

Procedure notified for furnishing Form 26A electronically for correction and removal of technical defaults under the withholding tax provisions

December 20, 2016

In brief

Notification no. 11 of 2016 has recently been issued under the delegated powers of the CBDT, with the object of introducing a procedure for furnishing of Form 26A electronically on the Income-tax portal to obtain benefits of first proviso to section 201(1) of the Income-tax Act, 1961 (the Act).

In detail

Background

Provisions of section 201(1) of the Act were amended by the Finance Act, 2012, with effect from 01 July, 2012. By this amendment, a proviso was inserted that states that a person shall not be treated as a taxpayer-in-default if he/ she fails to withhold the whole or any part of the taxes in accordance with the provisions of the Act, on any sum paid to a resident or on any sum credited to the account of a resident, provided the resident payee -

- has furnished his/ her return of income under section 139 of the Act;

- has considered such sum for computing income in such return of income;
- has paid the tax due on the income declared by him/ her in such return of income; and

the person has furnished a certificate to this effect from an accountant in Form 26A, prescribed under Rule 31ACB of the Income-tax Rules, 1962 (the Rules).

From the very beginning, taxpayers have faced major challenges in availing benefits of the aforesaid provisions, because Form 26A could not be filed electronically, and the ultimate objective of the

amendment in section 201 was not met.

The notification

In exercise of powers delegated by the CBDT under sub rule (2) of Rule 31ACB of the Rules, the Director General of Income-tax (Systems) has authorised the field Assessing Officer (TDS) and CPC-TDS to receive Form 26A through paper and electronic modes, respectively, for correction of withholding tax defaults. The new system will be effective from 15 January, 2017.

The broad level steps for furnishing Form 26A as provided in the notification, are summarised as follows:

Steps	Place of action	Activity
1	TRACES Portal	The deductor needs to submit request to obtain details of short deduction from the portal, and can submit the information related to non-deduction on the said portal.
2	TRACES Portal	The above request/ information will be processed, and a unique ID ¹ shall be given to each short deduction/ non-deduction transaction identified. This unique ID will be communicated to the deductor on the e-Filing Portal.
3	Offline	The deductor will communicate the unique transaction ID to the accountant identified for certifying Annexure A of Form 26A.
4	E-Filing Portal*	The unique transaction ID will be mapped with the membership number of the accountant for authorisation.
5	E-Filing Portal	On successful authorisation, the accountant so authorised may fill in the relevant details in Annexure A to Form 26A with respect to the deductee in question, and certify it by digitally signing Annexure A.
6	E-Filing Portal	Post accountant's certification, the deductor needs to finally digitally sign Form 26A and submit its final request.

* The role of e-filing as per the notification is to check whether the income tax return of the deductee is filed under section 139 of the Act and that no demand is payable at the time of assessment.

The takeaways

Taxpayers were facing difficulty in taking advantage of the beneficial provisions introduced vide Finance Act, 2012. This

would provide much relief to taxpayers. Overall, this is a welcome step by the Indian government to promote the ease of doing business in India.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor.

¹ In the case of short deduction, a unique identification number (DIN) will be generated for each deductee row. In the case of non-deduction, a unique Alpha Numeric String would be created consisting of TAN, PAN and FY.

Our Offices

Ahmedabad

1701, 17th Floor, Shapath V,
Opp. Karnavati Club,
S G Highway,
Ahmedabad – 380051
Gujarat
+91-79 3091 7000

Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th
Floor, Road No. 10, Banjara Hills,
Hyderabad – 500034,
Telangana
+91-40 44246000

Gurgaon

Building No. 10, Tower - C
17th & 18th Floor,
DLF Cyber City,
Gurgaon – 122002
Haryana
+91-124 330 6000

Bengaluru

6th Floor
Millenia Tower 'D'
1 & 2, Murphy Road, Ulsoor,
Bengaluru – 560 008
Karnataka
+91-80 4079 7000

Kolkata

56 & 57, Block DN.
Ground Floor, A- Wing
Sector - V, Salt Lake
Kolkata – 700 091,
West Bengal
+91-033 2357 9101/
4400 1111

Pune

7th Floor, Tower A - Wing 1,
Business Bay, Airport Road,
Yerwada, Pune – 411 006
Maharashtra
+91-20 4100 4444

Chennai

8th Floor
Prestige Palladium Bayan
129-140 Greams Road
Chennai – 600 006
Tamil Nadu
+91 44 4228 5000

Mumbai

PwC House
Plot No. 18A,
Guru Nanak Road (Station Road),
Bandra (West), Mumbai – 400 050
Maharashtra
+91-22 6689 1000

For more information

Contact us at
pwctr.knowledgemanagement@in.pwc.com

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Chennai, Delhi NCR (Gurgaon), Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit www.pwc.com/in

PwC refers to the PwC International network and/or one or more of its member firms, each of which is a separate, independent and distinct legal entity. Please see www.pwc.com/structure for further details.

©2016 PwC. All rights reserved

Follow us on:



For private circulation only

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwCPL, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of PwCPL, this publication may not be quoted in whole or in part or otherwise referred to in any documents.

© 2016 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.