

PAYROLL

ASSET MANAGEMENT

The COMMUNIQUE



Our CFO Speaks

Central Bank Digital Currencies (CBDC)

A famous quote by Thorstein Veblen is “Invention is the mother of necessity”, today we can very well say that Innovation is the mother of disruption. The pandemic caused a disruption in our normal way of life which has given rise to multiple innovations with technology being at the core of it. One such major innovation in the Financial Services Sector is Central Bank Digital Currencies (CBDCs). Most Central Banks around the world are at various stages of researching the launching of national digital currencies.

Digital currencies have been around for a while and used as a medium of exchange and as an asset class. But launching of the same by Central Banks will be pivotal in shaping the Future Value of transfer.

A CBDC is a legal tender issued by the Central Bank in a digital form as a medium of exchange, store value and unit of account. The value is the same as a fiat currency, the only differentiator being that CBDC is issued in digital form.

At present only commercial banks and certain permitted financial institutions are allowed to hold Central Bank money in the form of ‘reserves’, but digitalization of the same would mean that the usage would significantly increase and will be used by households, wholesale financial institutions and businesses to store value and make payments more securely.

The designing and implementation of CBDCs will require careful evaluation of technology and access, privacy and distribution models. It will require an entire infrastructure development from the database on which it will be recorded to the applications and point of sale devices on which they will be transacted.

This change is inevitable as global economies are moving towards digitalization, however the risks and benefits need to be evaluated and every country will implement the same depending on the market maturities, local factors and the objectives of CBDCs. With the launch of CBDCs, Banks and Financial institutions will also have to gear up for the change and prepare for the new asset class and its impact on the Balance Sheet.

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WHAT'S NEW – TdsPac

New features of TdsPac are as follows:

- Challans can be generated on the basis of branch filter
- Data up to 35 lakh transactions can be processed
- eTDS file for salary can be created using excel templates
- Validations have been incorporated for challan wise transactions to cater ASCII values for hassle free filing

Never miss a date

March

15th

Fourth Instalment of advance tax for assessment year 2022-23

March

15th

Due date for payment of whole amount of advance tax in respect of assessment year 2022- 23 for assessee covered under presumptive scheme of section 44AD / 44ADA

March

30th

Due date for linking of Aadhar number with PAN

Happy to enhance our footprints

Trust at the core of every relationship



TRANSFORMATION STORY- A LARGE FMCG COMPANY AUTOMATES 26AS RECONCILIATION



Challenge

- Manual reconciliation of 26AS with ledgers
- Time consuming
- Prone to errors
- Possible loss of TDS credit
- Resolving errors with third party a cumbersome task

Solution

26AS Reconciler is an automated solution that matches the 26AS Statement to the TDS Receivable Ledger

Result

- Automated reconciliation
- Time saving process
- Accurate results
- Auto mailer for differences to vendors or customers

ALL YOU NEED TO KNOW - TDS LATE FILING AND PENALTIES

Tax must be deducted at source and must be deposited within the due dates. TDS returns must be filed quarterly within the due dates. The consequences for late deduction and late filing are interest and penalties.

Due Dates for TDS payment through Challan

The due date for depositing TDS is the 7th of the consecutive month. So say tax is deducted in April, then it must be deposited by the 7th of May.

Interest for non deduction and/or failure to deposit

Under Section 201(1A)(i) of Income Tax Act, when the tax at source is not deducted in whole or in part then the interest is **1% per month from the date tax is deductible to the date actually deducted.**

Say tax to be deducted in April was Rs. 50,000. This is missed and deducted in the month of June. Therefore interest is $50000 * 1\% * 3 = \text{Rs. } 1500$

Under Section 201(1A)(ii) of the Income Tax Act, when tax deducted is not deposited either in whole or part then the interest is **1.5% per month from the date of deduction to date of payment.**

Say tax is deducted on 10th April Rs. 50000, but deposited in June, the interest calculation will start from April, although due date is 7th May, hence the interest will be $50000 * 1.5\% * 3 = 2250$

Due Date for Return Filing

The due date for return filing is as follows:

Q1 ending 30th June - 31st July

Q2 ending 30th September - 31st October

Q3 ending 31st December - 31st Jan

Q4 ending 31st March - 31st May

Late Filing Fee

Under section 234E of the Income Tax Act, a fine of Rs.200 per day will be levied until the return is filed. This fee has to be paid for every day of delay till the amount of TDS payable equals the late filing fee.

Say the TDS Payable is Rs. 5000 on 13th May, the due date for return filing is 31st July. However the return is filed on 17th November.

The late filing fee will be charged for 109 days at the rate of Rs.200 per day which will amount to Rs.21,800. Since the amount is higher than the tax payable the amount of late filing fee will be restricted to Rs.5000

In addition to this the assessing officer may levy a penalty to the minimum of Rs. 10,000 to the maximum of Rs.1,00,000 under section 271H of the Act. However the same is not applicable if

- The TDS/ TCS is paid to the credit of Government
- Late filing fees and interest if any is paid
- The return is filed within one year from the due date specified on this behalf

Prosecution

The rigorous imprisonment for defaults can be for a term which is not less than three months but which may extend to 7 years with a fine.

Hence it is evident that default in tax deduction or tax deposit or return filing has serious monetary and non-monetary implications.



**This quarter TDS Compliances will be off
your checklist!
As we take care of them for FREE!**

TdsPac™

PayPac™

FAMS™

26AS Reconciler™

Email ID :
sales@fastfacts.co

Contact no :
+91 9582005110