



TAX DEDUCTION/COLLECTION ACCOUNT NUMBER

Meaning of TAN

Tax Deduction Account Number or Tax Collection Account Number is a 10-digit alphanumeric number issued by the Income-tax Department (we will refer to it as TAN). TAN is to be obtained by all persons who are responsible for deducting tax at source (TDS) or who are required to collect tax at source (TCS).

Structure of TAN

First 4 digits of TAN are alphabets, the next 5 digits of TAN are numeric and last digit is an alphabet.

First 3 alphabets of TAN represent the jurisdiction code, 4th alphabet is the initial of the name of the TAN holder who can be a company, firm, individual, etc. For example, TAN allotted to Mr. Mahesh of Delhi may appear as under:

DEL M 12345 L

Jurisdiction Code Name of deductee

Persons liable to apply for TAN

As discussed above, every person liable to deduct tax at source or collect tax at source is required to obtain TAN. However, a person required to deduct tax under section 194-IA can use PAN in place of TAN as such person is not required to obtain TAN.

Further, a person required to deduct tax under section 194-IB or section 194M shall not be required to obtain tax deduction account number (TAN).

As per section 194-IB any individual or HUF [whose books of account are not required to be audited under section 44AB] is liable to deduct tax at the rate of 5% while making payment of rent of any land or building or both to a resident person if amount of rent exceeds Rs. 50,000 for a month or part of a month.

Section 194M provides for deduction of tax, at the rate of 5%, from the sum paid or credited to a resident, in a year on account of contractual work, commission (not being insurance commission as referred to in Section 194D), brokerage or professional fees, by an individual or a HUF [whose books of account are not required to be audited under Section 44AB], if aggregate of such sum exceeds Rs. 50 lakhs in a year.

Relevance of TAN

As per section 203A of the Income-tax Act, 1961, every person who deducts or collects tax at source has to apply for the allotment of TAN. Section 203A also makes it mandatory to quote TAN in following documents:

- (a) TDS statements i.e. return
- (b) TCS statements i.e. return



- (c) Statement of financial transactions or reportable accounts
- (d) Challans for payment of TDS/TCS
- (e) TDS/TCS certificates
- (f) Other documents as may be prescribed

Consequences of not quoting TAN

Section 272BB(1) provides for penalty for failure to obtain TAN and section 272BB(1A) provides for penalty for quoting incorrect TAN. Penalty imposed under section 272BB is Rs. 10,000.

Procedure to obtain TAN

There are two modes for applying for TAN: (i) Online mode and (ii) Offline mode. They are as follows:

OFFLINE—An application for allotment of TAN is to be filed in Form 49B in duplicate and submitted to any TIN-FC. Addresses of TIN-FCs are available at NSDL-TIN website (<https://www.tin-nsdl.com>).

In case of an applicant, being a company which has not been registered under the Companies Act, 2013, the application for allotment of Tax Deduction Account Number may be made in Form No. INC-32 (SPICe) specified under sub-section (1) of section 7 of the said Act for incorporation of the company.

ONLINE—Online application for TAN can be made from the website of NSDL-TIN website.

Places from where to obtain Form 49B

- (1) Form 49B is freely downloadable from the website of Income-tax Department (<http://www.incometaxindia.gov.in>)
- (2) It is also available at TIN-FCs.
- (3) Legible photocopies of Form 49B or forms legibly printed exactly as per the format prescribed by Income-tax Department are also allowed to be used.

Authority empowered to allot TAN

TAN is allotted by the Income-tax Department on the basis of the application submitted online at NSDL-TIN website or offline to TIN-FC managed by NSDL. NSDL will intimate TAN to the applicant at the address specified in the application.

Documents to be submitted along with TAN application

No documents are required to be submitted along with application for allotment of TAN. However, for online application, the signed acknowledgment which is generated after filling up the form is to be forwarded to NSDL.

Procedure for online TAN application



The deductor can apply for TAN online at NSDL-TIN website (<https://tin.tin.nsdl.com/tan/index.html>)

(1) On confirmation of correct uploading of online application, an acknowledgement will be displayed on screen. The acknowledgement consists of:

- Unique 14-digit acknowledgement number
- Status of the applicant
- Name of the applicant
- Contact details
- Payment details
- Space for signature

(2) Applicant has to save the acknowledgment and should obtain a print of the same.

(3) The applicant should sign the acknowledgment. Signature should only be within the box provided in the acknowledgement.

(4) In case of applicants other than individual, the authorised signatory shall sign the acknowledgement and affix the appropriate seal or stamp.

(5) Thumb impression, if used, should be attested by Magistrate/Notary Public/Gazetted Officer under his official seal and stamp.

Payment:

(1) The applicant has to make the payment of processing fee which is Rs 55 + GST (as applicable)

(2) Payment can be made by

- Demand draft
- Cheque
- E-payment (for mode and other procedure applicable in case of e-payment visit <https://tin.tin.nsdl.com/tan/form49B.html>)

(3) Demand draft/Cheque shall be in favour of NSDL-TIN.

(4) Name of applicant and acknowledgement number should be mentioned on reverse of DD/Cheque.

(5) DD shall be payable at Mumbai.

(6) Applicant making payment by cheque shall deposit a local cheque (drawn on any bank) with any HDFC Bank across the country (except Dahej) . The applicant shall mention TANNSDL on deposit slip.

On successful payment by e-payment mode an acknowledgement will be displayed. Applicant shall save and print the acknowledgement and send it to NSDL as mentioned in “submission of document”.

Submission of documents:

- (a) The duly signed acknowledgement along with DD, if any, shall be sent to NSDL at
NSDL – e – Governance Infrastructure Limited,
5th floor, Mantri Sterling,
Plot No. 341, Survey No. 997/8,
Model colony, Near Deep Bungalow chowk,
Pune – 411016.
- (b) Superscribe the envelope with .APPLICATION FOR TAN – Acknowledgement number..
- (c) It should reach NSDL within 15 days from the date of online application
- (d) Application will be processed only on receipt of duly signed acknowledgement and realisation of payment.

No separate TAN is required to obtain for the purpose of TCS

TAN allotted for TDS can be used for the purpose of TCS also. In other words, no separate TAN is required to obtain for the purpose of TCS, if the person already holds TAN for the purpose of TDS.

How to find the address of nearest TIN-FC?

Addresses of all TIN-FC are available on NSDL-TIN website (<https://www.tin-nsdl.com>).

Single TAN is to be used in case of deductor who has to deduct tax from different types of payment such as salary, interest payment, etc.

TAN once allotted can be used for all types of deduction and collection. In other words, it is not necessary to apply for different TAN if the deductor has to deduct tax from different types of payment such as salary, interest payment, etc.

Enquire about the status of TAN application

After making the application for allotment of TAN, the deductor can enquire about the status of his application by accessing NSDL-TIN website at status track option and by quoting the unique 14-digit acknowledgement number after three days of his application. This facility can be accessed from the website of Income-tax Department too (www.incometaxindia.gov.in).

Government deductors are also liable to obtain TAN

Like Non-Government deductors, the Government deductors are also required to apply for TAN.

PAN cannot be quoted in place of TAN

PAN should never be quoted in the field where TAN is required to be quoted. In other words, the deductor/collector cannot quote his PAN in place of TAN. If he does not possess TAN, then he has to apply for the same. However, a person required to deduct

tax under section 194-IA can use PAN in place of TAN as such person is not required to obtain TAN.

Taxpayer cannot hold more than one TAN

It is illegal to possess or use more than one TAN. Different branches/ divisions of an entity may, however, have separate TAN.

In case more than one TAN have been allotted, then the TAN which is being used regularly should be continued and the other TAN(s) should immediately be surrendered for cancellation using “Form for changes or correction in TAN” which can be downloaded from NSDL-TIN website or may be procured from TIN-FC.

Changes in the basic data communicated at the time of making the application for allotment of TAN

Any change or correction in the data associated with TAN should be communicated to the Income-tax Department by filing up “Form for changes or correction in TAN data for TAN allotted” along with necessary fees at any of the TIN-FCs or NSDL-TIN website.

INCOME TAX DEPARTMENT





MCQ ON TAX DEDUCTION/COLLECTION ACCOUNT NUMBER

Q1. Tax Deduction Account Number or Tax Collection Account Number (TAN) is a _____ alpha-numeric number issued by the Income-tax Department.

- (a) 5 digit (b) 10 digit
(c) 15 digit (d) 20 digit

Correct answer : (b)

Justification of correct answer :

Tax Deduction Account Number or Tax Collection Account Number (TAN) is a 10-digit alpha-numeric number issued by the Income-tax Department.

Thus, option (b) is the correct option.

Q2. As per section _____ of the Income-tax Act, 1961, every person who deducts or collects tax at source has to apply for the allotment of TAN.

- (a) 203A (b) 139A
(c) 203AA (d) 210

Correct answer : (a)

Justification of correct answer :

As per section 203A of the Income-tax Act, 1961, every person who deducts or collects tax at source has to apply for the allotment of TAN. However, the provisions relating to obtaining of TAN will not apply to a person deducting tax under section 194-IA (i.e. from sale consideration of land/building) and to such person, as may be notified by the Central Government in this behalf.

Further, a person required to deduct tax under section 194-IB shall not be required to obtain tax deduction account number (TAN).

As per section 194-IB (as inserted by Finance Act, 2017), any individual or HUF [whose books of account are not required to be audited under section 44AB] is liable to deduct tax at the rate of 5% while making payment of rent of any land or building or both to a resident person if amount of rent exceeds Rs. 50,000 for a month or part of a month.

Section 194M [inserted by Finance (No. 2) Act, 2019] provides for deduction of tax, at the rate of 5%, from the sum paid or credited to a resident, in a year on account of contractual work, commission (not being insurance commission as referred to in Section 194D), brokerage or professional fees, by an individual or a HUF [whose books of account are not required to be audited under Section 44AB], if aggregate of such sum exceeds Rs. 50 lakhs in a year.

Thus, option (a) is the correct option.

Q3. First 3 alphabets of TAN represent the _____.

- (a) Name of the TAN holder
(b) Surname of the TAN holder
(c) Jurisdiction code

(d) Residential status of the TAN holder

Correct answer : (c)

Justification of correct answer :

First 3 alphabets of TAN represent the jurisdiction code.

Thus, option (c) is the correct option.

Q4.4th alphabet of TAN represents the initial of the name of the TAN holder who can be a company, firm, individual, etc.

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

4th alphabet of TAN represents the initial of the name of the TAN holder who can be a company, firm, individual, etc.

Thus, option (a) is the correct option.

Q5.Section _____ provides for penalty for failure to obtain Tax Deduction Account Number or Tax Collection Account Number (as the case may be).

(a) 272BB(1A)

(b) 272BB(1)

(c) 271H

(d) 271C

Correct answer : (b)

Justification of correct answer :

Section 272BB(1) provides for penalty for failure to obtain Tax Deduction Account Number or Tax Collection Account Number (as the case may be).

Thus, option (b) is the correct option.

Q6.No penalty has been prescribed under the Income-tax Law for quoting incorrect Tax Deduction Account Number or Tax Collection Account Number (as the case may be).

(a) True

(b) False

Correct answer : (b)

Justification of correct answer :

Section 272BB(1A) provides for penalty for quoting incorrect Tax Deduction Account Number or Tax Collection Account Number (as the case may be).

Thus, option (b) is the correct option.

Q7.Penalty imposed under section 272BB is _____

(a) Rs. 50,000

(b) Rs. 25,000

(c) Rs. 10,000

(d) Rs. 5,000

Correct answer : (c)

Justification of correct answer :

Section 272BB(1) provides for penalty for failure to obtain Tax Deduction Account Number or Tax Collection Account Number (as the case may be) and section

272BB(1A) provides for penalty for quoting incorrect Tax Deduction Account Number or Tax Collection Account Number (as the case may be). Penalty imposable under section 272BB is Rs. 10,000.

Thus, option (c) is the correct option.

Q8. Which form is required to be filed in for applying for TAN?

- (a) Form 49B (b) Form 49C

Correct answer : (a)

Justification of correct answer :

Form 49B is required to be filed for applying for TAN. In case of an applicant, being a company which has not been registered under the Companies Act, 2013, the application for allotment of Tax Deduction Account Number may be made in Form No. INC-32 (SPICe) specified under sub-section (1) of section 7 of the said Act for incorporation of the company.

Thus, option (a) is the correct option.

Q9. A person required to deduct tax under section _____ can use PAN in place of TAN as such person is not required to obtain TAN.

- (a) 192 (b) 193
(c) 194A (d) 194-IA

Correct answer : (d)

Justification of correct answer :

A person required to deduct tax under section 194-IA can use PAN in place of TAN as such person is not required to obtain TAN.

Thus, option (d) is the correct option.

Q10. Any change or correction in the data associated with TAN should be communicated to the Income-tax Department by filing up “Form for changes or correction in TAN data for TAN allotted”.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Any change or correction in the data associated with TAN should be communicated to the Income-tax Department by filing up “Form for changes or correction in TAN data for TAN allotted” along with necessary fees at any of the TIN-FCs or NSDL-TIN website.

Thus, option (a) is the correct option.