Record TDS Transactions in TallyPrime

You can record the required TDS transactions as per your business needs.

Account for Expenses and Deduct TDS Later

Generally, the deductor deducts the tax in the same invoice in which the expenses are accounted. But in some cases, deductor may follow the procedure of accounting only expenses on the receipt of bills and later, deduct applicable tax on all such accounted expenses in one invoice.

In this section

- Account for expenses
- Deduct Applicable TDS

Accounting for Expenses

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

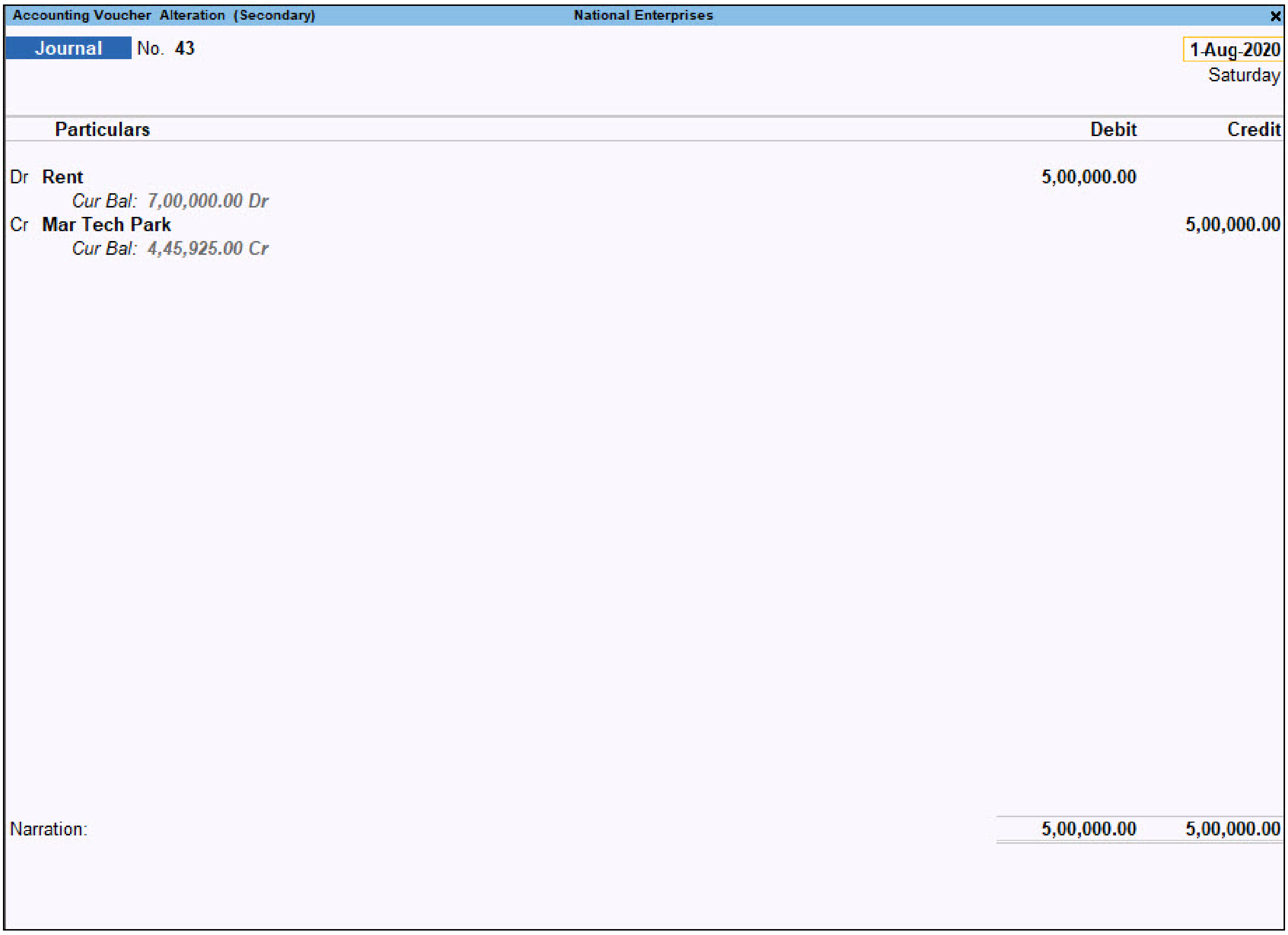
2. Debit the expense ledger and enter the amount.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

3. Credit the party ledger and enter the amount.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) >

Create Master > type or select **Ledger** > press **Enter**.



4. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct Applicable TDS

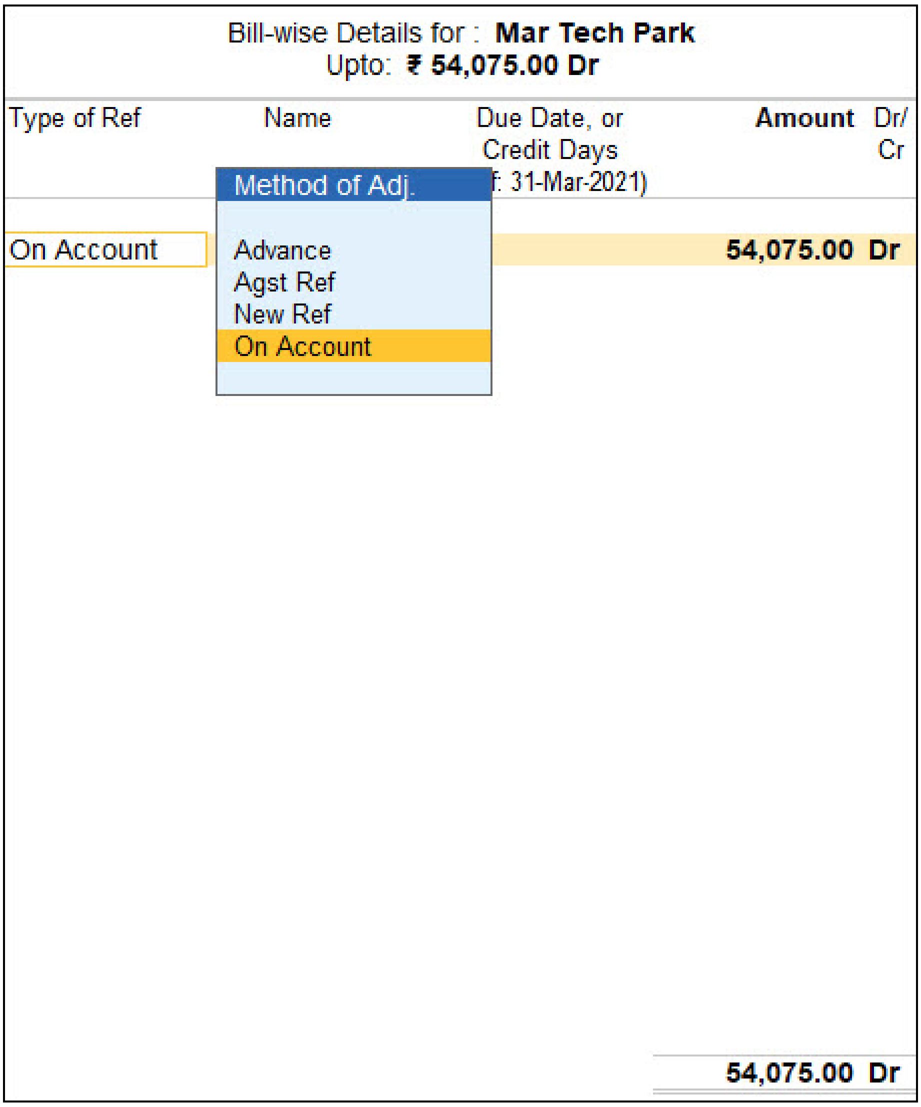
1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the party ledger and enter the TDS amount.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > Create Master > type or select **Ledger** > press **Enter**.

3. Enter the required details in the **Bill-wise Details** screen.



4. Press **Enter**.

5. Credit the TDS ledger and enter the amount.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

6. Enter the required details in the **TDS Details** screen.

TDS Nature of Payment Details

Type of Ref	Name	Nature of Payment	Assessable Amount	TDS
Agst Ref	**Jrnl / 68 / 134**	Rent of Land, Building Or Furniture	**5,00,000.00 Cr**	**54,075.00 Cr**

Income Tax	*10 %*	*On*	*5,00,000.00 Cr*	*50,000.00 Cr*
Surcharge	*5 %*	*On*	*50,000.00 Cr*	*2,500.00 Cr*
Education Cess	*2 %*	*On*	*52,500.00 Cr*	*1,050.00 Cr*
Secondary Education Cess	*1 %*	*On*	*52,500.00 Cr*	*525.00 Cr*

Total 5,00,000.00 Cr

The **Journal** voucher appears as shown below:

Accounting Voucher Alteration (Secondary) — **National Enterprises**

Journal No. **45** — **30-Aug-2020**, Sunday

Particulars	Debit	Credit
Dr **Mar Tech Park**	**54,075.00**	
Cur Bal: 4,45,925.00 Cr		
Cr **TDS on Rent**		**54,075.00**
Cur Bal: 53,017.00 Cr		
Narration:	**54,075.00**	**54,075.00**

Accept ?

Yes or No

7. Accept the screen. As always, you can press **Ctrl+A** to save.

Purchase of Software

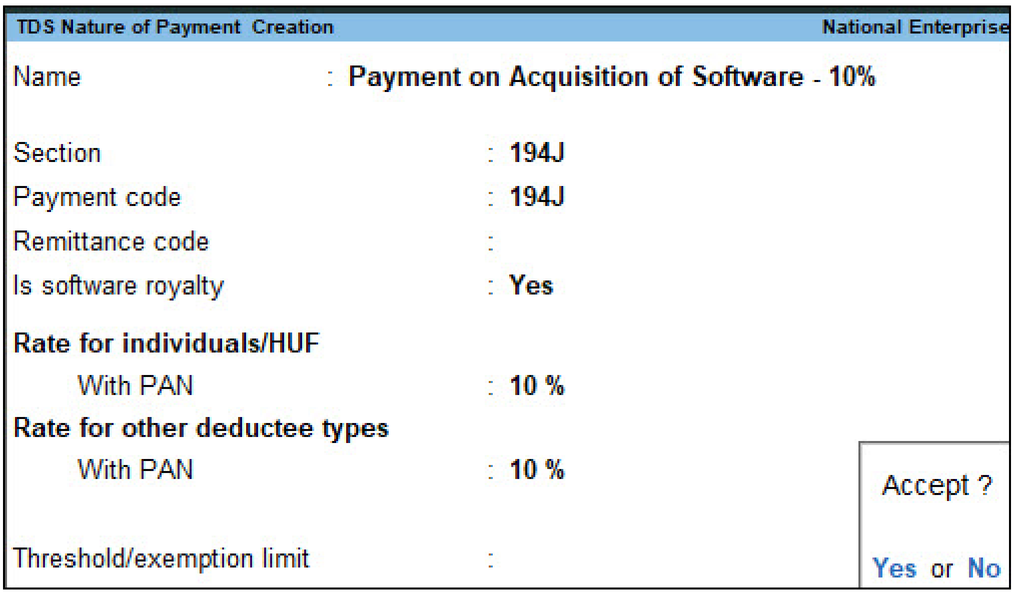
You can create the nature of payment and record the transaction.

In this section

- Nature of payment for taxable purchase of software products
- Taxable purchase of software products
- Nature of payment for the exempt purchase of software product
- Zero-Rated purchase of software product

Nature of payment for taxable purchase of software product

1. **Gateway of Tally** > **Create** > type or select **TDS Nature of Payments** > and press **Enter**.
   Alternatively, press **Alt+G** (Go To) > **Create Master** > **TDS Nature of Payments** > and press **Enter**.
2. Enter the **Name** of the nature of payment.
3. Enter **194J** and **94J** in the fields **Section** and **Payment Code**, respectively.
4. Set the option **Is software royalty** to **Yes**.
   In the **TCS Nature of Payment Creation** screen, press **F12** (Configure) > set the option **Allow Software Royalty** to **Yes**. to get the field **Is software royalty**
5. Enter the **Rate of tax**.
6. Enter the amount up to which tax is not applicable for this category, in the field **Threshold/exemption limit**, if any.



7. Accept the screen. As always, you can press **Ctrl+A** to save.

Taxable purchase of software products

1. **Gateway of Tally** > **Vouchers** > press **F9** (Purchase)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F9** (Purchase).

2. Press **Ctrl+H** (Change Mode) to select the required voucher mode (**Accounting Invoice**, in this case).

3. Press **F12** (Configure).

   - Set the option **Modify tax details for TDS** to **Yes**.
   - Press **Ctrl+A** to accept.

4. Enter the **Supplier Invoice No.** and **Date**.

5. Select the ledger of the supplier in the field **Party A/c name**.

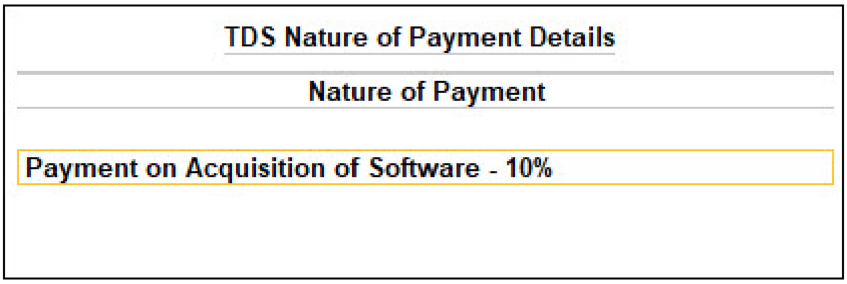
   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

6. Select the ledger, created under **Purchase Accounts**, under **Particulars**, and enter the **Amount**.

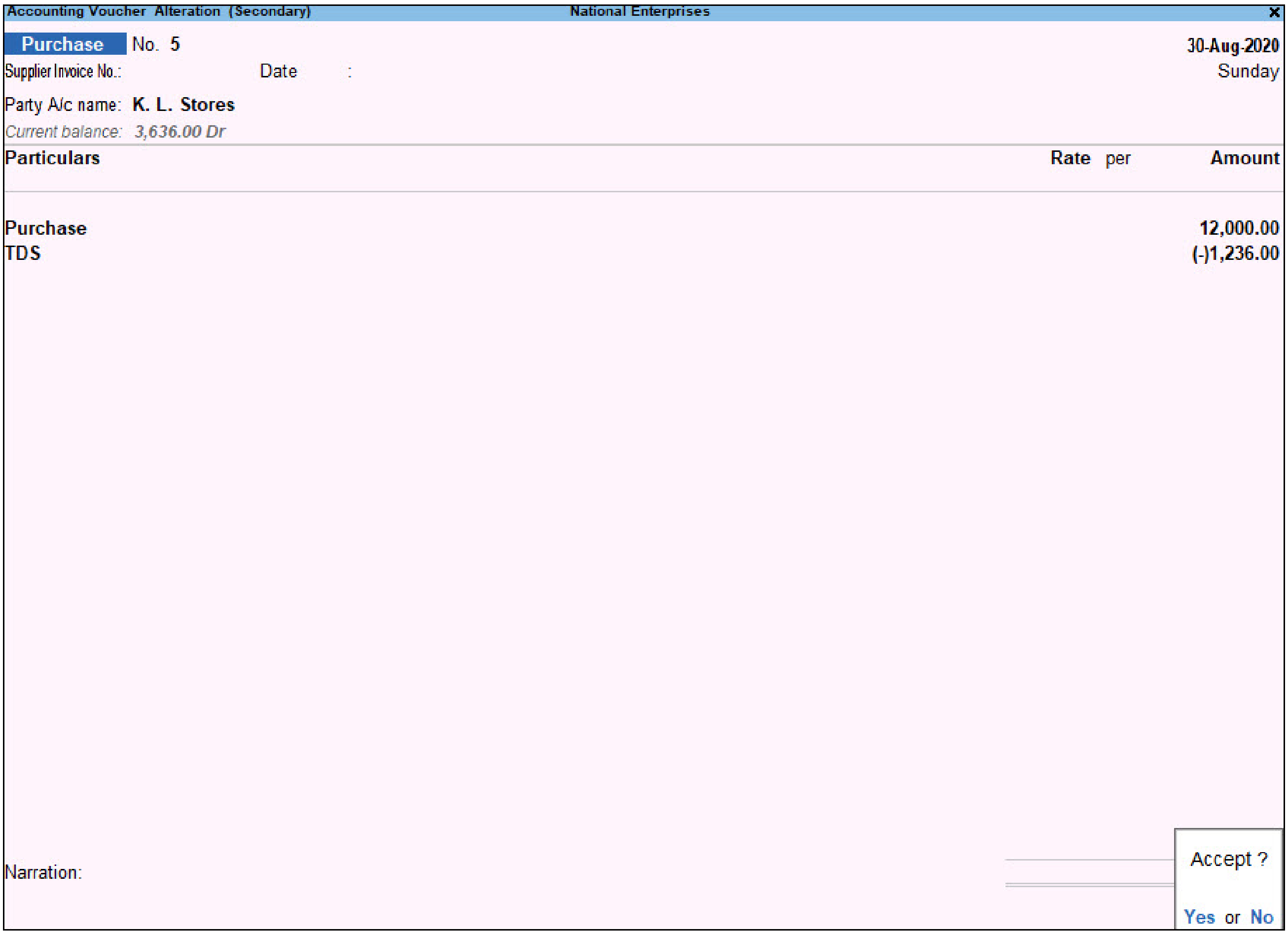
   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter.**

7. Press **Enter**. The **Expense Allocation** screen appears.

8. Select the nature of payment applicable for taxable purchase of software product and press **Enter**.



9. Select TDS tax ledger under **Particulars**. The TDS tax amount automatically appears, based on the rate of tax defined in the nature of payment.

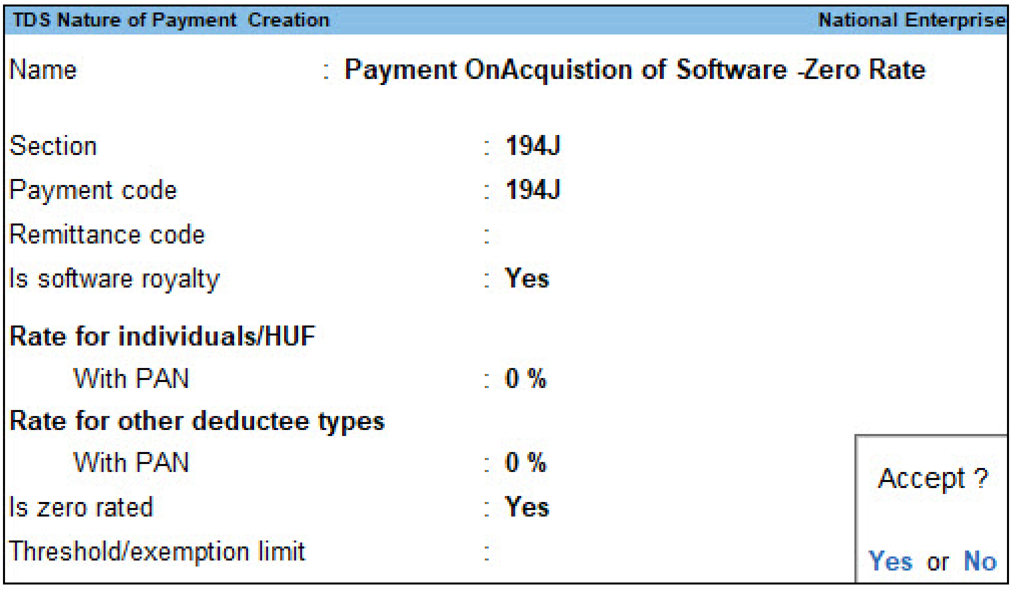


10. Accept the screen. As always, you can press **Ctrl+A** to save.

> **Note:** In this case, the purchase ledger and TDS ledger are created without selecting a **Nature of Payment** in the master. The nature of payment is selected during transacting. You can also create ledgers by selecting the respective nature of payment.

Nature of payment for the exempt purchase of software product

1. **Gateway of Tally** > **Create** > type or select **TDS Nature of Payments** > and press **Enter**.
   Alternatively, press **Alt+G** (Go To) > **Create Master** > **TDS Nature of Payments** > and press **Enter**.
2. Enter the **Name** of the nature of payment.
3. Enter **194J** and **94J** in the fields **Section** and **Payment Code**, respectively.
4. Set the option **Is software royalty** to **Yes**.
5. Enter the **Rate of tax** as **0%**.
6. Set the option **Is zero rated** to **Yes**.
7. Enter the amount up to which tax should not be applied for this category in the field **Threshold/exemption limit**, if any.


TDS Nature of Payment Creation National Enterprise

Name : Payment OnAcquistion of Software -Zero Rate

Section : 194J
Payment code : 194J
Remittance code :
Is software royalty : Yes
Rate for individuals/HUF
With PAN : 0 %
Rate for other deductee types
With PAN : 0 %
Is zero rated : Yes
Threshold/exemption limit :

Accept ?
Yes or No

8. Accept the screen. As always, you can press **Ctrl+A** to save.

Zero-Rated purchase of software product

1. **Gateway of Tally** > **Vouchers** > press **F9** (Purchase).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F9** (Purchase).

2. Press **Ctrl+H** (Change Mode) to select the required voucher mode (**Accounting Invoice**, in this case).

3. Press **F12** (Configure).

   - Set the option **Modify tax details for TDS** to **Yes**.

   - Press **Ctrl+A** to accept.

4. Enter the **Supplier Invoice No.** and **Date**.

5. Select the ledger of the supplier in the field **Party A/c name**.

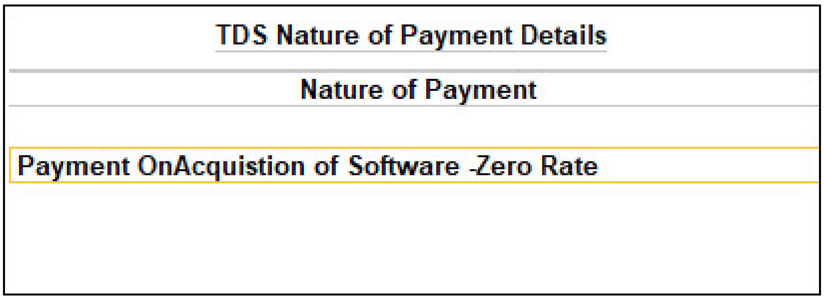
   As always, press Alt+C, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

6. Select the ledger, created under **Purchase Accounts**, under **Particulars**, and enter the **Amount**.

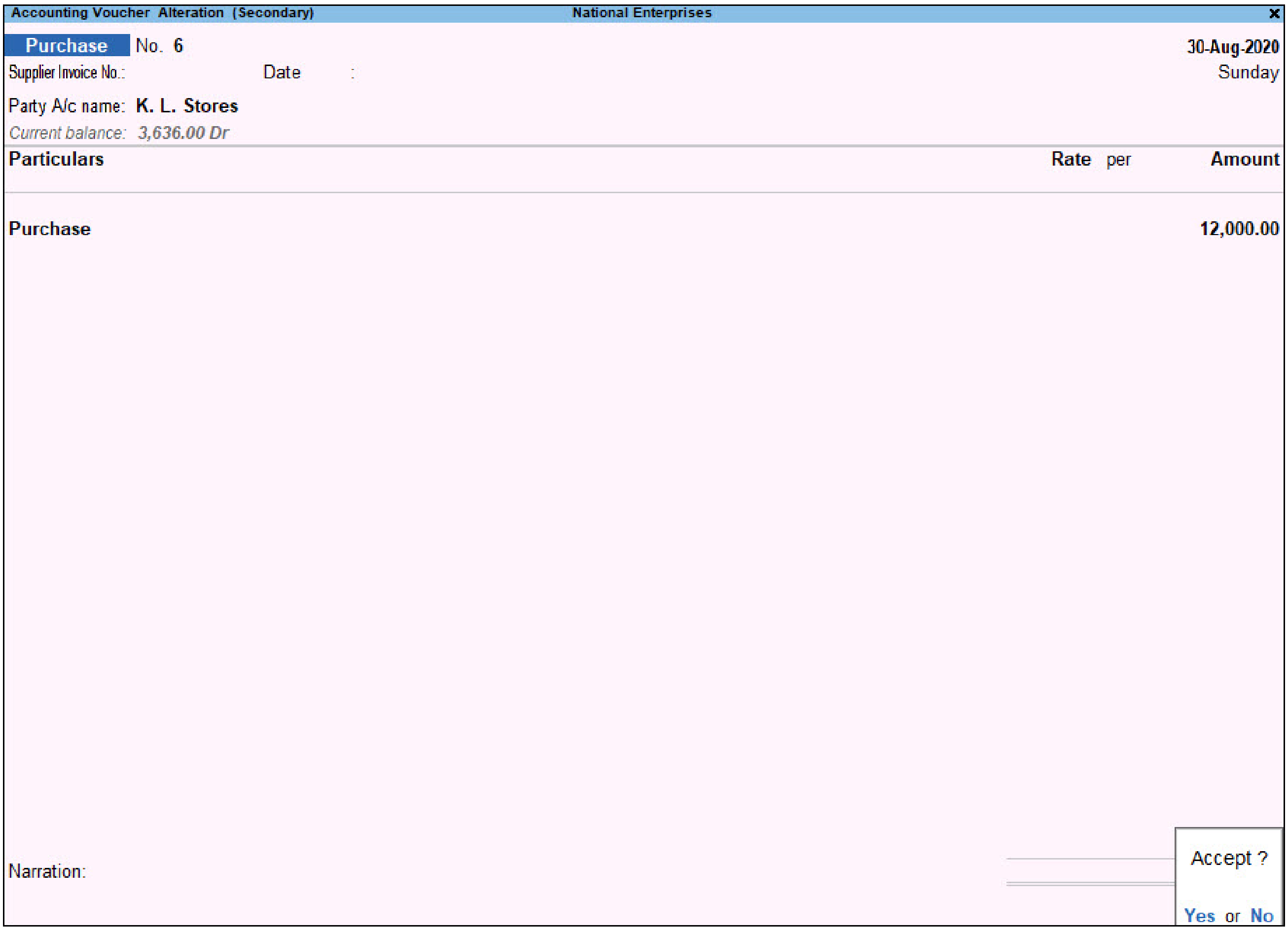
   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

7. Press **Enter**. The **Expense Allocation** screen appears.

8. Select the nature of payment applicable for zero rated purchase of software product and press **Enter**.

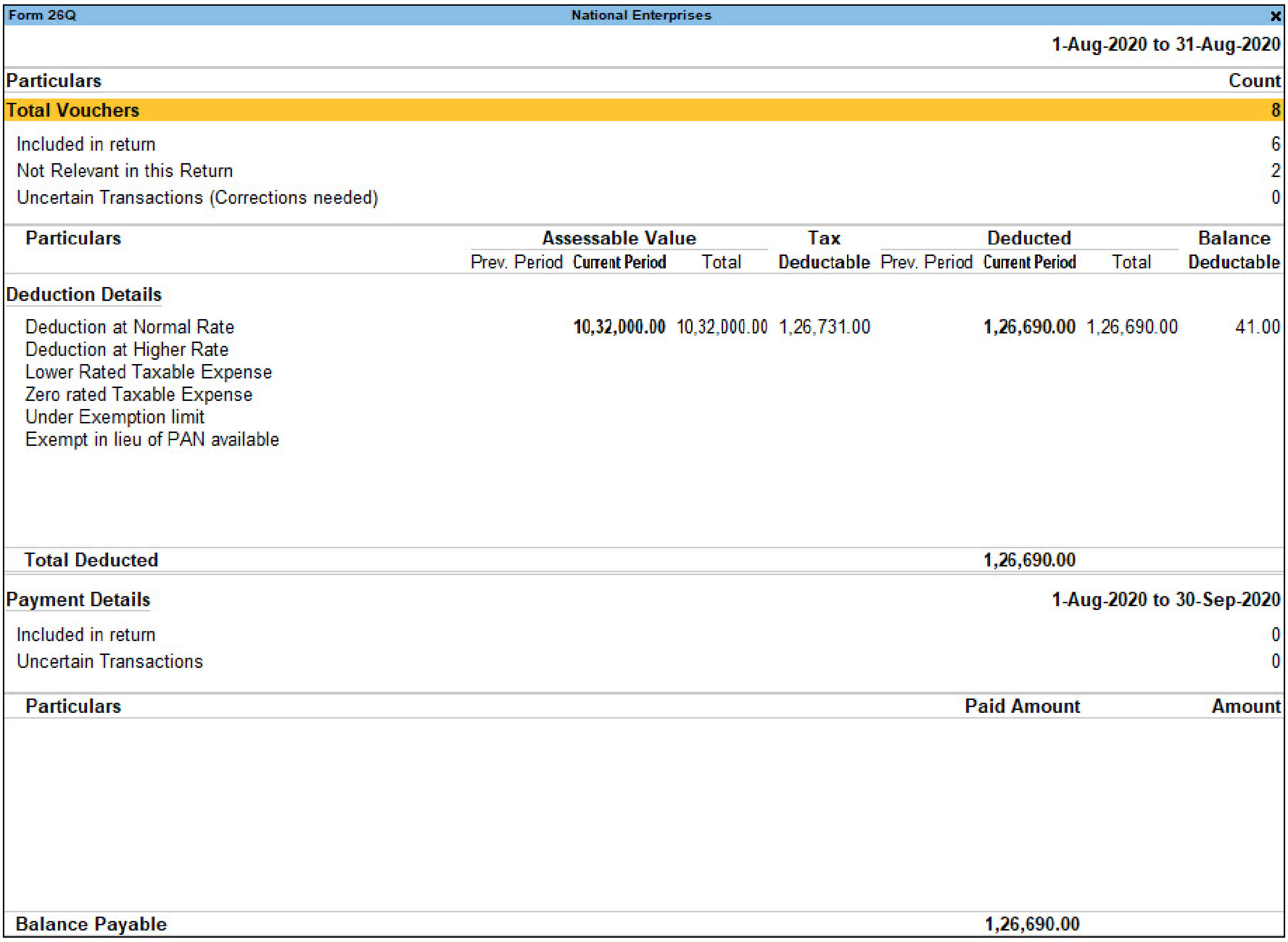


9. Press **Enter**.



10. Accept the screen. As always, you can press **Ctrl+A** to save.

The value from both taxable and zero-rated/exempt transactions will be updated in Form 26Q. However, in the returns file, the value from exempt transaction is flagged with the initial **S**, indicating software purchase.



Form 26Q National Enterprises

1-Aug-2020 to 31-Aug-2020

Particulars	Count
Total Vouchers	**8**
Included in return	6
Not Relevant in this Return	2
Uncertain Transactions (Corrections needed)	0

Particulars	Assessable Value			Tax	Deducted			Balance
	Prev. Period	Current Period	Total	Deductable	Prev. Period	Current Period	Total	Deductable
Deduction Details								
Deduction at Normal Rate		**10,32,000.00**	10,32,000.00	1,26,731.00		**1,26,690.00**	1,26,690.00	41.00
Deduction at Higher Rate								
Lower Rated Taxable Expense								
Zero rated Taxable Expense								
Under Exemption limit								
Exempt in lieu of PAN available								
Total Deducted						**1,26,690.00**		

Payment Details 1-Aug-2020 to 30-Sep-2020

Included in return	0
Uncertain Transactions	0

Particulars	Paid Amount	Amount
Balance Payable	**1,26,690.00**	

Reversal of Expenses with TDS

You can record any reversal of expenses with the applicable TDS using a purchase voucher.

In this section

- Purchase voucher
- Debit Note

Purchase voucher

1. **Gateway of Tally** > **Vouchers** > press **F9** (Purchase)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F9** (Purchase).

2. Enter the **Supplier Invoice No.** and **Date**.

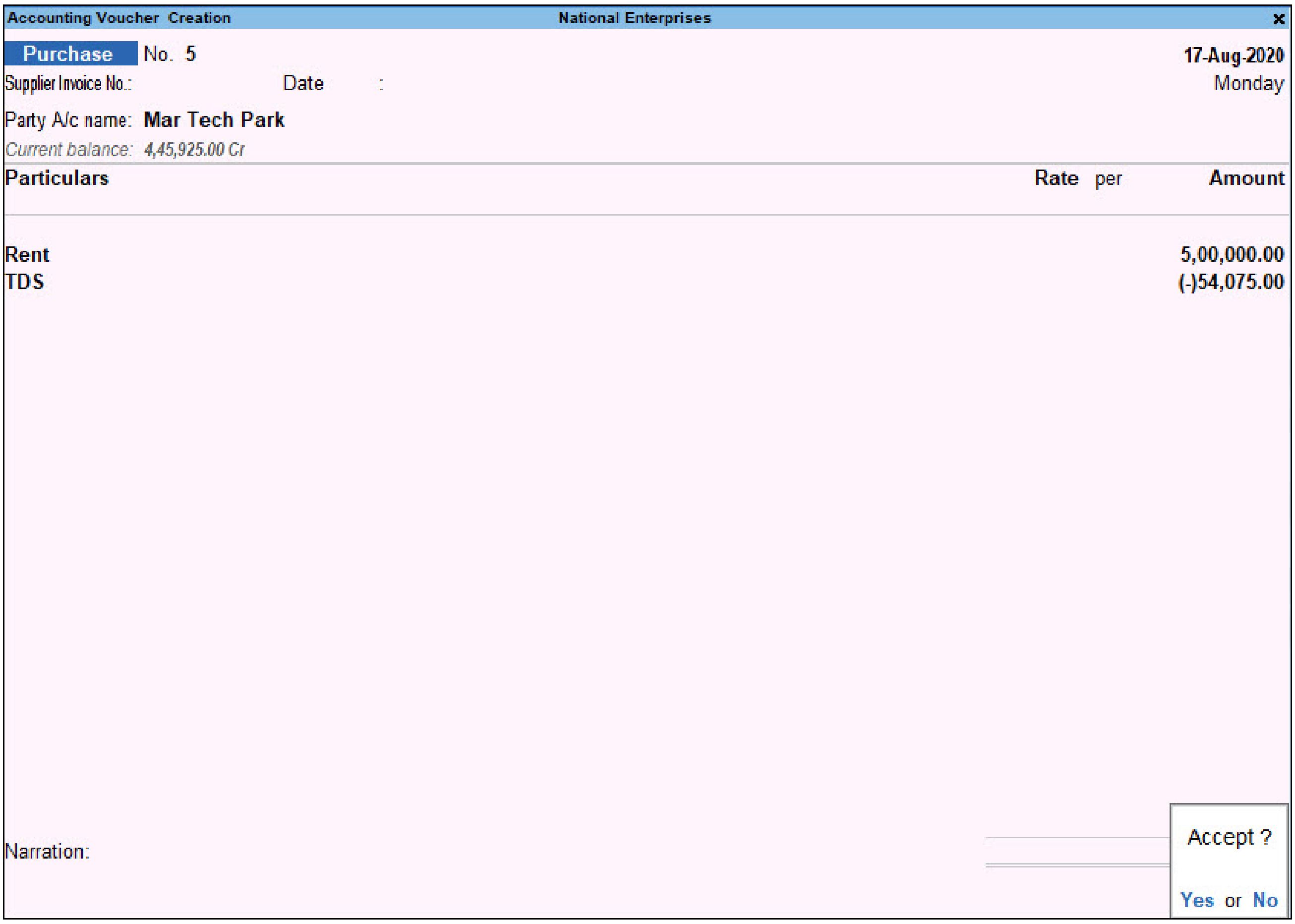
3. Select the **Party A/c name**.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

4. Under **Particulars**, select the expense ledger and enter the amount.

5. Select the TDS ledger. The amount appears automatically.

6. Enter the **Bill-wise Details**.



7. Accept the screen. As always, you can press **Ctrl+A** to save.

Debit Note

To Enable Debit Note Voucher Type

1. **Gateway of Tally** > **Alter** > type or select **Voucher Type** > **Debit Note >** and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Alter Master** > **Debit Note** > and press **Enter**.

2. Set **Activate this Voucher Type** to **Yes**.

3. Accept the screen. As always, you can press **Ctrl+A** to save.

Debit Note Voucher

1. **Gateway of Tally** > **Vouchers** > press **Alt+F5** (Debit Note).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher** > press **Alt+F5** (Debit Note).

2. Enter the **Original Invoice No.** and **Original Invoice Dt**.

3. Select the **Party A/c name**.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) >

Create Master > type or select **Ledger** > press **Enter**.

4. Select the expense ledger and enter the amount.

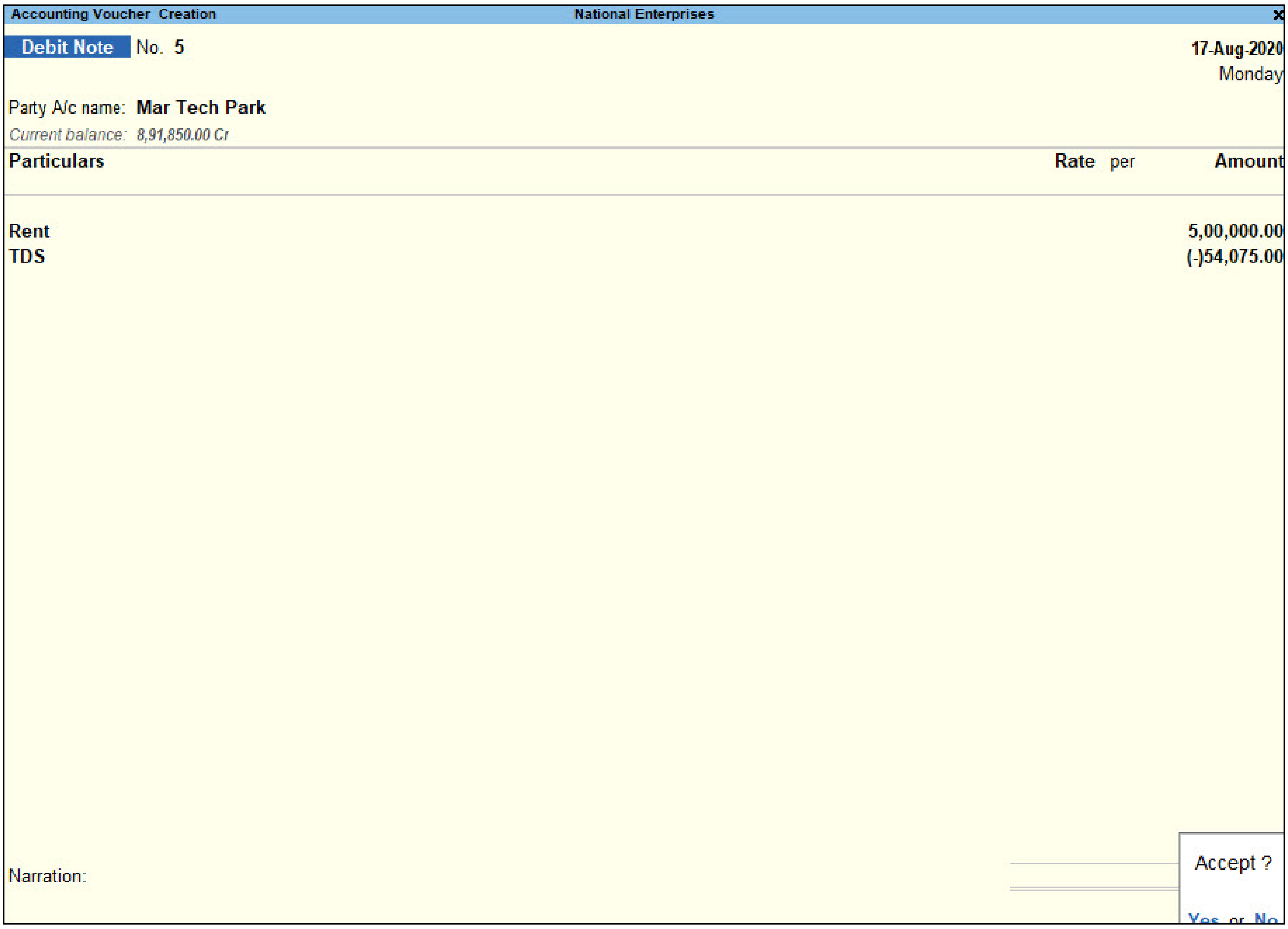
5. Select the TDS ledger.

6. Enter the details in the **TDS Details** screen.

TDS Nature of Payment Details

Type of Ref	Name					Nature of Payment	Assessable Amount	TDS Amount
Agst Ref	**Purc / 5 / 138**					Rent of Land, Building Or Furniture	**5,00,000.00 Dr**	**54,075.00 Dr**
	Income Tax	*10 %*	*On*	*5,00,000.00 Dr*	*50,000.00 Dr*			
	Surcharge	*5 %*	*On*	*50,000.00 Dr*	*2,500.00 Dr*			
	Education Cess	*2 %*	*On*	*52,500.00 Dr*	*1,050.00 Dr*			
	Secondary Education Cess	*1 %*	*On*	*52,500.00 Dr*	*525.00 Dr*			
	Total						5,00,000.00 Dr	54,075.00 Dr

7. Enter the details in the **Bill-wise Details** screen and press **Ctrl+A** to save.



8. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct Tax at Lower Rate

To record a transaction attracting a lower rate with applicable TDS can be recorded by using the commission expense ledger.

The Assessing Officer shall issue a certificate for deduction of Tax at Lower rate than the relevant rate specified under the section, Where the assessing officer is satisfied that the total income of the recipient (Assessee) justifies the deduction of income tax at any lower rates than the rate specified under the sections specified under the act and has received an application in Form 13 from the assessee under sub-section (1) of section 197.

The certificate granted shall be valid for the assessment year specified and is valid only for the person named therein.

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

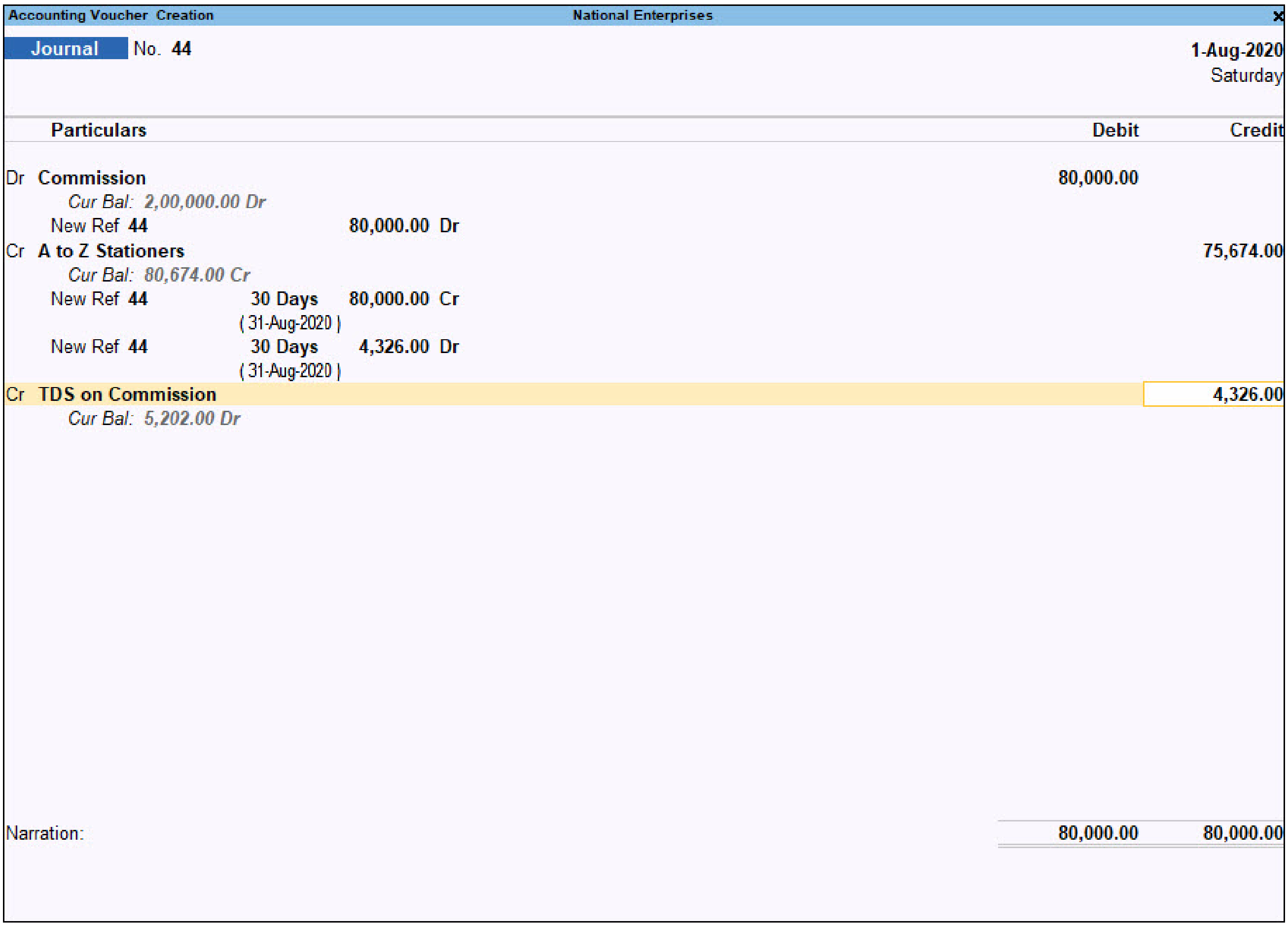
2. Debit the expense ledger and enter the amount.

3. Credit the party ledger (ensure you have selected **Section Number 197** in the party ledger).

   The amount after TDS deduction will appear in the **Amount** field automatically.

4. Enter the **Bill-wise Details**, as required.

5. Credit the TDS ledger. The amount will appear automatically.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct Tax at Zero Rate

A Deductee (other than Company or Firm) can submit a declaration in Form 15G under sub section (1) of section 197A, for TDS deduction at Zero Rate. Declarations can be given only by those deductees whose income is below the taxable limit and the income falls under section 193, 194, 194A, 194EE and 194K.

The certificate granted shall be valid for the assessment year specified and is valid only for the person named therein.

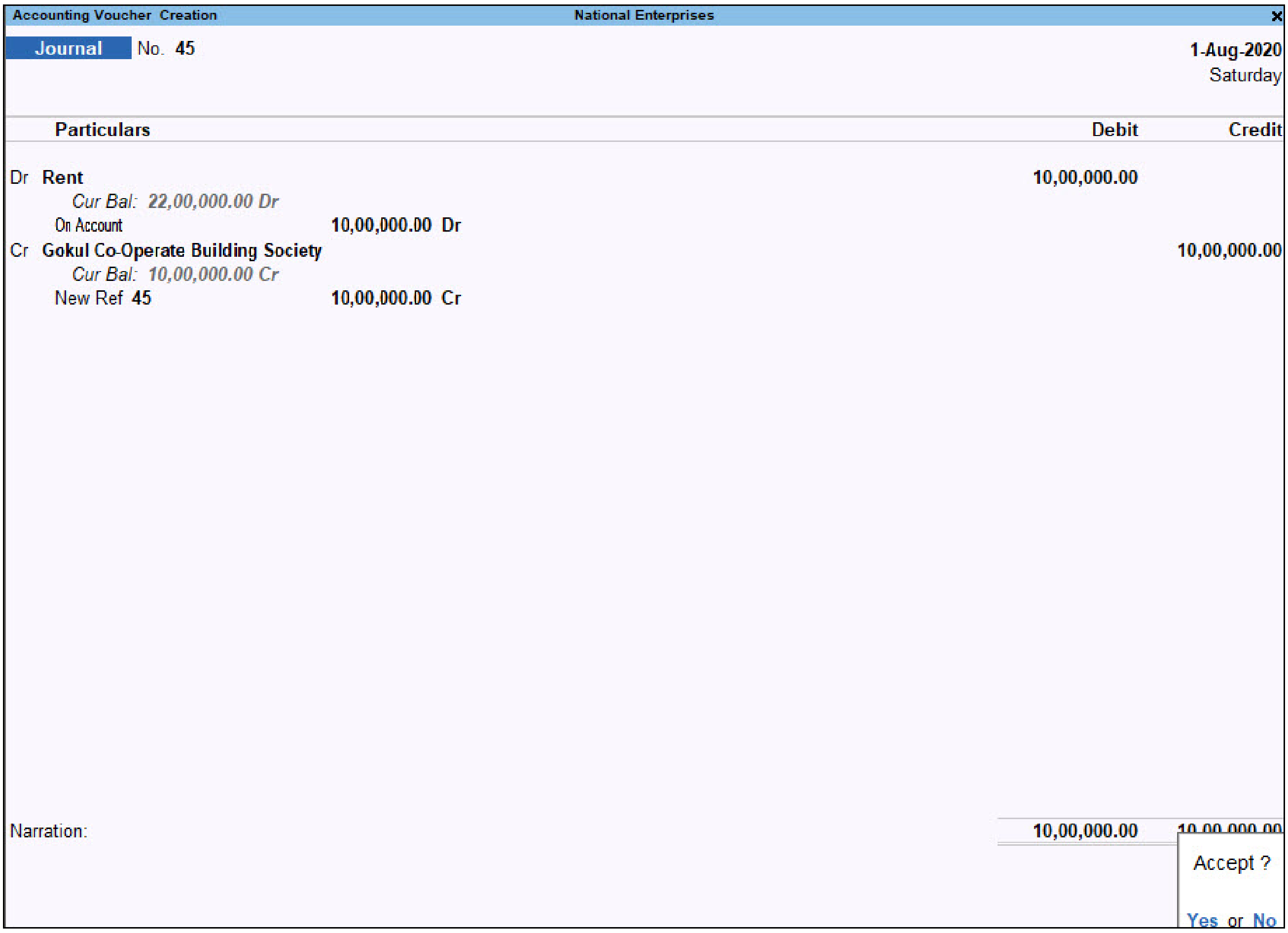
1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the expense ledger and enter the amount.

3. Credit the party ledger (ensure you have selected **Section Number 197A** in the party ledger).

4. Enter the **Bill-wise Details**, as required and press **Ctrl+A** to save.



5. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS on Expenses with Inventory

You can create an accounting voucher for expenses made towards inventory, along with the applicable TDS.

1. **Gateway of Tally** > **Vouchers** > press **F9** (Purchase)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F9** (Purchase).

2. Press **Ctrl+H** (Change Mode) to select the required voucher mode (**Item Invoice**, in this case).

3. Enter the **Supplier Invoice No**. and **Date**.

4. Select the **Party A/c name**.

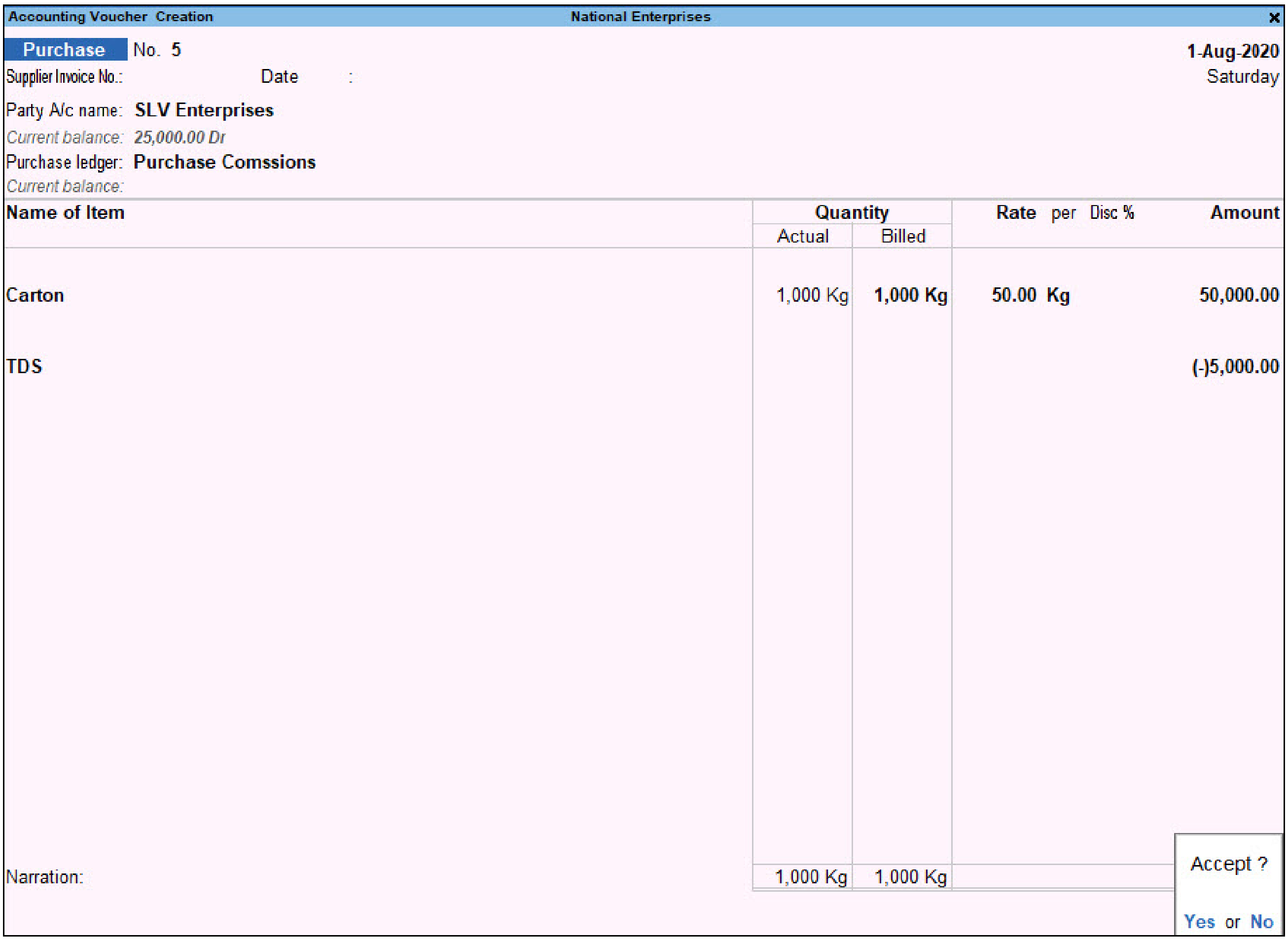
5. Select the **Purchase ledger**.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Stock Items** > press **Enter**.

6. Select the stock item enter the **Quantity** and **Rate**. The amount appears automatically.

7. Select the TDS ledger. The amount appears automatically.

8. Enter the required details in the **Bill-wise Details** screen and press **Ctrl+A** to save.

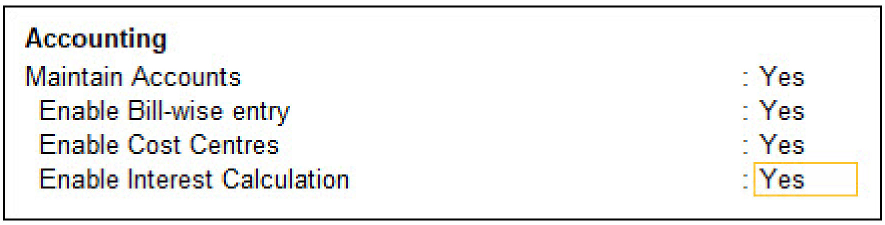


9. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS Deduction for Interest Payable

When transaction is recorded for payment or booking of the interest (expense) without deducting TDS, a separate transaction is recorded to deduct TDS for this interest amount. However, the transaction recorded for TDS deduction should be linked to the transaction recorded for interest amount. You can link these transactions by flagging the interest paid transaction as an exception. Additionally, you can use the voucher class feature to help you automatically calculate the interest amount and the TDS amount on the interest.

1. Press **F11** (Features) > set **Enable Interest Calculation** to **Yes**.
2. If you do not see this option:
   - Set **Show more features** to **Yes**.
   - Set **Show all features** to **Yes**.

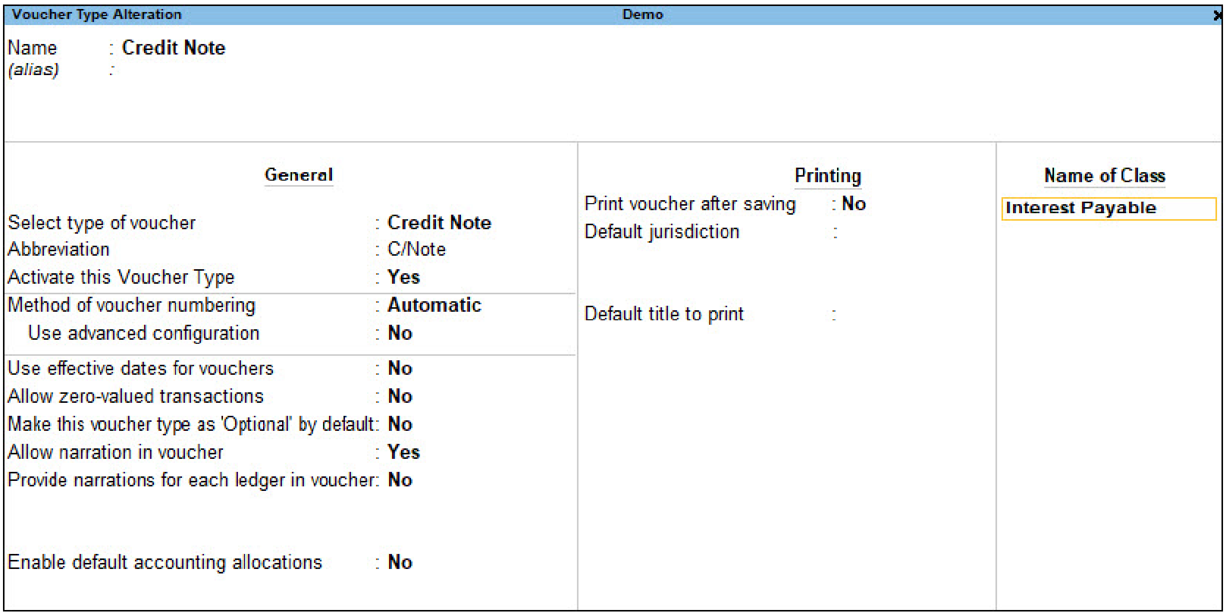


3. Create a credit note voucher class to enable automatic calculation of interest in the voucher.

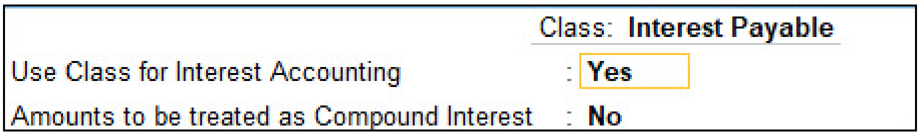
   a. **Gateway of Tally** > **Alter** > type or select **Voucher Type** > **Credit Note >** and press **Enter**.

      Alternatively, press **Alt+G** (Go To) > **Alter Master** > **Credit Note** > and press **Enter**.

   b. Enter **Name of Class** and press **Enter**.

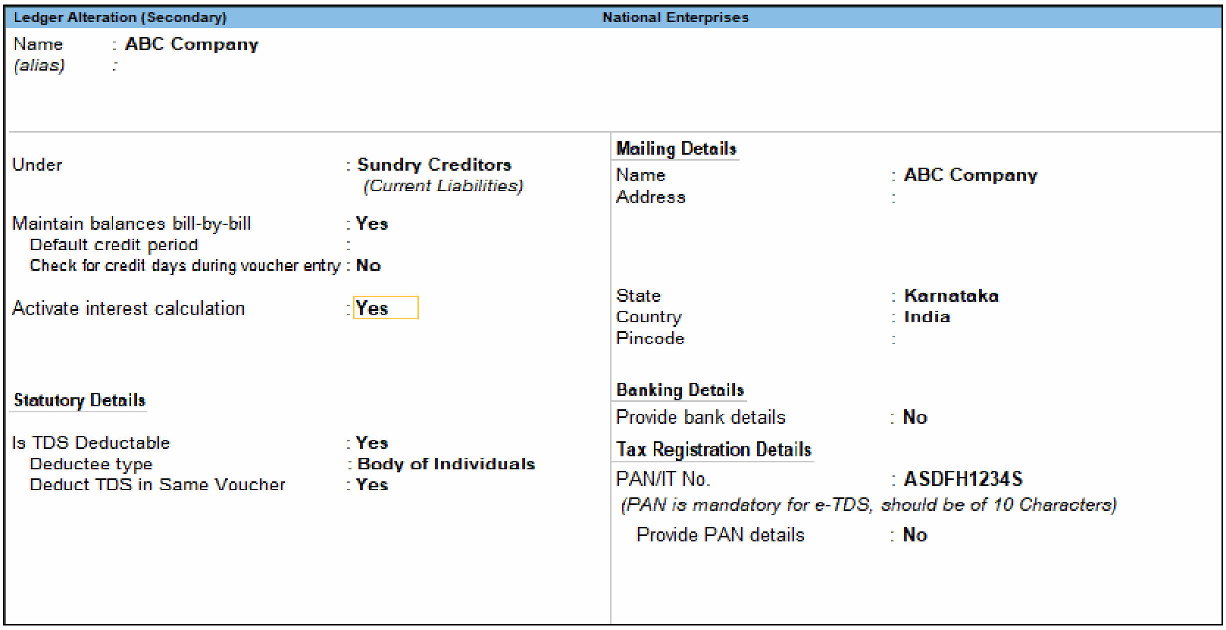


   c. Set the option **Use Class for Interest Accounting** to **Yes**.

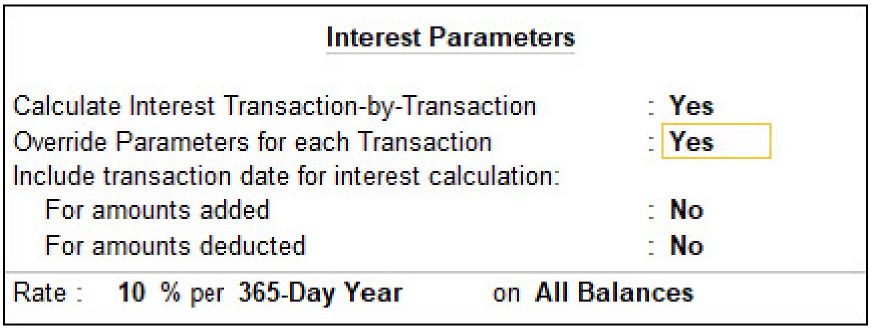


4. Create the party master and set the option **Activate interest calculation** to **Yes**.

   - Enter the PAN details, as they are mandatory for TDS transactions.



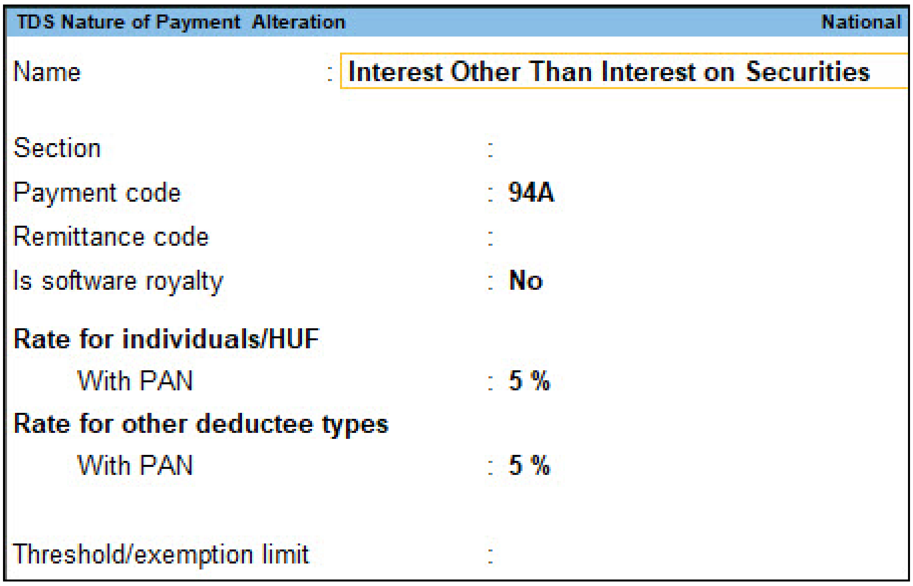
5. Set the options **Calculate Interest Transaction-by-Transaction** and **Override Parameters for each Transaction** to **Yes**.



6. Create the **Nature of payment**.

   - **Gateway of Tally** > **Create** > type or select **TDS Nature of Payments** > and press **Enter**.

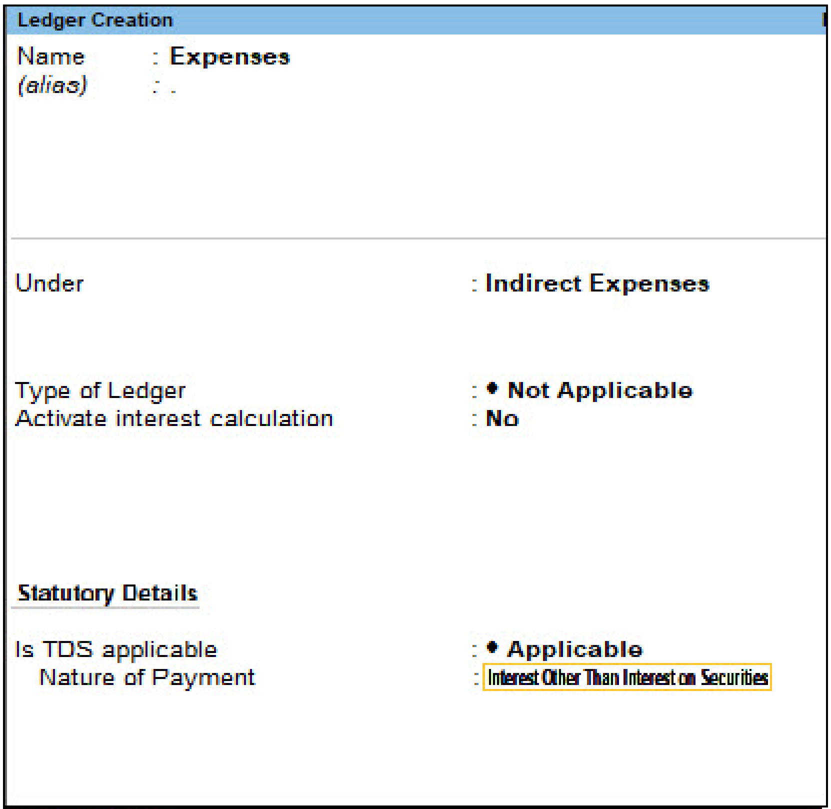
     Alternatively, press **Alt+G** (Go To) > **Create Master** > **TDS Nature of Payments** > and press **Enter**.

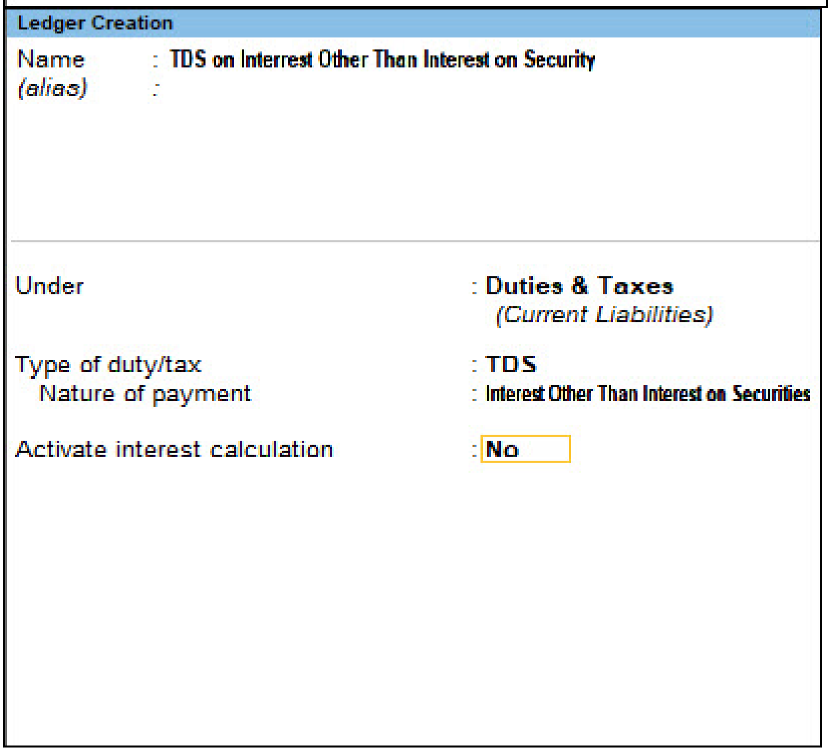


7. Create TDS ledger and expense ledger. Select the same **Nature of payment** in both the ledgers.

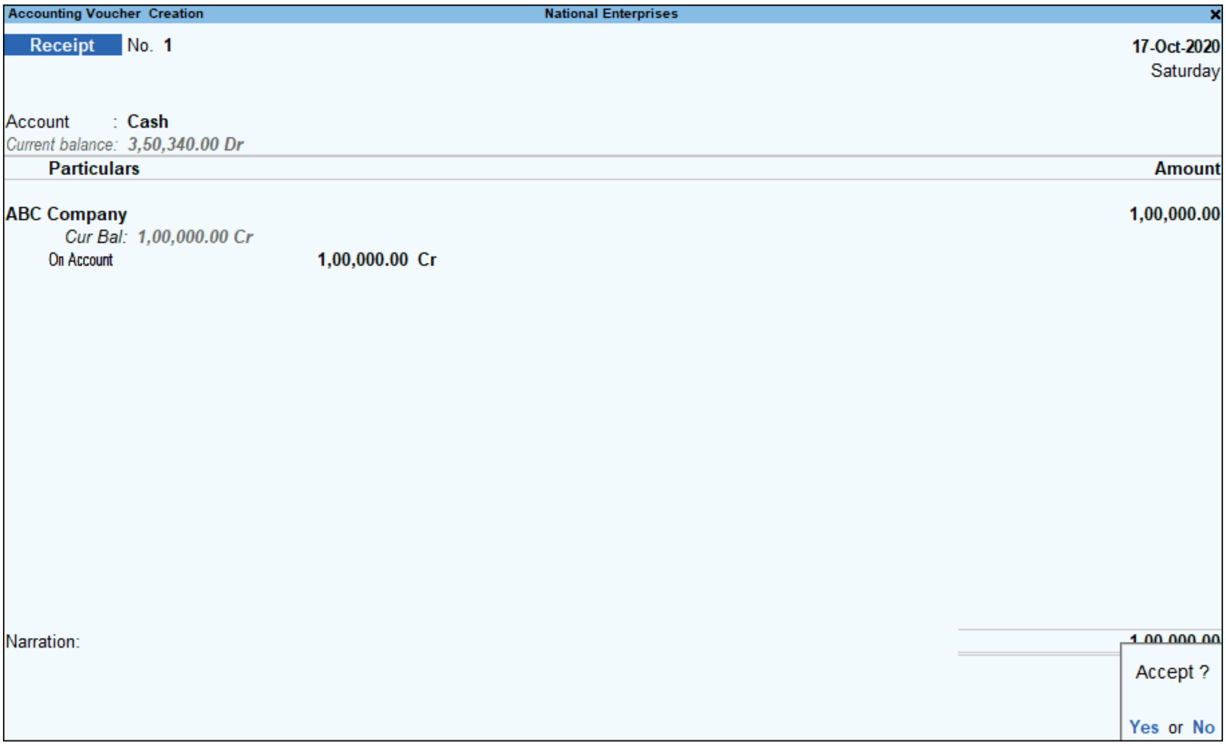
   - **Gateway of Tally** > **Create** > type or select **Ledger** > and press **Enter**.

     Alternatively, press **Alt+G** (Go To) > **Create Master** > **Ledger** > and press **Enter**.

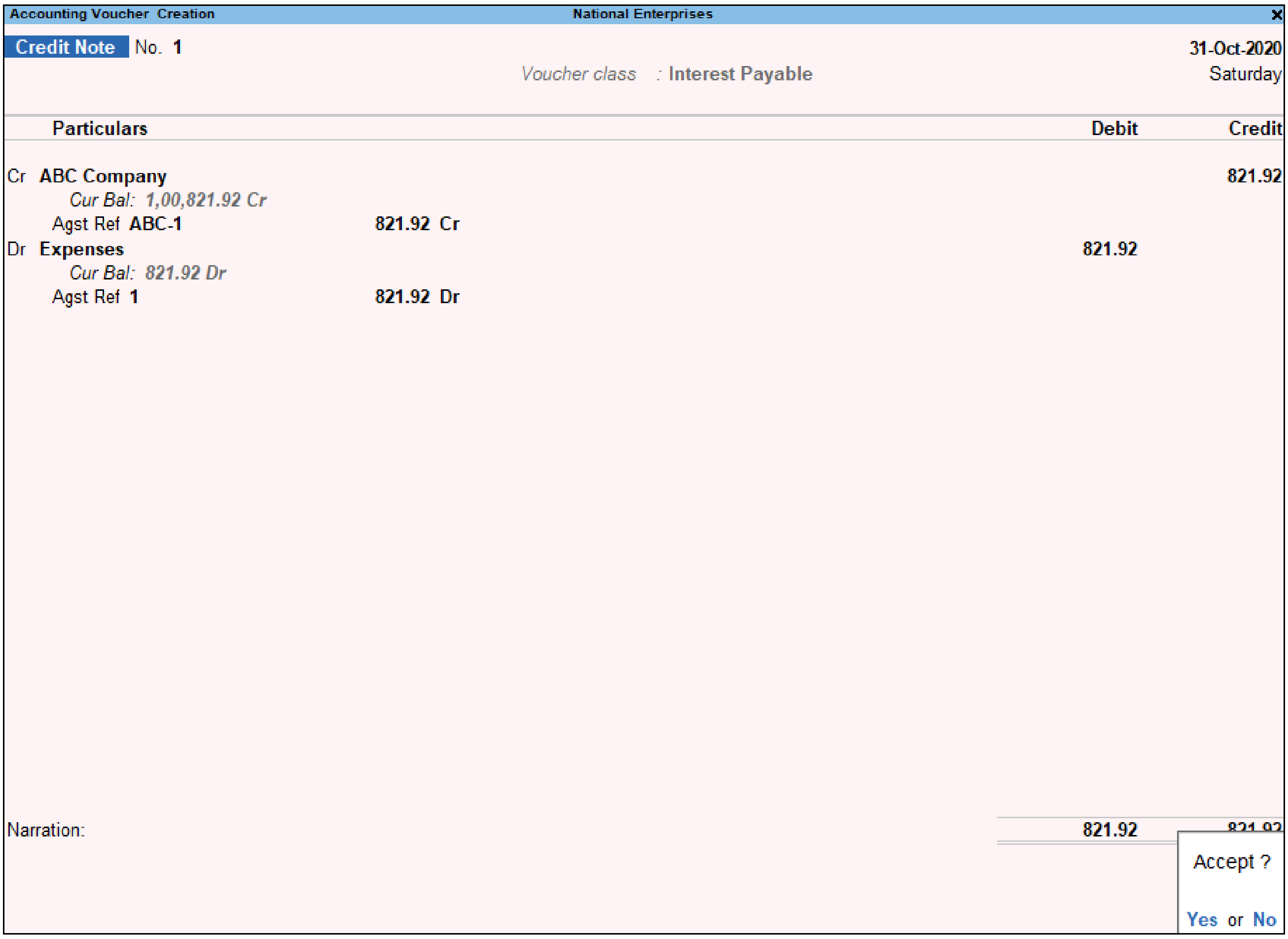




8. Create a receipt or journal voucher to record the payment from the party, or to record the receipt of loan from the party.
    - **Gateway of Tally** > **Vouchers** > press **F6** (Receipt).
      Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F6** (Receipt).



9. Create a credit note using the voucher class that was created to account for the interest payable.



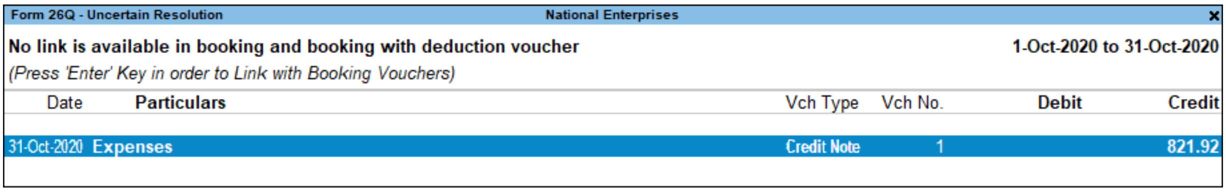
10. Resolve the exceptions of the credit note transaction in the TDS report.

    - **Gateway of Tally** > **Display More Reports** > **Statutory Reports** > **TDS Reports** > **Form 26Q**.

      Alternatively, press **Alt+G** (Go To) > type or select **Form 26Q** > and press **Enter**.

The credit note will appear under **No link is available in booking and booking with deduction voucher**.

- Press **Alt+L** (Link All) to clear the exceptions.

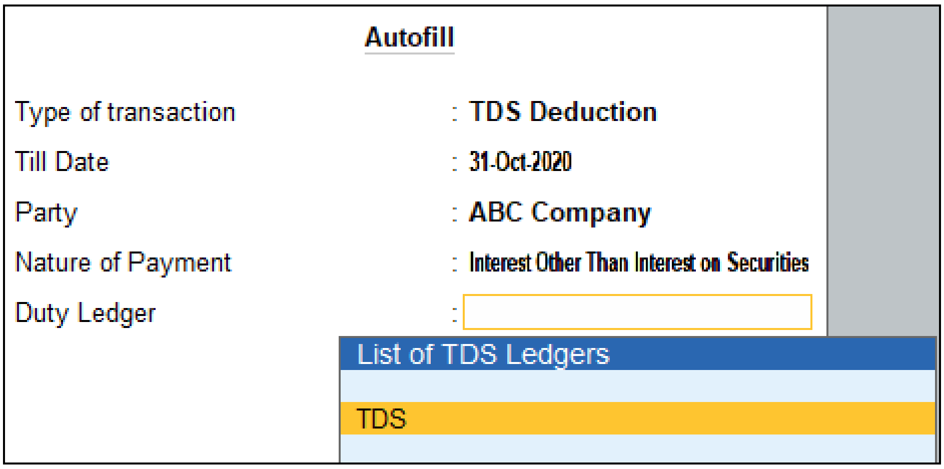


11. Create a TDS deduction journal voucher. Link the TDS deduction transaction to the credit note using the TDS reference generated while resolving the exception:

    - **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

      Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

    - Press **Ctrl+F** (Autofill).



12. The values will be automatically displayed in the voucher.

13. Accept the voucher to save the details.

14. Create a payment voucher to record payments made to the party. You can record payments of only the interest amount or both the principal and the interest amount.

    - **Gateway of Tally** > **Vouchers** > press **F5** (Payment).

      Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F5** (Payment).

    - Select the bill reference as **Agst Ref** and choose the required bill.

TDS on Advance Payment

You can create an accounting voucher for advance payments made directly or by a third-party, along with the applicable TDS.

In this section

- Advance payment with TDS

- Advance payment via third party with TDS

Advance payment with TDS

1. **Gateway of Tally** > **Vouchers** > press **F5** (Payment).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F5** (Payment).

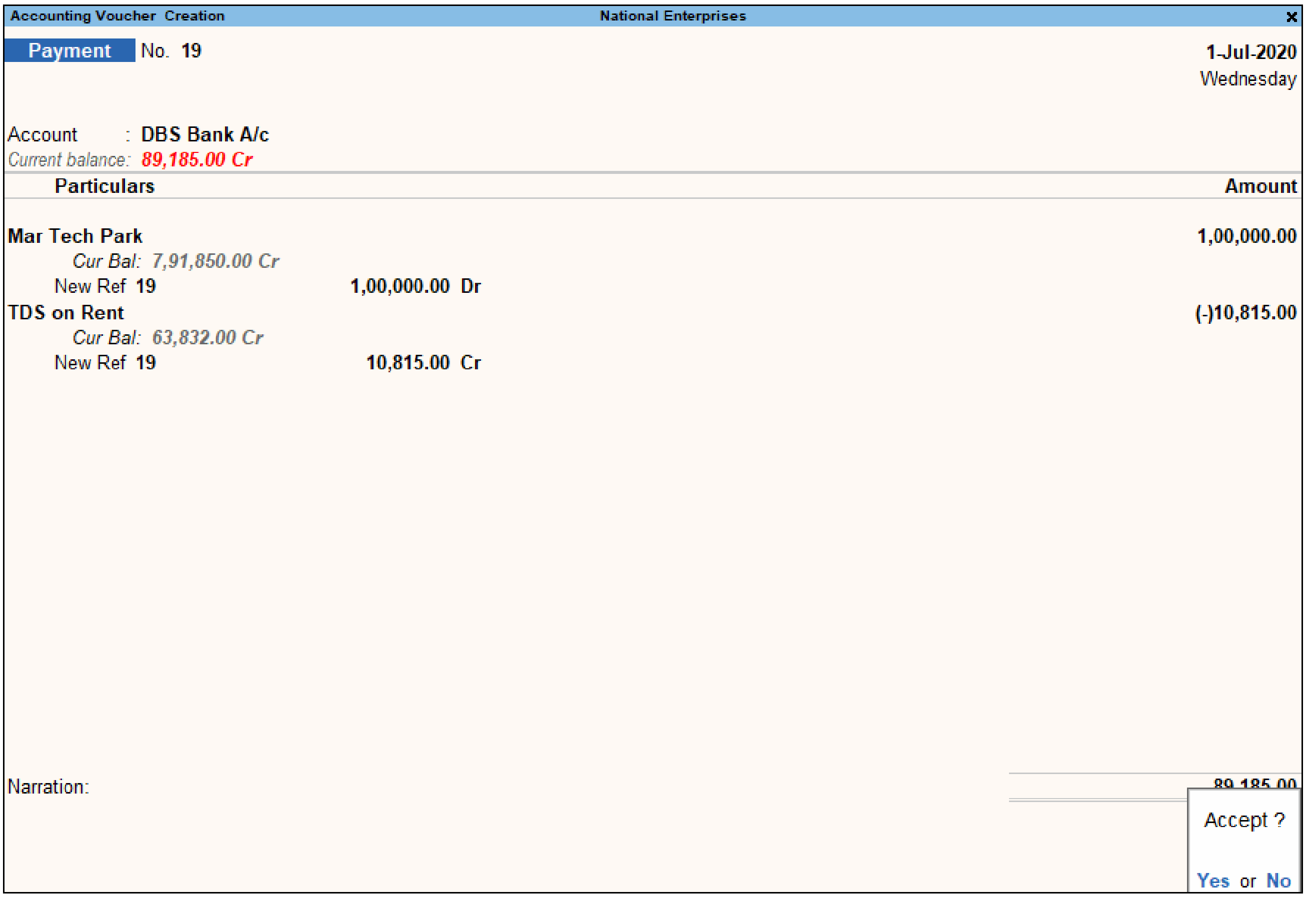
2. Select the bank ledger in the **Account** field.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

3. Under **Particulars**, select the party ledger and enter the amount.

4. Select the TDS ledger. The amount appears automatically.

5. Enter the **Bank Allocation Details**, as required.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

Advance payment via third party with TDS

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

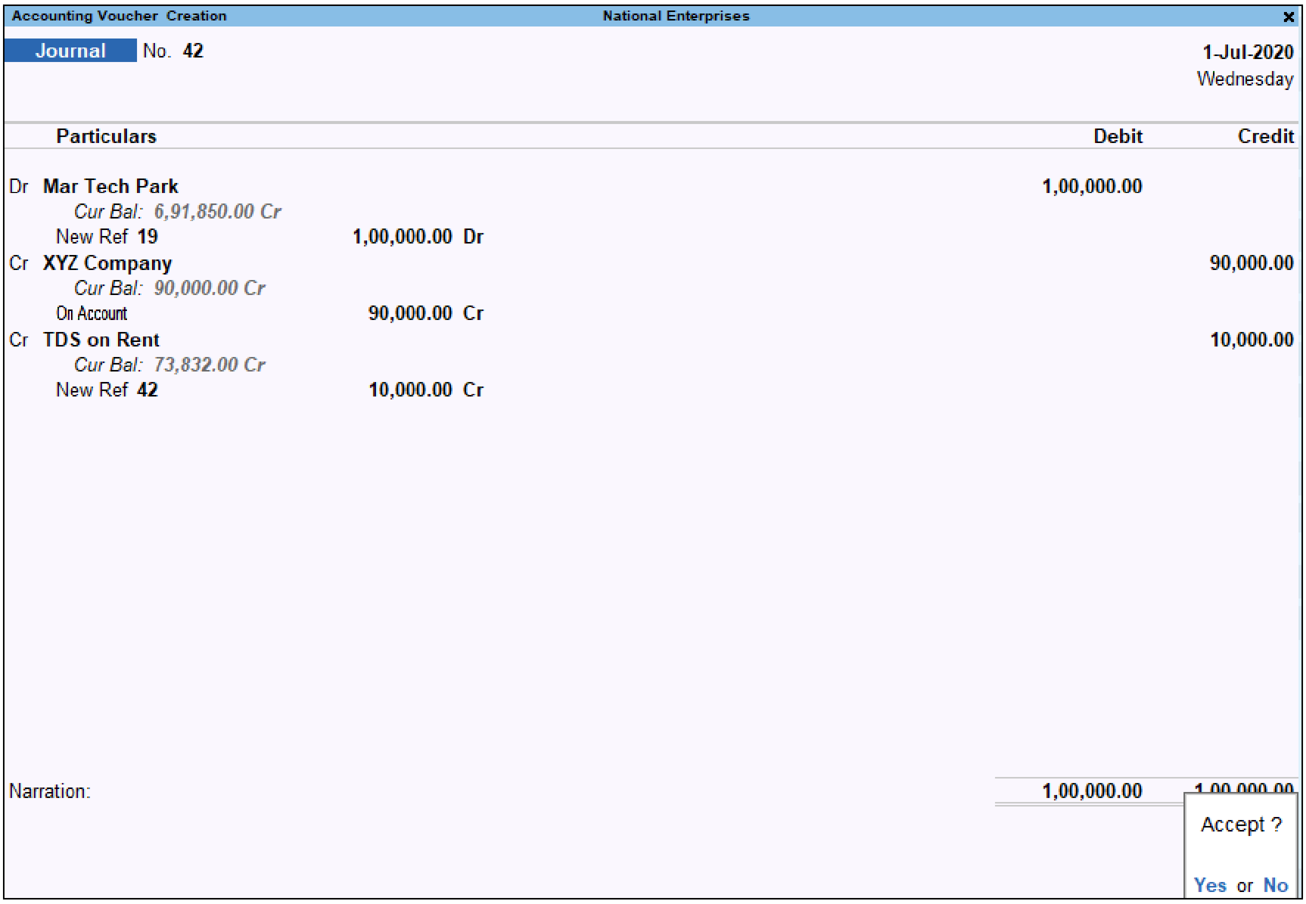
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the party ledger and enter the amount.

3. Credit the third party ledger and enter the amount.

4. Select the TDS tax ledger. The amount appears automatically.

5. Enter the **TDS Details**, as required.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS on Expenses

You can create an accounting voucher for your business expenses, along with the applicable TDS.

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

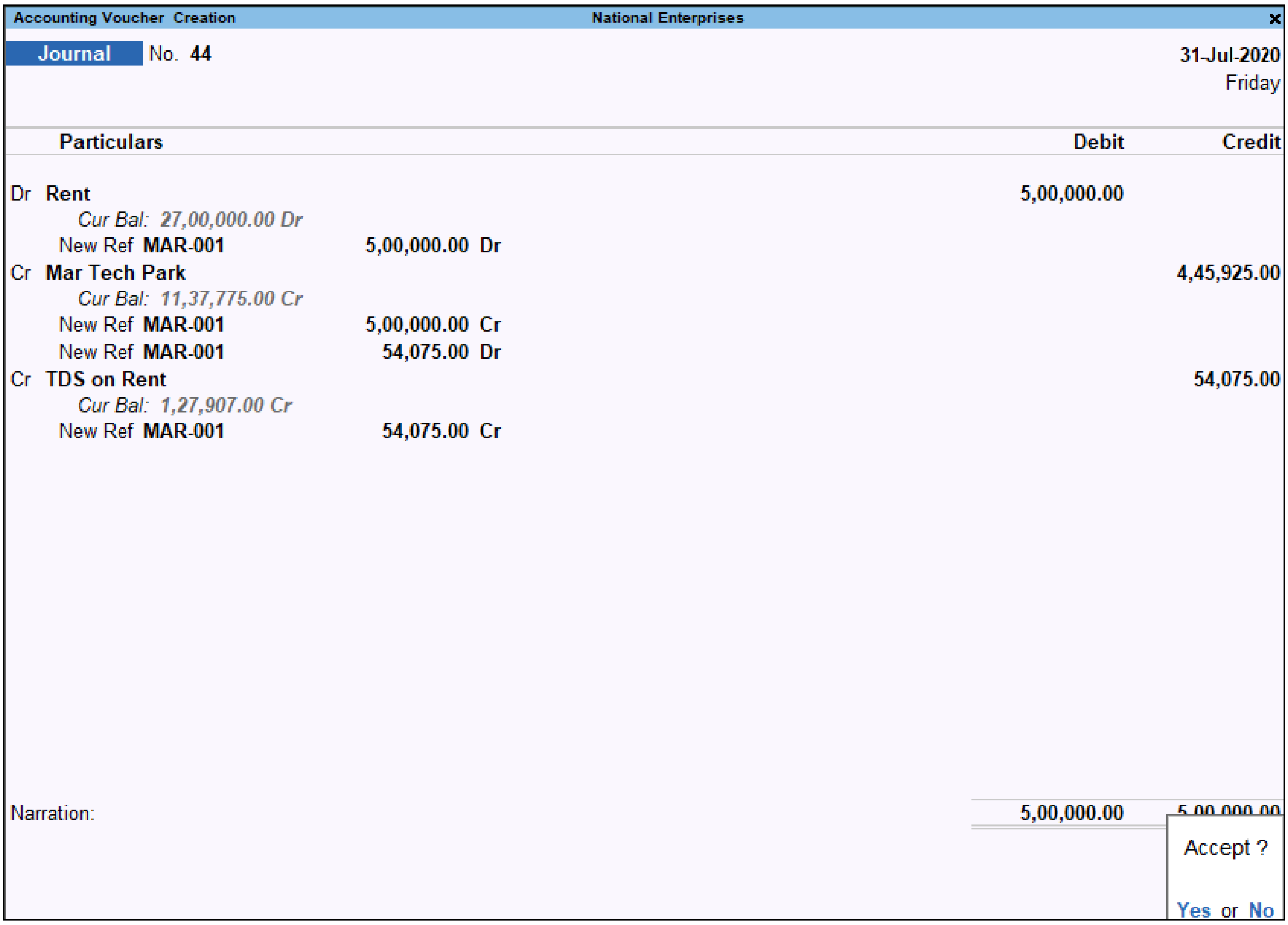
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the expense ledger and enter the amount.

3. Credit the party ledger. The amount after TDS deduction will appear automatically.

4. Enter the **Bill-wise Details**, as required, and press **Ctrl+A** to save.

5. Credit the TDS ledger. The TDS amount will appear automatically.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS on Fixed Assets

You can create an accounting voucher for expenses made towards fixed assets, along with the applicable TDS.

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

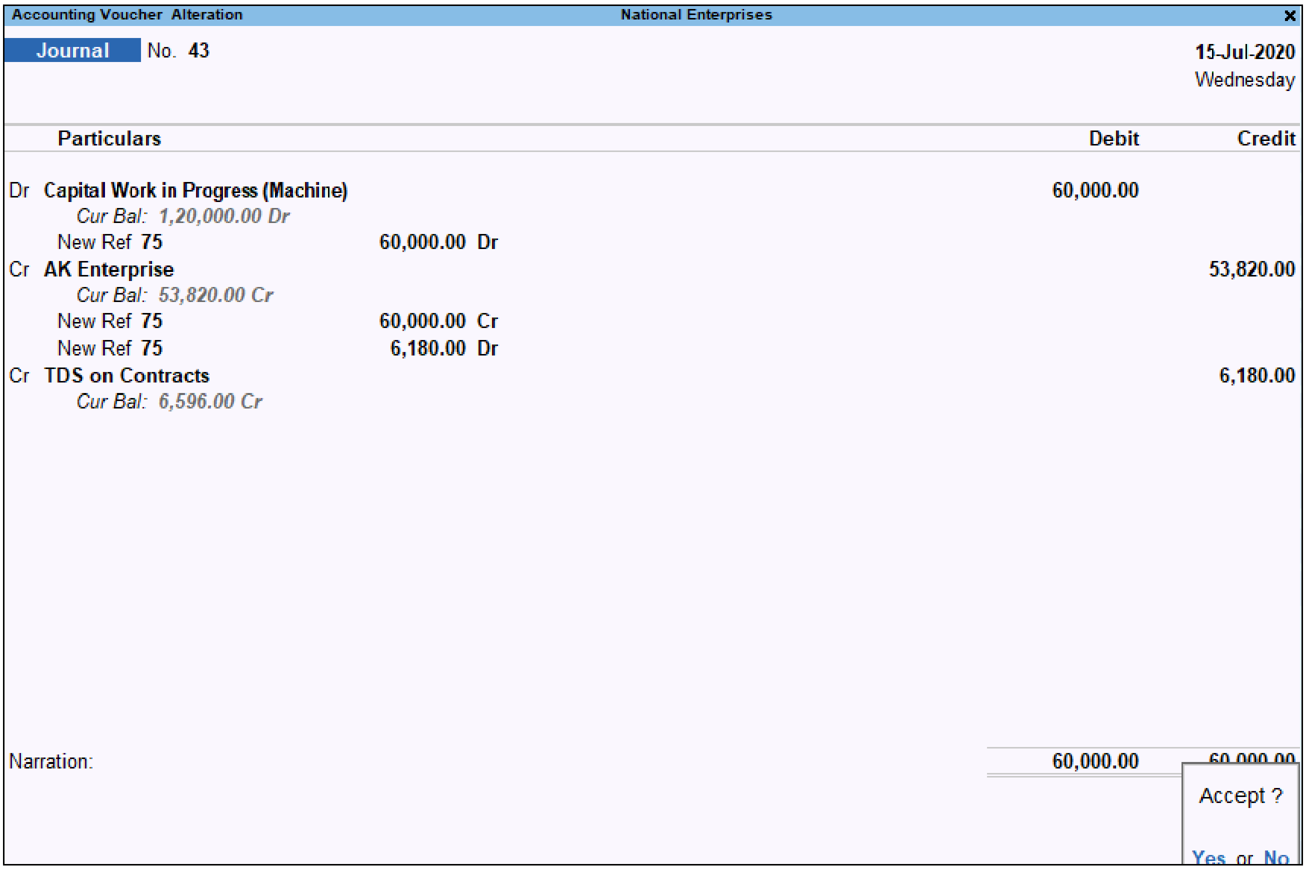
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the fixed asset ledger and enter the amount.

3. Credit the party ledger and the amount is automatically filled.

4. Enter the required details in the **Bill-wise Details** screen.

5. Credit the TDS ledger. The amount appears automatically.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS on Interest Paid Towards Overdue Payments

The following chain of transactions will help you deduct TDS against interest payable/paid on overdue payments to suppliers/parties.

In this section

- Activate interest calculation
- Define interest parameters in party ledger
- TDS ledger for Interest
- Expense ledger for interest amount
- Journal voucher for the amount payable
- Voucher class for credit note
- Interest on overdue payment
- Deduct TDS on the interest payable
- Payment of interest and bill amount to the party

Activate interest calculation

1. Press **F11** (Features) > set **Enable Interest Calculation** to **Yes**.

   If you do not see this option:

   - Set **Show more features** to **Yes**.
   - Set **Show all features** to **Yes**.

2. Accept the screen. As always, you can press **Ctrl+A** to save.

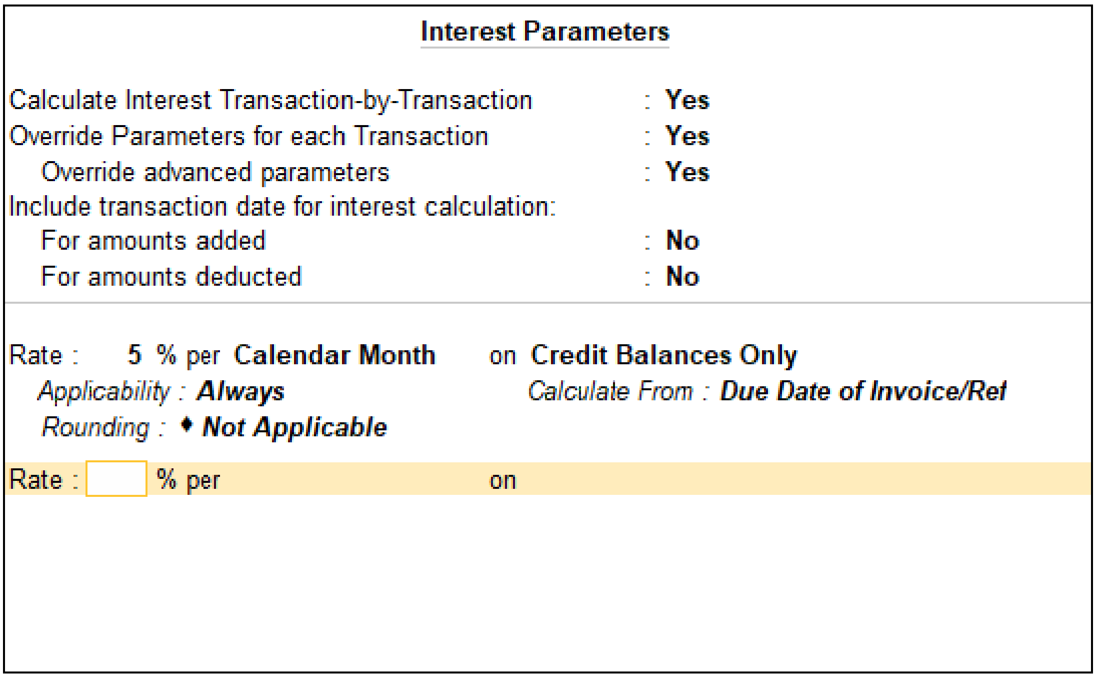
Define interest parameters in party ledger

1. **Gateway of Tally** > **Alter** > type or select **Ledger** > and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Alter Master** > **Ledger** > select the party ledger and press **Enter**.

2. Set the option **Activate interest calculation** to **Yes**. The **Interest Parameters** screen appears.

   - Set the options in the **Interest Parameters** screen as shown below:



   - Press **Ctrl+A** to accept the interest parameters.

3. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS ledger for Interest

1. **Gateway of Tally** > **Create** > type or select **Ledger** > and press **Enter**.

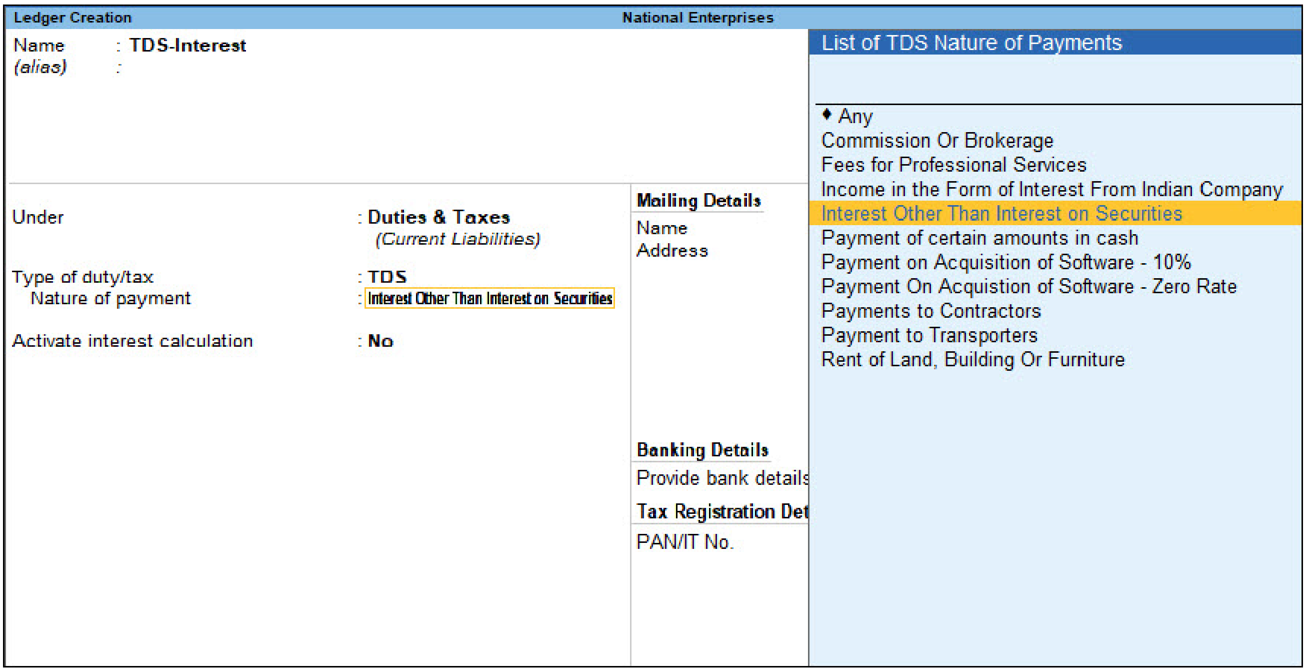
   Alternatively, press **Alt+G** (Go To) > **Create Master** > **Ledger** > and press **Enter**.

2. Enter the **Name** of the ledger.

3. Select **Duties & Taxes** group in the field **Under**.

4. Select **TDS** in the field **Type of duty/tax**.

5. Select **Interest Other Than Interest on Securities** in the field **Nature of payment**.



6. Set the option **Inventory values are affected** to **No**.

7. Set the option **Activate interest calculation** to **No**.

8. Accept the screen. As always, you can press **Ctrl+A** to save.

Expense ledger for interest amount

1. **Gateway of Tally** > **Create** > type or select **Ledger** > and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Create Master** > **Ledger** > and press **Enter**.

2. Enter the **Name** of the ledger.

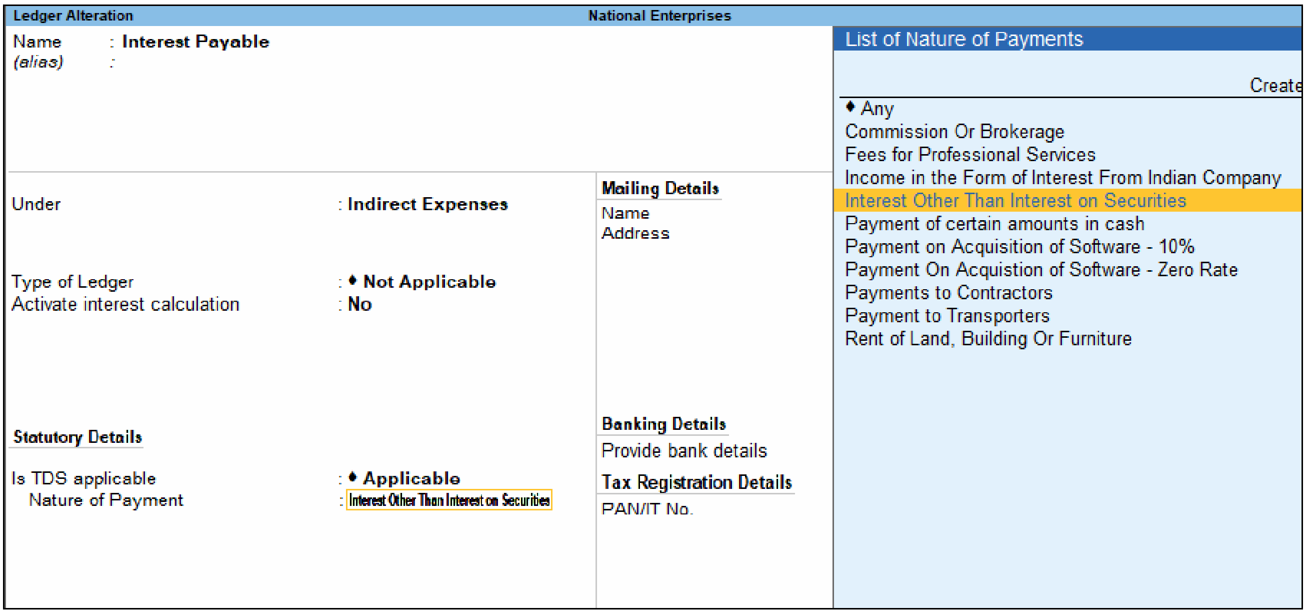
3. Select **Indirect Expenses** group in the field **Under**.

4. Set the option **Inventory values are affected** to **No**.

5. Set the option **Activate interest calculation** to **No**.

6. Set the option **Is TDS applicable** to **Yes**.

7. Select **Interest Other Than Interest on Securities** in the field **Nature of payment**.



8. Accept the screen. As always, you can press **Ctrl+A** to save.

Journal voucher for the amount payable

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

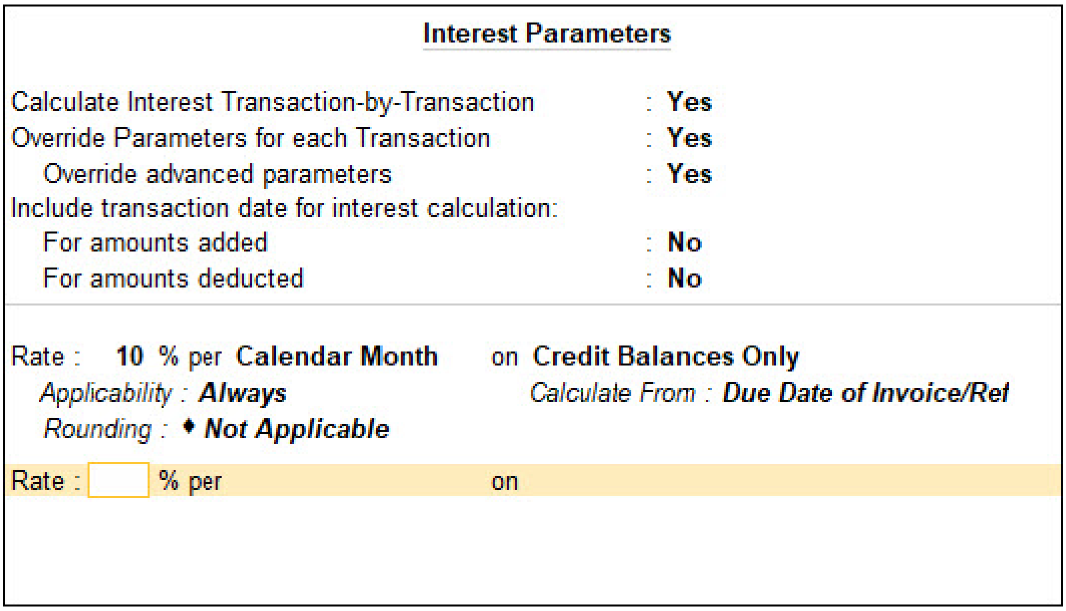
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the expense ledger and enter the amount.

3. Credit the party ledger and press **Enter**.

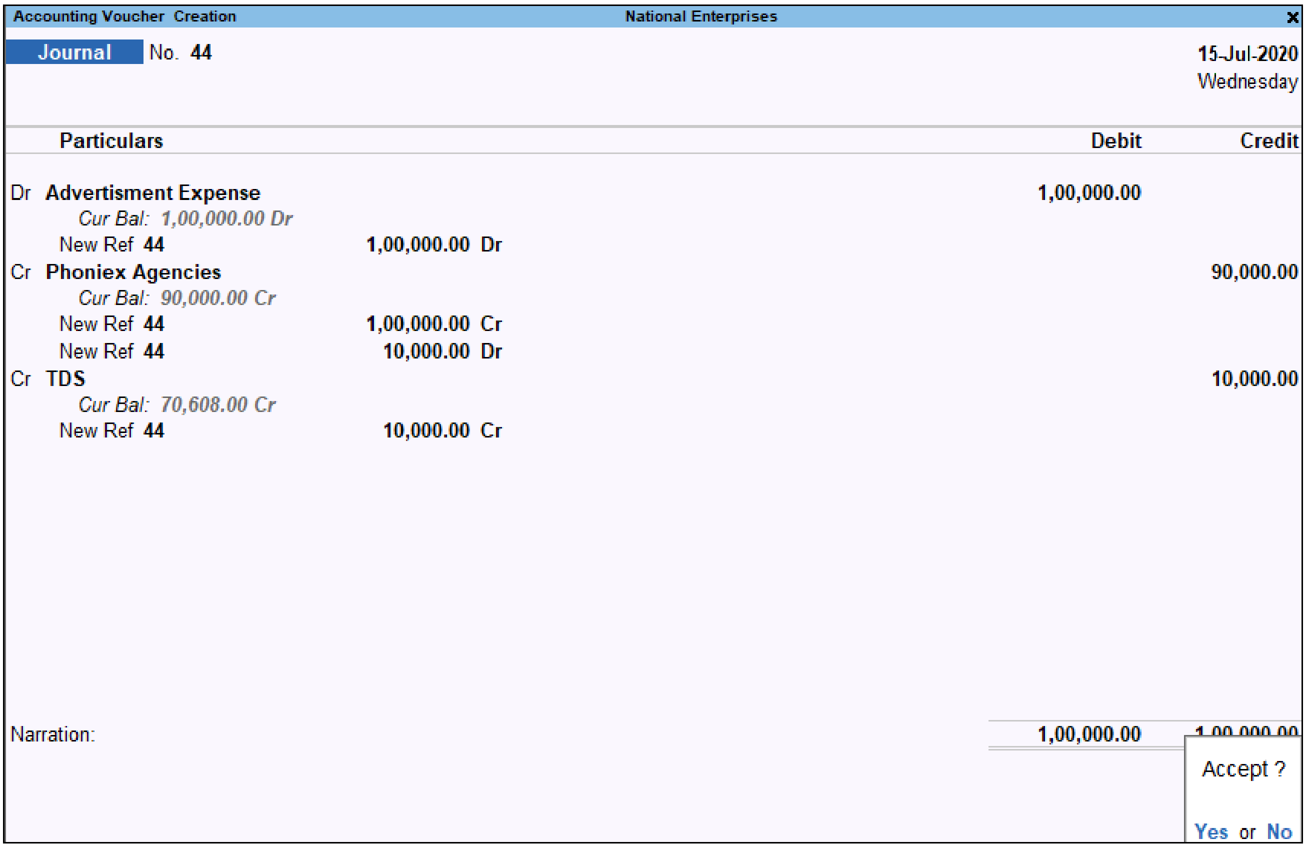
4. Provide the **Bill-wise Details** and press **Ctrl+A** to save. The **Interest Parameters** screen appears.

5. Accept the parameters in the **Interest Parameters** screen OR change them if required.



6. Press **Ctrl+A** to save.

7. Select TDS ledger. The amount appears automatically.



8. Accept the screen. As always, you can press **Ctrl+A** to save.

Voucher class for credit note

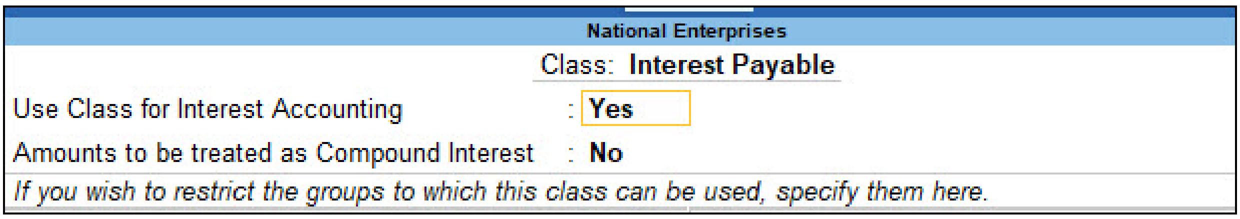
You can create voucher class in credit note to account for the interest payable to the party.

1. **Gateway of Tally** > **Alter** > type or select **Voucher Type** > **Credit Note >** and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Alter Master** > **Credit Note** > and press **Enter**.

2. Specify the **Name of Class** and press **Enter** to view the **Voucher Type Class** screen.

3. Set the option **Use Class for Interest Accounting** to **Yes**.



4. Press **Enter** to return to the **Voucher Type Alteration** screen.

5. Accept the screen. As always, you can press **Ctrl+A** to save.

Interest on overdue payment

1. **Gateway of Tally** > **Vouchers** > press **Alt+F6** (Credit Note)

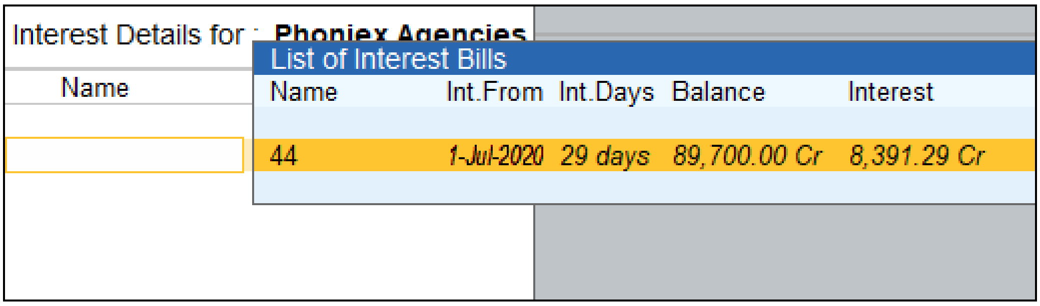
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **Alt+F6** (Credit Note).

2. Select the **Voucher Class**.

3. Press **F2** (Date) and set the date to day on which the interest amount becomes due.

4. Select party to whom interest has to be paid. The **Interest Details** screen appears.

5. Select required bills.



6. Press **Enter** to return to the voucher screen.

7. Press **Enter** from the **Credit** field. The credit amount appears automatically.

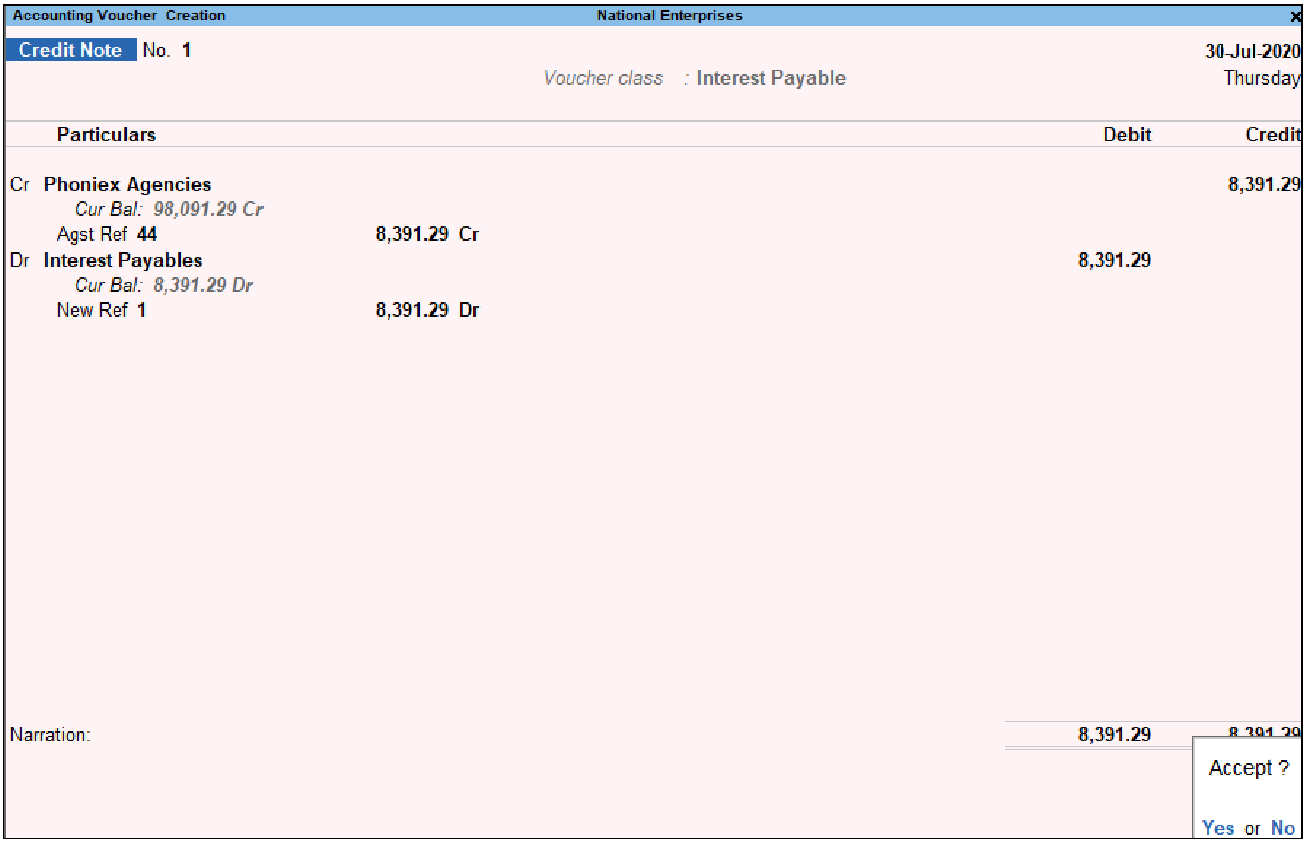
   - Select **New Ref** as the **Method of Adjustment** in the **Bill-wise Details** screen.

   - Enter a **Name** > skip **Due Date**, or **Credit Days** fields > press **Ctrl+A** to save.

   - In the **Interest Parameters** screen, set zero in the **Rate** field.

   - Accept the screen. As always, you can press **Ctrl+A** to save.

8. Debit the interest payable ledger. The amount appears automatically.



9. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct TDS on the interest payable

A journal voucher has to be recorded for TDS deduction against the credit note recorded for interest payable amount. However, without a reference number, the TDS deduction transaction cannot be recorded.

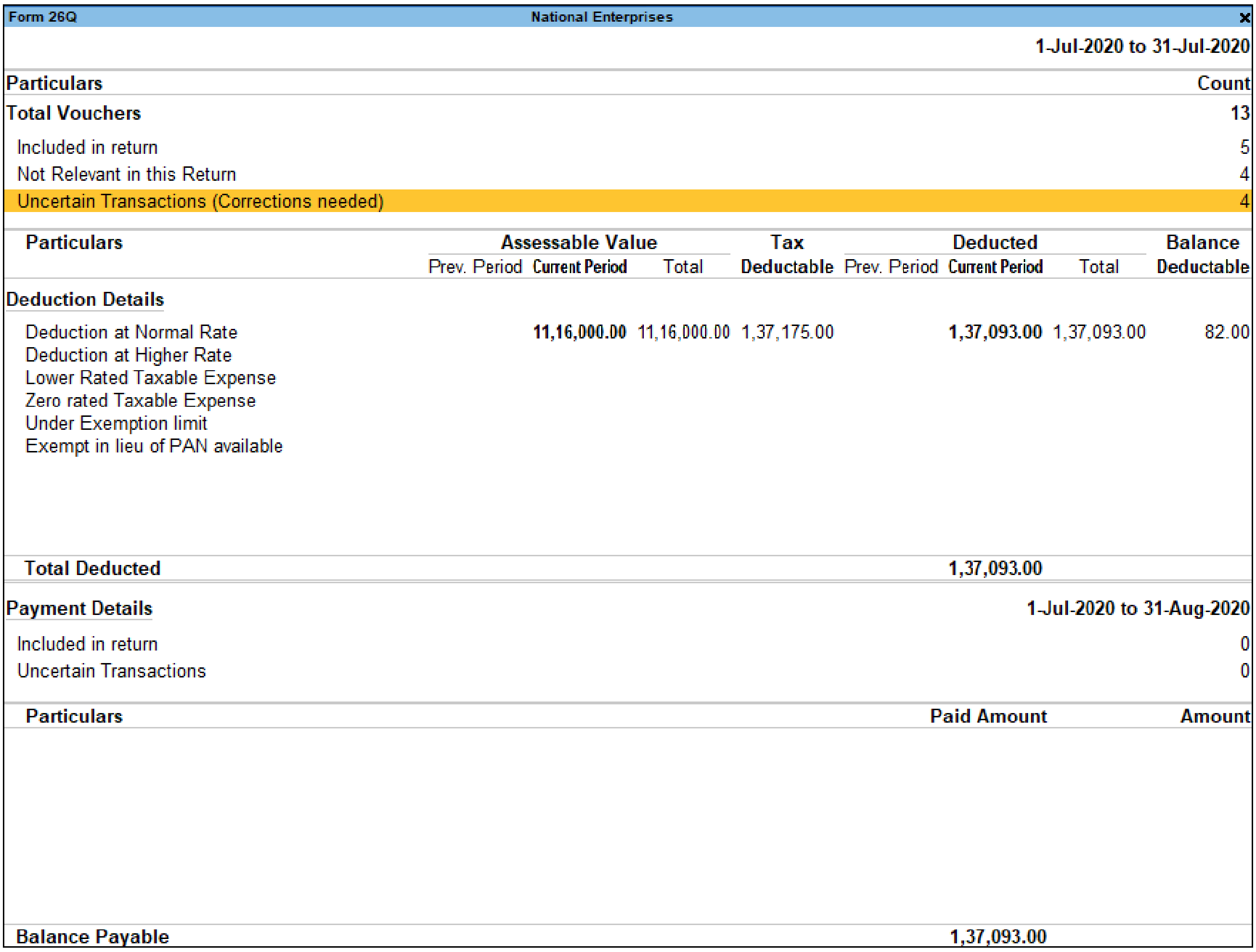
Since TDS reference was not used in credit note, it will appear as an exception in the TDS returns. Resolve this exception to generate a reference that can be used for recording TDS deduction transaction.

Resolve the exception and generation TDS reference

1. **Gateway of Tally** > **Display More Reports** > **Statutory Reports** > **TDS Reports** > **Form 26Q**.

   Alternatively, press **Alt+G** (Go To) > type or select **Form 26Q** > and press **Enter**.

2. Select **Uncertain Transactions (Corrections needed)**.



Form 26Q — National Enterprises

1-Jul-2020 to 31-Jul-2020

Particulars	Count
Total Vouchers	13
Included in return	5
Not Relevant in this Return	4
Uncertain Transactions (Corrections needed)	4

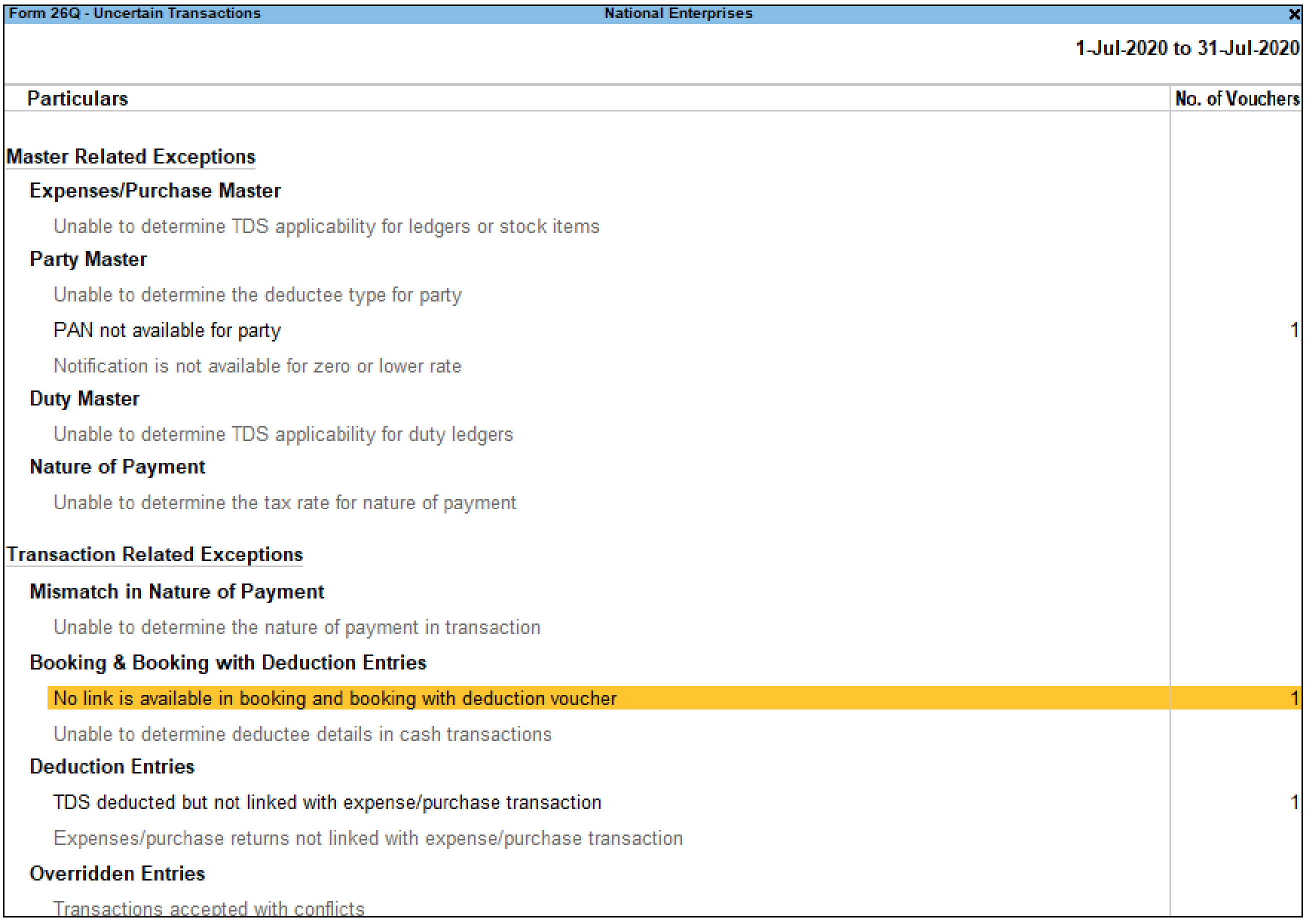
Particulars	Assessable Value Prev. Period	Assessable Value Current Period	Assessable Value Total	Tax Deductable	Deducted Prev. Period	Deducted Current Period	Deducted Total	Balance Deductable
Deduction Details								
Deduction at Normal Rate		11,16,000.00	11,16,000.00	1,37,175.00		1,37,093.00	1,37,093.00	82.00
Deduction at Higher Rate								
Lower Rated Taxable Expense								
Zero rated Taxable Expense								
Under Exemption limit								
Exempt in lieu of PAN available								
Total Deducted						1,37,093.00		

Payment Details	1-Jul-2020 to 31-Aug-2020
Included in return	0
Uncertain Transactions	0

Particulars	Paid Amount	Amount
Balance Payable	1,37,093.00	

3. Press **Enter**. The **Summary of Exceptions** screen appears.

4. Select **No link is available in booking and booking with deduction voucher** under **Booking & Booking with Deduction Entries**.

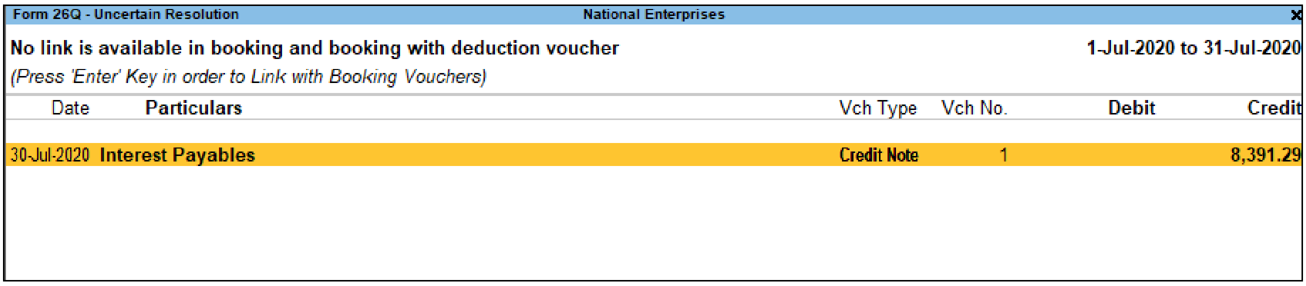


Form 26Q - Uncertain Transactions — National Enterprises

1-Jul-2020 to 31-Jul-2020

Particulars	No. of Vouchers
Master Related Exceptions	
Expenses/Purchase Master	
Unable to determine TDS applicability for ledgers or stock items	
Party Master	
Unable to determine the deductee type for party	
PAN not available for party	1
Notification is not available for zero or lower rate	
Duty Master	
Unable to determine TDS applicability for duty ledgers	
Nature of Payment	
Unable to determine the tax rate for nature of payment	
Transaction Related Exceptions	
Mismatch in Nature of Payment	
Unable to determine the nature of payment in transaction	
Booking & Booking with Deduction Entries	
No link is available in booking and booking with deduction voucher	1
Unable to determine deductee details in cash transactions	
Deduction Entries	
TDS deducted but not linked with expense/purchase transaction	1
Expenses/purchase returns not linked with expense/purchase transaction	
Overridden Entries	
Transactions accepted with conflicts	

5. Press **Enter**. The **TDS Booking Not Linked Details** screen appears.



Form 26Q - Uncertain Resolution — National Enterprises

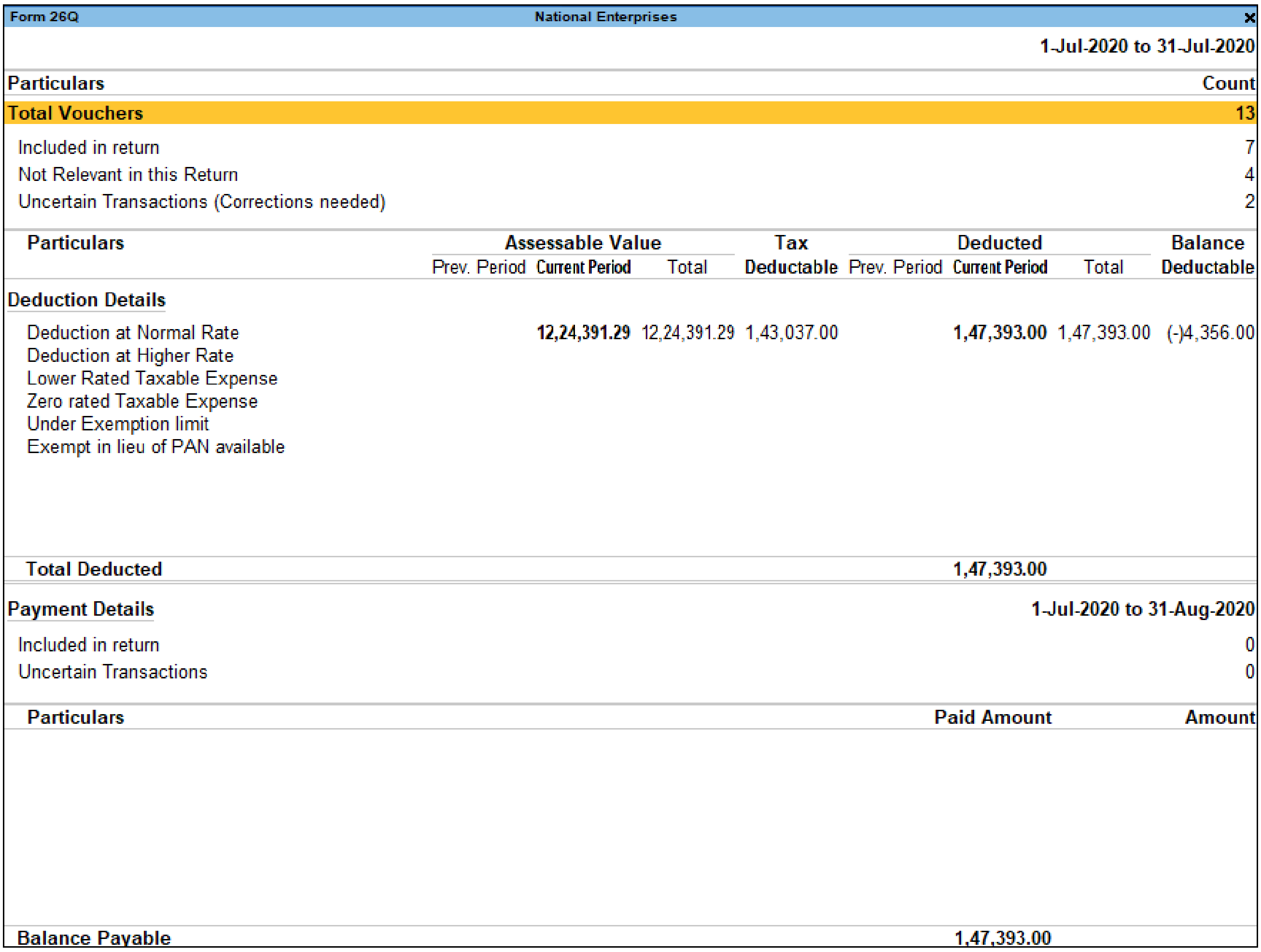
No link is available in booking and booking with deduction voucher — 1-Jul-2020 to 31-Jul-2020

(Press 'Enter' Key in order to Link with Booking Vouchers)

Date	Particulars	Vch Type	Vch No.	Debit	Credit
30-Jul-2020	Interest Payables	Credit Note	1		8,391.29

6. Press **Alt+L** (Link All) to create link for the TDS booking transaction.

7. Press **Esc** to return to **Form 26Q** screen.



Form 26Q | National Enterprises

1-Jul-2020 to 31-Jul-2020

Particulars	Count
Total Vouchers	**13**
Included in return	7
Not Relevant in this Return	4
Uncertain Transactions (Corrections needed)	2

Particulars	Assessable Value			Tax	Deducted			Balance
	Prev. Period	Current Period	Total	Deductable	Prev. Period	Current Period	Total	Deductable
Deduction Details								
Deduction at Normal Rate		**12,24,391.29**	12,24,391.29	1,43,037.00		**1,47,393.00**	1,47,393.00	(-)4,356.00
Deduction at Higher Rate								
Lower Rated Taxable Expense								
Zero rated Taxable Expense								
Under Exemption limit								
Exempt in lieu of PAN available								
Total Deducted						**1,47,393.00**		

Payment Details	1-Jul-2020 to 31-Aug-2020
Included in return	0
Uncertain Transactions	0

Particulars	Paid Amount	Amount
Balance Payable	**1,47,393.00**	

The amount of TDS deductable appears under **Balance Deductable**.

To record a journal voucher to deduct TDS

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

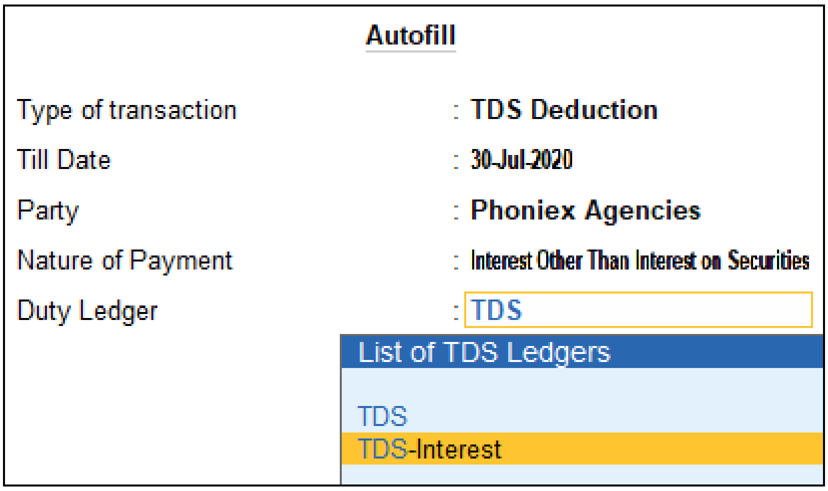
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Press **Ctrl+F** (Autofill) to view the **Autofill** screen.

3. Accept the date displayed in the **Till Date** field.

4. Select party to whom interest is paid form the **List of Ledgers**.

5. Select **Interest Other than Interest on Securities** in the field **Nature of Payment**.

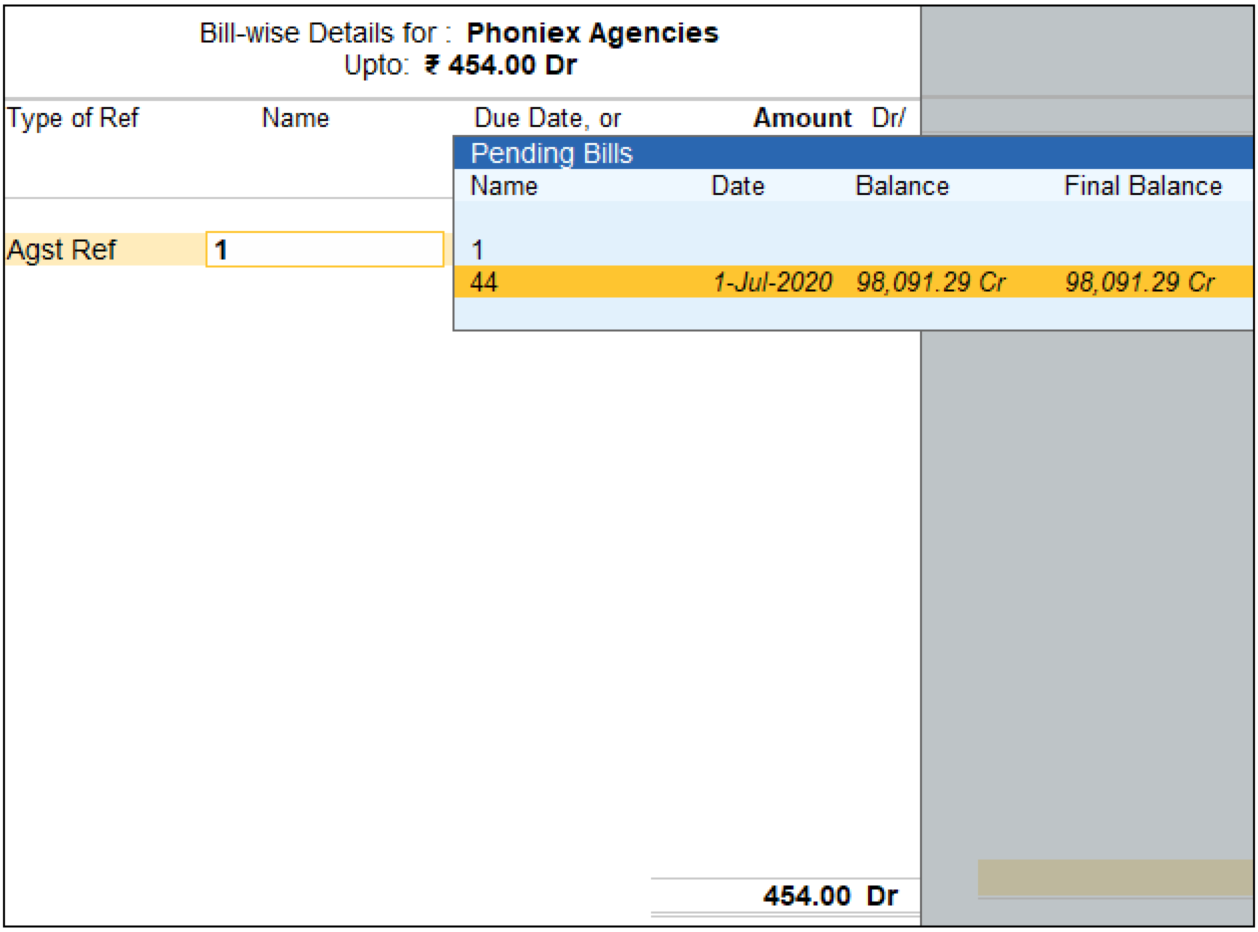


6. Select the duty ledger created for TDS on interest in the field **Duty Ledger** field. The TDS amount will auto-fill with the respective bill details.

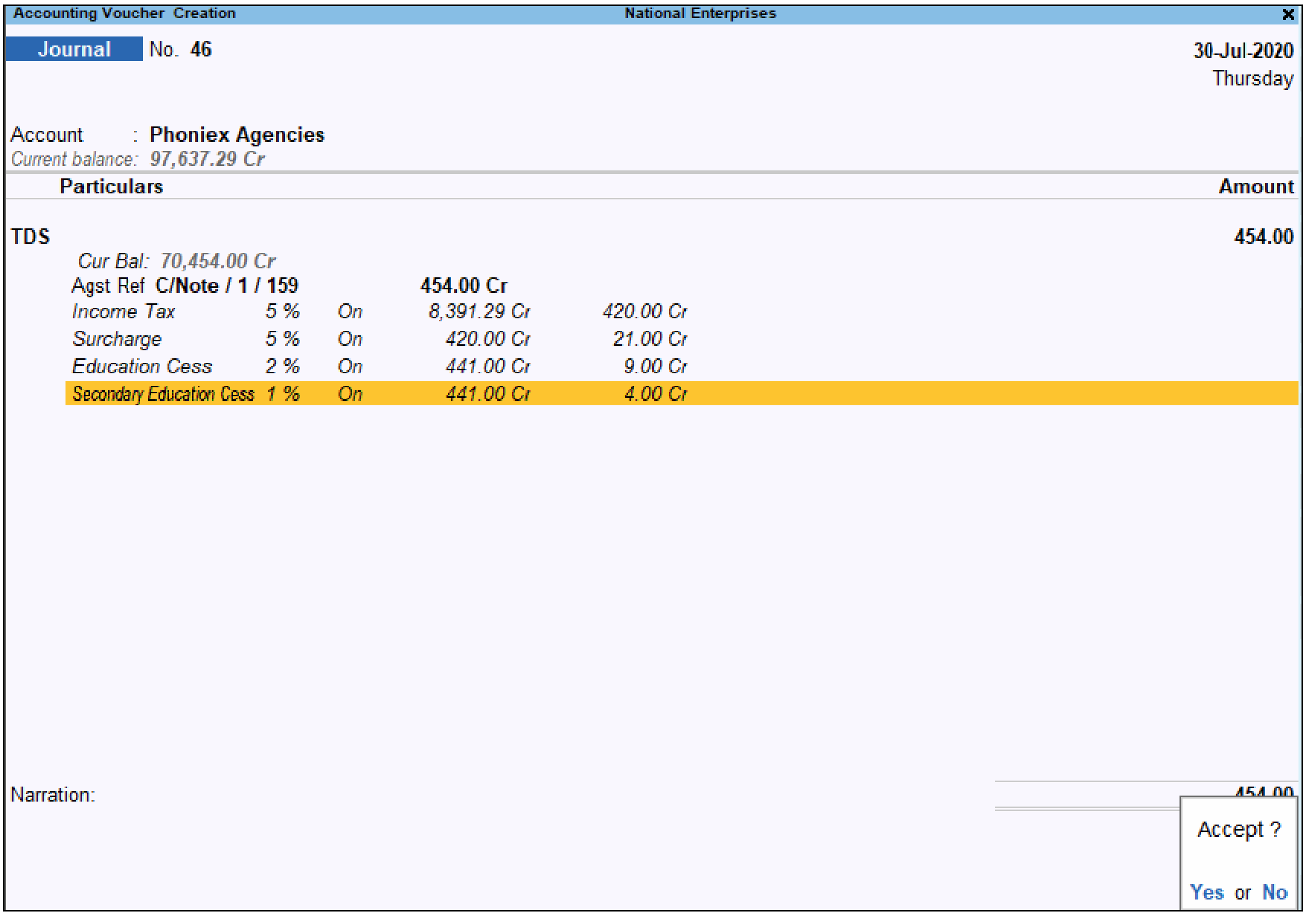
7. Press **Enter** from the **Amount** field. The **Bill-wise Details** screen appears.

8. Select **Agst Ref** in the field **Type of Ref**.

9. Select the bill reference for the interest amount.



10. Press **Enter** to return to voucher screen.



11. Accept the screen. As always, you can press **Ctrl+A** to save.

Payment of interest and bill amount to the party

1. **Gateway of Tally** > **Vouchers** > press **F5** (Payment)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F5** (Payment).

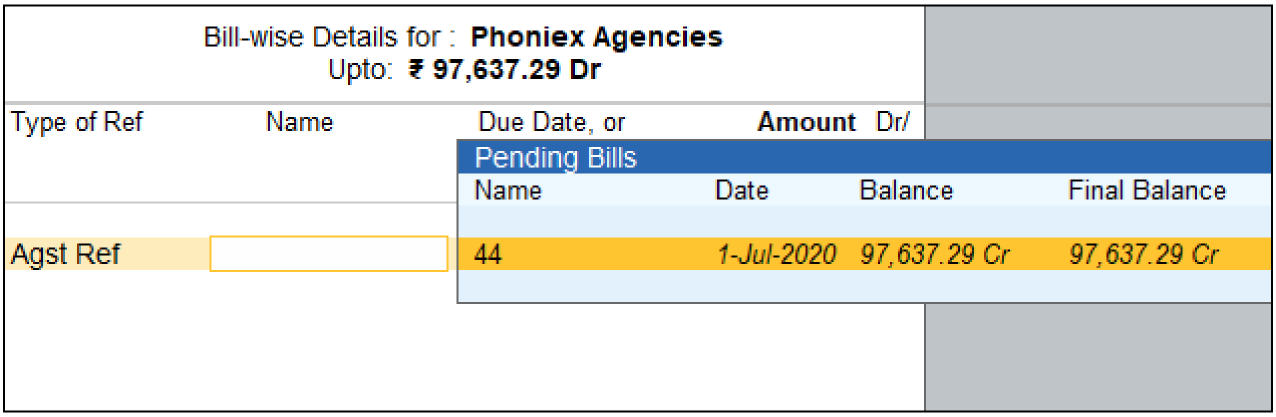
2. Select the bank ledger in the **Account** field.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

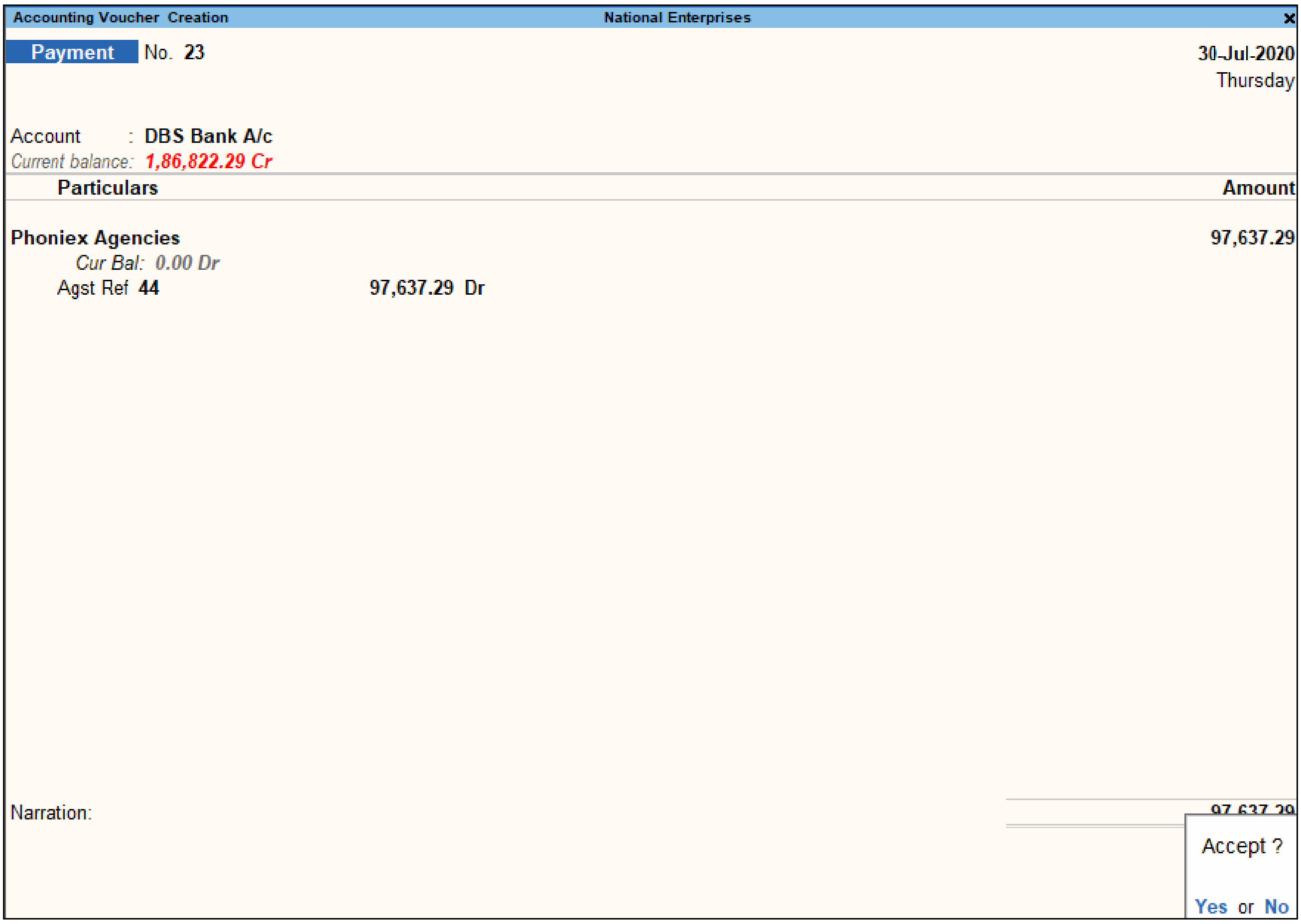
3. Under **Particulars**, select the party ledger.

4. Enter the bill amount plus the interest in the **Amount** field and press **Enter**. The **Bill-wise Details** screen appears.

5. Select the references of the bill amount and the interest amount.



6. Press **Ctrl+A** to save.



7. Accept the screen. As always, you can press **Ctrl+A** to save.

Note: Select interest amount alone if only interest is paid to the party.

TDS on Interest Paid on Loans Taken from Parties

The following chain of transactions will help you deduct TDS against interest payable or paid on loans received.

In this section

- [Activate interest calculation]
- [Interest calculation in party master]
- [Journal voucher for the amount payable]
- [Interest on overdue payment]
- [Deduct TDS on the interest payable]
- [Payment of interest and bill amount to the party]

Activate interest calculation

1. Press **F11** (Features) > set **Enable Interest Calculation** to **Yes**.

   If you do not see this option:

   - Set **Show more features** to **Yes**.
   - Set **Show all features** to **Yes**.

2. Accept the screen. As always, you can press **Ctrl+A** to save.

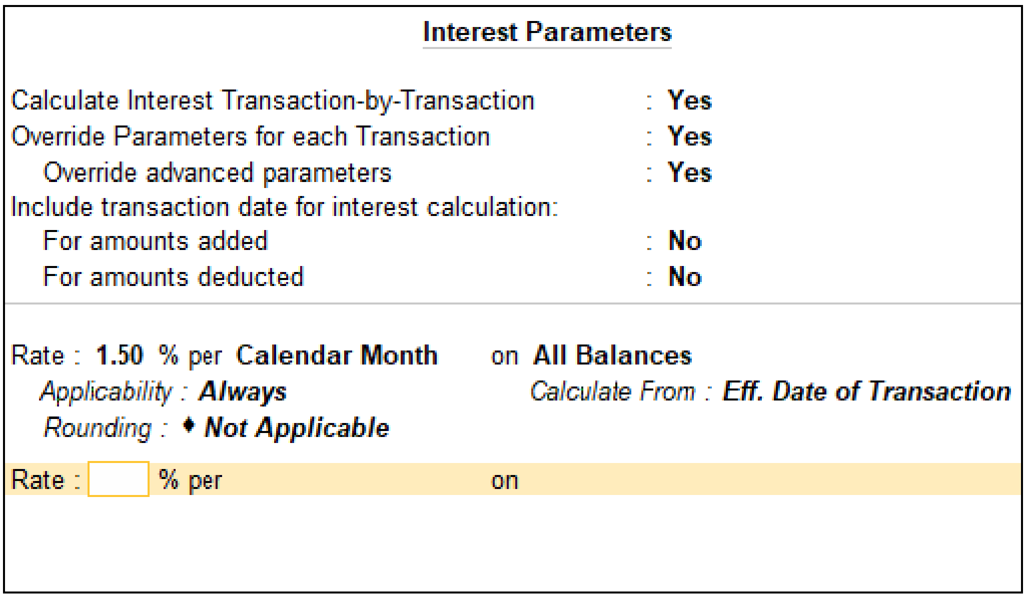
Interest calculation in party master

1. **Gateway of Tally** > **Alter** > type or select **Ledger** > and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Alter Master** > **Ledger** > select the party ledger and press **Enter**.

2. Set the option **Activate interest calculation** to **Yes**. The **Interest Parameters** screen appears.

3. Set the options in the **Interest Parameters** screen as shown below:



4. Press **Ctrl+A** to accept the interest parameters.

5. Accept the screen. As always, you can press **Ctrl+A** to save.

Journal voucher for the amount payable

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

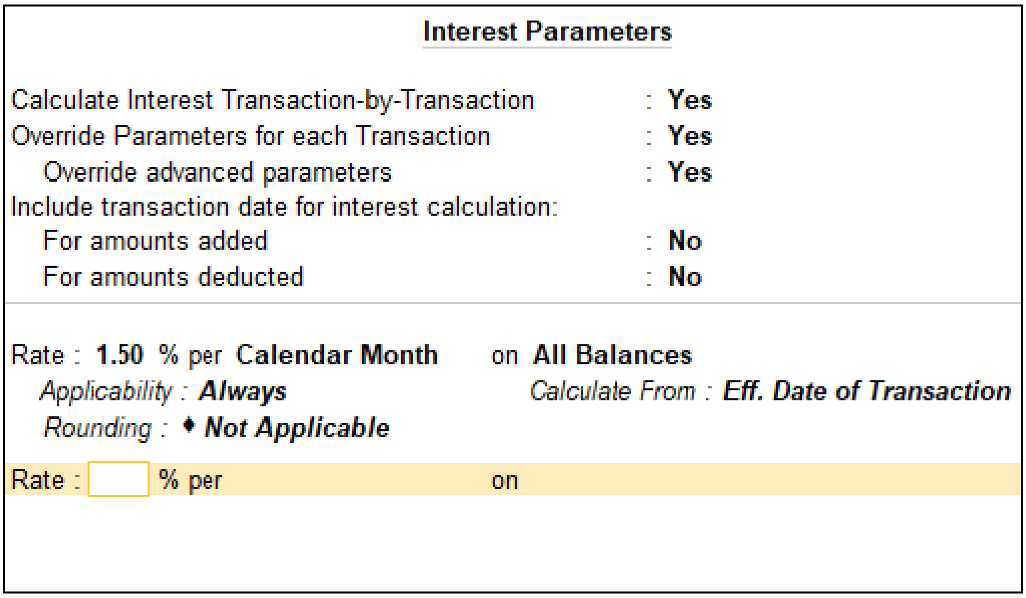
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the expense ledger and enter the amount.

3. Credit the party ledger and press **Enter**.

4. Provide the **Bill-wise Details** and press **Ctrl+A** to save. The **Interest Parameters** screen appears.

5. Accept the parameters in the **Interest Parameters** screen OR change them if required.



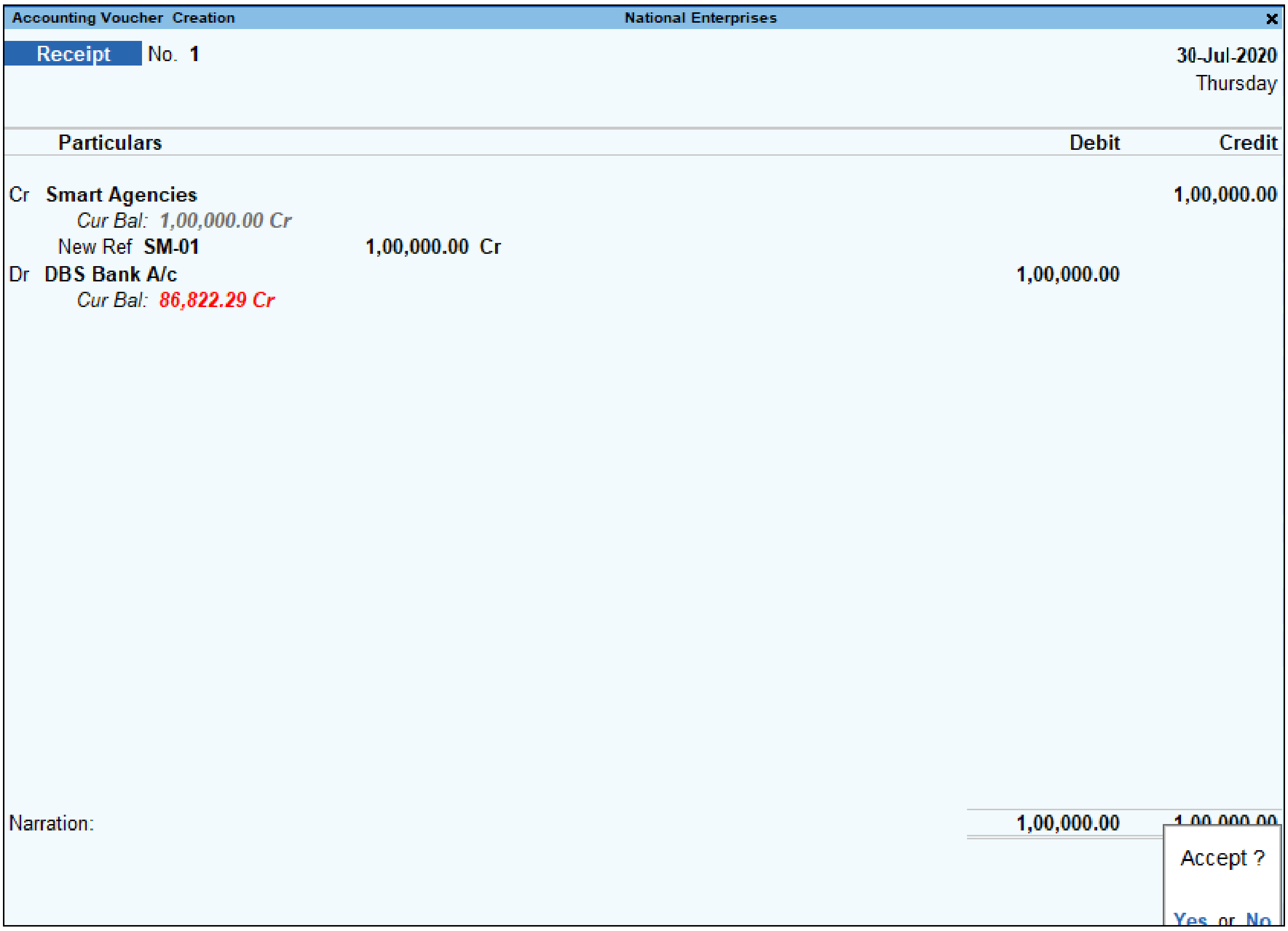
Interest Parameters

Calculate Interest Transaction-by-Transaction : **Yes**
Override Parameters for each Transaction : **Yes**
Override advanced parameters : **Yes**
Include transaction date for interest calculation:
For amounts added : **No**
For amounts deducted : **No**

Rate : **1.50** % per **Calendar Month** on **All Balances**
Applicability : ***Always*** *Calculate From* : ***Eff. Date of Transaction***
Rounding : ♦ ***Not Applicable***
Rate : % per on

6. Press **Ctrl+A** to save.

7. Select TDS ledger. The amount appears automatically.



8. Accept the screen. As always, you can press **Ctrl+A** to save.

Interest on overdue payment

1. **Gateway of Tally** > **Vouchers** > press **Alt+F6** (Credit Note)

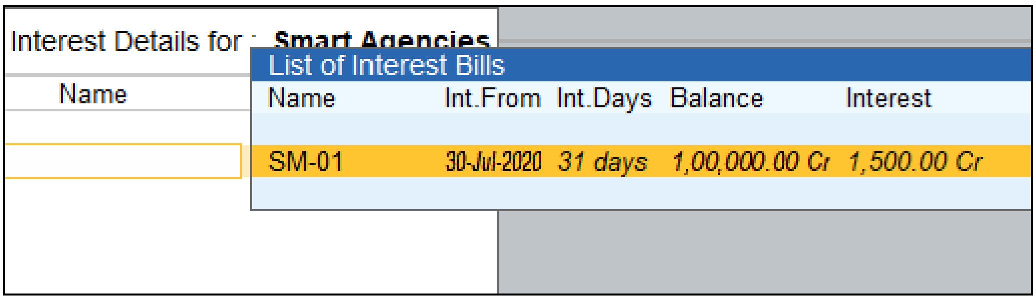
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **Alt+F6** (Credit Note).

2. Select the Voucher Class.

3. Press **F2** (Date) and set the date to day on which the interest amount becomes due.

4. Select party to whom interest has to be paid. The **Interest Details** screen appears.

5. Select required bill from the **List of Interest Bills** in the **Interest Details** screen.



6. Press **Ctrl+A** to return to the voucher screen.

7. Press **Enter** from the **Credit** field. The credit amount appears automatically.

    - Select **New Ref** as the **Method of Adjustment** in the **Bill-wise Details** screen.
    - Enter a **Name** > skip **Due Date**, or **Credit Days** fields > press **Ctrl+A** to save.
    - In the **Interest Parameters** screen, set zero in the **Rate** field.
    - Press **Ctrl+A** to save.

8. Debit the interest payable ledger. The amount appears automatically.
9. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct TDS on the interest payable

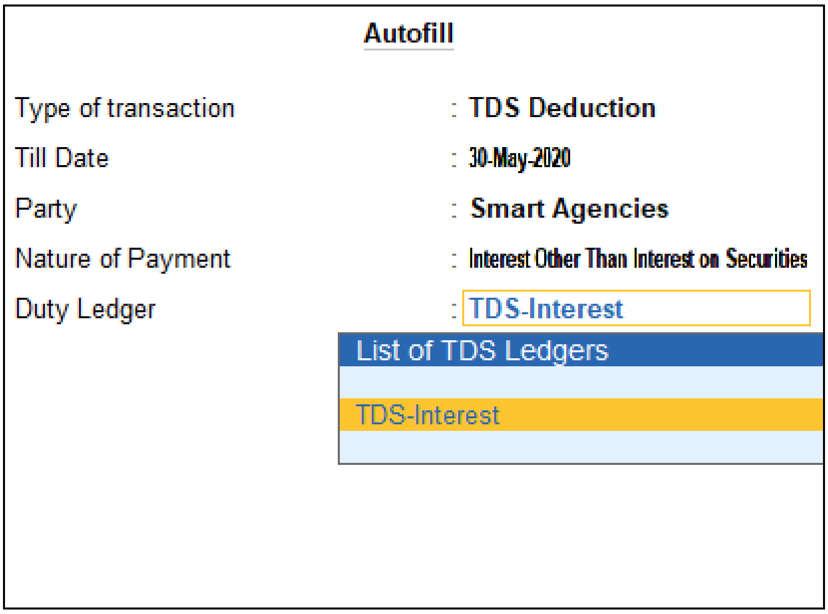
A journal voucher has to be recorded for TDS deduction against the credit note recorded for interest payable amount. However, without a reference number, the TDS deduction transaction cannot be recorded.

Since TDS reference was not used in credit note, it will appear as an exception in the TDS returns. Resolve this exception to generate a reference that can be used for recording TDS deduction transaction.

Refer to resolve exception under TDS on Interest Paid Towards Overdue Payments.

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).
2. Press **Ctrl+F** (Autofill) to view the **Autofill** screen.
3. Accept the date displayed in the **Till Date** field.
4. Select party to whom interest is paid form the **List of Ledgers**.
5. Select **Interest Other than Interest on Securities** in the field **Nature of Payment**.

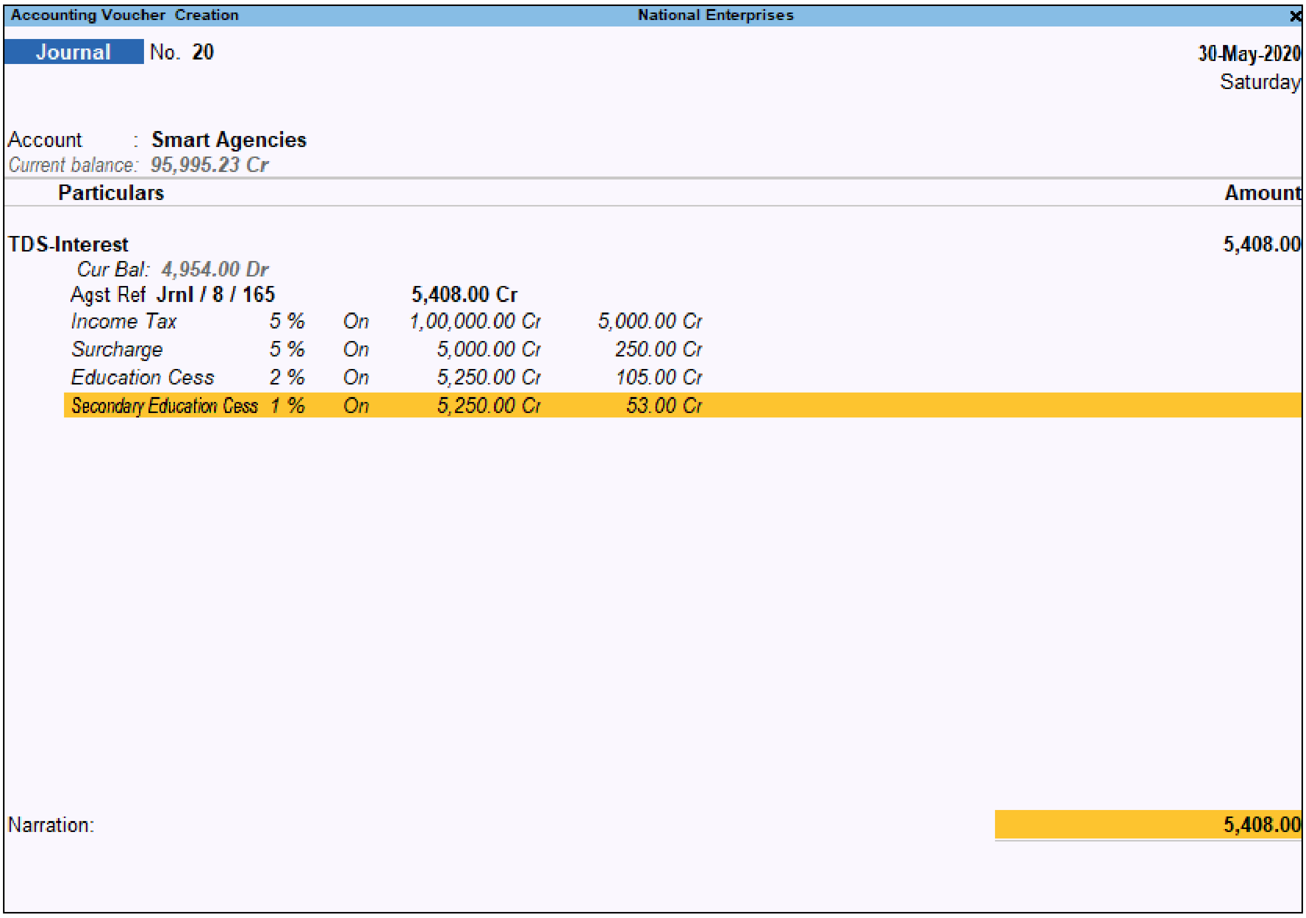


6. Select the duty ledger created for TDS on interest in the field **Duty Ledger** field. The TDS amount will auto-fill with the respective bill details.

7. Press **Enter** from the **Amount** field. The **Bill-wise Details** screen appears.

8. Select **Agst Ref** in the field **Type of Ref**.

9. Select the bill reference for the interest amount.



10. Accept the screen. As always, you can press **Ctrl+A** to save.

Payment of interest and bill amount to the party

1. **Gateway of Tally** > **Vouchers** > press **F5** (Payment)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F5** (Payment).

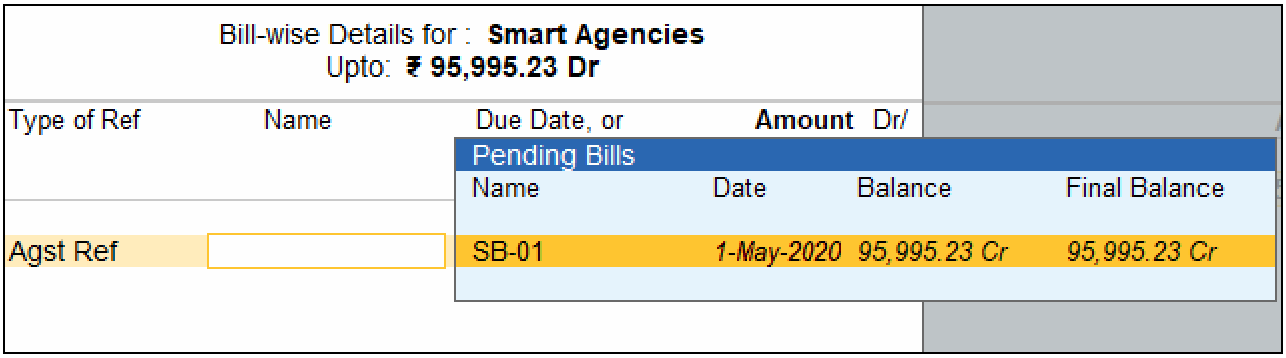
2. Select the bank ledger in the **Account** field.

   As always, press **Alt+C**, to create a master on the fly. Alternatively, press **Alt+G** (Go To) > **Create Master** > type or select **Ledger** > press **Enter**.

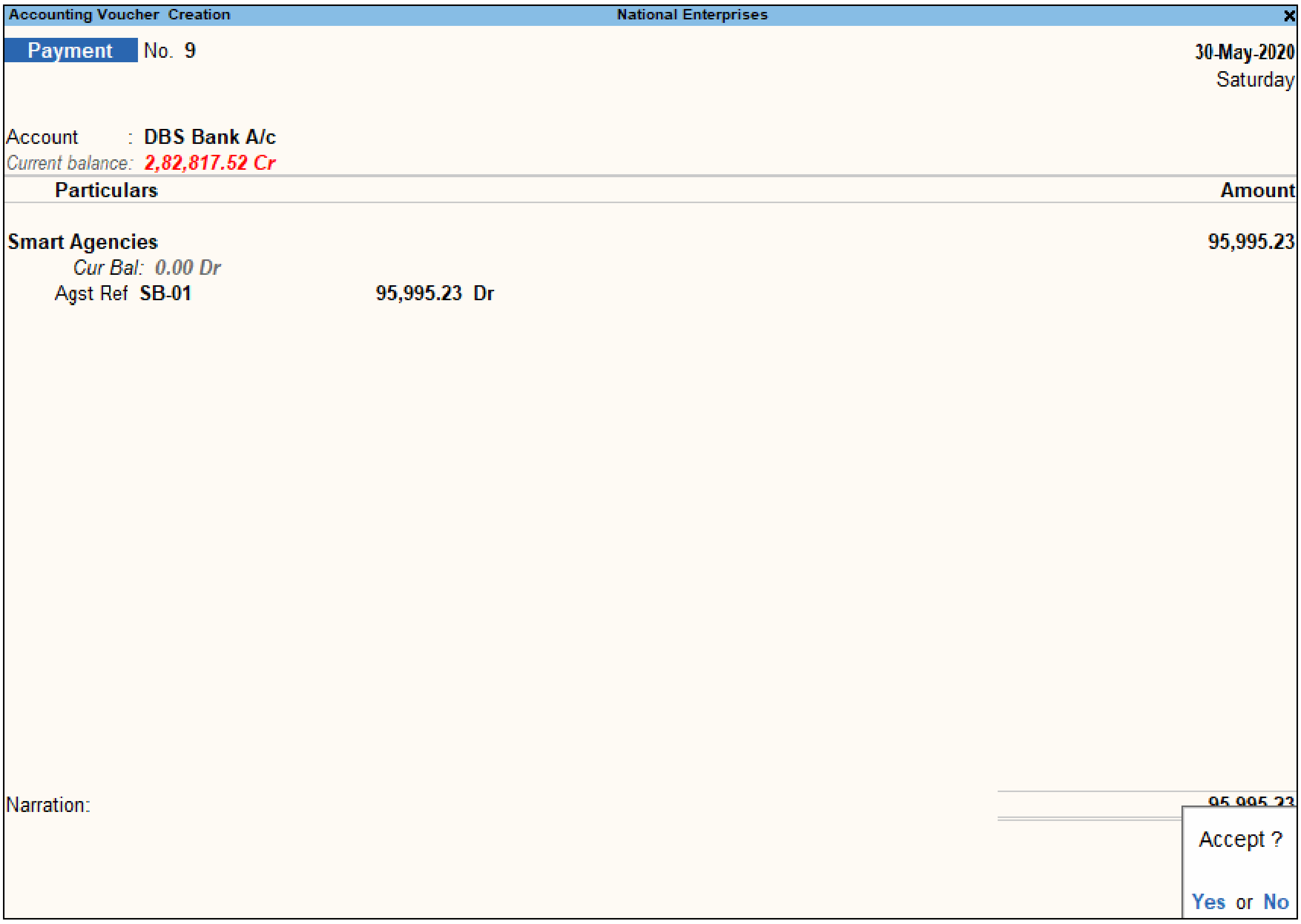
3. Under **Particulars** select the party ledger.

4. Enter the bill amount plus interest in the **Amount** field and press **Enter**. The **Bill-wise Details** screen appears.

5. Select the references of the bill amount and interest amount.



6. Press **Ctrl+A** to save.



7. Accept the screen. As always, you can press **Ctrl+A** to save.

> **Note:** Select interest amount alone if only interest is paid to the party.

TDS on Transport

You can create an accounting voucher for transport-related expenses, along with the applicable TDS.

> Section 194C of Income Tax Act is amended to include TDS deduction of 1% for individuals and Hindu Undivided Families owning more than 10 goods carriage, and at the rate of 2% in case of other payees. For others not owning more than 10 goods carriage at any time during the previous financial year, and who has furnished a declaration to this effect along with his PAN, no TDS is applicable.

Note: A TDS of 20% is applicable for parties without a valid PAN.

Expenses with TDS – Transport in more than 10 goods carriage

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

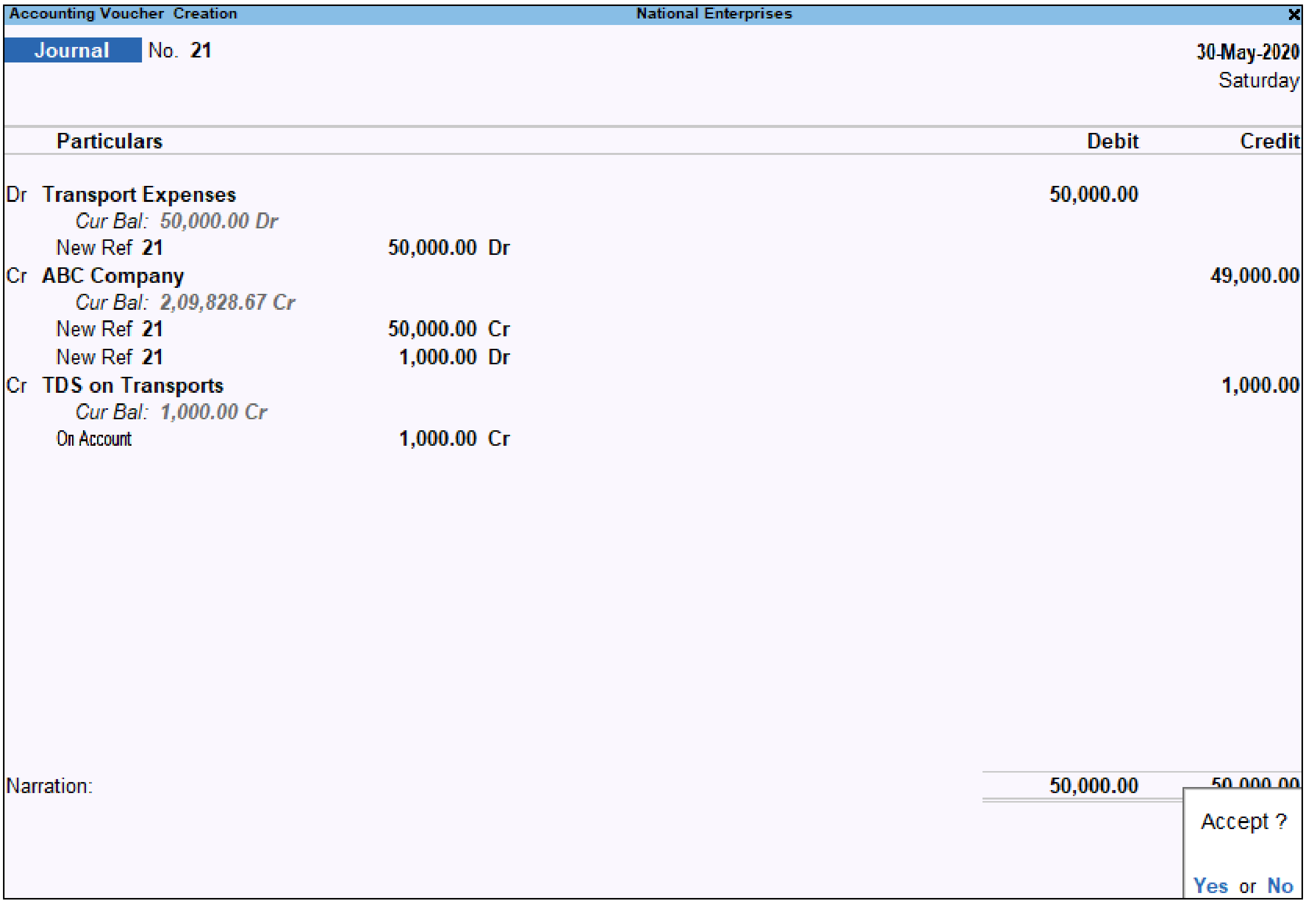
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the transport expenses and enter the amount.

3. Credit the party ledger. The amount appears automatically.

4. Enter the required details in the **Bill-wise Details** screen, and press **Ctrl+A** to save.

5. Credit TDS ledger. The amount appears automatically.



6. Accept the screen. As always, you can press **Ctrl+A** to save.

Expenses without TDS – transport in less than 10 goods carriage

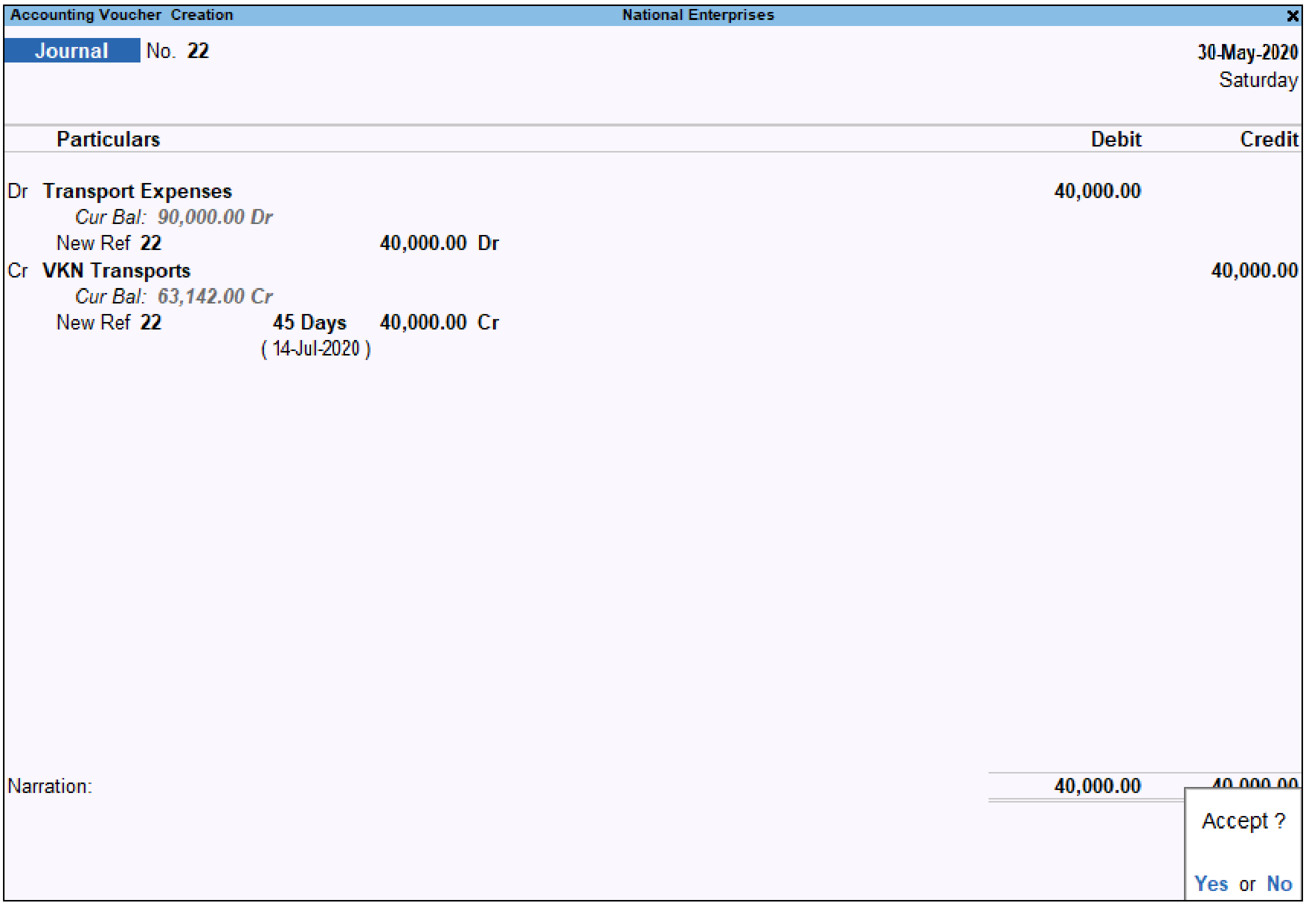
1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Debit the transport expense and enter the amount.

3. Credit the party ledger. The amount appears automatically.

4. Enter the required details in the **Bill-wise Details** screen, and press **Ctrl+A** to save.



5. Accept the screen. As always, you can press **Ctrl+A** to save.

TDS at Normal or Lower Rate as per Rule 37BC

You can apply normal or lesser TDS rate in transactions using the respective nature of payment.

1. **Gateway of Tally** > **Create** > type or select **TDS Nature of Payments** > and press **Enter**.

   Alternatively, press **Alt+G** (Go To) > **Create Master** > **TDS Nature of Payments** > and press **Enter**.

2. Press **F12** (Configure).

   - Enable the option **Allow relaxation in rate for Non-Residents**.
   - Press **Ctrl+A** to accept and return to **TDS Nature of Payment** screen.

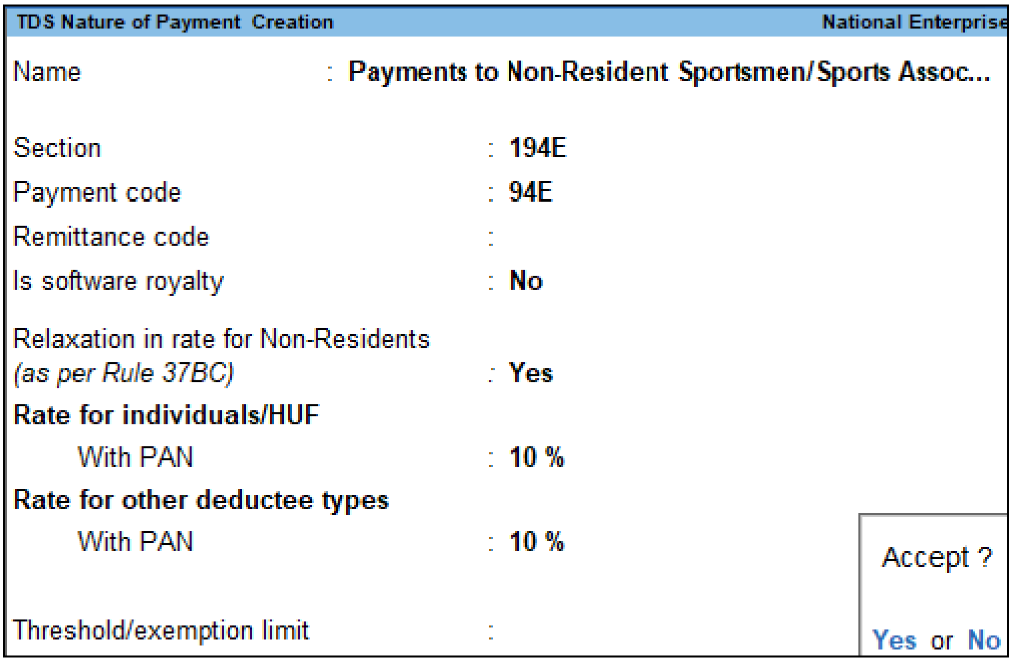
3. Enter the **Name** for TDS nature of payment.

4. Enter **Section** and **Payment code** for the nature of payment as per TDS schedules.

5. Set the option **Relaxation in rate for Non-Residents (as per Rule 37BC)** to **Yes**.

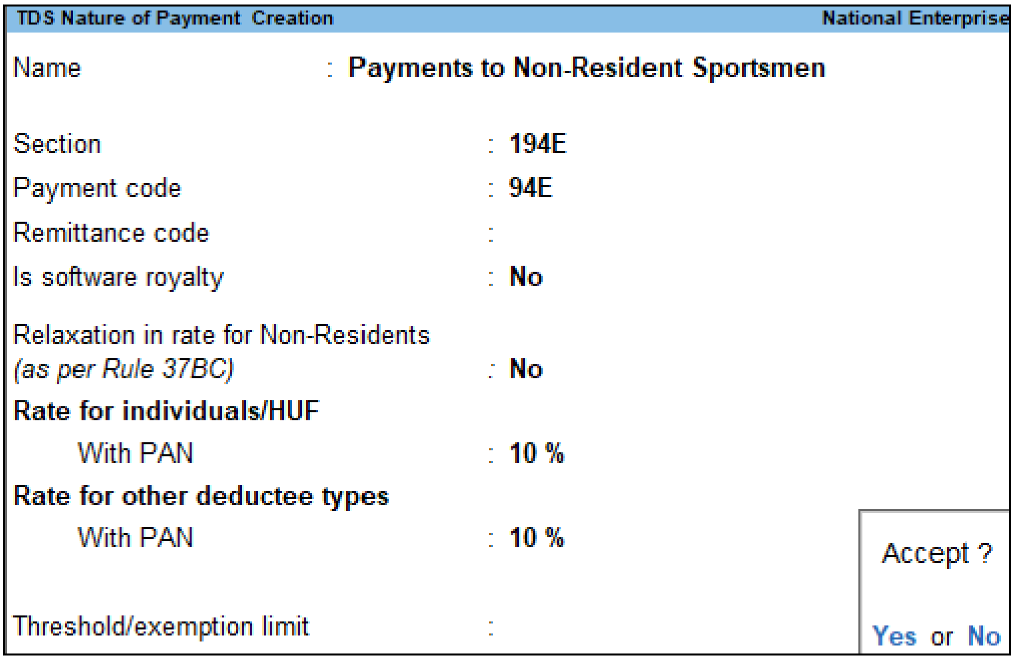
6. Enter the **TDS Rate**.

7. Enter the **Threshold/exemption limit**, if any.



8. Accept the screen. As always, you can press **Ctrl+A** to save.

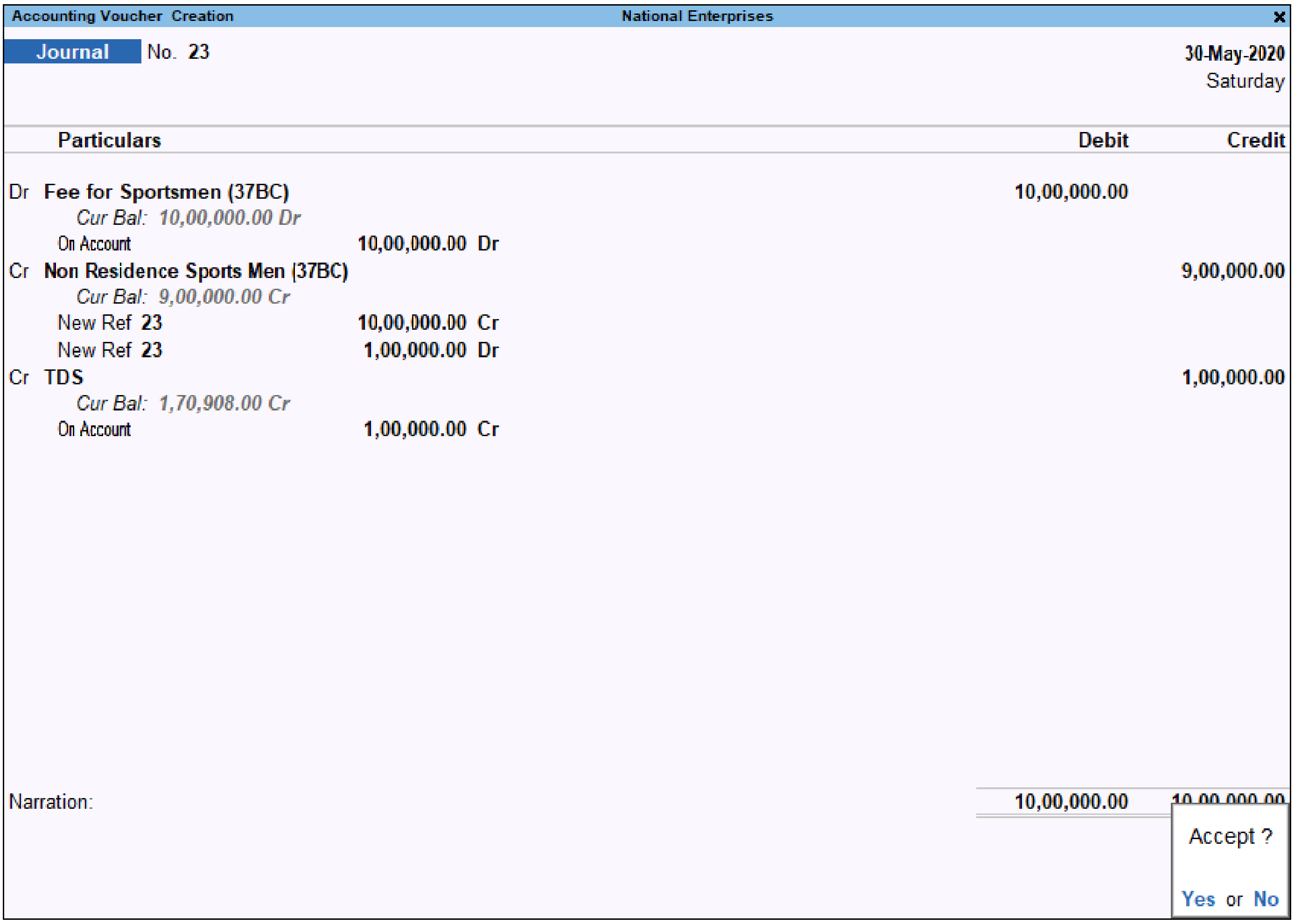
Similarly, create another nature of payment for the same section and payment code, by setting the option **Relaxation in rate for Non-Residents (as per Rule 37BC)** to **No**, as shown below:



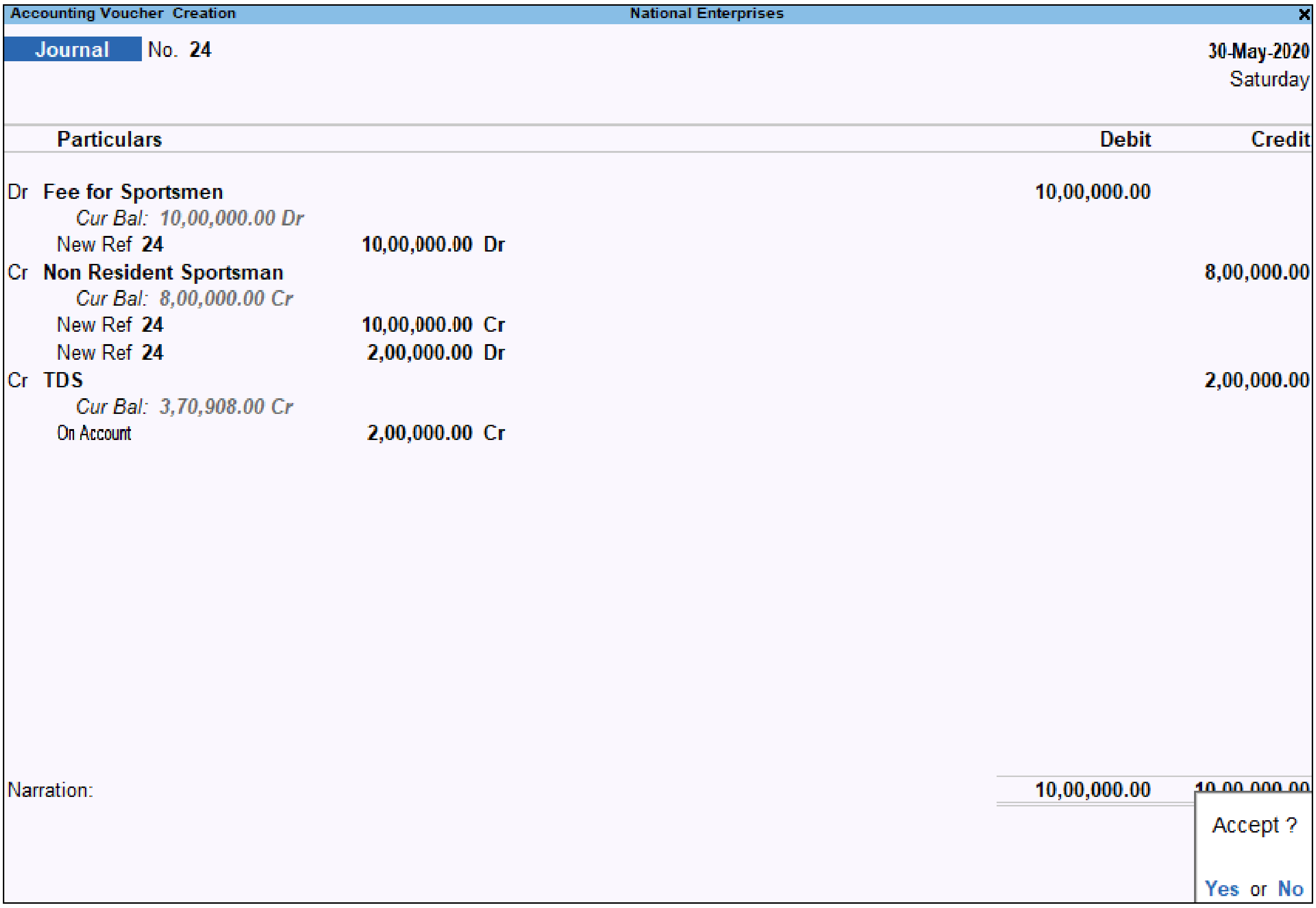
In case of non-availability of PAN, if the option **Relaxation in rate for Non- Residents (as per Rule 37BC)** is set to **No**, irrespective of the rate entered in the nature of payment master, TDS is deducted on the default higher rate applicable for the section and payment code, as per TDS schedules.

Based on the applicability and non-applicability of rule 37BC, tax gets deducted.

The journal voucher with TDS at normal or lesser TDS rate is shown below:



The journal voucher with TDS at default higher rate is shown below:



> **Note:** The transaction where TDS is deducted at normal or lesser rate appears under **Deduction at Normal Rate** and transaction with high rate under **Deduction at Higher Rate** row, in **Deduction Details** section of TDS **Form 27Q** report.

In both cases, the party is a non-resident. However, one is eligible for relaxation in rate as per rule 37BC and the other is not. In case of person not eligible for relaxation in rate, higher TDS rate gets applied.

It is recommended to create separate nature of payment masters for 37BC eligible and non-eligible nature of payments.

Deduct TDS on Partial Value

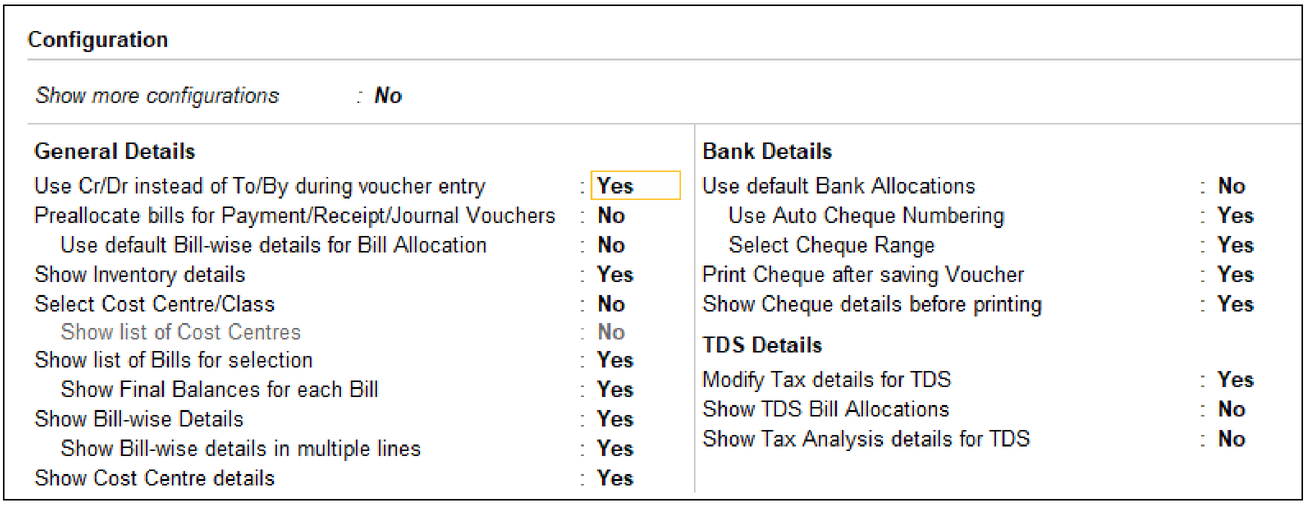
Using journal voucher, you can account for TDS that has to be paid for a part of the total amount.

1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal).

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

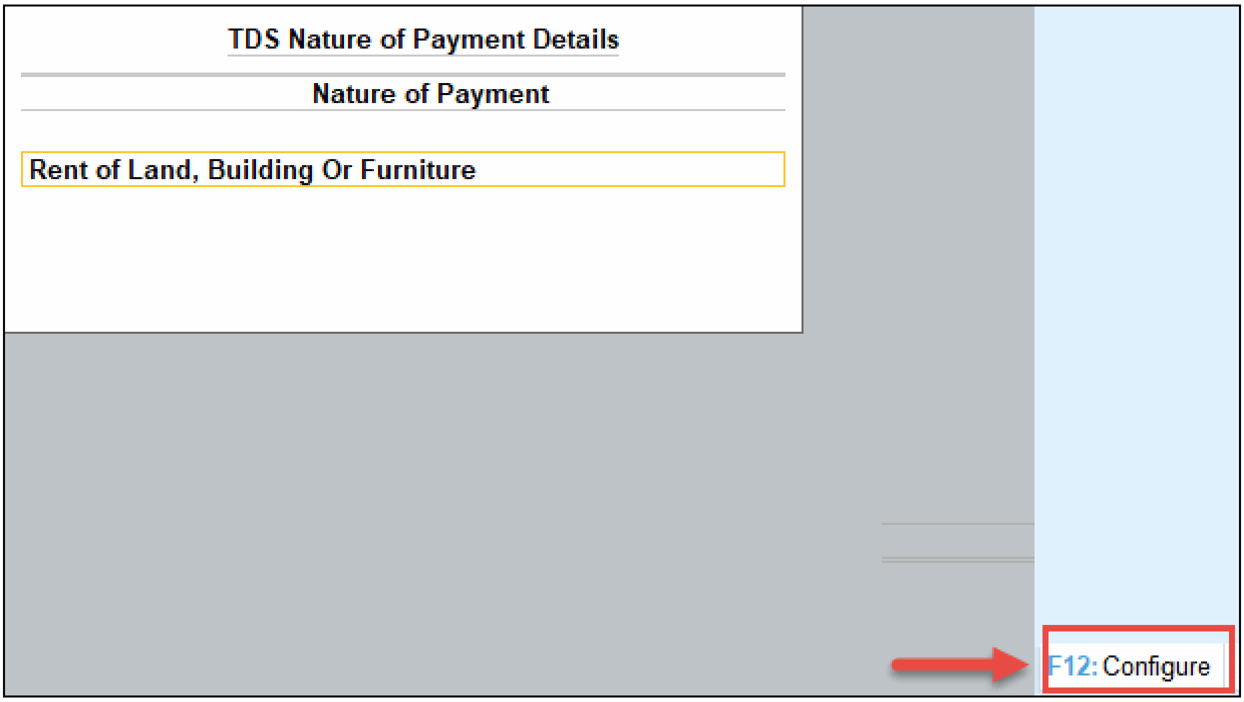
2. Press **F12** (Configure).

3. Set the option **Modify Tax details for TDS** to **Yes**.

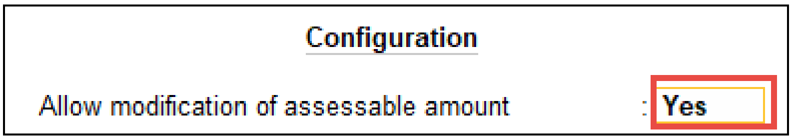


4. Press **Ctrl+A** to save.

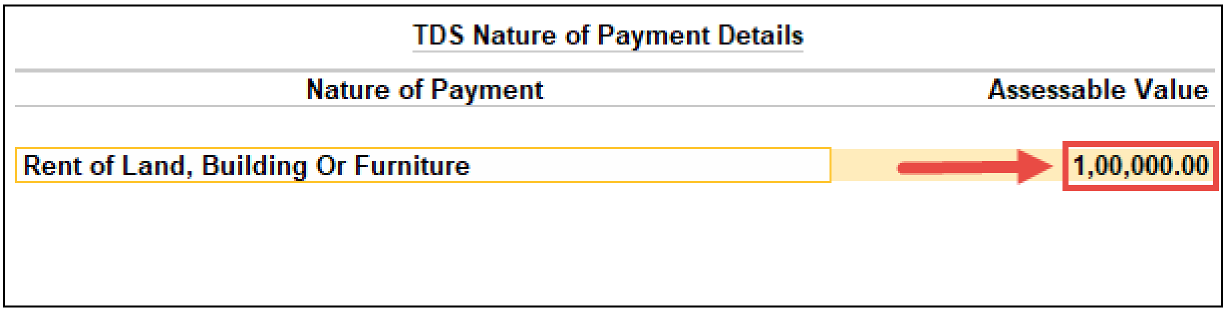
5. Debit the expenses ledger and enter the amount. The **TDS Nature of Payment Details** screen appears.



6. Press **F12** (Configure) > set the option **Allow modification of assessable amount** to **Yes**.

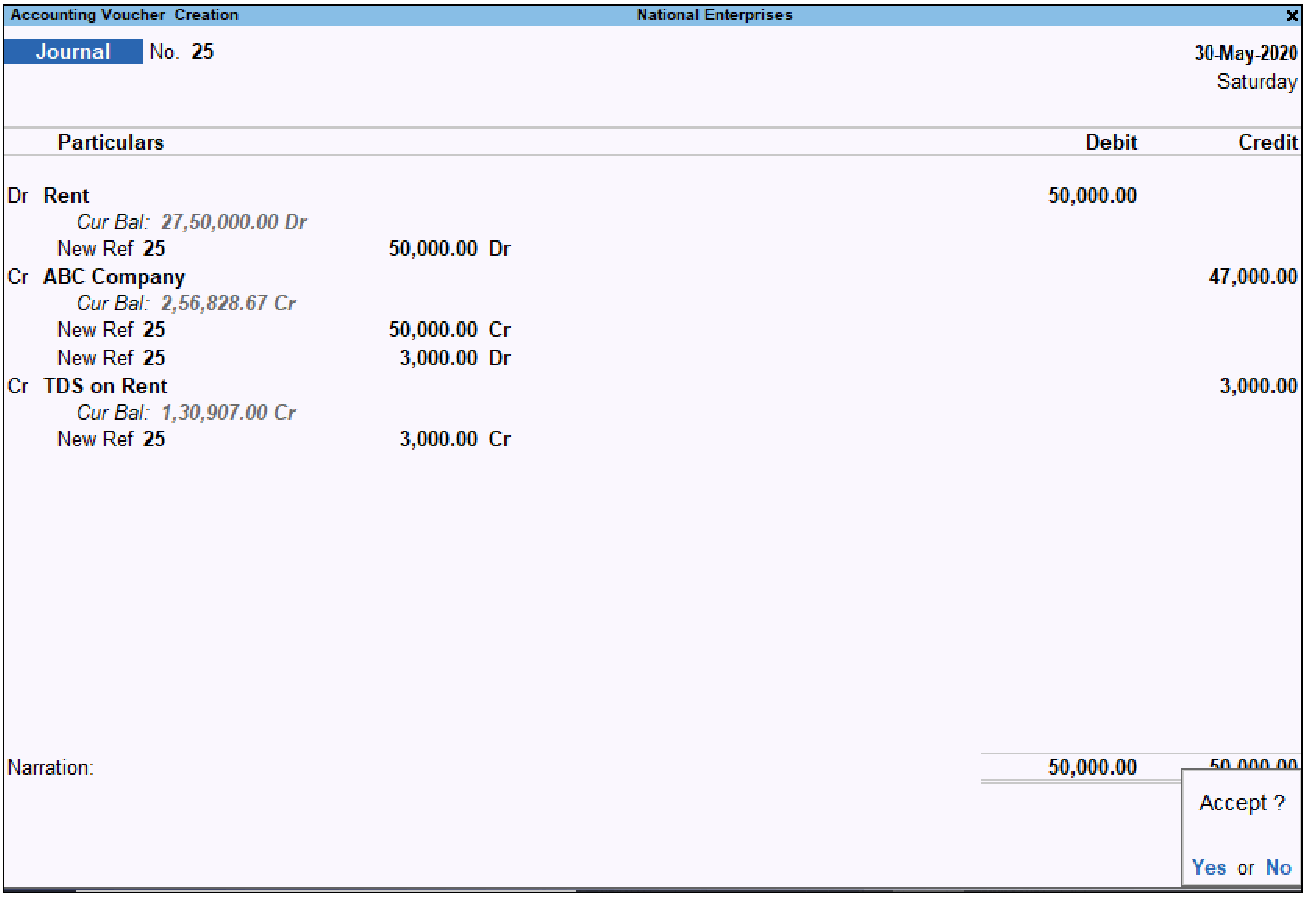


7. In TDS nature of payment details screen change the assessable value as needed.



8. Press **Enter** to save.

   TDS will be deducted on the modified value (for example, 30,000 *10% = 3000).



9. Accept the screen. As always, you can press **Ctrl+A** to save.

Deduct TDS When Expenses are Paid Through Cash

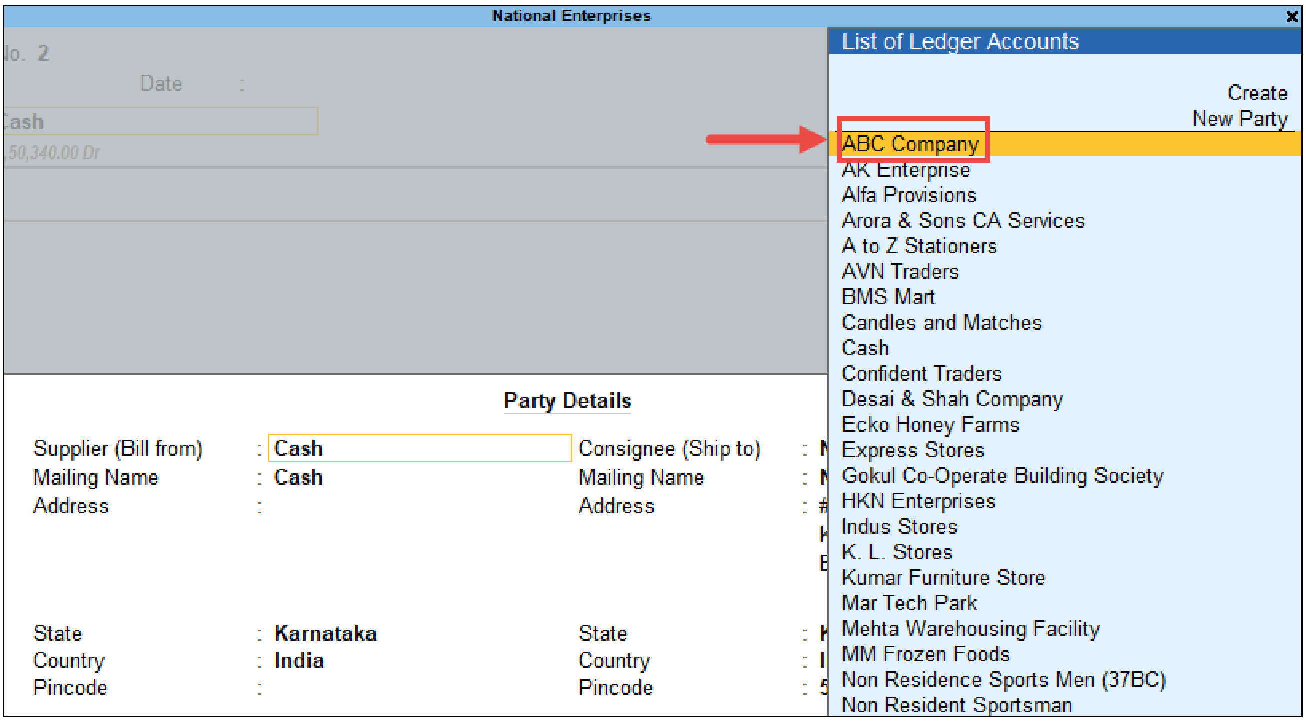
Using purchase vouchers, you can account for TDS when expenses are paid through cash.

1. **Gateway of Tally** > **Vouchers** > press **F9** (Purchase)

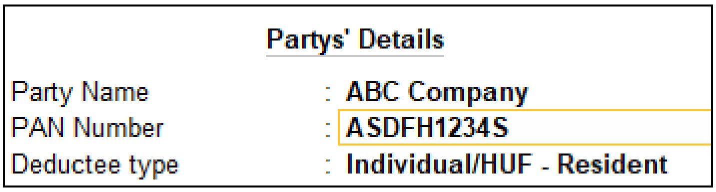
   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F9** (Purchase).

2. Select **Cash** as **Party A/C name**.

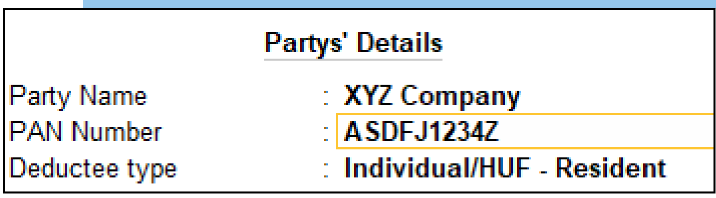
3. In **Supplier** (Bill from) field of **Party Details** screen, select the party from the list instead of cash.



4. Select the expenses and TDS ledgers. Once you select TDS ledger, the party details will appear with **Party Name**, **PAN Number** and **Deductee Type**.



> **Note:** A party which is selected in **Party Details** screen details will appear after selecting TDS ledger. In **Party Details** screen instead of selecting the party from the list, party name can be entered manually if required. In such case after selecting duty ledger, mention PAN number of party and deductee type.



5. Accept the screen. As always, you can press **Ctrl+A** to save.

Payment of TDS & Late Fee on TDS

You can record a payment transaction with inclusion of the necessary TDS to be paid to the government. You can also record a payment of late fee on TDS to the department.

In this section

- TDS Payment
- Late Fee on TDS

TDS Payment

Scenario 1: On 05-05-2015, ABC Company paid TDS deducted in the month of April 2015 to the government directly.

1. **Gateway of Tally** > **Vouchers** > press **F5** (Payment)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F5** (Payment).

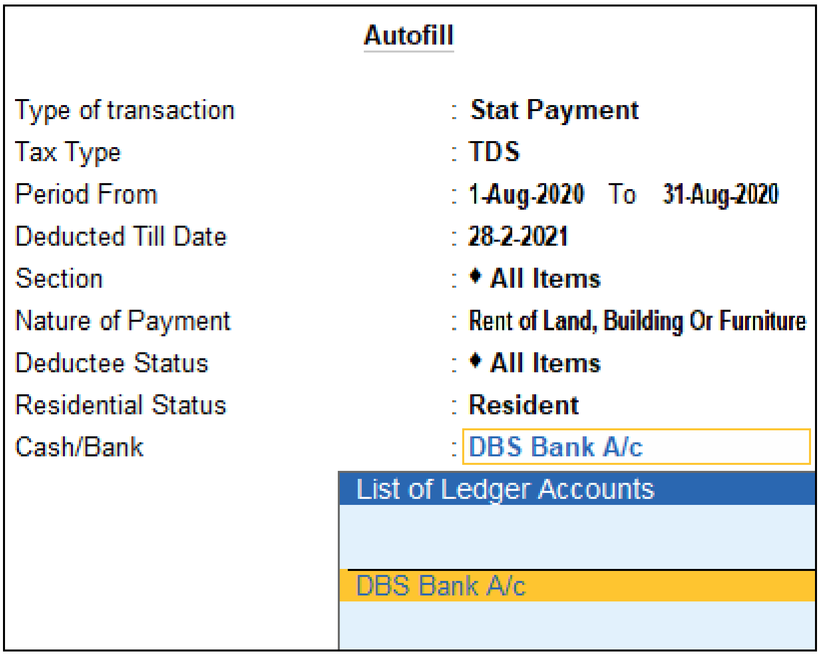
2. Press **Ctrl+F** (Autofill).

3. Select **Stat Payment** as **Type of Transaction**.

4. Select **TDS** as the **Tax Type**.

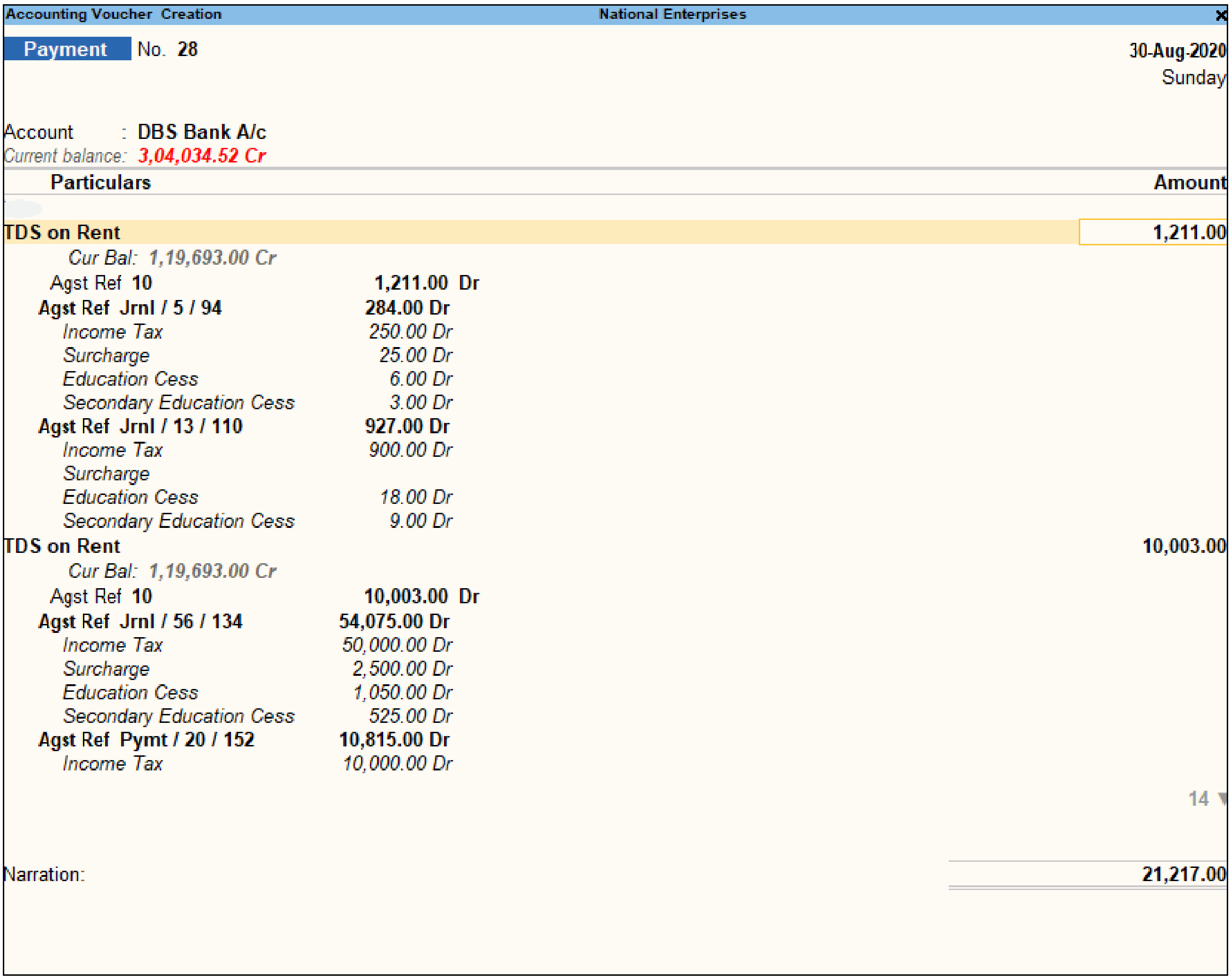
5. Enter the **Period From** and **To** dates. Provide the relevant details in the **Statutory Payment** screen.

6. Select either bank or cash ledger in the **Cash/Bank** field. The payment voucher will be automatically filled with the relevant values. The **Statutory Payment Details** screen appears as shown below:



7. Press **Enter**.

8. Enter the **Bank Allocation details** as required.



9. Accept the screen. As always, you can press **Ctrl+A** to save.

Scenario 2: On 05-05-2015, XYZ Company paid the TDS deducted to the government on behalf of ABC Company.

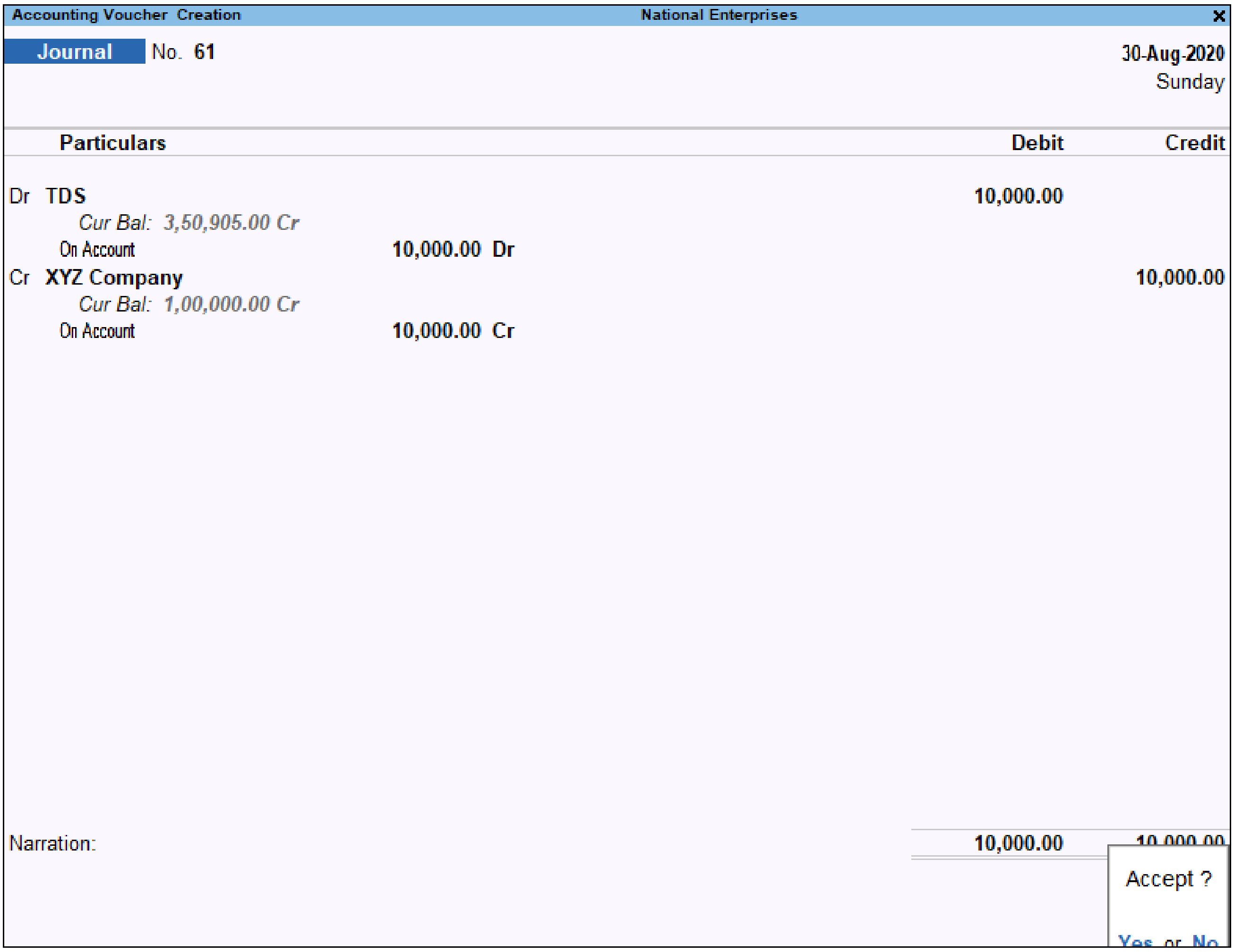
1. **Gateway of Tally** > **Vouchers** > press **F7** (Journal)

   Alternatively, press **Alt+G** (Go To) > **Create Voucher >** press **F7** (Journal).

2. Press **F2** (Date) to change the date to **05-05-2015**.

3. Debit the TDS ledger.

4. Credit XYZ Company.



5. Accept the screen. As always, you can press **Ctrl+A** to save.

Payment of Late Fee for TDS

With TallyPrime, you can also record the payment of late fee for TDS, in case the returns were filed after the due date.

1. **Gateway of Tally** > **Vouchers** > press **F5** (Payment).

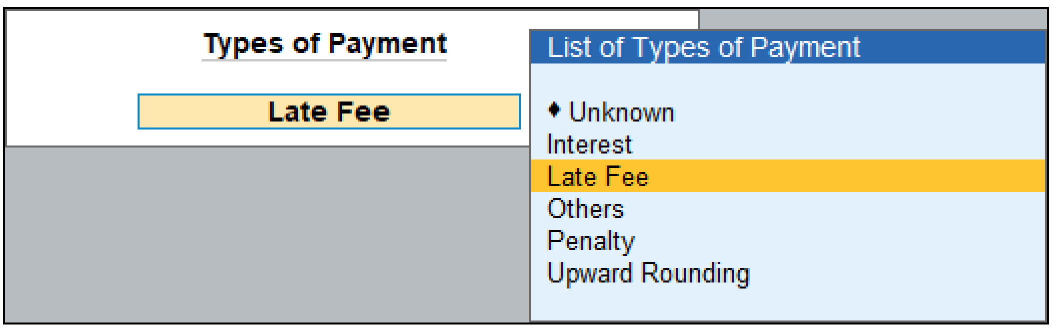
   Alternatively, press **Alt+G** (Go To) > **Create Voucher** > press **F5** (Payment).

2. Select cash or bank ledger in the **Account** field.

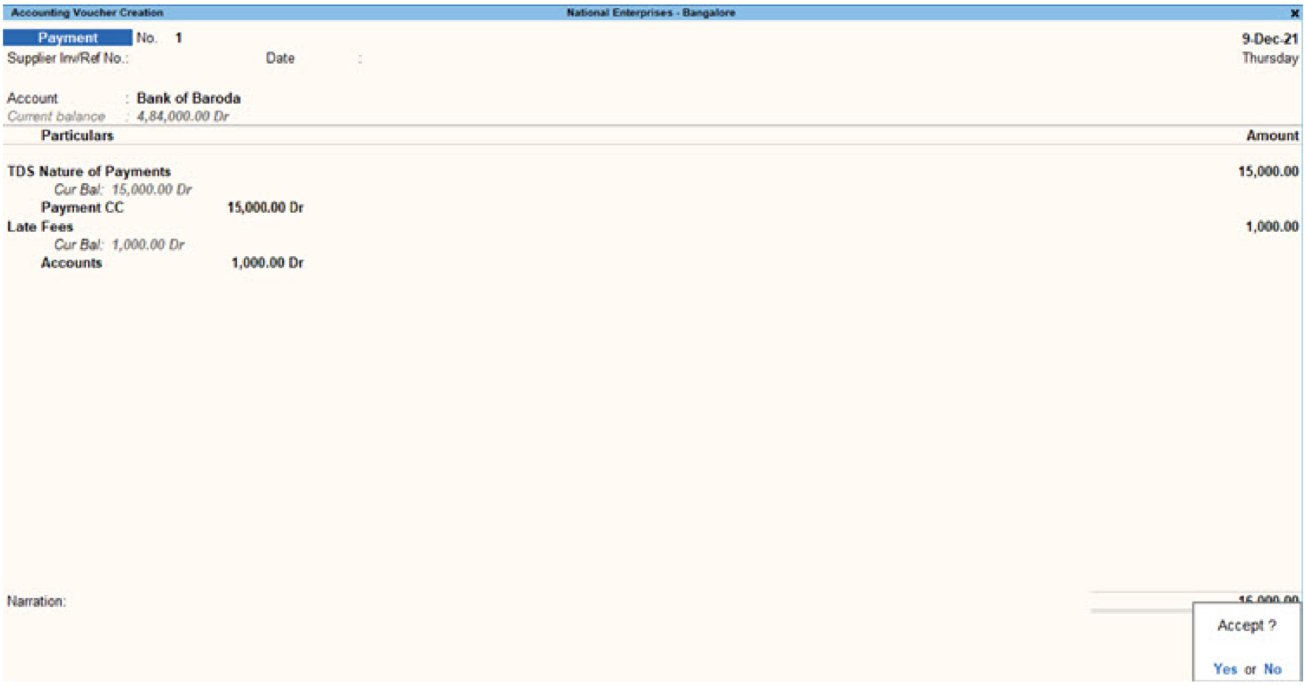
3. Select the TDS tax ledgers, and the relevant nature of payments/nature of goods.

4. Select the **Late Fee** ledger grouped under **Indirect Expenses**.

5. Select **Late Fee** from the list of payment types.



6. Enter the amount. The late payment voucher will appear as shown below:



7. Accept the screen. As always, you can press **Ctrl+A** to save.