



GOVERNMENT OF TELANGANA
FINANCE (TFR) DEPARTMENT

Circular Memo No.8213/291/A1/TFR/2018, Dated:16-11-2018

Sub: Telangana Goods and Services Act, 2017- Tax deduction at source(TDS) by the Government departments, Local authorities and Governmental agencies – Implementation of TDS provisions w.e.f.01.10.2018 – Guidelines for DDO's – Instructions – Issued.

- Ref:-1. The Telangana Goods and Services Tax Act, 2017 (Act No.23 of 2017)
2. Government of India Notification No.50/2018, dt:13.09.2018
3. G.O.Ms.No.238, Revenue(CT-II)Department, dt:26.10.2017
4. Government of India, Ministry of Finance, Department of Revenue Circular No. 65/39/2018 – DOR, F.No.S.31011/11/2018 – ST – I – DoR, dated 14.09.2018.
5. Ref No.A(1)/63/2017, dt:28.09.2018 of Commissioner of State Tax, Telangana State, Hyderabad.
6. Revenue Department U.O.Note.No.22786/CT.II(1)/2018-1, dt:06.10.2018
7. Lr.No.F4/3864/2018, dt:08.10.2018 of the Director of Treasuries and Accounts, Telanganan State, Hyderabad.

Section 51 of the Telangana GST Act 2017 provides for deduction of tax by the Government Agencies (Deductor) or any other person to be notified in this regard, from the payment made or credited to the supplier (Deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees. The amount deducted as tax under this section shall be paid to the Government by deductor within ten days after the end of the month in which such deduction is made alongwith a return in FORM GSTR-7 giving the details of deductions and deductees. Further, the deductor has to issue a certificate to the deductee mentioning therein the contract value, rate of deduction, amount deducted etc.

2. As per the Act, every deductor shall deduct the tax amount from the payment made to the supplier of goods or services or both and deposit the tax amount so deducted with the Government account through NEFT to RBI or a cheque to be deposited in one of the authorized banks, using challan on the common portal. In addition, the deductors are entrusted the responsibility of filing return in FORM GSTR-7 on the common portal for every month in which deduction has been made based on which the benefit of deduction shall be made available to the deductee. All the DDOs who have to deduct GST from the bills have to register with the common portal and get the GST Identification Number (GSTIN) for the purpose of TDS.

3. The subject section which provides for tax deduction at source was not notified to come into force with effect from 1st July, 2017, the date from which GST was introduced. Government of India vide reference 2nd cited have notified that these provisions shall come into force with effect from 1st October, 2018 and issued guidelines vide reference 4th cited.

4. In order to comply with the provisions of the said Act for TDS, the following steps are required to be taken:-

- A. Registration as Tax Deductors in the GST common portal
- B. Deduction of TDS amount as per the provisions from the bills to be paid to the suppliers/deductees
- C. Deposit the TDS amount in to appropriate government account(s)
- D. File Tax Returns for TDS within the prescribed time limit

5. As per Section 51 of the Act, the following entities are required to do TDS and thus are required to get them registered as Tax Deductors under Section 24 (vi) of the said Act:-

- (i) Central and State Government Departments / Establishments (e.g. Departments, Heads of Departments, Collectorates, other sub-ordinate / field offices etc.)
- (ii) Local Authority (e.g. Municipalities, Panchayati Raj Institutions etc.)
- (iii) Government Agencies (e.g. DRDA, ITDA etc.)
- (iv) An Authority / Board / Any other Body set up by an Act of Parliament / State Legislature or established by any Government with fifty-one percent or more participation by way of equity or control to carry out any function
- (v) Society established by Central Government or State Government or a Local Authority under Societies Registration Act, 1860 (21 of 1860)
- (vi) Public Sector Undertakings (Central and State)

6. Registration: For Registration as Tax Deductor, the following are required:

- (i) TAN/ PAN of the entity
- (ii) Proof of Address of the place of the entity (Any proof issued by Government authority / by Local Authority / Municipal Khata Copy / Electricity Bill / Legal Ownership Document / Rent or Lease Agreement etc.) -- to be uploaded
- (iii) PAN of the DDO (or Authorised Signatory)
- (iv) Photograph of the DDO (or Authorised Signatory) - to be uploaded
- (v) Aadhar Card / Digital Signature Certificate (DSC) of the DDO (or Authorised Signatory)
- (vi) Valid email ID (preferably official email ID) of the DDO (or Authorised Signatory)
- (vii) Mobile Phone Number of the DDO (or Authorised Signatory)

The DDO or the Authorised Signatory is required to make an application online in GSTREG 7 in the GST Common Portal on behalf of the Tax Deductor. The step by step user manual for applying for registration as Tax Deductor is available in the portal of the Commissionerate of CT& GST Telangana.(www.tgct.gov.in) and (www.gst.gov.in)

7. After the application is successfully submitted by the DDO, the same would be disposed of by the respective jurisdictional officer. Once the application is approved, the DDO (or Authorised Signatory) will receive the GST Number in the given email ID along with the initial password.

8. The Tax Deductor is required to deduct TDS amount from the payment to be made to the Supplier / Deductee at the rate of 2% (i.e. 1% Telangana GST + 1% Central GST in case of Intra- State Supply and 2% IGST in case of Inter-State Supply). Once such deduction is made by the Tax Deductor, the TDS amount is required to be deposited by the Tax Deductor in the Government account (TGST / CGST / IGST, as the case may be) within 10 days from the end of the month in which the deduction is made.

9. There are various kinds of office establishments relating to the frequency of deduction of TDS and the modalities for disbursement of payments to deductees / suppliers.

- a) Government entities drawing and disbursing by raising bills through the Treasury/PAO, where the number of TDS deduction cases are not very high (e.g. Departments / Heads of Departments / Subordinate offices etc.)

- b) Government entities drawing and disbursement by issuing Cheques, where the number of TDS deduction cases are considerably high (e.g. Works Divisions, Forest Divisions etc.)
 - c) Government entities where drawal and disbursement is not made through treasury/PAO and payment is made through Banks.
10. For payment process of Tax Deduction at Source under GST two options can be followed, which are as under:

Option I: Generation of challan for every payment made during the month.

Option II: Bunching of TDS deducted from the bills on weekly, monthly or any periodic manner.

11. In order to give effect to the above options from 01.10.2018, a process flow of deduction and deposit of TDS by the DDOs has been finalized for guidance and implementation by State Government Authorities. The process flow for Option I and Option II are described as under:

Option I - Individual Bill-wise Deduction and its Deposit by the DDO:-

12. In this option, the DDO will have to deduct as well as deposit the GST TDS for each bill individually by generating a CPIN (Challan) and mentioning it in the Bill itself.

13. Following process shall be followed by the DDO in this regard:

- (i) The DDO shall prepare the Bill based on the Expenditure Sanction. The Expenditure Sanction shall contain the (a) Total amount, (b) net amount payable to the Contractor/Supplier/Vendor and (c) the 2% TDS amount of GST. (TGST / CGST / IGST, as the case may be)
- (ii) The DDO shall login into the GSTN Portal (using his GSTIN) and generate the CPIN (Challan). In the CPIN he shall have to fill in the desired amount of payment against one/many Major Head(s) (CGST/SGST/UTGST/IGST) and the relevant component (e.g. Tax) under each of the Major Head.
- (iii) While generating the CPIN, the DDO will have to select mode of payment as either (a) NEFT/RTGS or (b) OTC. In the OTC mode, the DDO will have to select the Bank where the payment will be deposited through OTC mode.
- (iv) The DDO shall prepare the bill on PFMS (in case of Central Civil Ministries of GoI), similar payment portals of other Ministries/Departments of GoI or of State Governments (DDO request/HRMS portal) for submission to the respective payment authorities(Treasury/PAO).

- (v) In the Bill,
- (a) the net amount payable to the Contractor; and
 - (b) 2% as TDS will be specified (TGST / CGST / IGST, as the case may be)
- (vi) the bill will be scrutinized by treasury/PAO as per rules in force. After authorization the net amount will be paid to the contractor/vender concerned and the TDS amount shall be credited to the DDO current account.
- (vii) In case of NEFT/RTGS mode, the DDO will have to mention the CPIN Number (as beneficiary's account number), RBI (as beneficiary) and the IFSC Code of RBI with the request to payment authority to make payment in favour of RBI with these credentials.
- (viii) In case of the OTC mode, the DDO will issue Cheque from DDO current account in favour of one of the 25 authorized Banks. The Cheque may then be deposited along with the CPIN with any of branch of the authorized Bank so selected by the DDO.
- (ix) Upon successful payment, a CIN will be generated by the RBI/Authorized Bank and will be shared electronically with the GSTN Portal. This will get credited in the electronic Cash Ledger of the concerned DDO in the GSTN Portal. This can be viewed and the details of CIN can be noted by the DDO anytime on GSTN portal using his Login credentials.
- (x) The DDO should maintain a Register as per proforma given in Annexure 'A' to keep record of all TDS deductions made by him during the month. This Record will be helpful at the time of filing Monthly Return (FORM GSTR-7) by the DDO. The DDO may also make use of the offline utility available on the GSTN Portal for this purpose.
- (xi) The DDO shall generate TDS Certificate through the GST Portal in FORM GSTR-7A after filing of Monthly Return.

Option II - Bunching of deductions and its deposit by the DDO

14. Option-I may not be suitable for DDOs who make large number of payments in a month as it would require them to make large number of challans during the month. Such DDOs may exercise this option wherein the DDO will have to deduct the TDS from each bill, for keeping it under the Suspense Head. However, deposit of this bunched amount from the Suspense Head can be made on a weekly, monthly or any other periodic basis.

15. Following process shall be followed by the DDO in this regard:

(i) The DDO shall prepare the Bill based on the Expenditure Sanction. The Expenditure Sanction shall contain the (a) Total amount, (b) net amount payable to the Contractor/Supplier/Vendor and (c) the 2% TDS amount of GST. (TGST / CGST / IGST, as the case may be)

(ii) The DDO shall prepare the bill on PFMS (in case of Central Civil Ministries of GoI), similar payment portals of other Ministries/Departments of GoI or of State Government (DDO request/HRMS Portal) for submission to the respective payment authorities (Treasury/PAO).

(iii) In the Bill, it will be specified

(a) the net amount payable to the Contractor; and

(b) 2% as TDS (TGST / CGST / IGST, as the case may be)

(iv) The TDS amount shall be mentioned in the Bill for booking in the Suspense Head:- **8658 - Suspense; 00.101 - PAO Suspense; SH(02) – GST TDS**

(v) The DDO will require to maintain the Record of the TDS so being booked under the Suspense Head so that at the time of preparing the CPIN for making payment on weekly/monthly or any other periodic basis, the total amount could be easily worked out.

(vi) At any periodic interval, when DDO needs to deposit the TDS amount, he will prepare the CPIN on the GSTN Portal for the amount (already booked under the Suspense Head).

(vii) While generating the CPIN, the DDO will have to select mode of payment as either (a) NEFT/RTGS or (b) OTC. In the OTC mode, the DDO will have to select the Bank where the payment will be deposited through OTC mode.

(viii) The DDO shall prepare the bill in Form-58 for the bunched TDS amount for payment through the concerned payment authority (Treasury/PAO). In the Bill, the DDO will give reference of all the earlier paid bills from which 2% TDS was deducted and kept in the suspense head. The DDO may also attach a certified copy of the record maintained by him in this regard.

(ix) The payment authority(Treasury/PAO) will pass the bill by clearing the Suspense Head operated against that particular DDO after exercising necessary checks and the amount credited to the DDO current account.

(x) In case of NEFT/RTGS mode, the DDO will have to mention the CPIN Number (as beneficiary's account number), RBI (as beneficiary) and the IFSC Code of RBI with the request to payment authority to make payment in favour of RBI with these credentials.

(xi) In case of the OTC mode, the DDO will issue Cheque from DDO current account in favour of one of the 25 authorized Banks. The Cheque may then be deposited along with the CPIN with any of branch of the authorized Bank so selected by the DDO.

(xii) Upon successful payment, a CIN will be generated by the RBI/Authorized Bank and will be shared electronically with the GSTN Portal. This will get credited in the electronic Cash Ledger of the concerned DDO in the GSTN Portal. This can be viewed and the details of CIN can be noted by the DDO anytime on GSTN portal using his Login credentials.

(xiii) The DDO should maintain a Register as per proforma given in Annexure 'A' to keep record of all TDS deductions made by him during the month. This Record will be helpful at the time of filing Monthly Return (FORM GSTR-7) by the DDO. The DDO may also make use of the offline utility available on the GSTN Portal for this purpose.

16. The Tax Deductors are required to file monthly tax return for TDS online in GST Common Portal. The TDS returns are to be filed by 10th of the succeeding month in which the deduction is made. The tax returns can be filed online by logging into the GST Portal or by using the offline tool available in the GST portal. The step-by-step user manual for filing returns (both online and offline) are available in the portal of the Commissionerate of CT & GST Telangana.(www.tgct.gov.in) and (www.gst.gov.in)

17. The DDO shall generate TDS certificate through the GSTN Portal in Form GSTR-7A.

18. Late fee, interest and penalty:

- The provision of late Fees in respect of TDS in the GST is a two-layered provision.
- If the deductor(DDO) fails to furnish the return in FORM GSTR-7 (under Section 39(3)) by the due date (i.e. within 10 days of the month succeeding the month in which deduction was made) he shall pay a late fee of Rs. 100/- per day under CGST Act & SGST/UTGST Act separately during which such failure continues subject to a maximum amount of Rs. 5000/- each under CGST Act & SGST/UTGST Act.

- If any deductor(DDO) fails to furnish the certificate of TDS deduction to the deductee [i.e. the supplier] within 5 days of crediting the amount so deducted to the Government (i.e. furnishing return in FORM GSTR-7), the deductor(DDO) shall pay a late fee of Rs. 100/- per day under CGST Act & SGST/UTGST Act separately from the day after the expiry of five day period until the failure is rectified, subject to a maximum amount of Rs.5000/- each under CGST Act & SGST/UTGST Act.

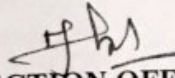
19. **Training & Support:**

- a. Departments should instruct all its DDOs under their control to follow the above procedure for registration, deduction, deposit and return filing of TDS. .
 - b. The Commissioner of State Tax, Telangana is requested to provide necessary training and support in coordination with the local Treasury Officers to familiarize and help the State Government organizations in registration as Tax Deductor in GST portal, deduction, deposit of TDS and filing of returns.
20. The DTA is directed to make necessary changes, if any, in their packages and issue necessary guidelines to the treasury officers under his control.
21. Difficulty, if any, in implementation of this circular shall be brought to the notice of Department of Revenue and department of Finance, Telangana State.

K.RAMAKRISHNA RAO
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Revenue (CT)Department
The Commissioner, State Tax, Telangana State, Hyderabad.
All the Departments of Secretariat.
All the Heads of Departments.
All the District Collectors.
The Director of Treasuries & Accounts, Telangana, Hyderabad.
The Pay and Accounts Officer, Telangana State, Hyderabad
The Director of works & Accounts, Telangana State, Hyderabad.
SF/SCs.

// FORWARDED :: BY ORDER //


SECTION OFFICER

Annexure A

Annexed to the Circular Memo No.8213/291/A1/TFR/2018, Dated:16-11-2018

Record to be maintained by the DDO for filing of GSTR7

Sl. No.	GSTIN of the Deductee	Trade Name	Amount paid to the Deductee on which tax is deducted	Integrated Tax	Central Tax	State/UT Tax	Total

**K.RAMAKRISHNA RAO
PRINCIPAL SECRETARY TO GOVERNMENT**

// FORWARDED :: BY ORDER //


SECTION OFFICER