

Microsoft Dynamics® AX 2009 SP1

Country-specific updates for India

White Paper

This white paper describes country-specific updates released for India in hotfix rollup 7 for Microsoft Dynamics AX 2009 SP1. See Microsoft Knowledge Base article [2503850](#) for hotfix download information.

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Introduction

This white paper describes Microsoft Dynamics® AX features, released in hotfix rollup 7, that are specific to users in India.

For more information about other features that apply to India, refer to the Applications and Business Processes Help. Information that is specific to India includes (IND) in the title.

Validation changes for TDS and TCS statements

In accordance with a National Securities Depository Limited (NSDL) requirement, you must generate the electronic Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) statements in the file format that includes the following changes:

- Deductee's Permanent Account Number (PAN) in TDS statements – You must include the deductee's PAN in every transaction where TDS is deducted at typical rates, lower rates, or is not deducted at all. The only exception to this occurs when a deductee does not receive a PAN. In this scenario, the PAN is not mentioned in the transactions, and the tax is deducted at the highest rate for these transactions.
- Non-deduction of TDS for transport contractors – TDS is not deducted for transport contractors during the transportation of goods. The contractor must provide the PAN details and submit the relevant concession certificate to the income tax authority. These transport transactions must be reported and specified as "T" in the "Reason for non-deduction/lower deduction" column of the TDS statement.
- Penalty rate deduction of TDS – All transactions where taxes are deducted at the highest rate because a valid PAN was not submitted must be reported and specified as "C" in the "Reason for non-deduction/lower deduction" column of the TDS statement.
- Responsible person's contact details in TDS and TCS statements – The contact details of the person who is responsible for the tax deduction and tax collection must be included in the TDS and TCS statements. The contact details include phone numbers with relevant STD codes, mobile numbers, and email addresses.

Starting in fiscal year 2010-2011, regular or correction TDS or TCS statements that are uploaded to the Tax Information Network (TIN) portal must be validated by using version 3.0 of the File Validation Utility (FVU) tool. This version includes the changes based on the NSDL's requirement.

About tax deduction based on PAN availability

TDS is deducted at the highest rate when the PAN is not available for a vendor. This highest rate also applies to Non-Resident Indians (NRI) if their transactions in India are subject to TDS. You can verify a vendor's PAN availability in the **Status** field on the **Tax information** tab in the **Vendors** form (**Accounts payable > Common Forms > Vendors Details**). If the **Status** field is **Applied**, **Invalid**, or **Not available**, the TDS is calculated at the highest rate. For more information, see the "(IND) Vendors (modified form)" topic in the Applications and Business Processes Help.

Generally, the TDS rate that is specified in the **Value** field in the **Withholding tax values** form (**General ledger > Setup > Withholding tax > Withholding tax codes > Values**) is used to calculate the TDS for a vendor. However, if you create a purchase order for a vendor for whom the PAN is not available or is not valid, the value that is specified in the **PAN non availability %** field is used to calculate the TDS at the highest rate. For more information, see the "Withholding tax values (form)" topic in the Applications and Business Processes Help. The TDS transactions in which tax is deducted at the highest rate must be reported and specified as "C" in the "Reason for non-deduction/lower deduction" column of the TDS statement.

TDS is not deducted for transport transactions if the transport contractors submit their PAN details and relevant concession certificates to the income tax authority. These transactions must be reported and specified as "T" in the "Reason for non-deduction/lower deduction" column of the TDS statement.

Setup to generate TDS and TCS statements

Complete the following tasks before you generate the TDS and TCS statements:

- Set up the contact details, such as phone numbers with relevant STD codes, mobile numbers, and email addresses, of the person who is responsible for the tax deduction or tax collection in the **Company information** and **Employee** forms. For more information, see the "(IND) Company information (modified form)," "Employee (form)," and "Create an employee record" topics in the Applications and Business Processes Help.
- Set up parameters in the **General ledger parameters** form. For more information, see the "(IND) General ledger parameters (modified form)," "(IND) Activate TDS parameters," and "(IND) Activate TCS parameters" topics in the Applications and Business Processes Help.
- Set up TDS parameters in the **Accounts payable parameters** and **Accounts receivable parameters** forms. For more information, see the "(IND) Accounts payable parameters (modified form)," "(IND) Accounts receivable parameters (modified form)," and "(IND) Set up TDS parameters in Accounts payable and Accounts receivable" topics in the Applications and Business Processes Help.
- Set up withholding tax for TDS and TCS tax types in the **Withholding tax codes, Withholding tax components, Withholding tax component groups, Withholding tax authorities, Withholding settlement periods, and Withholding tax reporting codes** forms. For more information, see the "(IND) Set up withholding tax for TDS tax types" and "(IND) Set up withholding tax for TCS tax type" topics in the Applications and Business Processes Help.
- Attach withholding tax codes to tax groups for TDS and TCS tax types in the **Withholding tax groups** form. For more information, see the "(IND) Attach TDS tax codes to tax groups and define the formula to calculate TDS" and "(IND) Attach TCS tax codes to tax groups and define the formula to calculate TCS" topics in the Applications and Business Processes Help.
- Create TDS and TCS transactions to calculate the TDS and TCS amounts in the **Purchase order** and **Sales order** forms. For more information, see the "(IND) Purchase orders (modified form)" and "(IND) Sales orders (modified form)" topics in the Applications and Business Processes Help.
- Run the settlement process for the posted TDS and TCS transactions in the **Withholding tax payment** form. For more information, see the "(IND) Run periodic TDS settlement processes" and "(IND) Run periodic TCS settlement processes" topics in the Applications and Business Processes Help.

You must also complete the following procedures for TDS transactions before you generate the TDS and TCS statements:

- [Set up a withholding tax group for transport transactions](#)
- [Set up a TDS transaction for tax deduction](#)

Set up a withholding tax group for transport transactions

Use the **Withholding tax groups** form to set up a withholding tax group for transport transactions. For more information, see the "(IND) Withholding tax groups (modified form)" topic in the Applications and Business Processes Help.

You can create a withholding tax group for TDS transactions that are specific to transport contractors. You can associate this withholding tax group with the relevant transport transactions and generate the TDS concession certificates.

1. Click **General ledger > Setup > Withholding tax > Withholding tax groups** to open the **Withholding tax groups** form.
2. Create a withholding tax group.
3. In the **Withholding tax group** and **Description** fields, enter an identification name and a description of the withholding tax group.

4. In the **Tax type** field, select **TDS**.
5. Select the **Transporter** check box to mark the transaction that uses this withholding tax group as a transport transaction.

Note: You can select the **Transporter** check box only if you select **TDS** in the **Tax type** field.

6. Close the form to save your changes.

Set up a TDS transaction for tax deduction

Use the **Withholding tax concessions** form to select a TDS transaction for no tax deduction, a low tax deduction, or the highest tax deduction. You must specify the legal section code. The tax that is deducted and the TDS concession certificate that is generated are both based on the legal section code. For more information, see the "(IND) Withholding tax concessions (form)" topic in the Applications and Business Processes Help.

For more information about tax deduction, see [About tax deduction based on PAN availability](#).

1. Click **General ledger > Setup > Withholding tax > India > Withholding tax concessions** to open the **Withholding tax concessions** form.
2. In the **Tax type** field, select **TDS**.
3. Create a new line to record a concession certificate for a TDS transaction. For more information, see the "(IND) Create TDS concession certificate numbers" topic in the Applications and Business Processes Help.
4. In the **Section code** field, enter the legal section code. The tax that is deducted and the TDS concession certificate that is generated are both based on the legal section code.
 - If you define the section code as 194C, the "Reason for non-deduction/lower deduction" column in Form 26Q and the "Reason for non-deduction/lower deduction/grossing up if any" column in Form 27Q displays the value "T".
 - If you define the section code as 206AA, the "Reason for non-deduction/lower deduction" column in Form 26Q and the "Reason for non-deduction/lower deduction/grossing up if any" column in Form 27Q displays the value "C".
5. Close the form to save your changes.

Generate the TDS and TCS statements with the responsible person details

Use the **TDS statement** report and the **TCS statement** report to set up the contact details and generate the quarterly statements for transactions that have a resident or nonresident status. For more information, see the "(IND) TDS statement (report)" and "(IND) TCS statement (report)" topics in the Applications and Business Processes Help.

1. Click **General ledger > Reports > India > TDS > TDS statement** to open the **TDS statement** report.
-or-
Click **General ledger > Reports > India > TCS > TCS statement** to open the **TCS statement** report.
2. Select the **Statement filed earlier** check box if the statement has already been filed for the quarter.
3. In the **Token number** field, select the token number of the statement that was filed earlier to generate a correction report. For more information, see the "(IND) Generate 26Q or 27Q quarterly statements for TDS" and "(IND) Generate 27EQ quarterly statement for TCS" topics in the Applications and Business Processes Help.

4. In the **Tax Account Number (TAN)** field, select the TAN to generate the statement for.
5. In the **Responsible person** field, select the name of the person who is responsible for the tax deduction or the tax collection for the quarter. The full name of the responsible person is displayed in the **Full name** field.
6. Select the **Generate e-file** check box to generate an electronic file for the TDS or TCS statement that is generated for the quarter.
Note: To generate an electronic file for a correction made to a statement that was filed earlier, select the **Generate corrected e-file** check box.
7. In the **File name** field, specify the electronic file name and location to save the regular or correction statement.
8. Click **OK** to generate the Form 26Q, Form 27Q, or Form 27EQ statement.
9. Close the form to save your changes.

Modified form

This section contains information about a modified form used to set up a withholding tax group.

Form name and locator	Description
Withholding tax groups (modified form) General ledger > Setup > Withholding tax > Withholding tax groups	General tab Transporter check box Select the check box to select the transaction that uses this withholding tax group as a transport transaction. Note: You can select the Transporter check box only if you select TDS in the Tax type field.

Modified reports

This section contains information about modified reports used to generate the TDS and TCS statements.

Report name and locator	Description
TDS statement (report) General ledger > Reports > India > TDS > TDS Statement	Responsible person field Select the person who is responsible for the tax deduction for the quarter. Full name field The full name of the person who is responsible for the tax deduction.
TCS statement (report) General ledger > Reports > India > TCS > TCS Statement	Responsible person field Select the person who is responsible for the tax collection for the quarter. Full name field The full name of the person who is responsible for the tax collection.

The Microsoft Knowledge Base article number for this country-specific update is 2469126.

Generation of TDS and TCS certificates with receipt numbers

In accordance with a National Securities Depository Limited (NSDL) requirement, you must include the eight-character receipt number when you print the TDS and TCS certificates. Starting in fiscal year 2010-2011, the tax authority provides a receipt number for every quarterly submission of the TDS and

TCS statements. The receipt and token numbers are displayed in the TIN portal when you verify the status of the TDS and TCS statements that you filed. The token number is the provisional receipt number that you receive when you submit the TDS or TCS statements in the TIN portal.

About receipt and token numbers for TDS and TCS statements

You must set up TDS and TCS parameters before you generate the quarterly TDS and TCS statements. For more information, see [Setup to generate TDS and TCS statements](#).

You must generate and submit the following TDS and TCS statements as electronic files to the tax authority on a quarterly basis:

- Form 26Q – A quarterly TDS statement that is generated for all payments other than salaries for residents.
- Form 27Q – A quarterly TDS statement that is generated for interest, dividend, or any other amount that is payable for nonresidents.
- Form 27EQ – A quarterly TCS statement that is generated for the sales transactions on which you have collected TCS.

Use the **TDS statement** report (**General ledger > Reports > India > TDS > TDS statement**) or the **TCS statement** report (**General ledger > Reports > India > TCS > TCS statement**) to generate an electronic file for a regular or corrected TDS or TCS statement.

Upload the TDS and TCS statements that are generated as electronic files to the TIN portal. When the TDS or TCS statement is accepted, you receive a provisional receipt number. Starting in fiscal year 2010-2011, the provisional receipt number is referred to as the token number.

To verify the status of the TDS or TCS statement in the TIN portal, you must enter your TAN and the token number of the filed TDS or TCS statement. The receipt number and the details of the TDS or TCS statement, such as the TAN, token number, receipt number, assessment year, form number, and the quarter for which the submission is made, are displayed. You can enter the receipt and token numbers of the relevant TDS or TCS statements in the **Token numbers** form. For more information, see [Set up the token and receipt numbers for filed TDS and TCS quarterly statements](#).

To generate an electronic file for a correction to a previously submitted TDS or TCS statement, you must select the **Statement filed earlier** check box in the **TDS statement** report or the **TCS statement** report. In the **Receipt number** field, select the receipt number of the TDS or TCS statement that was filed previously. For TDS or TCS correction statements that contain TDS or TCS transactions that occurred prior to fiscal year 2010-2011, you must select the provisional receipt number, instead of the receipt number, in the **Receipt number** field.

For more information about generating regular and correction TDS and TCS statements, see the "(IND) Generate 26Q or 27Q quarterly statements for TDS" and "(IND) Generate 27EQ quarterly statement for TCS" topics in the Applications and Business Processes Help.

Setup to generate TDS and TCS certificates

Complete the following tasks before you generate the TDS and TCS certificates:

- [Setup to generate TDS and TCS statements](#)
- [Set up the token and receipt numbers for filed TDS and TCS quarterly statements](#)

Set up the token and receipt numbers for filed TDS and TCS quarterly statements

Use the **Token numbers** form to enter the token and receipt numbers of the TDS or TCS statement that was filed. The receipt number entered in this form is displayed in the TDS or TCS certificate. The **Provisional receipt numbers** form has been renamed **Token numbers**. For more information, see the "(IND) Provisional receipt numbers (form)" topic in the Applications and Business Processes Help.

When you generate the TDS or TCS statement as an electronic file, a line is created in the **Token numbers** form, and the **Return filing date** field is updated to include the printing date of the generated TDS or TCS statement. The **Return filing date** field was previously named **Printing date**.

1. Click **General ledger > Periodic > India withholding tax > TDS token numbers** to open the **Token numbers** form.

–or–

Click **General ledger > Periodic > India withholding tax > TCS token numbers** to open the **Token numbers** form.

2. Select the line that is created for the generated TDS or TCS statement.
3. In the **Token number** field, enter the token number of the TDS or TCS statement that you received when you uploaded the quarterly statement to the TIN portal.
4. In the **Receipt number** field, enter the eight-character receipt number of the filed TDS or TCS statement that was displayed in the TIN portal when you verified the status of the quarterly statement.
5. Close the form to save your changes.

About generating TDS or TCS certificates with receipt numbers

You can generate a TDS or TCS certificate that includes an eight-character receipt number. This receipt number is displayed in the TIN portal when you verify the status of the quarterly TDS or TCS statement. The receipt number that you enter in the **Token numbers** form for the filed TDS or TCS statement is displayed in the respective TDS or TCS certificate. For more information, see the "(IND) Generate Form 16A TDS certificate" and "(IND) Generate Form 27D TCS certificate" topics in the Applications and Business Processes Help. If you generate a correction statement, the certificate includes the receipt number of the corrected statement.

You can also generate a duplicate copy of the TDS or TCS certificate. The duplicate certificate includes the receipt number, instead of the provisional receipt number, if the respective TDS or TCS statement contains transactions that occurred in fiscal year 2010-2011 or later.

You must record the certificate numbers and dates for TDS or TCS certificates that are received for a specific vendor, customer, or ledger in the **Recoverable certificates** form. You can update the TDS or TCS certificate numbers and dates that are recorded in this form for TDS or TCS transactions in the **Update certificate** form (**General ledger > Periodic > India withholding tax > Update certificate**). You can close the TDS or TCS certificate numbers for the TDS or TCS transactions after they are updated. After you close these certificate numbers, you cannot use them to update the TCS or TDS transactions in the **Update certificate** form. For more information, see the "(IND) Recoverable certificates (form)," "(IND) Create TDS recoverable certificate numbers," and "(IND) Create TCS recoverable certificate numbers" topics in the Applications and Business Processes Help.

Modified form

This section contains information about a modified form used to view the details of the TDS or TCS statement.

Form name and locator	Description
Token numbers (form)	This form was previously named Provisional receipt numbers .
General ledger > Periodic > India withholding tax > TDS token numbers	Return filing date field
	The printing date that is specified in the TDS statement.
	Token number field
–or–	
General ledger > Periodic > India withholding tax > TCS token	Enter the token number of the filed TDS or TCS statement that you received when you uploaded the quarterly statement to the TIN portal.
	Receipt number field

numbers

Enter the eight-character receipt number of the filed TDS or TCS statement. This number is displayed in the TIN portal when you verify the status of the quarterly statement.

Modified reports

This section contains information about modified reports used to generate the TDS and TCS statements.

Report name and locator	Description
TDS statement (report) General ledger > Reports > India > TDS > TDS statement	Token number field The token number of the filed TDS statement.
TCS statement (report) General ledger > Reports > India > TCS > TCS statement	Token number field The token number of the filed TCS statement.

The Microsoft Knowledge Base article number for this country-specific update is 2469126.

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