

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3616

ANSWERED ON:16.12.2005

TDS

Appadurai Shri M.;Chaure Shri Bapu Hari

Will the Minister of FINANCE be pleased to state:

- (a) whether the Tax deducted at Source (TDS) is mandatory for doctors, lawyers, teachers, professors and other professionals;
- (b) if so, details thereof;
- (c) whether the private institutions in the health, education and other sectors comply with the law in this regard;
- (d) if so, the details thereof; and
- (e) if not, the steps taken to ensure strict compliance of IT laws by such institutions?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI.S.S. PALANIMANICKAM)

(a) & (b): Where the payment made to doctors, lawyers, teachers, professors and other such professionals is in the nature of `salaries`, tax deduction at source(TDS) from such a payment is required to be made. However, where the payment made to such persons is in the nature of `fees for professional services`, TDS is required to be made under law only where such person is rendering professional services in the areas of law, medicine, engineering, architecture, accountancy, technical consultancy, interior decoration, advertising and other professional services as notified by the Central Board of Direct Taxes(CBDT). The occupation of `teaching` does not fall within the definition of `professional services` for the purposes of TDS, nor has been notified as a `profession` by CBDT.

(c), (d) & (e): The Income Tax Department examines the returns and books of accounts of various deductors to ensure that the tax is properly deducted at source and deposited in the Government account. Surveys and spot verifications are also carried out to verify proper deduction of tax at source and timely deposit of TDS. In case of any default, the amount of tax not deducted or not deposited is recovered from the deductor along with interest. Penalty is also imposed for non-payment of tax and interest. In a case where the deductor fails to deposit the TDS to the credit of Central Government, prosecution proceedings are initiated against the defaulters. Moreover, the Government is also conducting several seminars and workshops to educate the deductors about their liabilities with regard to tax deduction at source.