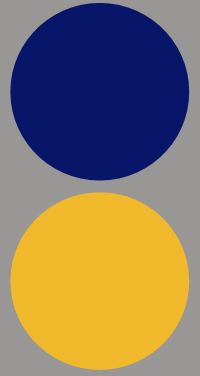


Essential Guide to TDS on Transportation Charges For Businesses

EXCLUSIVE ANALYSIS

December 2024



Introduction

Businesses are required to deduct TDS on transportation charges when paying transporters who own more than 10 goods carriages. The need to deduct TDS also depends on whether the business is subject to a tax audit under Section 44AB of the Income Tax Act.

Tax Audit Requirement

A tax audit applies when a business turnover exceeds Rs. 1 crore (or Rs. 5 crores if more than 95% of transactions are digital). If a tax audit is applicable, businesses must comply with TDS provisions, ensuring TDS is deducted and deposited on time. Failure to deduct TDS will result in the disallowance of transportation expenses under **Section 40a(ia)** until the TDS is paid to the government.

TDS on Transportation Charges:

- **Criteria for Deduction:**
 - TDS applies to transporters owning more than **10 vehicles**.
- **TDS Rates:**
 - **1%** for individual or HUF transporters.
 - **2%** for other transporters.
- **Exemptions:**
 - No TDS is applicable to small operators with fewer than 10 vehicles, provided they submit a Non-Deduction Declaration.

What You Need to Do:

1. Ascertain the applicability of TDS when making payments to transporters.
2. If TDS is applicable, ensure the correct TDS rate is deducted and paid on time (by the 7th of the subsequent month).
3. If TDS is not applicable, obtain the Non-Deduction Declaration signed by the transporters, confirming they own fewer than 10 vehicles.

To simplify the process, we will provide a Non-Deduction Declaration form. This declaration confirms whether TDS is applicable, based on the number of vehicles the transporter owns. Ensure you collect and maintain this declaration for proper compliance with tax law.