



TDS and TCS Managed Compliance Services



A. TDS/TCS: Managed Compliance Services for TDS Deductors or TCS Collectors

Under the Income-tax Act 1961, almost all payments are subject to either deduction of tax (TDS) or collection of tax (TCS). Various returns and compliance obligations are also attached to the TDS/ TCS. If there is any default in such compliances, there is penalty and interest liability. Therefore, it is important to conduct correct and timely compliance of TDS/TCS. In this increasing digital and technology world, it is therefore worthwhile to consider outsourcing of these compliance obligations to a team of professionals at KPMG in India as a managed compliance service.

Key challenges in TDS/TCS compliances and potential benefits of managed compliance service model:

Key challenges in in-house TDS/ TCS compliances

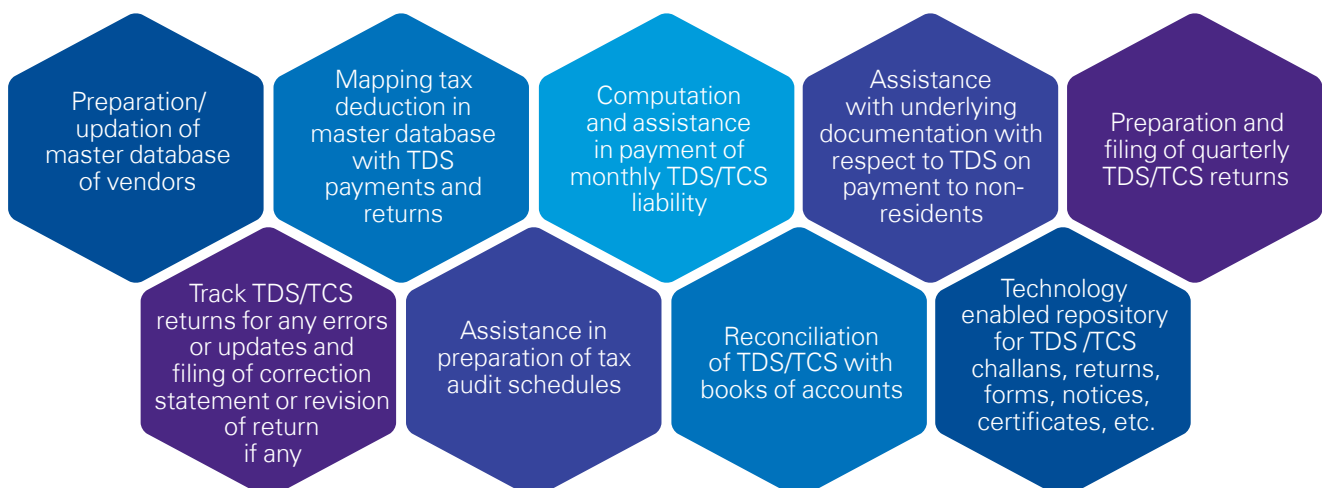
- Applicability and correctness of TDS/TCS rate
- High level of manual intervention due to multiple compliance and huge number of transactions
- Tax demand due to non-deduction/short deduction or non-collection/short collection of tax
- Completeness of documents on payments to non-residents
- Reconciliation of TDS/TCS records with financial statements
- Manual tracking of correspondence enquiries and follow-ups (due to constrained bandwidth)

Potential benefits of managed compliance service model

- Evaluation of transaction by experienced professionals
- Process run by a trained team using latest technology and software
- Elimination of technical and arithmetic errors by using standard operating process and procedures
- Leveraging the knowledge of the compliance team
- All compliance aspects including reconciliation included in compliance responsibility
- Technology enabled workflows; digitalisation and analytics based dashboards

TDS/TCS: Managed Compliance Services for TDS Deductors or TCS Collectors - our service offerings

The indicative scope of service to be offered by KPMG in India is as under:



In-house developed tax technology tools that we will leverage for these services

Tools	How it benefits taxpayers
KPMG Tax Workflow Manager - A web-based solution for, document/information exchange and task tracking	<ul style="list-style-type: none"> • Efficient document and information exchange • Document repository of TDS/TCS workflows • Greater visibility, control and governance
KPMG Tax Data Hub - A web-based solution for managing TDS/TCS related data and documents with a view of TDS and TCS litigation cycle	<ul style="list-style-type: none"> • Reduces people dependency and data loss • Improves tax process through storage of TDS and TCS documents • Tracking of TDS and TCS assessments and litigation

B. Obtaining credit for TDS/TCS – Form 26AS reconciliation services for taxpayers

Post TDS/TCS by deductor or collector, the other party is eligible for credit of the said TDS/TCS. The details of TDS/TCS done by the deductor or collector are available to the other party financial year wise, on the Income Tax department website in Form 26AS. It is imperative that these details reconcile with amounts recorded in the financial statements. This information is critical at the time of preparing the income-tax return and tax assessment. In case of voluminous transactions, there are several challenges in claiming correct TDS/TCS credit and their reconciliation with the financial statements as well as books of accounts of the taxpayer. Therefore, it is worthwhile to consider outsourcing this as part of managed services to KPMG in India.

Key challenges in TDS/TCS reconciliation and potential benefits of managed compliance service model:

Key challenges in TDS/TCS reconciliation	Potential benefits of KPMG managed service model
<ul style="list-style-type: none"> • Time consuming and manual process • Loss of TDS /TCS credit due to incorrect entries • Cash lock up - working capital inefficiencies • Track of TDS credit vis-a-vis income offered to tax • Keeping track of TDS/TCS credits to be carried forward • Ad-hoc and unclear follow-up with the tax deductor/collector for corrections 	<ul style="list-style-type: none"> • Significantly reduced manual intervention due to use of technology • Technology enabled services to have better control over the organisation's TDS/TCS credits • The correct claim of TDS/TCS credit reduces working capital inefficiencies due to tax outflow • Leverage firm's experienced tax professionals • Clear discussions with tax deductor/collector for corrections due to identified mismatches

Obtaining credit for TDS/TCS – Form 26AS reconciliation services for taxpayers - our service offerings

An indicative list of services which can be outsourced to KPMG in India is as under:

- Technology enabled reconciliation of TDS/TCS credit (26AS) via KPMG 26AS Reconciler
- Identifying mismatches of TDS/TCS between Form 26AS and books of accounts
- Analytical dashboards
- Highlighting possible reasons of mismatches for analysis and correspondence with the deductors/collectors
- Generating statement for claiming proper TDS/TCS credit in the income-tax return
- Reconciliation with respect to TDS/TCS credit not allowed by the Income Tax department, if any
- Any other income/expenses reconciliation that may be required statutorily or otherwise

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