

CBDT introduces functionality to verify return filing status by tax deductor / collector

Introduction

The Finance Act 2021 introduced new provisions mandating higher rates for tax deduction at source (TDS) and tax collection at source (TCS) in case of specified person. 'Specified person' has been defined to mean a person:

- who has not filed its income tax returns for the past two years immediately prior to the year in which tax is required to be deducted/collected and the time limit for filing the original income tax return has expired; and
- in whose case the aggregate of TDS or TCS is INR 50,000 or more in each of those two years.

The above provisions shall come into effect from 1 July 2021.

Compliance check functionality introduced

In order to facilitate tax deductor/collector to conduct due diligence for the purpose of above provisions, the Central Board of Direct Taxes (CBDT) has introduced a compliance check functionality known as **Compliance Check for Section 206AB & Section 206CCA** in the Income Tax Department [reporting portal](#). The CBDT has also released Quick Reference Guide and Frequently Asked Questions with respect to the compliance check.

The new functionality enables the deductor/collector to check whether the deductee/collectee is a 'specified person' for the purpose of the above provisions.

Features of the new facility

- **List of 'specified person' prepared at the beginning of year:** A list consisting of 'specified person' will be prepared at the beginning of each financial year (FY). Thus, no new 'specified person' would be added during the year.
- **Compliance check to be done at the beginning of the FY:** The tax deductor/collector is required to check the Permanent Account Number (PAN) of the deductee/collectee at the beginning of the FY. The system would prompt if the deductee/collectee is a 'specified person' or not.
 - **In case of a non-specified person:** The tax deductor/collector is not required to check the list again during that FY.
 - **In case of 'specified person':** There may be situations wherein a person may move out of the 'specified person' category during the year. Accordingly, the tax deductor/collector is required to recheck the list at the time of making TDS/TCS in the case of a 'specified person'.

- **Excluding non-residents not having a permanent establishment in India from the 'specified person' category:** The compliance check is done on the PAN which the tax deductor/collector feeds into the system. Since, as per the provisions, 'specified person' does not cover non-resident not having a permanent establishment in India, the tax deductor/collector is required to exclude such non-residents (if any) from the list of 'specified person'.
- **Manner of checking:** The tax deductor/collector can feed single PAN (PAN search) or multiple PAN (bulk search) for the purpose of compliance check. Upto 10,000 PANs can be verified at once using bulk search.

Compliance check for FY 2021-22

- **Relevant preceding years:** For tax deduction and tax collection happening in FY 2021-22, FY 2018-19 and FY 2019-20 shall be the relevant years for which compliance check needs to be done.
- **List of 'specified person':** For FY 2021-22, include taxpayers who:
 - did not file their tax returns for FY 2018-19 and 2019-20 and
 - have aggregate TDS/TCS of INR 50,000 or more in each of these two years
- **Changes in the list of 'specified person' during the year:** A person may move out of the 'specified person' category during FY 2021-22 in following situations:
 - If such person files his/her return for any of the preceding years during FY 2021-22.
 - If such person files his return for FY 2020-21. However, the list would be amended on the due date of return filing or the date of actual filing of return for FY 2020-21, whichever is later.
 - If the aggregate of TDS and TCS in FY 2020-21 is less than INR 50,000, this would be done on the first return filing due date coming in FY 2021-22. It may be noted that in FY 2021-22, the first return filing due date has been extended from 31 July 2021 to 30 September 2021.
 - Belated and revised TDS and TCS returns of the relevant FYs filed during FY 2021-22 will also be considered for revising the list of 'specified person'.