



# **SECTION 194 T TDS ON PAYMENTS TO PARTNERS**

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- ✓ With effect from April 1, 2025 Section 194 T is applicable to all partnership firms and LLPS.

Under this section if the total payments **to a partner in a year exceeds Rs.20,000 tax at 10% is to be deducted**

- ✓ Payments should be in the nature of
  - Salary/Remuneration
  - Commission
  - Bonus
  - Interest on Capital/Loan.

- ✓ The following payments are excluded from **Section 194T**
  - Drawings
  - Capital Repayment



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## Time of Deduction of TDS

Tax is to be deducted at the time of crediting the sum to the partner's account or at the time of payment which ever is earlier.

## Failure to deduct TDS

Failure to deduct TDS may result in

- 30% disallowance of the expense
- 1% Interest for non-deduction of TDS
- 1.5% Interest for non payment of TDS
- Late filing Penalty: Rs.200 per day for non filing of TDS returns.



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## **No Exemption or Lower TDS Rate Certificate Available**

- ✓ Partners cannot submit Form 15G or 15H to claim an exemption from TDS payments.
  - ✓ No provision for lower deduction under Section 197 is there.
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