

FAST FACTS BULLETIN

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eTDS Statement : "Inconsistency"

If you have received a letter from Director General of Income Tax (Systems) with the subject " Inconsistency in the Quarterly eTDS statements", read the following frequently asked questions for explanation and solutions.

Q: What is inconsistency ? Does it mean that I have furnished wrong eTDS Statement ?

A: The inconsistency is between the details submitted by you in eTDS statements and details submitted by banks. This may or may not be because of wrong details furnished by you. It can also happen for several other reasons.

Q: How is inconsistency found out?

A: The common factor between eTDS Statement and bank details is CIN - Challan Identification Number. This consists of Bank BSR Code, Date and Challan Serial Number.

Q: What results when CINs are matched ?

CIN match may result in one of the following conditions:

- Challan fully matches
- Amount mismatch
- TAN mismatch
- TAN and amount both mismatch
- CIN in statement not found in bank

Q: What is action I have to take in the above conditions?

A: Read the table given in the next article for the action to be taken.

Q: What about other errors ?

A: As explained in the table, you will have to approach the Assessing officer / Bank with a letter explaining the inconsistency and action expected from them . Also attach a copy of the letter received by you from Director General of Income Tax

Q: What is the column "Count of Deductee PAN" not present in ITD Database ?

A: Every PAN is 10 characters and has 5 alphabets+ 4 numbers + 1 alphabet. If the PAN follows this structure, it is called structurally valid PAN. However, if it is not matching with the database of income tax department, the count is shown in the letter. In such cases, you should verify the correct PAN from the deductee and file a correction statements .

Q: What is the column "Count of missing deductee PAN"

A: When PAN is mentioned as one of the following it is considered as missing

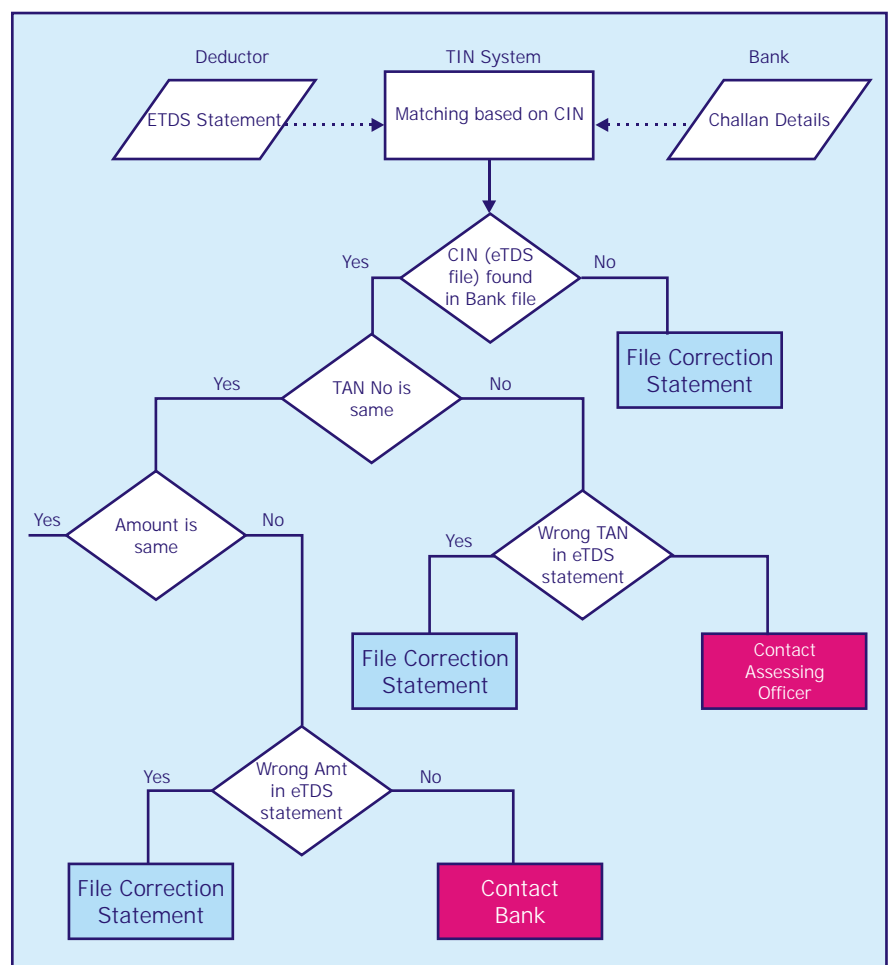
- PANNOTAVBL
- PANAPPLIED
- PANINVALID

in such cases, you must try and get the valid PAN from deductees and file a correction statement in respect of them

Q: How to submit correction statement

A: The CD/floppy containing correction statement should be accompanied with following documents:

- 1) Statement Statistics Report generated by FVU
- 2) Form No.27A
- 3) Copy of the provisional receipt of regular statement



1. Introduction

Tax Information Network (TIN), a repository of nationwide tax related information, has been established by National Securities Depository Limited (NSDL) on behalf of the Income Tax Department (ITD). TIN is an initiative by ITD for the modernisation of the current system for collection, processing, monitoring and accounting of direct taxes using information technology.

All quarterly TDS/TCS returns, giving details of TDS/TCS submitted by the deductor are uploaded to the central system hosted by NSDL. The central system also receives, on a daily basis, details of TDS/TCS deposited by deductors at the tax collecting banks through the Online Tax Accounting System (OLTAS). The TIN central system matches the details of the tax deposited given in the TDS/TCS statements with the details of the tax deposits uploaded by the banks and once they are matched, each of the underlying deductees [whose details are given in the TDS/TCS statements] are given tax credit against his Permanent Account Number (PAN). As per the Finance Act, 2006, credit of TDS/TCS would be on the basis of the entries in the PAN-wise ledger described above which is called Form 26AS or Annual Tax Statement for tax deducted or tax collected on or after 1/4/2008. The PAN ledger will replace Forms 16/16A as the basis for claiming tax credit in Income Tax Returns from Assessment Year 2009-2010 onwards.

As can be seen from above, the authentication of tax deposits claimed by deductors in their TDS/TCS returns with the data of tax deposits from banks ensures that tax credit is given only against funds that are actually received in government account.

2. Ensure Tax Credit

1. The deductor should use the same TAN to deposit tax in the bank and to prepare the TDS/TCS statement.
2. In case the deductor has multiple TANs, only one TAN should be used consistently, the other TANs should be surrendered to ITD.
3. The deductor details, i.e. TAN, name, address of deductor should be correctly stated in the statement filed.
4. Challan details (BSR code- seven digits, challan serial number upto five digits, date of tender) mentioned in the statement should be same as those stamped by the bank on the challan counterfoil. (Verify the challan details from TIN website (www.tin-nsdl.com) before filing the statement to prevent errors)
5. The challan amount mentioned in the statement should be same as the total amount deposited in the bank.
6. Valid 10-digit PAN of deductee should be provided.

3. Views for deductor on the NSDL TIN website

1. 'Challan Status Enquiry' displays the details of challan deposited in the bank. There are two types of views; CIN based view and TAN based view.

CIN based view: details of any particular challan can be viewed.

TAN based view: details of all challans deposited in the banks for a given TAN during a specified period can be viewed.

2. 'Quarterly Statement Status' displays status of the quarterly statement submitted by the deductor. The deductor can also check the status of the challans as well as the count of valid PANs in the statement.

4. Inconsistency in the TDS/TCS statement submitted by the deductor

TIN matches the challan details (BSR code, Cheque Tender Date, Challan Serial No., TAN and Amount) in the TDS statement with challan details uploaded by the bank. Feedback is given to the deductor where challans in the statement are not matched.

The status provided in the inconsistency letter is as follows.:

Matched: Challan details, match with details provided by bank.

Match failed (Amount does not match, different TAN in challan and statement, amount and TAN mismatch): indicates CIN in the statement matches with CIN in details provided by banks but TAN and/or amount do not match.

Match pending (CIN in statement not found in bank data): indicates that CIN mentioned in statement not received from the bank or the CIN uploaded by the bank is different than the CIN issued to the deductor.

Action to be taken by the deductor (Please refer to the table on page No 3)

In addition to the above the deductor is advised to submit a correction statement providing valid PAN of all deductees mentioned in the statement.

For detail guidelines on preparation of correction statements please refer the Deductors' Manual and also refer the Do's and Don'ts. These are available on the NSDL-TIN website (www.tin-nsdl.com). ■

For any clarification related to inconsistency, send email at tin_returns@nsdl.co.in

Action to be taken by the deductor as under:

Challan Status	Error in Statement	Error in Challan details uploaded by the BANK / incorrect TAN provided by deductor in challan	Action to be taken by deductor w.r.t. challan details
Challan fully Matched	No	No	No action
Match Failed (Amount does not match)	Yes	No	File correction statement
Match Failed (Amount does not match)	No	Yes	Contact Bank
Match Failed (Different TAN in challan and statement)	Yes	No	File correction statement
Match Failed (Different TAN in challan and statement)	No	Yes	Contact Assessing Officer
Match Failed (Amount + TAN mismatch)	Yes	No	File correction statement
Match Failed (Amount + TAN mismatch)	No	Yes	Contact Assessing Officer for TAN and Bank for Amount
Match Pending (CIN in statement not found in bank data)	Yes	No	File correction statement
Match Pending	No	Yes	Contact Assessing Officer

In Brief

Income Tax

TDS on 8% Savings (Taxable) Bonds, 2003

Income Tax Notification No: F. 4(10)-W&M/2003 (31-May-07)

With effect from June 1, 2007, tax will be deducted at source on the interest exceeding rupees ten thousand payable during the financial year on 8% Savings (Taxable) Bonds, 2003.

I-T Ombudsman office to function from June 26

The office of the Ombudsman for the Income-Tax Department in Mumbai has started functioning from June 26.

Mr Hardayal Singh, has been appointed as the Ombudsman for Mumbai

Ombudsmen have already been appointed at Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Pune, Kanpur, Chandigarh, Bhopal and

Kochi and more offices are likely to come up, according to the Income-Tax Ombudsman Guidelines, 2006.

Ministry of Company Affairs

Permanent DIN number mandatory from July 1

All directors on the board of companies will mandatorily need a director identification number (DIN) from July 1. The number is also mandatory for e-filing of various returns and documents.

- All existing and new directors will have to pay a fee of Rs 100 to obtain the number
- All provisional DINs, issued earlier, will become invalid after June 30, if the director concerned does not apply for a permanent number.
- Once it is allotted, the number would remain valid for the life-time of the individual, the official added. ■

Shares held as stock-in-trade or Investment

The laws in our country are quite confusing at times. Circulars issued from time to time clarify these issues. But what can be done, when the circular creates more confusion than clarifying the issue?

Gains from investment

We have at hand a crucial situation with regard to the gains from investment. Whether the same be treated as Capital Gain or Business Income.

- The point became important with the introduction of Securities Transaction Tax (STT) and corresponding lowering of tax rate in case of STT paid Capital gains.
- In majority of cases effective tax rate is lower when the profit is considered as Capital Gain, than as business income.
- In the case of FII's it is the other way round, since they are benefited if the same is considered as business income due to Double Taxation Avoidance Agreements.
- Either way without any clear-cut instructions, the issue is always open for litigation.

Past circular

- The issue was raked up one year back when the old circular issued by The Central Board of Direct Taxes (CBDT) through Instruction No.1827 dated August 31, 1989 was issued in the Income tax Department to be followed to determine the taxability.
- Now again this issue is in the news with the publication of CIRCULAR NO. 4/2007, DATED 15-6-2007

Present Circular No 4/2007

- The present circular hardly says anything new.
- It firstly refers to The Central Board of Direct Taxes (CBDT) Instruction No.1827 dated August 31, 1989
- Then it goes on to discuss the findings of Supreme Court Decisions in the case of
 - o Commissioner of Income Tax (Central), Calcutta Vs Associated Industrial Development Company (P) Ltd (82 ITR 586)
 - o Commissioner of Income Tax, Bombay Vs H. Holck Larsen (160 ITR 67), and
 - o The Authority for Advance Rulings (AAR) (288 ITR 641) and also reference is to the AAR in the case of Fidelity group

What the present circular has to say

The principles referred to by the Circular are summarized below :

1. The assessee, who being in a position should produce evidence from its records as to whether it has maintained any distinction between those shares which are its stock-in-trade and those which are held by way of investment.
2. The emphasis is on facts and not on law.

3. The power to purchase or sell shares in the Memorandum is not decisive of the nature whether trading or investment.
4. The substantial nature of transactions, the manner of maintaining books of accounts, the magnitude of purchases and sales and the ratio between purchases and sales and the holding would furnish a good guide to determine the nature of transactions.
5. The purchase and sale of shares with the motive of earning a profit, would result in the transaction being in the nature of trade/adventure in the nature of trade.
6. Where the object of the investment in shares of a company is to derive income by way of dividend etc. then the profits accruing by change in such investment (by sale of shares) will yield capital gain and not revenue receipt.
7. It is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets.
8. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income.
9. No single principle would be decisive and the total effect of all the principles should be considered to determine in a given case

The last para of circular practically undoes the whole exercise by stating that " These instructions shall supplement the earlier Instruction no. 1827 dated August 31, 1989."

If we analyse the circular there are two new things that emerge from this circular.

1. An assessee can have two portfolios.
2. The total effect of the guiding principles has to be applied in a given case.

This reduces the threat faced by the retail investor. Now some instances of non delivery investments or F&O transactions will not give blanket permission to the Assessing officer to consider the total investment as Business.

Does this circular really gives any relief to the Investor? Does this circular give any clarity on the matter? The answer to the latter is definitely negative, but for the former to an extent yes.

We wish the law makers understand the situation and clear the dilemma. We would like to take the example of option given to the assessee to chose Indexation benefit as an alternate to long term tax at a lower percentage. A similar option will be a real relief. The FII's have AAR to take shelter, where does retail investor go? ■

Give Power To Your Portfolio

The demand for power is expected to increase substantially in future with more urbanization and industrialization in store ahead. The per capita consumption of power in India is 600 KWH, which is very low as compared to 2,634 KWH world average. The demand is higher than supply and with shortage in the supply side due to low installed capacity overall, any kind of capacity addition will be welcomed in our country

Even in China due to power shortage recently, the Government has taken steps to reduce power consumption. For example, it has issued an order asking all its citizens not to keep air conditioners below 25 degree celsius.

- All power generating, distribution, trading and power equipment manufacturing companies are set to benefit from the bright prospects for the sector.
- You can invest in companies in power sector listed at Stock Exchanges. Some of prominent companies are Jindal Steel & Power, Reliance Energy, ABB, Tata Power, JP Hydro., Power Trading Co., Siemens, Crompton Greaves, Areva T&D India Ltd, Voltamp Trans, Cummins India, NTPC, BHEL, GMR etc..
- You can also invest through Mutual Funds like Reliance Power Sector Fund

The idea of returns in this sector is illustrated with the following example :

Fund Performance of Reliance Power Sector Fund



NAV Returns

NAV Growth	1-Week	1-Month	3-Months	6-Months	1-Year	3-Years	Incep.
	3.48%	3.88%	26.45%	19.76%	87.08%	64.98%	59.08%

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Service Tax Updates

Difficulties being encountered by Goods Transport Operators in complying with the provisions of Service Tax-reg

Circular 95/2007 - ST dated 11/06/2007

Rule 4B of Service Tax Rules prescribes that any 'goods transport agency' providing service in relation to transport of goods by road shall issue a consignment note to the customer.

"Consignment note" means "a document, issued by a goods transport agency against the receipt of goods for the purpose of transport of goods which is serially numbered, and contains

- the name of the consignor and consignee,
- registration number of the Truck No
- details of the goods transported,
- details of the place of origin and destination,
- person liable for paying service tax whether consignor, consignee or the goods transport agency".

According to the Road Transport Agency Association

- It may not always be possible to mention truck No. on consignment note in respect of small consignments, i.e., consignments that are less than a truck load.
- In such cases, the transporters have to wait till they accumulate a truck load of small consignments for a particular destination.
- Further, at times some consignments are shifted to other trucks in accordance with the business exigency.

These factors make it practically impossible to know the registration number of the truck transporting a particular shipment at the time of booking of cargo.

It is clarified by the Board that:

- In respect of small consignments, where truck number is not known, an endorsement, i.e., "truck number not known" may be made on customers copy of consignment note, against the entry for truck No.
- As and when the truck No is known, the goods transport agency shall make an entry of trucks No. in their copy of consignment note to satisfy the requirements of said rule 4B and also for any future reference.

- Similarly, in case of transshipment of goods, the goods transport agency would make entry of such transshipment, in their copy of consignment note.
- For example, if goods moves from Delhi to Agra, and is transshipped there for further movement to Mumbai, the goods transport agency would mention in his copy of consignment note, against vehicle No. as " (i) Delhi to Agra: Vehicle No.- XXX (ii)Agra to Mumbai: Vehicle No.- XXXX".

This would satisfy the requirement of the said rule 4B.

Roaming service provided to an international in-bound roaming subscriber

Service Tax Notification No: 36/ 2007 (15-Jun-07)

Service tax payable on roaming services provided by a telegraph authority to an international in-bound roaming subscriber, which was not being levied in accordance with the said practice, shall not be required to be paid in respect of such roaming service provided during the aforesaid period.

Draft Circulars

The following draft circulars have been issued to solicit views of the general public on the circular and are to be sent to the CBEC by 29 June 2007.

These circulars are likely to be notified in the first week of July, 2007

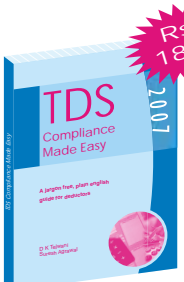
Procedural issues in Service Tax.

Draft Circular No: F.No.137/85/2007-CX.4 (19-Jun-07)

The draft circular, proposes to supersede all previous circulars, clarifications or instructions and consolidate the service tax procedural issues including those relating to availing and utilization of CENVAT credit in so far as they related to service tax.

Clarification on technical issues relating to scope and classification of taxable services, levy of service tax and valuation of taxable services - Draft Circular No: F.No.354/28/2007-TRU (19-Jun-07)

The draft circular proposing to supersede all previous circulars, clarifications or instructions issued by the CBEC, DG (Service Tax) and various field formations and consolidate the service tax technical issues including those relating to scope and classification of taxable services, valuation of taxable services, export of services, services received from outside India, etc. ■

	<h2>TDS Compliance Made Easy</h2>	Published by: Fast Facts
	<p>Everything you always wanted to know about TDS and found difficult to understand - Now Simplified</p>	Authors: D. K. Tejwani Suresh Agrawal
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- Create statements for all four quarters.
- Print Form 27A.

Create correction statement

- Edit/Add Deductor, Challan and Deductee details.
- Create Correction Statement.

Print challans / certificates

- Print **New** Form 16 TDS Certificate - salaries.
- Print **New** Form 16A TDS Certificate - other than salaries.
- Print **New** Form 27D TCS Certificate.
- Print Challan No. 281.
- Print paper return Form 24Q/26Q/27Q/27EQ.

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