

To

All Banks participating in NACH

NACH: New TDS process

With reference to the existing process on deduction of TDS for NACH charges the following lacuna has been identified

- Banks are not remitting the TDS as per the process
- Delay in remitting the TDS
- Delay / Non issuance of TDS certificates to NPCI
- TDS deducted under wrong section

To further strengthen the process NPCI has put up a proposal for new model of recovery of charges for the perusal of the National level Steering Committee of NACH. The matter was taken up for deliberations in the 17<sup>th</sup> NACH Steering committee meeting held on December 30, 2014. The committee after deliberations has mandated NPCI to adopt the same process that will be decided by the CTS steering committee.

2. In the 14<sup>th</sup> CTS steering committee meeting held on December 30, 2014, the member banks deliberated this matter at length. Majority of the steering committee member banks have given their consent for the proposed new process. The same is now adopted for n NACH as well.

3. The new process will be effective from April 2015 billing cycle and the first bill will be raised to member banks during May 2015. All member banks are hereby advised to take note of this change and set up their internal process accordingly with intimation to all the concerned departments.

4. The new process is enclosed for recovery of NACH charges is given in the Annexure I.

Thanking you,

Yours faithfully,

  
(Giridhar G.M.)

VP & Head CTS and NACH Operations

**Existing Process**

- NPCI raises Invoice during the first of week of the ensuing month.
- Charges are debited to your account maintained with RBI for the invoice amount.
- Charges debited after netting of TDS amount as if the bank has deducted the same while paying the charges.
- While accounting for the charges bank need to book the total charges and remit the TDS amount to the government as per the statutory dates prescribed.
- TDS certificate to be issued to NPCI through TRACES.

For example

Processing fees	: Rs.100
Invoice Amount	: Rs.100 plus service tax
Less TDS	: Rs.10
Net amount to be remitted by bank	: Rs.90 plus service tax
TDS to be deposited by Bank	: Rs.10

Amount to be debited to the account with DAD Rs.90/- plus service tax

***\*\*Total expenditure to be booked Rs. 100/- plus service tax. TDS to be remitted to the government Rs.10/- also TDS certificate to be issued to NPCI as per the details in Invoice.***

In the existing process we are facing the following issues:

- Banks are not remitting the TDS as per the process
- Delay in remitting the TDS
- Delay / Non issuance of TDS certificates to NPCI
- TDS deducted under wrong section

This is leading to issues in our accounting process, further short/delayed/non-remittance of TDS by banks has statutory implication. To overcome these issues, we are implementing the following process:

**New Process**

- NPCI raises Invoice during the first of week of the ensuing month.
- Charges are debited to your account maintained with RBI for the total invoice amount without adjusting the TDS.
- While accounting for the charges bank need to book the total charges and remit the TDS amount to the government with in the stipulated time as per the tax law.

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- Bank to confirm to NPCI the amount of TDS remitted to Government through a declaration (Annexure ii) on or before 10<sup>th</sup> of every month. NPCI will process the same and reimburse the amount latest by 25<sup>th</sup> of every month.
- Scanned copy of the declaration should be sent to the designated email id provided below
  - npci\_nachtds@npci.org.in
- Based on the declaration, NPCI will reimburse the amount to the banks within 15 working days from the date of receipt of the declaration through NEFT/ NGRTGS settlement.
- TDS certificate to be issued to NPCI through TRACES immediately after the same is generated on Income Tax site.

For example

Processing fees : Rs.100  
Invoice Amount : Rs.100 plus service tax  
Amount to be remitted by bank: Rs.100 plus service tax  
Amount to be debited to the account with DAD Rs.100/- plus service tax

TDS to be deposited by Bank : Rs.10

Declaration to be submitted to NPCI (scanned copy to the designated email id for reimbursement).

*Note: In case of the invoice for March every year, banks need to provide for the expense in the relevant year, e.g. March 2015 in FY 2014-2015 and remit the TDS such that it will be reflected in NPCI's Form 26AS for the year 2014-2015.*





भारतीय राष्ट्रीय भुगतान निगम  
NATIONAL PAYMENTS CORPORATION OF INDIA  
Annexure II

(To be provided in the banks letterhead)

Ref:

Date:

To

National Payments Corporation of India  
NACH Operations,  
Chennai.

Dear Sir,

This is to confirm that we will / have remit / remitted TDS on the Annual / Monthly NACH processing charges to Government treasury. Details are given below:

Particulars	To be completed by bank
NPCI's Invoice No. for NACH processing	
Date of Invoice	
Invoice Amount	
Amount of TDS remitted / to be remitted to Govt. <i>(Please tick whichever is applicable)</i>	
Date of remittance <i>(or approx. proposed date of remittance if not yet remitted)</i>	
IT section under TDS calculated	
TAN No.	
Chalan No. / Serial No. (if available)	
BSR Code (if available)	
Month in which TDS will be reported for 26AS	

Bank's refund details:

Account number (for refund)	
IFSC Code	
Branch Name	

Bank's contact details:

Contact person name :	
Email Id:	
Telephone No/ Mobile No	

We hereby confirm that the information furnished above is true to the best of our knowledge. We also understand that if we fail to furnish TDS certificate for the payment stated herein, NPCI will recover the amount as indicated in circular no 96 of March 19, 2015.

Yours truly,

For \_\_\_\_\_ Bank