TDS/ TCS - Notes

TDS – Tax Deducted at Source

TDS is the tax deducted by the payer before making certain payments (e.g., salary, rent, professional fees) to the payee, and deposited with the government.

- **Who deducts?** The payer (like employer, client, company).
- **Purpose?** Ensures early tax collection and tracks income.

TCS – Tax Collected at Source

TCS is tax collected by the seller from the buyer at the time of sale of specific goods (like alcohol, scrap, etc.) and is paid to the government.

- **Who collects?** The seller.
- **Purpose?** To collect tax at the source of income.
- ◆ **Golden Rules of Accounting (with Reference)**

Account Type	Golden Rule
Personal A/c	Debit the receiver, Credit the giver
Real A/c	Debit what comes in, Credit what goes out
Nominal A/c	Debit all expenses/losses, Credit all incomes/gains

TDS Journal Entries (with Golden Rule)

1. **Expense booked and TDS deducted**

- Expense A/c Dr.   (Nominal – Expense → Debit all expenses)
- To Party A/c   (Personal – Giver → Credit)
- To TDS Payable A/c   (Personal – Giver → Credit)

2. **Payment made to party (after TDS deduction)**

- Party A/c Dr.   (Personal – Receiver → Debit)
- To Bank A/c   (Real – Goes out → Credit)

3. **Remittance of TDS to Govt**

- TDS Payable A/c Dr.   (Personal – Giver → Debit)

- To Bank A/c   (Real – Goes out → Credit)

4. **If TDS is borne by company**

- Expense A/c Dr.   (Nominal – Expense → Debit)

- TDS Payable A/c Dr.   (Personal – Receiver → Debit)

- To Party A/c   (Personal – Giver → Credit)

5. **TDS on Salary**

- Salary A/c Dr.   (Nominal – Expense → Debit)

- To Employee A/c   (Personal – Giver → Credit)

- To TDS Payable A/c   (Personal – Giver → Credit)

6. **Net salary paid to employee**

- Employee A/c Dr.   (Personal – Receiver → Debit)

- To Bank A/c   (Real – Goes out → Credit)

7. **TDS on Rent Paid**

- Rent A/c Dr.   (Nominal – Expense → Debit)

- To Landlord A/c   (Personal – Giver → Credit)

- To TDS Payable A/c   (Personal – Giver → Credit)

8. **TDS on Professional Fees**

- Professional Fees A/c Dr. (Nominal – Expense → Debit)

- To Professional A/c   (Personal – Giver → Credit)

- To TDS Payable A/c   (Personal – Giver → Credit)

TCS Journal Entries (with Golden Rule)

1. **Sale of goods with TCS applicable**

- Debtor A/c Dr.   (Personal – Receiver → Debit)

- To Sales A/c   (Nominal – Income → Credit)

- To TCS Payable A/c   (Personal – Giver → Credit)

2. **Amount received from customer**

- Bank A/c Dr.   (Real – Comes in → Debit)

- To Debtor A/c   (Personal – Giver → Credit)

3. **Deposit of TCS to government**

- TCS Payable A/c Dr.   (Personal – Giver → Debit)

- To Bank A/c   (Real – Goes out → Credit)

4. **TCS refund received (rare case)**

- Bank A/c Dr.   (Real – Comes in → Debit)

- To TCS Receivable/Income A/c (Personal/Nominal → Credit)

Impact on Financial Statements

Profit & Loss Account Extract

Particulars	Amount (₹)
Expenses	
Rent	XXXX
Professional Fees	XXXX
Salary (Gross)	XXXX
TDS borne by company	XXXX
Income	
Sales Revenue	XXXX
TCS Received (if considered income)	XXXX

Note: TDS is not shown as an expense or income; it's a liability until deposited.

Balance Sheet Extract

Liabilities

Particulars	Amount (₹)
TDS Payable A/c	XXXX
TCS Payable A/c	XXXX

Assets

Particulars	Amount (₹)
Bank A/c	XXXX

Particulars	Amount (₹)
Advance to Vendor (if any)	XXXX
TCS Refund Receivable	XXXX