

CBEC notifies the effective date for tax deduction at source and the persons liable for deduction of tax

The CBEC has issued notification no. 33/2017-Central Tax dated 15 September, 2017, notifying the effective date for bringing into effect the provisions for tax deduction at source (TDS) as 18 September, 2017, in some cases. The CBEC has also notified certain categories of persons as liable under the TDS provisions.

The effective date applies to the following persons:

1. A department of establishment of the Central Government or State Government,
2. Local authority,
3. The following persons notified under section 51(1)(d) of CGST Act:
 - a) An authority or a board or any other body:
 - i Set up by an Act of Parliament or a State Legislature; or
 - ii Established by any Government with fifty-one percent or more participation by way of equity or control, to carry out any function,
 - b) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860,
 - c) Public sector undertakings

The notification further mentions that these persons shall be liable to deduct tax from the payment made or credited to the supplier of taxable goods or services or both, **only from a date to be notified subsequently.**

From the notified date, the above persons should deduct tax at source at the rate of two percent (one percent each under CGST and SGST Act) from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply under a contract exceeds INR 0.25 million.

PwC Comments

The Government has brought into effect the provisions of deduction of tax and notified the list of persons liable to deduct tax at source. Government agencies are not liable for TDS from the notified date. Further, non-inclusion of private sector in the list of notified persons is welcome since it relieves them of this additional procedural burden, amidst the other ongoing compliance challenges. Further, it seems that the Government has given time to the notified persons to gear up for the procedural compliances by making the provisions to be effective from a notified date.

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With Best Regards
PwC TRS Team

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