Government of India
Ministry of Finance
Central Board of Direct Taxes
Directorate of Income-tax (Systems)
New Delhi

Notification No.02/2023   New Delhi, the 27th September, 2023

Subject: -   Procedure, format and standards for filling an application for grant of certificate under sub-rule (4) and its proviso of Rule 28AA of Income Tax Rules, 1962, for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of section 197 of the Income-tax Act, 1961 through TRACES-reg.

1.   As per sub-section (1) of section 197 of the Income-tax Act, 1961(the Act), where, in the case of any income of any person or sum payable to any person, income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force under the provisions of sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, [194LBA], 194LBB, 194LBC, 194M, 194-O and 195, if the Assessing Officer is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, as the case may be, the Assessing Officer shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.

2.   Rule 28 of the Income-tax Rules, 1962 provides for filing an application for grant of certificate for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of section 197 of the Act to be made in Form No. 13 electronically in accordance with the procedures, formats and standards for ensuring secure capture and transmission of data and uploading of documents to be laid down by the Principal Director General of Income-tax (Systems).

3.   **Proviso** to sub-rule (4) of Rule 28AA of the Income Tax Rules, 1962, provides for issuance of certificate for deduction of tax at lower rate, to the person making such application authorizing him to receive income or sum after deduction of tax at lower rate, in cases, where the number of persons

responsible for deducting the tax is likely to exceed one hundred and the details of such persons are not available at the time of making application with the person making such application. Sub-rule (6) of Rule 28AA of the Income-tax Rules, 1962, empowers the Director General of Income-tax (Systems) to lay down procedures, formats and standards for issuance of certificates under proviso to sub-rule (4) of Rule 28AA of the Income Tax Rules, 1962.

4. In exercise of the powers conferred under sub-rule (2) of Rule 28 & sub-rule (6) of 28AA of the Income-tax Rules, 1962, the Director General of Income-tax (Systems) hereby specifies the procedure, format and standards for the purpose of electronic filing of Form 13 with Annexure – II and generation of certificate under sub-section (1) of section 197 r.w. proviso to sub-rule(4) of Rule 28AA of Income Tax Rules, 1962 through TRACES as per procedure in the succeeding paragraphs which will be applicable from 01.10.2023.

5. Procedure for electronic filling of Form 13 with annexure-II shall be as follows:

5.1 For making an application in Form 13 with Annexure II the tax-payer/Deductee shall login into the TRACES website (www.tdscpc.gov.in), for grant of certificate for deduction of Income-tax at any lower rate or no deduction of Income-tax under sub-section (1) of Section 197 of the Income-tax Act, 1961.

5.2 The tax-payer/Deductee who is not registered at TRACES website shall have to first register with his Permanent Account Number ("PAN") at TRACES (www.tdscpc.gov.in) for login and filling application in Form 13 along-with Annexure II. Detailed procedure for registration can be accessed through the link https://contents.tdscpc.gov.in/en/taxpayer-registration-login-etutorial.html

5.3 The tax-payer/Deductee shall login at TRACES website (www.tdscpc.gov.in) and submit the Form No. 13 along-with Annexure II with supporting documents using any of the following,

(i)   Digital Signature,

(ii) Electronic Verification Code,

(iii) Aadhar based Authentication,

(iv) Mobile OTP.

5.4   Applicants accessing TRACES website from outside of India shall login at TRACES website (www.nriservices.tdscpc.gov.in) and submit application in Form No. 13 along with supporting documents using Digital Signature only.

5.5   The applicant can track the status of the application through option 'Track Request for Form13/15C/15D' under the tab `Statements/Forms'.

6. Procedure for assignment of application to the TDS Assessing Officer (AO):

6.1   The application will be assigned to the TDS AO on the basis of details furnished by the applicant in Form 13. Such applications can be accessed by the AO through the path *'AO Login->Lower/No Deduction Certificate-> Generate Certificate->Certificate u/s 197(1)/206C (9)-> Open Request (s)'*.

6.2   For application filed in Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad and Pune, cases where revenue forgone exceeds a sum of Rs. 50 Lakh, the applications shall be assigned to the DCIT/ACIT exercising jurisdiction over TDS matters, and in other cases, the applications shall be assigned to the ITO exercising jurisdiction over TDS matters. If the jurisdiction orders are otherwise, the applications shall be assigned in accordance to such jurisdiction orders.

6.3   For application filed in remaining cities/towns/jurisdictions, the application where revenue foregone exceeds a sum of Rs. 10 Lakh, application shall be assigned to the DCIT/ACIT exercising jurisdiction over TDS matters, and in other cases, the applications shall be assigned to the ITO exercising jurisdiction over TDS matters. If the jurisdiction orders are otherwise, the applications shall be assigned in accordance to such jurisdiction orders.

6.4   Once the application in form 13 has been successfully submitted, the following data will be obtained by CPC-TDS:

(i)   Processed data of Income Tax Returns of previous 4 financial years (if available).

(ii)   PAN Demand.

(iii)   E-filed Income-Tax Returns of previous 4 financial years.

(iv)   Audit Report (along with form 3CD if accounts are audited) of previous 4 financial years.

(v)   Assessment Orders of previous 4 financial years (if available).

6.5   The applications shall be assigned to the TDS AO exercising jurisdiction over TDS matters in respect of the applicant as explained in para 6.2 and 6.3. However, if the jurisdiction orders are otherwise, the assigned AO can transfer the applications to the AO concerned on AO Portal.

7 Processing of the tax-payer/Deductee's request by the AO, Range Heads and Commissioners of Income-tax:

7.1   Role of AO:

The AO shall process the application through TRACES-AO Portal after login using his/her credentials.

7.1.1   By navigating through the path *'Lower/No Deduction Certificate>Generate Certificate> Certificate us/197(1)/206C (9) and select 'Open Request (s)'*, the AO shall be able to access following information:

(i)   Information furnished by the tax-payer/Deductee.

(ii)   Documents submitted by the tax-payer/Deductee.

(iii)   Information essential for processing the request in respect of the tax-payer/Deductee, as received from other modules.

(iv)   Information essential for processing the request in respect of the tax-payer/Deductee, as available at CPC(TDS).

(v)   Information about the history of previous TAN less certificate issued to the applicant where the number of deductors who consumed the said certificate did not reach up to 100 during the last financial year, if available.

7.1.2 If the AO requires any further information or documents or clarification from the applicant for arriving at a decision, the same shall be obtained online using the option "Seek Clarification" available within the functionality through the path *'AO Login-> Lower/No Deduction Certificate-> Generate Certificate-> Certificate u/s 197(1)/206C(9)->Open Requests->Request Number->Seek Clarification'.*

7.1.3 The query raised by the AO shall be forwarded to the applicant through systems for furnishing a suitable response. The query will be available to the applicant at TRACES Portal through the path *'Taxpayer Login->Statements/Forms->Track Request for Form 13/15C/15D->Request Number->Status->Clarification required by AO'.*

7.1.4 The response submitted by the applicant shall be visible to the AO within the functionality for taking a decision on the application through the path *'AO Login-> Lower/No Deduction Certificate-> Generate Certificate-> Certificate u/s 197(1)/206C(9)->Open Requests->Request Number->Communication History -> Comments'.*

7.1.5 Based on the parameters defined in rule 28AA/28AB of the Income-tax Rules, 1962 an estimated rate of tax will be suggested by the system functionality. However, the AO shall be free to arrive at independent rate based on his/her method of calculation or by taking into consideration any other information available with him/her. The AO shall allow the deduction at such rate as evidenced in the "Permitted Tax Rate Table" by making any adjustments in respect of the rate, if required. The AO may state the reason for arriving at a modified rate, if so, is the case.

7.1.6 The AO shall approve/reject the application based on the parameters defined in rule 28AA/28AB of the Income-tax Rules, 1962 as well as any other instructions/guidelines in this regard.

7.1.7 After approval/rejection of the application, as the case may be, it will be forwarded to the supervisory authority, i.e., the Range Head or Range Head & CIT for according administrative approval.

7.2 Role of Range head:

7.2.1 The Range head shall process the application through TRACES-AO Portal after login using their credentials for granting administrative approval to the recommendation of the AO or otherwise.

7.2.2 The Range Head can view the application details, received for administrative approval at TRACES-AO Portal through the path *'Range Head Login->Lower/No Deduction Certificate- > Generate Certificate -> Certificate u/s 197(1)/206C(9)->Open Request(s)'*. The following information will be available for viewing to the Range Head:

(i)   Information furnished by the tax-payer/Deductee.

(ii) Documents submitted by the tax-payer/Deductee.

(iii) Information essential for processing the request in respect of the tax-payer/Deductee received from other modules.

(iv) Information essential for processing the request in respect of the tax-payer/Deductee, as available at CPC(TDS).

(v)   Information about the history of previous TAN less certificate issued to the applicant where the number of deductors who consumed the said certificate did not reach up to 100 during the last financial year, if available.

(vi) Recommendation of the TDS AO.

7.2.3 If any clarification is required by the Range Head, the application may be sent back to the AO through TRACES – AO Portal. After submission of clarification by the AO through the AO Portal, the Range Head shall take a decision on the application.

7.2.4 After a decision on the application has been taken by the Range Head, if the revenue foregone is within the powers conferred upon the Range Head (as per CBDTs Instructions on the subject) to accord administrative approval, the application will be marked back electronically on TRACES-AO Portal to the AO for issuance of the certificate or rejection of the application. However, if the revenue foregone is within the powers conferred upon the CIT (as per CBDTs instructions on the subject) to accord administrative approval, the application shall be forwarded to the CIT for a decision in the matter.

7.3 Role of the CIT:

7.3.1 The CIT shall process the application through TRACES-AO Portal after login using their credentials for granting administrative approval to the recommendation of the AO/Range Head or otherwise.

7.3.2 The CIT can view the application details, received for administrative approval at TRACES-AO Portal through the path *'CIT Login->Lower/No Deduction Certificate- > Generate Certificate-> Certificate u/s 197(1)/206C (9)->Open Request(s)'*. The following information will be available for viewing to the CIT:

(i) Information furnished by the tax-payer/Deductee.

(ii) Documents submitted by the tax-payer/Deductee.

(iii) Information essential for processing the request in respect of the tax-payer/Deductee received from other modules.

(iv) Information essential for processing the request in respect of the tax-payer/Deductee, as available at CPC(TDS).

(v) Information about the history of previous TAN less certificate issued to the applicant where the number of deductors who consumed the said certificate did not reach up to 100 during the last financial year, if available.

(vi) Recommendation of the TDS AO.

(vii) Recommendation of the Range Head.

7.3.3 If any clarification is required by the CIT, the application may be sent back to the Range Head through TRACES-AO Portal.

7.3.4 The Range Head may either send back the application to the AO for obtaining the clarification or submit the case to CIT along with the clarifications as required by the CIT through TRACES–AO Portal.

7.3.5 Based on the information available and the report of the Range Head and the AO, the CIT shall take a decision in the case.

7.3.6 After a final decision in the application has been taken by the CIT, the application will be marked back electronically on TRACES-AO Portal to the AO for issuance of the certificate or rejection of the application.

8. Issuance of Certificate:

8.1 On receipt of administrative approval of the competent authority, the AO shall generate a certificate on TRACES-AO Portal through the path *'AO login->Lower/No Deduction Certificate-> Certificate u/s 197(1)/206C (9)->Received from Range Head/CIT->Request Number->Generate Certificate/Close Request'*.

8.2 The issued certificates shall be available to the AO for view through the path *'Lower / No Deduction Certificate -> History -> Certificate issued'*.

8.3 The status of request/application shall be available to the Range Head through the path *'Range Head login->Lower / No Deduction Certificate-> History-> Certificate Requests'*.

8.4 The generated certificates shall be available for download to the applicant on the TRACES through the path *'Taxpayer login->Downloads-> Download 197, 206C(9) or 195(3) Certificate'*. The certificate will be system generated and hence will not require a signature.

9. The onus of sharing the certificate to the respective deductor(s) will be on the applicant.

10. Consumption/ Tracking of Certificate:

10.1 The certificate reported by deductor(s) (who have received certificate from the applicant) in the TDS statements, will be consumed on the basis of processing of TDS statements as per FIFO (First in First Out) principle.

10.2 The deductor(s) is/are advised to verify/track consumption status of the certificate before furnishing certificate details in TDS statement(s) through

the path *'Deductor login->Statement / Payments-> History- > Validate Lower Deduction Certificate u/s 197/ 195(3)/ 195(2)'* to avoid any defaults.

10.3 The consumption status of the certificate can be viewed by the applicant at his login at TRACES website.

11. This issues with prior approval of the Director General of Income-tax (Systems).

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(Sunil Sharma)
Addl. Commissioner of Income Tax (CPC-TDS)
O/o The Director General of Income -tax (Systems)

Copy for kind information to:

1. PPS to the Chairman and all Members, CBDT, North Block, New Delhi.
2. All Pr. Chief Commissioners/ Pr. Director Generals of income-tax/ Chief Commissioners of Income-tax / Pr. Commissioners of Income-tax / Commissioners of Income-tax / Commissioners of Income-tax(TDS) – with a request to circulate amongst all officers in their regions/charges.
3. JS (TPL)-I&II / Media coordinator and Official spokesperson of CBDT.
4. ADG (IT)/ADG(Audit)/ ADG (Vig.)/ ADG (Systems)-1,2,3,4,5 /ADG(TPS)-1,2/CIT(CPC-ITR)/Bangalore.
5. ADG (PR,PP &OL) with a request for advertisement campaign for the notification.
6. TPL and ITA Divisions of CBDT
7. The Institute of Chartered Accountants of India, IP Estate, New Delhi.
8. The Web Manager, 'incometaxindia.gov.in' for hosting on the website.
9. Database cell for uploading on www.irsofficersonline.gov.in and in DGIT System's corner.
10. ITBA publisher for uploading on ITBA Portal
11. ITO (CPC-TDS)-2/ 3 for uploading on TRACES Website/ AO Portal.

27.09.2023

Addl. Commissioner of Income-Tax (CPC-TDS)
O/o The Director General of Income-tax (Systems)