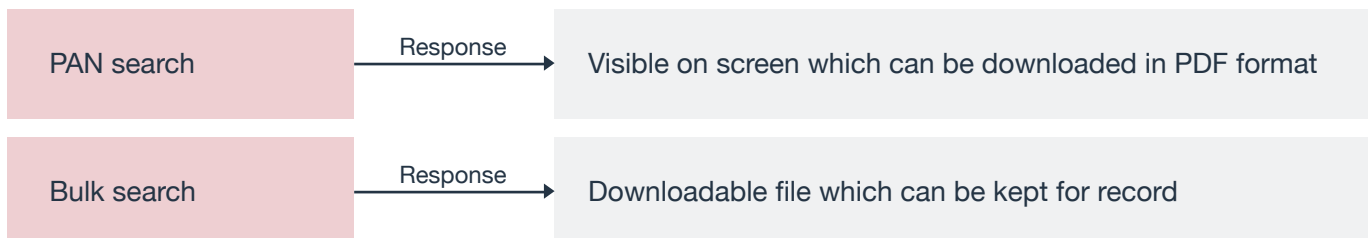
Specified person- Person who satisfies both the following conditions:

- Deductee/ collectee who has not filed has not filed Return of income (ITR) for both the two immediately preceding FYs in which TDS/ TCS is required to be deducted or collected²
- Aggregate of TDS/ TCS is INR 50,000 or more in each of these two preceding FYs.

- Exclusion had been provided for NRs who do not have Permanent Establishments (PE) in India.
- The CBDT recognised the extra compliance burden on the deductor/ collector, who shall now be required to conduct a due diligence satisfying whether the deductee/ collectee is a 'specified person'.
- Consequently, a new functionality '**Compliance Check for Sections 206AB and 206CCA**' has been announced, which shall be made available through the reporting portal of the Income Tax Department.

The new functionality

- The tax deductor/ collector can feed the single PAN (PAN search) or multiple PAN (bulk search) of the deductee or collectee and can get a response from the functionality if the deductee/ collectee is a specified person.



¹ Other than sections 192, 192A, 194B, 194BB, 194LBC, 194N

² Two previous years to be counted are required to be those whose return filing date under section 139(1) has expired

Logic of the functionality

- A list of specified persons would be drawn each year at the start of each financial year (FY). For example- at the beginning of FY 2021-22, a fresh list would be prepared with FY 2018-19 and 2019-20 as two relevant FYs. No name would be added to the list of specified persons during the FY and only removal of names would be done on filing of return by the specified person or if his TDS/ TCS is less than the threshold. Belated/ revised TDS/ TCS returns of relevant FYs would also be considered for removing persons from list of specified persons on regular basis.

Illustration

A deductor has 10,000 vendors that they deal with. The bulk functionality will get them the result of all 10,000 PANs in one go.

Assuming that the functionality shows that 5 PANs out of the 10,000 are 'specified persons', 9,995 are excluded from the list of specified persons for the entire FY (since no new name would be added to the list during the FY). Thus, there would be no need to check for these 9,995 PANs for the FY.

The remaining 5 PANs of specified persons may be removed from the list, for which there would be a need to recheck at the time of making tax deduction/collection



Nangia Andersen LLP's Take

With only few days remaining in operability of newly introduced sections 206AB and 206CCA, it was imperative to introduce a functionality which would ease the compliance burden on tax deductors and tax collectors and drive better implementation of the stipulated tax laws. The introduction of new functionality will enable tax deductors and collectors to identify and verify "Specified Persons" for the purpose of ascertaining rates of TDS or TCS as per the new requirements.

**NOIDA**

(Delhi NCR - Corporate Office)
A-109, Sector - 136,
Noida - 201304
T: +91 120 5123000

DELHI

(Registered Office)
B-27, Soami Nagar,
New Delhi - 110017
T: +91 0120 5123000

GURUGRAM

812-814, Tower B, Emaar Digital
Greens, Sector-61, Gurugram,
Haryana - 122102
T: +91 0124 430 1551

MUMBAI

11th Floor, B Wing, Peninsula Business
Park, Ganpatrao Kadam Marg, Lower
Parel, Mumbai - 400013, India
T: +91 22 61737000

CHENNAI

Prestige Palladium Bayan,
Level 5, 129-140, Grems Road,
Thousand Lights, Chennai - 600006
T: +91 44 46549201

BENGALURU

Embassy Square, #306, 3rd Floor
148 Infantry Road, Bengaluru,
Karnataka 560001
T: +91 8022280999

PUNE

3rd Floor, Park Plaza, CTS 1085,
Ganeshkhind Road, Next to Pune
Central Mall, Shivajinagar,
Pune - 411005

DEHRADUN

1st Floor, "IDA" 46 E.C. Road,
Dehradun - 248001, Uttarakhand
T: +91 135 271 6300

www.nangia-andersen.com | query@nangia-andersen.com

Copyright © 2021, Nangia Andersen LLP All rights reserved. The Information provided in this document is provided for information purpose only, and should not be constructed as legal advice on any subject matter. No recipients of content from this document, client or otherwise, should act or refrain from acting on the basis of any content included in the document without seeking the appropriate legal or professional advice on the particular facts and circumstances at issue. The Firm expressly disclaims all liability in respect to actions taken or not taken based on any or all the contents of this document.

Follow us at : [!\[\]\(d3e32d099174a7c248ec1f564ee4f69c_img.jpg\)](#) [!\[\]\(016eb73bb06245f3d4156a3a5b5af270_img.jpg\)](#) [!\[\]\(3a51704261ae7dd5c5fbbe42f7bc90af_img.jpg\)](#)

A member firm of  ANDERSEN GLOBAL 