



Income Tax Department

Ministry of Finance, Government of India

Tax Deducted at Source (TDS)

Tax Deducted at Source (TDS)

Introduction

Tax Deducted at Source (TDS) is a mechanism introduced to ensure a steady inflow of revenue to the Government. It mandates the payer of specified incomes to deduct tax at prescribed rates before making payments and deposit the same to the Central Government within the stipulated time.

Scope of TDS

- **Payments Covered:** TDS applies to various payments, including salaries, interest, dividends, rent, professional fees, winnings from lotteries or games, etc.
- **Rounding Off:** TDS amounts are rounded to the nearest multiple of Rs. 10.
- **Direct Tax Payment by Assessee:** If TDS is not deducted, the taxpayer must directly pay the due tax.
- **Grossing Up of Income:** When the deductor bears the tax liability, the net amount is increased to compute TDS.

TDS Compliance & Provisions

- **Deemed Income:** The deducted TDS is deemed as the income of the recipient, except in cases such as employer-paid tax on perquisites and tax deducted on large cash withdrawals.
- **Lower/Nil Deduction:** A deductee can apply for a certificate permitting a lower or nil TDS deduction if eligible.
- **TDS Credit:** The deductee is entitled to claim credit for the deducted TDS in their income tax return.
- **TAN Requirement:** Persons responsible for TDS must obtain a Tax Deduction and Collection Account Number (TAN), except in specific cases.

Duties & Consequences of Non-Compliance

- **Obligations of Deductor:** The deductor must deposit the TDS to the government and file TDS statements within the prescribed timelines.
- **Failure to Deduct or Deposit TDS:** Non-compliance results in the deductor being treated as an "assessee-in-default," with penal consequences.
- **TDS Certificates:** The deductor must issue a TDS certificate to the deductee, detailing the amount deducted and deposited.

TDS Rates & Exemptions

- **Applicability:** TDS rates vary based on the type of payment, the recipient's status (resident/non-resident), and compliance with PAN/Aadhaar provisions.
- **Exemptions:** Certain payments to government entities, RBI, NPS Trust, offshore banking units, and specified institutions are exempt from TDS.

TDS from Salary

TDS from Salary

Introduction

Every employer responsible for paying salary must deduct tax at source under section 192 if the salary income exceeds the basic exemption limit. TDS is deducted at the time of salary payment and is based on the estimated tax liability of the employee.

Key Provisions

- **Applicability:** TDS applies to all employers, including individuals, firms, companies, and government bodies. It is deducted from both resident and non-resident employees.
- **Rate of Deduction:** Tax is deducted based on the applicable slab rates, considering exemptions and deductions declared by the employee. If PAN is not provided, TDS is deducted at 20% or the applicable rate, whichever is higher.
- **TDS on Non-Monetary Perquisites:** Employers may pay tax on perquisites instead of deducting TDS, which is then treated as TDS on behalf of the employee.

Computation of TDS

- **Estimated Taxable Salary** = Salary + Other Income - House Property Loss - Deductions under Chapter VI-A
- **TDS Liability** = Estimated Tax - TDS/TCS from Other Sources - Section 89 Relief
- **Employee Disclosures:** Employees may declare additional income, TDS/TCS, and house property losses to their employer for accurate TDS computation.

Special Cases

- **Multiple Employers:** Employees working with multiple employers can provide Form 12B to one employer for consolidated TDS deduction.
- **Job Change:** Employees can declare previous employer salary details to their new employer to ensure proper TDS calculation.



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- **TDS on ESOPs:** In eligible start-ups, TDS on Employee Stock Option Plans (ESOPs) is deferred until 48 months from the end of the assessment year of allotment, or date of resignation, or date of share sale.

TDS Compliance & Filing

- **Deposit:** TDS is deposited using Challan ITNS 281 within 7 days from the end of the deduction month, except for March deductions, which are due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Employers must file Form 24Q quarterly. Government offices depositing TDS without a challan must file Form 24G monthly.
- **TDS Certificate:** Form 16 must be provided to employees by June 15 of the following year.

Non-Compliance & Penalties

- **Failure to Deduct/Deposit TDS:** The employer is treated as an "assessee-in-default" and is liable for interest and penalties under Section 201.
- **Late Filing of TDS Statements:** A fee of Rs. 200 per day applies under Section 234E, along with penalties under Sections 271H and 272A.
- **Failure to Issue Form 16:** Liable for a penalty under Section 272A.

TDS on Withdrawal from Employees' Provident Fund (EPF) Scheme

TDS on Withdrawal from Employees' Provident Fund (EPF) Scheme

Introduction

Tax is deducted at source (TDS) under section 192A on withdrawals from the Employees' Provident Fund (EPF) if the employee has not completed five years of continuous service. TDS is deducted at 10% if the withdrawal amount exceeds Rs. 50,000.

Applicability of TDS

- **Deductor:** The trustee of the EPF scheme or any authorized person making the payment.
- **Deductee:** Any employee whose EPF withdrawal is taxable.

Exemptions from TDS

No TDS is deducted in the following cases:

- **Continuous Service of 5 Years:** If the employee has completed five years of service (including previous employer service, if transferred).
- **Termination Beyond Employee's Control:** If the termination is due to ill health, employer shutdown, or other uncontrollable reasons.
- **Transfer of EPF Balance:** When the EPF balance is transferred to a recognized provident fund of the new employer.
- **Investment in Notified Pension Schemes:** If the EPF balance is transferred to a pension scheme under Section 80CCD.

TDS Rates

- **General rate:** 10% if PAN is furnished.
- **If PAN is not provided:** TDS is deducted at the rate prescribed under Section 206AA, i.e. 20%.
- **For non-residents:** TDS is increased by applicable surcharge and cess.

Time of Deduction

- TDS is deducted only at the time of payment.

Compliance Requirements

- **Nil Deduction Certificate:** Assessee may submit a declaration under Section 197A for nil deduction.
- **Deposit of TDS:** TDS must be deposited with the government within seven days of the end of the deduction month (April 30 for March deductions). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** The deductor must file a quarterly TDS statement in Form 26Q.
- **TDS Certificate:** Form 16A must be issued to the deductee within 15 days of the TDS return due date.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day (limited to TDS amount) under Section 234E, with additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Interest on Securities

TDS on Interest on Securities

Introduction



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Tax is deducted at source (TDS) at 10% under section 193 on interest payable on securities to a resident individual. The deduction is made at the time of credit or payment, whichever is earlier.

Applicability of TDS

- **Deductor:** Any person responsible for paying interest on securities.
- **Deductee:** A resident recipient of interest. If the recipient is a non-resident, TDS is deducted under Section 195.
- **Time of Deduction:** TDS is deducted at the time of credit or payment, including credit to a "Suspense Account."
- **Threshold:** Tax is deducted if the amount of interest is more than Rs. 10,000 for a single payment or in the aggregate in a financial year.

TDS Rates

- **Standard Rate:** 10% without surcharge or cess.
- **Non-furnishing of PAN:** TDS is deducted at the rate prescribed under Section 206AA, i.e. 20%.

Exemptions from TDS

TDS is not deducted in the following cases:

- **Certain Government Securities:** National Development Bonds, 7-Year National Savings Certificates, and other notified securities.
- **Defence and Gold Bonds:** Specific Defence Bonds and Gold Bonds (subject to declaration and threshold conditions).
- **Interest to Insurance Companies:** LIC, GIC, and other notified insurers.
- **Interest on Debentures:** Interest on Widely held company's debentures payable to an individual or HUF up to Rs. 10,000, paid by account payee cheque.
- **Interest Payable to Business Trusts:** No TDS on interest payable by special purpose vehicles to business trusts.
- **Interest to Certain Tax-Exempt Entities:** Government undertakings, mutual funds, and entities benefiting the armed forces.

Compliance Requirements

- **Nil or Lower TDS Deduction Certificate:** The recipient may apply under Section 197 for a lower TDS rate or submit a self-declaration under Section 197A.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Dividend

TDS on Dividend

Introduction

Every Indian company making payments of dividends is required to deduct tax at source (TDS) under Section 194 at the rate of 10%. The deduction applies at the time of distribution or payment of dividends.

Scope of TDS on Dividends

- **Deductor:** Any Indian company or a company making arrangements for dividend declaration and payment in India.
- **Deductee:** A resident shareholder. For non-resident shareholders, TDS is deducted under Section 195.
- **Threshold Limit:** TDS is deducted if the total dividend paid to an individual shareholder (other than in cash) exceeds Rs. 10,000 in a financial year. No threshold applies to other payees.
- **Timing of Deduction:** TDS is deducted at the time of payment. In the case of deemed dividends, TDS is deducted at the time of distribution or payment.

TDS Rates

- **Standard Rate:** 10% (without surcharge or cess).
- **If PAN is Not Provided:** TDS is deducted at the rate under Section 206AA.



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Exemptions from TDS

TDS is not deducted in the following cases:

- **Dividend to Small Individual Shareholders:** No TDS if the dividend does not exceed Rs. 10,000 in a financial year and is paid in non-cash mode.
- **Dividend to Specified Insurance Companies:** Exempt for LIC, GIC, and other notified insurers.
- **Dividend to Business Trusts:** No TDS on dividends paid by a Special Purpose Vehicle (SPV) to a business trust.
- **Dividend in IFSC Units (Aircraft Leasing Business):** Exemption applies if both payer and payee IFSC units are engaged in aircraft leasing, subject to declaration in Form No. 1. [Notification No. 52/2023, dated 20-07-2023]
- **Dividend to Specified IFSC Units:** Exemption applies to finance companies, finance units, and broker-dealers in IFSC, subject to declaration in Form No. 1. [Notification No. 28/2024, dated 07-03-2024]
- **Dividend to Notified Persons:** The government may notify entities entitled to receive dividends without TDS.

Compliance Requirements

- **Nil or Lower Deduction Certificate:** The recipient may apply under Section 197 for lower TDS or submit a self-declaration under Section 197A.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Interest (Other than Interest on Securities)

TDS on Interest (Other than Interest on Securities)

Introduction

Tax is deducted at source (TDS) at 10% under section 194A on interest (excluding interest on securities) paid or payable to a resident individual if the payer is:

- A person other than an individual or HUF, or
- An individual or HUF whose turnover exceeds Rs. 1 crore (business) or Rs. 50 lakh (profession) in the preceding financial year.
- TDS is deducted at the time of credit or payment, whichever is earlier.

Applicability of TDS

- **Deductor:** Any person making interest payments, except certain individuals and HUFs below the turnover threshold.
- **Deductee:** A resident payee. For non-residents, TDS is deducted under Section 195.
- **Threshold Limits:** TDS applies only if interest exceeds specified limits:
 - o Rs. 1,00,000 (Senior Citizens) / Rs. 50,000 (Others) – Banks, Co-operative Banks, and Post Office deposits.
 - o Rs. 10,000 – Other cases.
- **Timing of Deduction:** TDS is deducted at credit or payment, including when credited to a suspense account.

TDS Rates

- **Standard Rate:** 10% (without surcharge or cess).
- **If PAN is Not Provided:** TDS is deducted at the rate under Section 206AA.

Exemptions from TDS

TDS is not deducted in the following cases:

- **Bank Deposits:** Interest on savings and non-time deposits in banks and co-operative banks.
- **Interest to Government Entities:** Payments to RBI, LIC, UTI, notified mutual funds, and specified corporations.
- **Post Office Deposits:** National Savings Certificates, Kisan Vikas Patra, and other notified schemes.
- **Partners in a Firm:** No TDS on interest paid by a firm to its partners.



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- **Scheduled Tribe Members:** Interest payments by specified banks to Scheduled Tribe members (subject to conditions). [Notification No. 110/2021, dated 17-09-2021]
- **Accident Compensation:** No TDS on tribunal-awarded interest up to Rs. 50,000.
- **Zero Coupon Bonds:** No TDS on interest from notified zero-coupon bonds.
- **Business Trusts:** No TDS on interest paid by special purpose vehicles to business trusts.
- **Interest in case of specified IFSC Units:** Exempt subject to declaration in Form No. 1. [Notification No. 28/2024, dated 07-03-2024, and Notification No. 67/2025, dated 20-06-2025]

Compliance Requirements

- **Nil or Lower Deduction Certificate:** The recipient may apply under Section 197 for lower TDS or submit a self-declaration under Section 197A.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Winnings from Lottery, Crossword Puzzles, and Other Games

TDS on Winnings from Lottery, Crossword Puzzles, and Other Games

Introduction

Tax is deducted at source (TDS) at 30% under section 194B on winnings from lotteries, crossword puzzles, card games, gambling, betting, or other games (excluding online games). TDS is deducted at the time of payment.

Applicability of TDS

- **Deductor:** Any person making payments for winnings from lotteries, crossword puzzles, or similar activities.
- **Deductee:** Any resident or non-resident recipient.
- **Threshold Limit:** Tax is required to be deducted only if the amount of winning is more than Rs. 10,000 in respect of a single transaction.
- **Timing of Deduction:** TDS is deducted at the time of payment. If winnings are paid in instalments, TDS is deducted on each instalment.

TDS Rates

- **Standard Rate:** 30% (without surcharge or cess for residents).
- **For Non-Residents:** The rate is increased by the applicable surcharge and cess.
- **If Winnings Are in Kind:** The winner must pay applicable taxes before receiving the prize.

Compliance Requirements

- **Nil or Lower Deduction Certificate:** Not available for TDS on winnings.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Winnings from Online Games

TDS on Winnings from Online Games

Introduction



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Tax is deducted at source (TDS) at 30% under Section 194BA on net winnings from online games. TDS is deducted at the time of withdrawal or at the end of the financial year, whichever is earlier. The calculation of net winnings is prescribed under Rule 133.

Applicability of TDS

- **Deductor:** Any person, including an online gaming intermediary, responsible for making payments from online gaming winnings.
- **Deductee:** Any resident or non-resident winner.
- **Timing of Deduction:**
 - At the time of withdrawal of winnings.
 - If no withdrawal is made, TDS is deducted on net winnings at the end of the financial year.

Computation of Net Winnings

TDS is deducted on net winnings, calculated as:

- **At the time of first withdrawal:** Net winnings = Amount withdrawn – (Opening balance + Non-taxable deposits).
- **At the time of subsequent withdrawal:** Net winnings = Aggregate of amount withdrawn – (Opening balance + Non-taxable deposits + Net winnings considered in earlier withdrawals, if tax is deducted).
- **At the end of the year:** Net winnings = (Withdrawals + Closing balance) – (Opening balance + Non-taxable deposits + Taxed winnings).
- **For multiple user accounts:** Winnings across all accounts under one gaming platform are aggregated.
- **Rewards and Bonuses:** If withdrawable, they are included in taxable winnings; otherwise, they are excluded.

TDS Rates

- **Standard Rate:** 30% (without surcharge or cess for residents).
- **For Non-Residents:** Increased by applicable surcharge and cess.
- **If PAN is not provided:** TDS is deducted at 30%.
- **Exemption for Small Withdrawals:** No TDS if net winnings in a month are ≤ Rs. 100, but tax is deducted later if the threshold is exceeded [Circular No. 5, dated 22-05-2023].

TDS on Winnings in Kind

- Winnings in kind or partly in cash require tax payment before release.
- If the winner does not pay, the gaming platform may deduct and deposit the tax.

Compliance Requirements

- **Nil or Lower Deduction Certificate:** Not available.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Winnings from Horse Races

TDS on Winnings from Horse Races

Introduction

Tax is deducted at source (TDS) at 30% under section 194BB on winnings from horse races (excluding online games). TDS is deducted at the time of payment.

Applicability of TDS

- **Deductor:** A book-maker or a licensee authorized by the government to conduct horse racing or betting at a racecourse.
- **Deductee:** Any resident or non-resident recipient.
- **Threshold Limit:** Tax is required to be deducted only if the amount of winning is more than 10,000 in respect of a single transaction.
- **Timing of Deduction:** TDS is deducted at the time of payment.



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TDS Rates

- **Standard Rate:** 30% (without surcharge or cess for residents).
- **For Non-Residents:** The rate is increased by the applicable surcharge and cess.

Compliance Requirements

- **Nil or Lower Deduction Certificate:** Not available for TDS on winnings.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Payment to Contractors

TDS on Payment to Contractors

Introduction

Tax is deducted at source (TDS) under section 194C on payments made to resident contractors for carrying out any work, including the supply of labour. The applicable TDS rate is 1% or 2%, depending on the recipient. TDS is deducted at the time of credit or payment, whichever is earlier.

Applicability of TDS

- **Deductor:** Any specified person making payments under a contract. This includes the government, local authorities, companies, co-operative societies, firms, trusts, universities, and individuals or HUFs with business turnover exceeding Rs. 1 crore or professional receipts exceeding Rs. 50 lakh in the preceding financial year.
- **Deductee:** Any resident contractor. Non-residents are subject to TDS under Section 195.
- **Types of Payments Covered:** Payments for work contracts, labour supply, advertising, broadcasting, carriage of goods (excluding railways), catering, and specific manufacturing contracts.

TDS Rates

- **1%** – If the payment is made to an individual or HUF.
- **2%** – If the payment is made to any other entity.
- **If PAN is not provided:** TDS is deducted at the rate prescribed under Section 206AA.

Threshold Limits

TDS is applicable only if:

- A single payment exceeds Rs. 30,000, or
- The total payments to a contractor exceed Rs. 1,00,000 in a financial year.

Time of Deduction

TDS is deducted at the time of credit or payment, whichever is earlier, even if the amount is credited to a suspense account.

Exemptions from TDS

No TDS is required in the following cases:

- Payments to the government, RBI, or certain tax-exempt corporations.
- Payments made for personal purposes by individuals or HUFs.
- Payments by advertising agencies to print/electronic media. [Circular No. 715, dated 08-08-1995]
- Payments to travel agents for ticket bookings. [Circular No. 715, dated 08-08-1995]
- Payments for routine restaurant services. [Circular No. 715, dated 08-08-1995]
- Payments to recruitment agencies (subject to Section 194J). [Circular No. 715, dated 08-08-1995]
- Payments for the supply of goods if the material cost is separately mentioned in the invoice.
- Payments to transporters owning up to 10 goods carriages (declaration and PAN required).



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Compliance Requirements

- **Nil or Lower Deduction Certificate:** The recipient may apply under Section 197 for lower or nil TDS.
- **TDS Deposit:** TDS must be deposited within seven days from the end of the deduction month, except for March, which is due by April 30. Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statements:** Quarterly TDS statements must be filed using Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Insurance Commission

TDS on Insurance Commission

Introduction

Tax must be deducted on payments made as insurance commission to residents under Section 194D of the Income-tax Act. The applicable TDS rate is 5% for individuals, firms, etc. and 10% for domestic companies.

Applicability

TDS applies to any person (individual, firm, company, etc.) making payments for soliciting, procuring, continuing, renewing, or reviving insurance policies. If the payment is made to a non-resident, TDS is deducted under Section 195.

Rate of TDS

- Resident individuals & firms: 5%
- Domestic companies: 10%
- No surcharge or cess is applicable.

Time of Deduction

TDS must be deducted at the time of credit or payment of the insurance commission, whichever is earlier, even if credited to a suspense account.

Threshold Limit

No TDS is required if the total insurance commission paid during a financial year does not exceed Rs. 20,000.

TDS Calculation

TDS is deducted on the gross commission credited before adjusting for any previous excess payments, as clarified by CBDT Circular No. 277, dated 21-07-1980.

Exemptions from TDS

1. **IFSC Insurance Intermediary Offices** – No TDS is required on payments to specified IFSC units, subject to conditions in Notification No. 28/2024, dated 07-03-2024.
2. **Government & Certain Entities** – No TDS applies on payments to the government, RBI, mutual funds, or tax-exempt statutory corporations (Section 196).

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Deductees may apply for nil or lower TDS certificates under Sections 197 & 197A.
- **TDS Deposit:** Deducted tax must be deposited via Challan ITNS 281 within 7 days of the end of the month (except for March, where the due date is 30th April). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Returns:** The deductor must file Form 26Q quarterly.
- **TDS Certificate:** Form 16A must be issued within 15 days of filing TDS returns.

Consequences of Non-Compliance

- **Failure to deduct/deposit TDS** – Interest under Section 201, penalty under Section 271C (up to the TDS amount), and prosecution under Section 276B.
- **Failure to file TDS returns** – Late fee of Rs. 200 per day under Section 234E and penalty under Section 271H.
- **Failure to issue TDS certificates** – Penalty under Section 272A.

TDS on Life Insurance Policy Payments



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TDS on Life Insurance Policy Payments

Introduction

Tax Deducted at Source (TDS) must be deducted on payments made under a life insurance policy to residents under Section 194DA. The TDS rate is 2% on the income component within the payment amount. TDS applies only if the gross payout (including bonus) is Rs. 1 lakh or more in a financial year.

Applicability

- **Deductor** – Any person making payments under a life insurance policy.
- **Deductee** – Resident recipients of insurance proceeds. Payments to non-residents are subject to TDS under Section 195.

Rate of TDS

- Flat 2% on the income component.
- Higher TDS rates apply under Section 206AA if PAN is not provided.

Time of Deduction

TDS is deducted at the time of payment.

Threshold Limit

No TDS is required if the total payout (including bonus) in a financial year is less than Rs. 1 lakh.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Deductees may file Form 15G/15H for nil TDS under Section 197A (not Section 197).
- **TDS Deposit:** Deducted tax must be deposited via Challan ITNS 281 within 7 days of the month-end (except for March, due by 30th April). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Returns:** The deductor must file Form 26Q quarterly.
- **TDS Certificate:** Form 16A must be issued within 15 days of filing TDS returns.

Consequences of Non-Compliance

- **Failure to deduct/deposit TDS** – Interest under Section 201, penalty under Section 271C, and prosecution under Section 276B.
- **Failure to file TDS returns** – Late fee of Rs. 200 per day under Section 234E and penalty under Section 271H.
- **Failure to issue TDS certificates** – Penalty under Section 272A.

TDS on Payments to Non-Resident Sports Persons

TDS on Payments to Non-Resident Sports Persons

Introduction

Tax Deducted at Source (TDS) must be deducted on payments made to non-resident sports persons, entertainers, or sports associations under Section 194E. The applicable TDS rate is 20% plus surcharge and cess.

Applicability

- **Deductor** – Any person making specified payments to a non-resident sports person, entertainer, or sports association.
- **Deductee** – Non-resident individuals (sports persons, athletes, entertainers) and non-resident sports associations.

Types of Payments Covered

- Payments for participation in any game or sport in India (excluding online games or specified games).
- Payments for advertisements.
- Payments for articles on sports published in newspapers, magazines, or journals.
- Payments to non-resident sports associations for games played in India.
- Payments to non-resident entertainers for performances in India.

Rate of TDS

- Flat 20% plus applicable surcharge and cess.
- Higher TDS rates apply under Sections 206AA if PAN is not provided

Time of Deduction

- TDS is deducted at the time of payment or credit, whichever is earlier, even if credited to a suspense account.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 194E.



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- **TDS Deposit:** Deducted tax must be deposited via Challan ITNS 281 within 7 days of the end of the month (except for March, due by 30th April). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Returns:** The deductor must file Form 27Q quarterly.
- **TDS Certificate:** Form 16A must be issued within 15 days of filing TDS returns.

Consequences of Non-Compliance

- **Failure to deduct/deposit TDS** – Interest under Section 201, penalty under Section 271C, and prosecution under Section 276B.
- **Failure to file TDS returns** – Late fee of Rs. 200 per day under Section 234E and penalty under Section 271H.
- **Failure to issue TDS certificates** – Penalty under Section 272A.

TDS on Payments Under National Savings Scheme

TDS on Payments Under National Savings Scheme

Introduction

Tax Deducted at Source (TDS) must be deducted on payments under the National Savings Scheme (NSS) under Section 194EE. The applicable TDS rate is 10% on the total amount (principal + interest).

Applicability

- **Deductor** – Any person making payments under NSS.
- **Deductee** – Both residents and non-residents receiving NSS payouts.

Rate of TDS

- Flat 10% (plus surcharge & cess for non-residents).
- Higher TDS rates apply under Section 206AA if PAN is not provided

Time of Deduction

- TDS is deducted at the time of payment.

Exemptions from TDS

- **Payments below Rs. 2,500** – No TDS if the total payout in a financial year is less than Rs. 2,500.
- **Payments to legal heirs** – No TDS on NSS payouts to heirs of the deceased.
- **Payment for withdrawal on or after 04-04-2025** – No TDS on NSS withdrawals (principal for which deduction u/s 80CCA was allowed and interest thereon) made by an individual on or after 4th April 2025. [Notification No. 27/2025, dated 04-04-2025]
- **Payments to Government & Specified Entities** – No TDS on payments to Government, RBI, mutual funds, or tax-exempt corporations (Section 196).

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 194EE.
- **TDS Deposit:** Deducted tax must be deposited via Challan ITNS 281 within 7 days of the end of the month (except for March, due by 30th April). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Returns:** The deductor must file Form 26Q quarterly.
- **TDS Certificate:** Form 16A must be issued within 15 days of filing TDS returns.

Consequences of Non-Compliance

- **Failure to deduct/deposit TDS** – Interest under Section 201, penalty under Section 271C, and prosecution under Section 276B.
- **Failure to file TDS returns** – Late fee of Rs. 200 per day under Section 234E and penalty under Section 271H.
- **Failure to issue TDS certificates** – Penalty under Section 272A.

TDS on Commission from Sale of Lottery Tickets

TDS on Commission from Sale of Lottery Tickets

Introduction

Tax must be deducted at source (TDS) at 2% under section 194G on commission or remuneration paid for stocking, distributing, purchasing, or selling lottery tickets if the amount exceeds Rs. 20,000 in a financial year.

Key Provisions

- **Deductor:** Any person making such commission payments.
- **Deductee:** Any person engaged in the lottery business.



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- **Rate of TDS:** 2% (cess and surcharge applied in case of non-resident), in case of non-furnishing of PAN, tax rate specified under Section 206AA.
- **Threshold:** Deduction applies only if commission exceeds Rs. 20,000 annually.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier, including when credited to a suspense account.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Deductees can apply for a lower TDS certificate under Section 197, but cannot file a self-declaration under Section 197A.
- **Deposit of TDS:** Must be deposited using Challan ITNS 281 within 7 days of the end of the month of deduction (by 30th April for March deductions). Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A to be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit:** Liable for interest under Section 201, penalty under Section 271C (equal to the undeducted amount), and possible prosecution under Section 276B.
- **Failure to Furnish TDS Statement:** Liable for a fee of Rs. 200 per day (limited to TDS amount) under Section 234E and penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalty under Section 272A.

TDS on Commission and Brokerage

TDS on Commission and Brokerage

Introduction

TDS under Section 194H is applicable at a rate of 2% on commission or brokerage (excluding insurance commission) if the amount exceeds Rs. 20,000 in a financial year.

Key Provisions

- **Deductor:**
 - o Any person making such payments, except individuals and HUFs.
 - o Individuals and HUFs must deduct TDS if their business turnover exceeds Rs. 1 crore or professional receipts exceed Rs. 50 lakh in the preceding financial year.
- **Deductee:** TDS applies only if the recipient is a resident. For non-residents, tax is deducted under Section 195.
- **Rate of TDS:** 2%.
 - o Higher rates apply under Section 206AA if PAN is not provided.
- **Time of Deduction:** At the time of payment or credit, whichever is earlier, including when credited to a suspense account.

Exemptions from TDS

- **Payments by BSNL/MTNL:** No TDS on commissions paid to public call office franchisees.
- **Turnover Commission to Banks:** No TDS on commissions paid by RBI to banks for tax collection/refund issuance. [Circular No. 6/2003, dated September 3, 2003]
- **Advertising Agency Fees:** No TDS on payments by media companies to agencies for ad bookings. [Circular No. 5/2016, dated February 29, 2016]
- **Government Payments:** No TDS on payments to the government, RBI, mutual funds, or tax-exempt corporations.
- **Payment to specified IFSC units:** Certain commissions and brokerage payments to specified IFSC entities are exempt, subject to Form 1 compliance. [Notification No. 28/2024, dated 07-03-2024, and Notification No. 67/2025, dated 20-06-2025]

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197; self-declarations under Section 197A are not permitted.
- **Deposit of TDS:**
 - o Payment through Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A to be issued within 15 days from the due date of TDS statement filing.



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Consequences of Non-Compliance

- **Failure to Deduct or Deposit:** Liable for interest under Section 201, penalty under Section 271C (up to the undeducted amount), and prosecution under Section 276B.
- **Failure to File TDS Statement:** Liable for a Rs. 200 per day penalty (limited to TDS amount) under Section 234E and additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalties under Section 272A.

TDS on Rent

TDS on Rent

Introduction

Any person, including a specified individual and an HUF, paying rent to a resident person in respect of plant, machinery, land, building or furniture shall deduct tax therefrom. The tax shall be deducted if the rent paid or payable exceeds Rs. 50,000 per month or part of the month.

Key Provisions

- **Deductor:**
 - o Any person making rent payments, except individuals and HUFs.
 - o Individuals and HUFs must deduct TDS if their business turnover exceeds Rs. 1 crore or professional receipts exceed Rs. 50 lakh in the preceding financial year.
- **Deductee:** Only applicable to residents; for non-residents, TDS applies under Section 195.
- **TDS Rates:**
 - o 2% on rent for plant, machinery, or equipment.
 - o 10% on rent for land, buildings (including factories), furniture, or fittings.
 - o Higher rates apply under Section 206AA if PAN is not provided.
- **Threshold:** Tax shall be deducted if the amount of rent paid or payable exceeds Rs. 50,000 per month or part of the month.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier, including when credited to a suspense account.

Exemptions from TDS

- **Payments to the Government, RBI, Mutual Funds, and Tax-Exempt Corporations:** No TDS required.
- **Specific Exemptions:**
 - o **Tirumala Tirupati Devasthanams Rent Payments:** Exempt from TDS. [Notification No. 2911(e), dated 9-9-2016]
 - o **Payments to Armed Forces Funds:** No TDS if the fund is exempt under Section 10(23AA). [Circular No. 735, dated January 30, 1996]
 - o **Reimbursement of Hotel Rent to Employees:** No TDS if the employee makes the payment directly and claims reimbursement. [Circular No. 5/2002, dated July 30, 2002]
 - o **Cinema Hall Revenue Sharing:** Not considered rent; hence, no TDS is required. [Circular No. 736, dated February 13, 1996]
 - o **Payment to a Business Trust:** No TDS required.
 - o **Lease Rent for Aircraft or Ships to IFSC Units:** Exempt if the recipient files Form 1 under Section 80LA. [Notification No. 65, dated June 16, 2022, and Notification No. 57, dated 01-08-2023]
 - o **Payment to the specified IFSC units:** No TDS on rent for data centres to a Recognised Stock Exchange, subject to fulfilment of specified conditions. [Notification No. 67/2025, dated 20-06-2025]
 - o **GST Component on Rent:** TDS is not deducted on the GST portion if separately mentioned in the invoice. [Circular No. 23/2017, dated July 19, 2017]

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197A (self-declaration) or Section 197 (application to the Assessing Officer).
- **Deposit of TDS:**
 - o Payable using Challan ITNS 281 within 7 days from the month-end.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A to be issued within 15 days from the due date of TDS statement filing.



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Consequences of Non-Compliance

- **Failure to Deduct or Deposit:** Liable for interest under Section 201, penalty under Section 271C, and prosecution under Section 276B.
- **Failure to File TDS Statement:** Liable for a Rs. 200 per day penalty (limited to TDS amount) under Section 234E and additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalties under Section 272A.

TDS on Purchase of Immovable Property

TDS on Purchase of Immovable Property

Introduction

When a buyer purchases an immovable property (other than rural agricultural land) from a resident seller, tax must be deducted under Section 194-IA at 1% of the sale consideration or the stamp duty value, whichever is higher. TDS applies only if the property value is Rs. 50 lakh or more.

Key Provisions

- **Deductor:** Any buyer responsible for paying the sale consideration.
- **Deductee:** The seller must be a resident of India. If the seller is a non-resident, TDS is applicable under Section 195.
- **Threshold:** TDS applies if the sale consideration or stamp duty value is Rs. 50 lakh or more.
- **Consideration Basis:**
 - o The threshold applies to the total property value, not individual payments by multiple buyers or sellers.
 - o If multiple buyers purchase a property jointly, TDS must be deducted based on the total value and apportioned accordingly.
- **Rate of TDS:**
 - o 1% of the higher of sale consideration or stamp duty value.
 - o If PAN is not provided, a higher rate under Section 206AA applies.

Time of Deduction

TDS must be deducted at the time of payment or credit of consideration, whichever is earlier.

Exemption from TDS

- No TDS on payment to Govt., RBI, Mutual Fund or any exempt Corporation.
- No TDS on payment to 'Air India Limited' by 'Air India Holding Limited' under a plan approved by the Central Government. [Notification No. 106/2021, dated 10-09-2021]

Compliance Requirements

- **TAN Not Required:** Buyers can use their PAN instead of obtaining a TAN.
- **Deposit of TDS:**
 - o The deducted tax must be deposited using Form 26QB within 30 days from the end of the month in which TDS was deducted.
- **TDS Statement Filing:** Form 26QB must be submitted electronically.
- **TDS Certificate:** Form 16B must be issued within 15 days from the due date of the TDS return.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Rent Paid by Certain Individuals or HUFs

TDS on Rent Paid by Certain Individuals or HUFs

Introduction

As per section 194-IB, individuals and HUFs whose gross receipts or turnover in the preceding financial year do not exceed Rs. 1 crore (for business) or Rs. 50 lakh (for profession) must deduct TDS at 2% on rent payments exceeding Rs. 50,000 per month or part thereof.

Key Provisions

- **Deductor:**
 - o Applies to individuals and HUFs, even if they are not engaged in business or profession.
- **Deductee:**



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- o The recipient of rent must be a resident of India.
- o For payments to non-residents, TDS is applicable under Section 195.

- **Threshold:**

- o TDS is required if the monthly rent exceeds Rs. 50,000 per month or part of the month.

- **Rate of TDS:**

- o 2%
- o If PAN is not provided, a higher rate under Section 206AA applies, but TDS cannot exceed the rent for the last month of the year or tenancy, as the case may be.

Time of Deduction

- If tenancy continues till year-end: TDS is deducted at the time of payment or credit of rent for the last month of the financial year, whichever happens earlier.
- If the property is vacated early: TDS is deducted at the time of payment or credit of rent for the last month of tenancy, whichever happens earlier.

Exemptions from TDS

- No TDS on payments to the Government, RBI, Mutual Funds, or tax-exempt corporations under Section 196.

Compliance Requirements

- **TAN Not Required:** Buyers can use their PAN instead of obtaining a TAN.
- **Deposit of TDS:** The deducted tax must be deposited using Form 26QC within 30 days from the end of the month in which TDS was deducted.
- **TDS Statement Filing:** Form 26QC must be submitted electronically.
- **TDS Certificate:** Form 16C must be issued within 15 days from the due date of Form 26QC filing.

Penalties for Non-Compliance

- **Failure to Deduct/Deposit TDS:** Liable for interest under Section 201 and penalty under Section 271C.
- **Late Filing of TDS Statements:** Fee of Rs. 200 per day under Section 234E, plus penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificates:** Subject to penalties under Section 272A.

TDS on Payment under Joint Development Agreement

TDS on Payment under Joint Development Agreement

Introduction

Tax must be deducted under section 194-IC at 10% on payments made to a resident individual or HUF under a Joint Development Agreement (JDA) for the transfer of immovable property.

Key Provisions

- **Deductor:** Any person making payments under a JDA.
- **Deductee:** The recipient must be a resident individual or HUF.
- **Meaning of JDA:** A registered agreement where a landowner allows another person to develop a real estate project on his land in exchange for a share in the new project, with or without additional monetary consideration.
- **Rate of TDS:**
 - o 10% on the amount paid or payable.
 - o If PAN is not provided, higher rates under Section 206AA apply.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Exemptions from TDS

- **Consideration Paid in Kind:** If the consideration is entirely in kind, no TDS is required.

Compliance Requirements

- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the month of deduction.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.



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- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Liable for interest under Section 201.
- o Penalty under Section 271C, up to the non-deducted amount.
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Liable for a penalty of Rs. 200 per day (limited to the TDS amount) under Section 234E.
- o Additional penalties under Sections 271H and 272A.

• Failure to Issue TDS Certificate: Liable for a penalty under Section 272A.

TDS on Royalty and Fees for Technical Services

TDS on Royalty and Fees for Technical Services

Introduction

As per section 194J, TDS must be deducted on payments made to residents for royalty, fees for technical or professional services, director's fees, and non-compete fees.

Key Provisions

• Deductor:

- o Any person other than an individual or HUF.
- o Individuals or HUFs must deduct TDS if their turnover in the preceding financial year exceeds Rs. 1 crore (business) or Rs. 50 lakh (profession).

• Deductee: TDS applies only if the recipient is a resident. For non-residents, tax is deducted under Section 195.

• Threshold:

- o TDS applies if the total payment in a financial year exceeds Rs. 50,000 for each category (royalty, professional/technical services, etc.).
- o No threshold for director's fees—TDS is deducted even if the amount is below Rs. 50,000.

• Rate of TDS:

- o 2% – Fees for technical services, royalty for sale/distribution/exhibition of cinematographic films.
- o 2% - If the payee is engaged in the business of operating of call centre only
- o 10% – Other royalties, fees for professional services, non-compete fees, and director's fees.
- o Higher rates apply if PAN is not provided (Section 206AA)

• Time of Deduction: At the time of payment or credit, whichever is earlier, including when credited to a suspense account.

Exemptions from TDS

- **Government, RBI, and Tax-Exempt Entities:** No TDS as per Section 196.
- **GST Component:** TDS is deducted on the amount excluding GST, if shown separately in the invoice. [Circular No. 23/2017, dated July 19, 2017]
- **Personal Payments:** TDS is not required on professional fees paid by individuals or HUFs for personal purposes.
- **Foreign Payments:** No TDS if a foreign company pays fees to an Indian professional without a business connection in India. [Circular No. 726, dated October 18, 1995]
- **IFSC Units:** Specified payments to IFSC entities are exempt, subject to Form 1 compliance. [Notification No. 28/2024, dated 07-03-2024, and Notification No. 67/2025, dated 20-06-2025]

Compliance Requirements

• Lower/Nil Deduction Certificate: Can be obtained under Section 197 but not through a self-declaration under Section 197A.

• Deposit of TDS:

- o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
- o For March deductions, deposit by 30th April.
- o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.

• TDS Statement Filing: Quarterly submission in Form 26Q.



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- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Liable for interest under Section 201.
- o Penalty under Section 271C, up to the non-deducted amount.
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Liable for a penalty of Rs. 200 per day (limited to the TDS amount) under Section 234E.
- o Additional penalties under Sections 271H and 272A.

• Failure to Issue TDS Certificate: Liable for a penalty under Section 272A.

TDS on Income from Units (Resident)

TDS on Income from Units (Resident)

Introduction

Tax must be deducted at 10% under section 194K on income paid to a resident from units of mutual funds or specified companies, provided the income exceeds Rs. 10,000 in a financial year.

Key Provisions

- **Deductor:** Any person making payments related to:
 - o Units of a mutual fund under Section 10(23D).
 - o Units from the administrator of a specified undertaking.
 - o Units from a specified company.
- **Deductee:** Only applicable if the recipient is a resident; for non-residents, tax is deducted under Section 196A.
- **Threshold:** TDS applies only if income exceeds Rs. 10,000 in a financial year.
- **Rate of TDS:**
 - o 10%
 - o Higher rates apply if PAN is not provided (Section 206AA).
- **Amount Subject to TDS:** Only dividend income is considered; capital gains are not subject to TDS under this section.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier, including when credited to a suspense account.

Exemptions from TDS

- **Payments to the Government, RBI, Mutual Funds, or Tax-Exempt Corporations:** No TDS by virtue of section 196.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197 (application to the Assessing Officer) or through a self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Liable for interest under Section 201.
- o Penalty under Section 271C, up to the non-deducted amount.
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Liable for a penalty of Rs. 200 per day (limited to the TDS amount) under Section 234E.



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o Additional penalties under Sections 271H and 272A.

- **Failure to Issue TDS Certificate:** Liable for a penalty under Section 272A.

TDS on Compulsory Acquisition of Immovable Property

TDS on Compulsory Acquisition of Immovable Property

Introduction

TDS must be deducted under section 194LA at 10% on compensation or enhanced compensation paid to a resident for the compulsory acquisition of immovable property (other than agricultural land).

Key Provisions

- **Deductor:** Any person making compensation payments for compulsory acquisition.
- **Deductee:** Only applicable if the recipient is a resident; for non-residents, tax is deducted under Section 195.
- **Threshold:** No TDS is required if the total compensation in a financial year is Rs. 5,00,000 or less.
- **Rate of TDS:**
 - o 10% on compensation payments.
 - o Higher rates apply if PAN is not provided (Section 206AA).
- **Time of Deduction:** TDS must be deducted at the time of payment of compensation or enhanced compensation.

Exemptions from TDS

- **Agricultural Land:**
 - o No TDS applies if the land acquired is agricultural land (whether urban or rural).
- **Land Acquisition Act:**
 - o No TDS applies if compensation is exempt under Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition Act, 2013.
- **Government and Exempt Entities:**
 - o No TDS applies on payments made to Government, RBI, Mutual Funds, or tax-exempt corporations (Section 196).

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197, but not through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the undeducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Penalty of Rs. 200 per day (limited to TDS amount) under Section 234E.
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalty under Section 272A.

TDS on Interest from Infrastructure Debt Fund

TDS on Interest from Infrastructure Debt Fund

Introduction

TDS must be deducted under section 194LB at 5% (plus surcharge and cess) on interest payments made by Infrastructure Debt Funds (IDFs) to non-residents, including foreign companies.



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Key Provisions

- **Deductor:** The Infrastructure Debt Fund is making interest payments.
- **Deductee:** TDS applies only if the recipient is a non-resident or a foreign company.
- **Threshold:** No minimum threshold—TDS is applicable on all interest payments.
- **Rate of TDS:**
 - o 5% plus applicable surcharge and cess.
 - o Higher rates apply if PAN is not provided (Section 206AA).
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197 or 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Penalty of Rs. 200 per day (limited to TDS amount) under Section 234E.
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalty under Section 272A.

TDS on Income Distributed by Business Trusts

TDS on Income Distributed by Business Trusts

Introduction

As per section 194LBA, business trusts, such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), must deduct TDS on specified income distributed to unit holders, regardless of their residential status.

Key Provisions

- **Deductor:** The business trust making distributions.
- **Deductee:** All unit holders (both residents and non-residents).
- **Income Subject to TDS:**
 - o Interest received from a Special Purpose Vehicle (SPV).
 - o Dividend received from an SPV (if the SPV has opted for a concessional tax regime under Section 115BAA).
 - o Rental income earned directly by a REIT from real estate assets.
- **Rate of TDS:**
 - o **For Residents:** 10% on distributed income.
 - o **For Non-Residents:**
 - 5% on interest from SPV.
 - 10% on dividends from SPV.
 - 30% (non-resident individuals) / 35% (foreign companies) on rental income from real estate.
 - o **Surcharge and cess** apply to non-residents.



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o Higher rates apply if PAN is not provided (Section 206AA).

- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Exemptions from TDS

- **Government, RBI, and Tax-Exempt Entities:** No TDS by virtue of section 196.
- If the distributed sum is taxable in the hands of the unit holder under Section 56(2)(xii).

Compliance Requirements

- **Lower/Nil Deduction Certificate:**
 - o Available under Section 197
 - o Not available through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:**
 - o Form 26Q for residents.
 - o Form 27Q for non-residents.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Penalty of Rs. 200 per day (limited to TDS amount) under Section 234E.
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalty under Section 272A.

TDS on Income Distributed by Investment Funds

TDS on Income Distributed by Investment Funds

Introduction

Investment funds must deduct TDS under section 194LBB on income (other than business profits) distributed to unit holders, regardless of their residential status.

Key Provisions

- **Deductor:** The Investment Fund making the distribution.
- **Deductee:** All unit holders (both residents and non-residents).
- **Rate of TDS:**
 - o For Residents: 10% on distributed income.
 - o For Non-Residents:
 - 20% on dividend income.
 - Other income: Tax is deducted at rates in force (as per the Finance Act or applicable DTAA).
 - o For non-residents, cess and surcharge shall apply.
 - o Higher rates apply if PAN is not provided (Section 206AA).
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Exemptions from TDS

- **Government, RBI, and Tax-Exempt Entities:** No TDS by virtue of section 196.



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- If income is exempt in the hands of the recipient

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197 but not through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:**
 - o Form 26Q for residents.
 - o Form 27Q for non-residents.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Penalty of Rs. 200 per day (limited to TDS amount) under Section 234E.
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Liable for penalty under Section 272A.

TDS on Income from Investment in Securitization Trust

TDS on Income from Investment in Securitization Trust

Introduction

TDS must be deducted under section 194LBC on income paid to investors in a Securitization Trust, regardless of their residential status.

Key Provisions

- **Deductor:** Any person making payments related to investments in a Securitization Trust.
- **Deductee:** All investors (both residents and non-residents).
- **Rate of TDS:**
 - o For Residents:
 - 10%
 - o For Non-Residents:
 - 20% on dividend income.
 - Other income: Tax deducted at rates in force (as per the Finance Act or applicable DTAA).
 - o Higher rates apply if PAN is not provided (Section 206AA)
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Exemptions from TDS

- Government, RBI, and Tax-Exempt Entities: No TDS by virtue of Section 196.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197, but not through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:**



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o Form 26Q for residents.

o Form 27Q for non-residents.

- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Penalty of Rs. 200 per day (limited to TDS amount) under Section 234E.
- o Additional penalties under Sections 271H and 272A.

- Failure to Issue TDS Certificate: Liable for penalty under Section 272A.

TDS on Interest Paid on Foreign Borrowings

TDS on Interest Paid on Foreign Borrowings

Introduction

As per section 194LC, Indian companies and business trusts must deduct TDS on interest paid to non-residents or foreign companies for specified foreign borrowings, including long-term infrastructure bonds and rupee-denominated bonds.

Key Provisions

- **Deductor:** Any Indian company or business trust making interest payments in respect of foreign borrowings.
- **Deductee:** Non-residents or foreign companies receiving interest payments.
- **Time of Deduction:** TDS is deducted at the time of payment or credit, whichever is earlier.

Rate of TDS

- 5% on general foreign borrowings.
- 4% for bonds listed in an IFSC (between 01-04-2020 and 30-06-2023).
- 9% for bonds listed in an IFSC (on or after 01-07-2023).
- Concessional TDS rates apply only if interest on such securities does not exceed the Central Government-approved rate based on the loan/bond terms. [Circular No. 7/ 2012, dated September 21, 2012]
- Higher rates apply if PAN is not provided (Section 206AA), except for long-term infrastructure bonds, where the concessional rate still applies.

Exemptions from TDS

- Interest on rupee-denominated bonds issued between 17-09-2018 and 31-03-2019 is exempt.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Payable via Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Rs. 200 per day penalty under Section 234E (limited to TDS amount).



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o Additional penalties under Sections 271H and 272A.

- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Payments to Contractors or Professionals by Certain Individuals or HUFs

TDS on Payments to Contractors or Professionals by Certain Individuals or HUFs

Introduction

As per section 194M, individuals and HUFs who are not liable to deduct tax under Sections 194C, 194H, or 194J must deduct TDS at 2% on payments to contractors, commission agents, brokers, or professionals if the total amount exceeds Rs. 50 lakh in a financial year.

Key Provisions

- **Deductor:**
 - o Individuals or HUFs whose previous year's turnover does not exceed Rs. 1 crore (business) or Rs. 50 lakh (profession).
 - o Individuals or HUFs making payments for personal purposes.
- **Deductee:** The recipient must be a resident. For non-residents, TDS is deducted under Section 195.
- **Threshold:** TDS applies only if aggregate payments exceed Rs. 50 lakh in a financial year.
- **Rate of TDS:**
 - o 2%
 - o Higher rates apply if PAN is not provided (Section 206AA).
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Types of Payments Covered

- **Contractual Payments:** Includes labour supply, job work, advertising, catering, transportation, and broadcasting or telecasting.
- **Commission (excluding insurance commission) or Brokerage.**
- **Professional Services.**

Exemptions from TDS

- **Government, RBI, and Tax-Exempt Entities:** No TDS by virtue of section 196.
- **Payments Below Rs. 50 Lakh:** No TDS if the total amount in a financial year does not exceed Rs. 50 lakh.

Compliance Requirements

- **TAN Not Required:** Deductors can use their PAN instead of obtaining a TAN.
- **Lower/Nil Deduction Certificate:** Available under Section 197, but not through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Payable within 30 days from the end of the month in which TDS was deducted.
- **TDS Statement Filing:** Form 26QD must be filed electronically.
- **TDS Certificate:** Form 16D must be issued within 15 days from the due date of Form 26QD filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Cash Withdrawals

TDS on Cash Withdrawals

Introduction

Banks, co-operative banks, and post offices must deduct TDS under section 194N on cash withdrawals exceeding specified limits from accounts maintained by the recipient. The TDS rate is 2% or 5%, as applicable.



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Key Provisions

- **Deductor:** Any bank, co-operative bank, or post office making cash payments above the threshold limit.
- **Deductee:** Applies to all recipients, whether resident or non-resident.
- **Time of Deduction:** At the time of payment of the cash withdrawal.

Rate of TDS and Threshold Limits

Category	Threshold	TDS Rate
If the return of income is filed	Exceeds Rs. 1 crore (Rs. 3 crore for co-operative societies)	2%
If the return of income is NOT filed for the 3 preceding years	Exceeds Rs. 20 lakh but up to Rs. 1 crore (Rs. 3 crore for co-operative societies)	2%
	Exceeds Rs. 1 crore (Rs. 3 crore for co-operative societies)	5%

- If PAN is not provided, TDS is deducted at 20% under Section 206AA.
- For non-residents and foreign companies, surcharge and cess apply to TDS.

Exemptions from TDS

- Payments to the Government, banks, co-operative banks, and post offices.
- Business correspondents and white-label ATM operators under RBI guidelines.
- Specified entities notified by the Central Government, including:
 - o ATM cash replenishment agencies subject to the fulfilment of specified conditions. [Notification No. 68/2019, Dated 18-9-2019]
 - o Agricultural Produce Market Committee (APMC) agents and traders, subject to the fulfilment of specified conditions. [Notification No. 70/2019, Dated 20-9-2019]
 - o Authorised dealers and Full-Fledged Money changers, subject to the fulfilment of specified conditions. [Notification No. 80/2019, Dated 15-10-2019]
 - o Foreign diplomatic missions, UN agencies, and consulates. [Notification No. 123/2024, Dated 28-11-2024]

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing: Quarterly submission in Form 26Q.**
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Payments by E-commerce Operators

TDS on Payments by E-commerce Operators

Introduction

E-commerce operators must deduct TDS at a rate of 0.1% under Section 194-O on payments made to e-commerce participants who sell goods or provide services through their platforms.

Key Provisions

- **Deductor:** E-commerce operators managing digital platforms for buying and selling goods/services.
- **Deductee:** Resident e-commerce participants.



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- **Time of Deduction:** At the time of credit or payment, whichever is earlier.
- **Threshold:** No threshold—TDS applies to all transactions, except:
 - o If the participant is an individual/HUF, and
 - o Annual sales do not exceed Rs. 5 lakh, and
 - o PAN/Aadhaar is provided to the e-commerce operator.

Rate of TDS

- 0.1%
- Higher rates apply if PAN is not provided (Section 206AA)

CBDT Guidelines

The CBDT has issued guidelines, vide Circular No. 20/2023, dated 28-12-2023, to address various difficulties and clarify several doubts.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Available under Section 197, but not through self-declaration under Section 197A.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Pension and Interest Income of Senior Citizens

TDS on Pension and Interest Income of Senior Citizens

Introduction

Section 194P provides that specified banks must deduct TDS on pension and interest income of senior citizens aged 75 years or more. If tax is deducted under this provision, the senior citizen is not required to file an income tax return.

Key Provisions

- **Deductor:** Scheduled banks appointed as agents of the RBI.
- **Deductee:** Resident senior citizens (aged 75 or above) receiving:
 - o Pension income, and
 - o Interest from accounts in the same bank.

Conditions for TDS Deduction

- The senior citizen's income should consist only of pension and interest.
- Interest must be earned from accounts in the same bank.
- The senior citizen must submit a declaration (Form 12BBA) to the bank.

Rate of TDS

- Tax is deducted at the rates in force, considering:
 - o Deductions under Chapter VI-A.



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o Rebate under section 87A.

- If no tax is due, the bank will not deduct TDS.

Compliance Requirements

• Deposit of TDS:

- o Challan ITNS 281 within 7 days from the end of the deduction month.
- o For March deductions, deposit by 30th April.
- o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.

• **TDS Statement Filing:** Quarterly submission in Form 24Q.

• **TDS Certificate:** Form 16 must be issued by 15th June of the following financial year.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
- o Additional penalties under Sections 271H and 272A.

• **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Purchase of Goods

TDS on Purchase of Goods

Introduction

TDS must be deducted under section 194Q at 0.1% on payments made to a resident seller for the purchase of goods if the buyer's turnover exceeds Rs. 10 crore in the preceding financial year and the total purchase value exceeds Rs. 50 lakh in a financial year.

Key Provisions

• Deductor:

- o A buyer engaged in business with turnover exceeding Rs. 10 crore in the previous financial year immediately preceding the financial year in which such goods are purchased.

• Deductee:

- o A resident seller receiving payment for goods.

• Threshold:

- o TDS applies only to purchases exceeding Rs. 50 lakh in a financial year.

• Time of Deduction:

- o At the time of credit or payment, whichever is earlier.

Rate of TDS

- 0.1% on purchase value exceeding Rs. 50 lakh.
- Higher rates apply if PAN is not provided (Section 206AA)

CBDT Guidelines

The CBDT has issued guidelines, *vide* Circular No. 13 of 2021, dated 30-06-2021 and Circular No. 20 of 2021, dated 25-11-2021, to address various difficulties and clarify several doubts.

Exemptions from TDS

- **Transactions with the Government:** No TDS if the seller is the Central or State Government. [[Circular No. 20/2021, dated 25-11-2021]
- **International Financial Services Centre (IFSC) Units:** No TDS on purchases from **IFSC units** engaged in aircraft or ship leasing. [Notification No. 3/2025, dated 02-01-2025]

Compliance Requirements

- **Lower/Nil Deduction Certificate:**



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- o Available under Section 197 (w.e.f. 01-10-2024).
- o Self-declaration under Section 197A is not allowed.

- **Deposit of TDS:**

- o Challan ITNS 281 within 7 days from the end of the deduction month.
- o For March deductions, deposit by 30th April.
- o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.

- **TDS Statement Filing:** Quarterly submission in Form 26Q.

- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

- **Failure to Furnish TDS Statement:**

- o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
- o Additional penalties under Sections 271H and 272A.

- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Benefit or Perquisite from Business or Profession

TDS on Benefit or Perquisite from Business or Profession

Introduction

Section 194R provides that TDS must be deducted at 10% on any benefit or perquisite provided to a resident in relation to business or profession. The tax must be deducted before providing the benefit or perquisite.

Key Provisions

- **Deductor:** Any person (resident or non-resident) providing a benefit or perquisite related to business or profession.
 - o These provisions are not applicable to individuals and HUFs with turnover below Rs. 1 crore (business) or Rs. 50 lakh (profession) in the previous year.
- **Deductee:** Resident persons receiving benefits or perquisites related to their business or profession.
- **Exemptions:**
- **Threshold:** TDS applies only if the total benefit/perquisite exceeds Rs. 20,000 in a financial year.
- **Time of Deduction:** Before providing the benefit or perquisite.

Rate of TDS

- 10% on the value of the benefit or perquisite.
- Higher rates apply if PAN is not provided (Section 206AA)

Valuation of Benefit/Perquisite

- Fair Market Value (FMV), unless:
 - o The benefit is purchased (then the purchase price applies).
 - o The benefit is manufactured (then the selling price applies).

Special Cases

- If benefit is given in kind:
 - o The recipient must pay the TDS amount in advance or
 - o The provider must gross up the value and pay the TDS.

CBDT Guidelines

The CBDT has issued guidelines, vide Circular No. 12, dated 16-06-2022 and Circular No. 18, dated 13-09-2022, to address various difficulties and clarify several doubts.

Compliance Requirements



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- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Payment for Transfer of Virtual Digital Assets (VDAs)

TDS on Payment for Transfer of Virtual Digital Assets (VDAs)

Introduction

As per Section 194S, TDS must be deducted at a rate of 1% on payments made to a resident for the transfer of Virtual Digital Assets (VDAs).

Key Provisions

- **Deductor:**
 - o Any person (resident or non-resident) making payment for the transfer of VDAs.
 - o In over-the-counter (OTC) transactions, the buyer must deduct TDS.
 - o If VDAs are transferred via exchange platforms, the exchange is responsible for deducting TDS if it processes payments.
- **Deductee:**
 - o Any resident individual or entity receiving consideration for VDA transfers.
- **Threshold for TDS Applicability:**
 - o Rs. 50,000 (if the payer is an individual/HUF with a business turnover below Rs. 1 crore or professional receipts below Rs. 50 lakh or not having any business/profession income). [*Specified Person*]
 - o Rs. 10,000 (for all other payers).
- **Time of Deduction:**
 - o At the time of payment or credit, whichever is earlier.
 - o For intraday VDA trades, TDS is deducted each time a transaction is squared off.

Rate of TDS

- 1% of the consideration paid for VDA transfer.
- Higher rates apply if PAN is not provided (20% under Section 206AA)

Special Cases

- **Exchange of VDAs:**
 - o If VDAs are exchanged (e.g., Bitcoin for Ethereum), both parties are liable to deduct TDS.
 - o Before exchanging VDAs, each party must ensure that the other has paid the TDS.
- **Consideration in Kind:**
 - o Before releasing consideration for transfer of VDA, the payer must ensure TDS on such consideration is duly paid.

CBDT Guidelines



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The CBDT has issued guidelines, vide Circular No. 13, dated 22-06-2022 and Circular No. 14, dated 28-06-2022, to address various difficulties and clarify several doubts.

Compliance Requirements

• TAN Not Required:

- o Individuals and HUFs (specified persons) can deduct TDS using their PAN instead of obtaining a TAN.

• Deposit of TDS:

- o Specified persons: Form 26QE within 30 days from the end of the month of deduction.
- o Others: Challan ITNS 281 within 7 days from the end of the deduction month (by 30th April for March deductions).

• TDS Statement Filing:

- o Specified persons: File Form 26QE.
- o Others: Quarterly filing in Form 26Q.

• TDS Certificate:

- o Specified persons: Form 16E within 15 days of Form 26QE filing.
- o Others: Form 16A within 15 days of Form 26Q filing.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
- o Additional penalties under Sections 271H and 272A.

• Failure to Issue TDS Certificate: Penalty under Section 272A.

TDS on Salary, Remuneration, Interest, Bonus, or Commission Paid by Firms to Partners

TDS on Salary, Remuneration, Interest, Bonus, or Commission Paid by Firms to Partners

Introduction

Section 194T provides that partnership firms and LLPs must deduct TDS at 10% on salary, remuneration, interest, bonus, or commission paid to their partners.

Key Provisions

- **Deductor:** Any partnership firm or LLP making payments to partners.
- **Deductee:** A partner of the firm.
- **Nature of Payments Covered:**
 - o Salary, remuneration, commission, bonus, and interest.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Rate of TDS

- 10% of the payment amount.
- Higher rates apply if PAN is not provided (20% under Section 206AA).
- For non-resident partners, surcharge and cess apply.

Exemptions from TDS

- No TDS if the total payments to a partner do not exceed ₹20,000 in a financial year.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.



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- **TDS Statement Filing:** Quarterly submission in Form 26Q.
- **TDS Certificate:**
 - Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - Interest liability under Section 201.
 - Penalty under Section 271C (up to the non-deducted amount).
 - Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Payments to Non-Residents

TDS on Payments to Non-Residents

Introduction

As per section 195, tax must be deducted at source (TDS) on interest or any other sum paid to a non-resident (excluding salary) at the rates prescribed by the Finance Act.

Key Provisions

- **Deductor:** Any resident or non-resident making payments to a non-resident or foreign company.
- **Deductee:** Non-residents or foreign companies receiving income chargeable to tax in India.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Rate of TDS

- Rates are prescribed under the Finance Act and vary by income type:
 - 20% – Interest, royalty, fees for technical services.
 - 12.5% – Long-term capital gains (for specified cases).
 - 10%/20% - Dividends
 - 20% - Short-term capital gains (for specified cases)
 - 30% – Any other income (35% for foreign companies).
- Rates shall be further increased by the applicable Surcharge and Cess.
- Higher rates apply if PAN is not provided (Section 206AA).
- If a DTAA (Double Taxation Avoidance Agreement) exists, tax is deducted at the lower of the DTAA rate or the Finance Act rate.

Exemptions from TDS

- Income not chargeable to tax in India under the Income-tax Act or DTAA.
- Payments already covered under other TDS provisions (e.g., Sections 192, 194LB, 194LC, etc.).
- Interest on External Commercial Borrowings (ECB) / Loans to IFSC units, subject to filing of Form 1. [Notification No. 28/2024, dated 07-03-2024]

Compliance Requirements

- **Lower/Nil Deduction Certificate:**
 - Non-residents may apply for a nil TDS certificate in Form 15C or 15D.
 - Payers can seek determination of taxable income in Form 15E.
- **Deposit of TDS:**
 - Challan ITNS 281 within 7 days from the end of the deduction month.
 - For March deductions, deposit by 30th April.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days of TDS statement filing.



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• Intimation to Government:

- o Form 15CA / Form 15CB must be submitted for payments to non-residents.

Consequences of Non-Compliance

• Failure to Deduct or Deposit TDS:

- o Interest liability under Section 201.
- o Penalty under Section 271C (up to the non-deducted amount).
- o Prosecution under Section 276B.

• Failure to Furnish TDS Statement:

- o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
- o Additional penalties under Sections 271H and 272A.

• Failure to Issue TDS Certificate: Penalty under Section 272A.

Refund of TDS deducted under Section 195

Refund of TDS deducted under Section 195

Introduction

A deductor may claim a refund of TDS deducted under Section 195 on any income (other than interest) by filing an application under Section 239A before the Assessing Officer if no tax was required to be deducted on such income.

Eligibility for Refund under Section 239A

The following conditions must be met:

- The tax should be deducted on any income (except interest) under Section 195.
- The deductor should bear the tax liability under a written agreement or arrangement.
- The tax must have been paid to the Government.
- The deductor claims that no tax was required to be deducted.
- The refund application is filed with the AO within 30 days from the date of tax payment.

Refund Process Under Section 239A

- The application for refund must be filed in Form 29D within 30 days of the tax payment.
- The Assessing Officer (AO) may conduct an inquiry and must pass an order within six months from the end of the month in which the application is received.
- If the refund is rejected, the deductor may file an appeal before the Commissioner (Appeals).

Interest on Refund

- If a refund is granted, interest is payable under Section 244A from the date of tax payment [Circular No. 11/2016, dated 26-04-2016].

Refund under CBDT Circulars (Other Cases) [Circular No. 7/2007, dated October 23, 2007 and Circular No. 7/2011, dated September 27, 2011]

If the case is not covered under Section 239A, refund claims can be made as per CBDT Circulars in cases such as:

- Full cancellation of contract (if no remittance is made).
- Partial cancellation of contract (if no payment is made for the non-executed part).
- Exemption is provided to the remittance by any law or Government notification (after tax was deducted).
- Order by appellate authority, reducing tax liability.
- Excess deduction due to DTAA applicability or mistaken duplicate deductions.

• Time Limit for Refund Application

- o Within two years from the end of the financial year in which TDS was deducted.

• Filing Undertaking for Refund

- o Refund is granted only if no TDS certificate has been issued to the non-resident.
- o If a TDS certificate was issued, the deductor must either retrieve it or indemnify the Income-tax Department.

No TDS on Payments to Specified Institutions

No TDS on Payments to Specified Institutions

Introduction



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No TDS is required on interest, dividends, or other income payable to specified entities, including the Government, RBI, Mutual Funds, and other tax-exempt bodies.

Key Provisions

- **Deductor:** Any person making payments of interest, dividends, or other income.
- **Deductee:** The following entities are exempt from TDS:
 - o The Government
 - o The Reserve Bank of India (RBI)
 - o Corporations established under a Central Act that are exempt from income tax.
 - o Mutual Funds specified under Section 10(23D).
- **Exemption Conditions:**
 - o The exemption from TDS in respect of interest or dividend applies only if the income is from shares or securities owned by the exempt entities or in which they have full beneficial interest.

Exemption for Statutory Bodies under Section 10

The CBDT vide Circular No. 18/2017, dated 29-05-2017, clarified that no TDS is required on payments to entities whose income is unconditionally exempt under Section 10 and who are not required to file income tax returns under Section 139. Entities exempt from TDS include:

- Local authority [Section 10(20)]
- Regimental Fund or Non-public Fund established by the Armed Forces of the Union [Section 10(23AA)]
- Fund set up by the LIC or by any other insurer [Section 10(23AAB)]
- Authority established for development of Khadi or Village Industries (whether known as Khadi and Village Industries Board or by any other name) [Section 10(23BB)]
- Body or authority constituted or appointed by or under any Central, State or Provincial Act [Section 10(23BBA)]
- SAARC Fund for Regional Projects set up by Colombo Declaration [Section 10(23BBC)]
- Insurance Regulatory and Development Authority [Section 10(23BBE)]
- Central Electricity Regulatory Commission [Section 10(23BBG)]
- Prasar Bharti [Section 10(23BBE)]
- Prime Minister's National Relief Fund [Section 10(23C)(i)]
- Prime Minister's Fund for promotion of Folk Art [Section 10(23C)(i)]
- Prime Minister's Aid to Students Fund [Section 10(23C)(iii)]
- National Foundation for Communal Harmony [Section 10(23C)(iiia)]
- Swatch Bharat Kosh [Section 10(23C)(iiiaa)]
- Clean Ganga Fund [Section 10(23C)(iiiaaa)]
- Provident fund to which the PF Act, 1925 [Section 10(25)(i)]
- Recognised provident fund [Section 10(25)(ii)]
- Approved superannuation funds [Section 10(25)(iii)]
- Approved Gratuity Fund [Section 10(25)(iv)]
- Other Funds [Section 10(25)(v)]
- Employees' State Insurance Fund [Section 10(25A)]
- Agricultural Produce Marketing Committee [Section 10(26AAB)]



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- Corporations established for promoting interests of members of Scheduled Castes or Scheduled Tribes or backward classes [Section 10(26B)]
- Corporations established for promoting interests of members of minority community [Section 10(26BB)]
- Corporations established for the welfare and economic upliftment of ex-servicemen being the citizens of India [Section 10(26BBB)]
- New Pension System Trust [Section 10(44)]

TDS on Income from Units (Non-Resident)

TDS on Income from Units (Non-Resident)

Introduction

Section 196A provides that TDS must be deducted at 20% on income paid to a non-resident or foreign company from units of mutual funds or a specified company.

Key Provisions

- **Deductor:** Any person making payments related to:
 - o Units of a mutual fund specified under Section 10(23D).
 - o Units from a specified company referred to in Section 10(35).
- **Deductee:** Non-resident individuals, HUFs, or foreign companies, etc.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Rate of TDS

- 20% plus applicable surcharge and cess.
- If covered under a DTAA, TDS is deducted at 20% or the DTAA rate, whichever is lower, provided the recipient submits a Tax Residency Certificate (TRC).
- Higher rates apply if PAN is not provided (Section 206AA)

Exemptions from TDS

- No TDS if income is payable from Unit Trust of India (UTI) to:
 - o Non-Resident Indians (NRIs) or Non-Resident HUFs.
 - o Where units were purchased using funds from an NRE account or remitted in foreign currency as per FEMA regulations.

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Income from Units Purchased in Foreign Currency

TDS on Income from Units Purchased in Foreign Currency

Introduction



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Section 196B provides that TDS must be deducted on income from units purchased in foreign currency or long-term capital gains from their transfer when paid to an offshore fund.

Key Provisions

- **Deductor:** Any person making payments for:
 - o Income from units purchased in foreign currency.
 - o Long-term capital gains (LTCG) on transfer of such units.
- **Deductee:** Offshore funds investing in India through public sector banks, financial institutions, or specified mutual funds, with arrangements approved by SEBI.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.
- **Threshold Limit:** No minimum exemption limit—TDS applies irrespective of the amount.

Rate of TDS

- 12.5% on long-term capital gains
- 10% on any other income from units.
- Cess and Surcharge shall be applied.
- Higher rates apply if PAN is not provided (Section 206AA)

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the non-deducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Income from Bonds or GDRs

TDS on Income from Bonds or GDRs

Introduction

TDS must be deducted under section 196C on interest, dividends, and long-term capital gains paid to non-residents for Bonds or Global Depository Receipts (GDRs) purchased in foreign currency.

Key Provisions

- **Deductor:** Any person making payments related to:
 - o Interest or dividend on Bonds or GDRs.
 - o Long-term capital gains (LTCG) from transfer of such Bonds or GDRs.
- **Deductee:** Any non-resident person or foreign company receiving such income.
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Rate of TDS

- 12.5% on long-term capital gains



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- 10% on interest or dividends from Bonds or GDRs.
- Cess and Surcharge shall be applied.
- Higher rates apply if PAN is not provided (Section 206AA).

Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the undeducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

TDS on Income Payable to Foreign Portfolio Investors (FPIs) or Specified Funds

TDS on Income Payable to Foreign Portfolio Investors (FPIs) or Specified Funds

Introduction

TDS must be deducted under section 196D on income from securities (excluding interest on rupee-denominated bonds, government securities, or municipal debt securities) payable to Foreign Portfolio Investors (FPIs) or Specified Funds.

Key Provisions

- **Deductor:** Any person making payments related to:
 - o Income from securities held by FPIs.
 - o Income payable to Specified Funds under Section 10(4D).
- **Deductee:**
 - o FPIs (earlier FIIs) under Section 115AD.
 - o Specified Funds under Section 10(4D).
- **Time of Deduction:** At the time of credit or payment, whichever is earlier.

Rate of TDS

- **For FPIs:** 20% plus applicable surcharge and cess.
 - o If covered under DTAA, TDS is deducted at 20% or the DTAA rate, whichever is lower, provided the recipient submits a Tax Residency Certificate (TRC).
- **For Specified Funds:** 10%.
- Higher rates apply if PAN is not provided (Section 206AA)

Exemptions from TDS

No TDS is required on:

- Capital gains from the transfer of securities by FPIs (covered under Section 115AD).
- Income from units purchased in foreign currency (covered under Section 115AB).
- Exempt income of Specified Funds (under Section 10(4D)).
- Interest on Rupee Denominated Bonds, Government Securities, or Municipal Debt Securities (covered under Section 194LD).



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Compliance Requirements

- **Lower/Nil Deduction Certificate:** Not available under Section 197.
- **Deposit of TDS:**
 - o Challan ITNS 281 within 7 days from the end of the deduction month.
 - o For March deductions, deposit by 30th April.
 - o Government offices depositing TDS without a challan must deposit the TDS on the same day on which the tax was deducted.
- **TDS Statement Filing:** Quarterly submission in Form 27Q.
- **TDS Certificate:** Form 16A must be issued within 15 days from the due date of TDS statement filing.

Consequences of Non-Compliance

- **Failure to Deduct or Deposit TDS:**
 - o Interest liability under Section 201.
 - o Penalty under Section 271C (up to the undeducted amount).
 - o Prosecution under Section 276B.
- **Failure to Furnish TDS Statement:**
 - o Rs. 200 per day penalty under Section 234E (limited to TDS amount).
 - o Additional penalties under Sections 271H and 272A.
- **Failure to Issue TDS Certificate:** Penalty under Section 272A.

Certificate for Lower Deduction of Tax

Certificate for Lower Deduction of Tax

Introduction

An assessee can apply to the Assessing Officer for a certificate permitting nil or lower tax deduction at source (TDS) if their estimated tax liability justifies a lower rate.

Eligible Applicants

Any person, including residents, non-residents, individuals, firms, and companies, can apply for this certificate. In some cases, a self-declaration under Section 197A may be submitted instead.

Applicable Income Categories

A certificate can be obtained for the following income types:

- Salaries (Section 192)
- Interest (Sections 193 & 194)
- Dividends (Section 194)
- Payments to Contractors (Section 194C)
- Commission & Brokerage (Sections 194D, 194G, 194H)
- Rent (Section 194-I)
- Professional & Technical Fees (Section 194J)
- Income from Units, Business Trusts, Investment & Securitization Trusts (Sections 194K, 194LBA, 194LBB, 194LBC)
- Compensation on Compulsory Property Acquisition (Section 194LA)
- Payment to contractor or professional by the specified individual or HUF (Section 194M)
- Payments by E-commerce Operators & for Purchase of Goods (Sections 194-O, 194Q)
- Payments to Non-residents (Section 195)

Application Process

- Application can be filed online in Form 13 with a Digital Signature or Electronic Verification Code.
- PAN is mandatory; without PAN, tax is deducted at higher rates as per Section 206AA.
- Individuals can use Aadhaar in place of PAN, subject to conditions.

Evaluation Criteria

Before issuing the certificate, the Assessing Officer assesses:



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- Tax liability based on current and past four years' income.
- Existing tax liability.
- Advance tax, TDS, and TCS already paid.

Special Provisions for Charitable Trusts & Institutions - Applicants such as trusts, research associations, and educational institutions must:

- File all due tax returns.
- Hold valid approval under the Income-tax Act.

Issuance & Validity of Certificate

- Issued directly to the deductor or to the applicant if the number of tax deductors exceeds 100 persons.
- Valid for the specified period unless cancelled earlier by the Assessing Officer.
- Only applies to the deductor mentioned in the certificate.

Prior Approval Requirements

For tax reductions exceeding:

- Rs. 50 lakhs (Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Pune).
- Rs. 10 lakhs (other locations),

Prior approval from the Commissioner of Income-tax (TDS) is required.

Non-Deduction of Tax

Non-Deduction of Tax

Introduction

Tax is not required to be deducted on certain payments if either the payer is a specified institution or the recipient submits a self-declaration for nil TDS. Eligible recipients must file Form 15H (for senior citizens) or Form 15G (for others).

Eligibility for Filing a Declaration:

A declaration can be filed for the following provisions if:

1. The recipient's income does not exceed the basic exemption limit.
2. Tax on his total estimated income is nil.

• Resident Individuals (Non-Senior Citizens)

- o Dividend (Section 194)
- o National Savings Scheme (Section 194EE)

• Other Non-Corporate Taxpayers

- o Provident Fund Payments (Section 192A)
- o Interest on Securities (Section 193)
- o Interest (Other than Securities) (Section 194A)
- o Insurance Commission (Section 194D)
- o Life Insurance Payments (Section 194DA)
- o Rent (Section 194-I)
- o Income from Units (Section 194K)

• Resident Senior Citizens (60+ Years)

A declaration can be filed for the following provisions if the tax on the estimated total income after considering the rebate under section 87A is nil:

- o Provident Fund Payments (Section 192A)
- o Interest on Securities (Section 193)
- o Dividend (Section 194)
- o Interest (Other than Securities) (Section 194A)
- o Insurance Commission (Section 194D)
- o Life Insurance Payments (Section 194DA)



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- o Deposit under NSS (Section 194EE)
- o Rent (Section 194-I)
- o Income from Units (Section 194K)

Submission Process

- Forms 15G/15H are submitted in duplicate to the payer (in paper or electronically).
- PAN/Aadhaar must be provided.
- The payer issues a Unique Identification Number (UIN) and reports it quarterly to the Income-tax Department under his DSC within 15 days from the end of the first, second and third quarters; 30 days from the end of the fourth quarter.
- Payer must report transactions covered by Form 15G/15H in the quarterly TDS return, even if no TDS is deducted.
- When the estimated income of the payee changes, he needs to file a new Form No. 15G/15H. [Notification No. 6/2017, dated May 30, 2017]

Record Retention

Declarations must be retained for a period of 7 years for verification by tax authorities.

Specified Payments Exempt from TDS

Government-Notified Exemptions:

- Payments to the National Pension System (NPS) Trust.
- Interest payment by Offshore Banking Units to non-resident or not-ordinarily resident.
- Interest payment by IFSC banking units to non-resident or not-ordinarily resident. [Circular No.26/2016 Dated 4-7-2016]
- Certain bank commission or charges (e.g., bank guarantee commission, credit card commissions, etc.) to a prescribed Indian bank or any Payment System Company authorised by RBI. [Notification No. SO 2143(E), dated 17-6-2016]
- Payments for software acquisition, provided certain conditions are satisfied. [Notification S.O. 1323(E), dated 13-6-2012]
- Dividend payments between IFSC aircraft leasing units (subject to Form 1 declaration). [Notification No. 52/2023, dated 20-07-2023]
- Specified payments to IFSC entities (e.g., interest, brokerage, commission, etc.). [Notification No. 65/2022, dated June 16, 2022, Notification No. 28/2024, dated 07-03-2024, Notification No. 3/2025, dated 02-01-2025, and Notification No. 67/2025, dated 20-06-2025]
- Payments to Credit Guarantee Fund Trust for Micro and Small Enterprises, National Credit Guarantee Trustee Company Limited, Credit Guarantee Fund as referred to in Section 10(46B). [Notification No. 128/2024, dated 18-12-2024, Notification No. 1/2025, dated 02-01-2025, and Notification No. 2/2025, dated 02-01-2025]
- No TDS u/s 194EE on NSS withdrawals (principal on which deduction u/s 80CCA was allowed + interest thereon) made by an individual on or after 4-Apr-2025. [Notification No. 27/2025, dated 04-04-2025]
- Certain investment fund incomes other than business income. [Notification No. 51/2015/SO 1703(E), dated 25-6-2015]
- Securitization trust income from securitization activities. [Notification SO 2185(E), dated 23-6-2016]
- Payments to Tirumala Tirupati Devasthanams (interest, rent). [Notification No. 2911(E), dated 9-9-2016]
- Payments to Air India Limited for property transfers to Air India Assets Holding Limited under a Government plan. [Notification No. 106/2021, dated 10-09-2021]
- Payment received by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is subject to the specified conditions. [Notification F. No. 275/27/2025-IT(B), dated 18-07-2025]

Credit for Tax Deducted at Source (TDS)

Credit for Tax Deducted at Source (TDS)

Introduction

Credit for tax deducted at source (TDS) is available to the person from whose income the tax has been deducted. However, credit is allowed only if the deductor deposits the tax with the Central Government.

Eligibility for TDS Credit

• General Rule

TDS credit is granted to the person whose income is subject to deduction, provided the tax is deposited with the government.

• Cash Withdrawals (Section 194N)



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For tax deducted under Section 194N (cash withdrawals), credit is available to the person from whose account the deduction was made.

• Non-Monetary Perquisites

If an employer pays tax on perquisites provided to an employee, the employee is eligible for TDS credit.

• Income Taxable in Another Person's Hands

When the deducted tax relates to income assessable in another person's hands, the deductee must file a declaration with the deductor. If not, the other person can still claim credit while reporting the corresponding income in his ITR.

Timing of TDS Credit

- TDS credit is allowed in the assessment year in which the income is assessable.
- If the income is spread over multiple years, the credit is proportionately allocated.
- Exception: Tax deducted under Section 194N is allowed in the year of deduction.

Verification of TDS Credit

- TDS, TCS, advance tax, and self-assessment tax details are available in the taxpayer's Annual Information Statement (AIS) and Form 26AS.
- If TDS is missing, it may indicate that the deductor has either not deposited the tax or not filed the TDS statement.
- Obtaining a TDS certificate from the deductor helps resolve discrepancies.

Duties of a Person Deducting Tax at Source (TDS)

Duties of a Person Deducting Tax at Source (TDS)

Introduction

A person responsible for deducting tax at source must deposit the tax with the Central Government, file TDS statements, and issue TDS certificates to the deductee within the prescribed timelines.

Deposit of TDS

- The deductor must deposit the TDS on or before the due date.
- Failure to deposit TDS results in the deductor being treated as an assessee-in-default, attracting interest, penalty, and prosecution.

Filing of TDS Statements

- The deductor must submit a TDS statement in the prescribed form to the Income-tax Department within the specified time limits.
- For Government deductors, if TDS is deposited without a challan, the Pay and Accounts Officer, Treasury Officer, or Cheque Drawing Officer is responsible for filing the statement.
- Correction Statements:
 - o Errors in TDS statements can be rectified by filing a correction statement.
 - o From April 1, 2025, corrections are allowed only within 6 years from the end of the relevant financial year. Previously, no time limit was prescribed.

Issuance of TDS Certificates

- The deductor must issue a TDS certificate to the deductee, detailing the tax deducted, the rate of deduction, and other prescribed particulars.

Due Dates for Deposit of TDS

Due Dates for Deposit of TDS

Introduction

Tax deducted at source (TDS) must be deposited with the **Central Government** within the prescribed due dates.

Due Dates for Government Deductors

Without Challan: Deposit tax on the same day it is deducted.

With Challan (ITNS 281): Deposit tax by the 7th of the following month.

Due Dates for Other Deductors

For TDS deducted from April to February: Deposit by 7th of the following month.

For TDS deducted in March: Deposit by 30th April.

Specific TDS Deposit Timelines

Nature of Deduction	Form for Deposit	Due Date
Immovable Property (Sec 194-IA)	Form 26QB	Within 30 days from the month-end
Rent by Individual/HUF (Sec 194-IB)	Form 26QC	Within 30 days from the month-end



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Payments to Contractors/Professionals (Sec 194M)	Form 26QD	Within 30 days from the month-end
Virtual Digital Assets (Sec 194S) by Specified Person	Form 26QE	Within 30 days from the month-end

Quarterly TDS Payment (Applicable in Special Cases)

The Assessing Officer may allow quarterly TDS payment for salaries, interest, insurance commission, and brokerage.

For Q1–Q3: Deposit by the 7th of the following quarter.

For Q4: Deposit by 30th April.

Mode of TDS Payment

Corporate and tax audit cases: Electronic payments (net banking/debit card).

Other deductors: Deposit via RBI, SBI, or authorised banks.

Consequences of Non-Payment

Failure to deposit TDS results in: *Interest & penalties and prosecution under Section 276B.*

Filing of TDS Return

Filing of TDS Return

Introduction

Any person responsible for deducting tax at source (TDS) must file a quarterly statement in the prescribed format by the due date. However, for TDS deducted under Sections 194-IA, 194-IB, 194M, and 194S (for specified persons), the statement is filed monthly.

Forms for Filing TDS Returns

- **Form 24Q** – For salary income (Sections 192 and 194P).
- **Form 26Q** – For TDS on payments to residents (Sections 192A to 194T, excluding 194P).
- **Form 27Q** – For TDS on payments to non-residents (Sections 192A to 196D, excluding 194P).
- **Form 26QB** – For TDS on immovable property purchase (Section 194-IA).
- **Form 26QC** – For TDS on rent payments by individuals/HUFs (Section 194-IB).
- **Form 26QD** – For TDS on payments to contractors/professionals (Section 194M).
- **Form 26QE** – For TDS on virtual digital asset transactions by specified persons (Section 194S).
- **Form 26QF** – For TDS on virtual digital assets through an Exchange.
- **Form 24G** – For Government deductors depositing TDS without a challan.

Due Dates for Filing TDS Returns

Quarter	Period	Due Date
Q1	April – June	31st July
Q2	July – September	31st October
Q3	October – December	31st January
Q4	January – March	31st May

Monthly Filing (Within 30 Days from Month-End) for:

- Form 26QB (Section 194-IA)
- Form 26QC (Section 194-IB)
- Form 26QD (Section 194M)
- Form 26QE (Section 194S for specified persons)

Due date for Form 24G:

- **For march month** - on or before April 30
- **For other months** - on or before 15 days from the end of the relevant month.

Filing Process

TDS returns can be filed:

1. In Paper Form (only for eligible deductors).
2. Electronically under Digital Signature.
3. Electronically with Form 27A verification or verification through EVC.
4. **For Forms 26QB, 26QC, 26QD, 26QE** – Electronically only.



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Government offices, companies, tax audit cases, and deductors with 20 or more deductees are required to file electronically.

Required Details in TDS Return

- TAN and PAN details.
- Challan details (BSR code, date, and serial number).
- Salary breakup (if applicable).
- Lower/Nil deduction details under Sections 197/197A.
- Exemptions under Section 10 (e.g., trusts, political parties).

Processing of TDS Returns

The Income-tax Department processes TDS statements to check for errors, interest liability, and defaults. Adjustments may be made for:

- Arithmetical errors.
- Incorrect claims.
- Interest for late deduction/payment.
- Late filing fees under Section 234E (Rs. 200/day).

TDS Correction Statements

- From 01-04-2025, a correction statement cannot be filed after 6 years from the due date of the original statement. Earlier there was no time limit.

Penalty for Defaults

- Late filing fees under Section 234E (Rs. 200 per day, up to the TDS amount).
- Penalty under Section 271H for failure to file or filing incorrect returns.

TDS Certificate

TDS Certificate

Introduction

A person deducting tax at source (TDS) must issue a TDS certificate to the deductee, specifying the tax amount, rate, and other prescribed details. The certificate is generated from the TRACES portal after processing the TDS statement.

Types of TDS Certificates

- Form 16** – Issued by the employer for TDS on salary (Section 192) or by banks for TDS on senior citizens' total income (Section 194P). It consists of:
 - o Part A – TDS details.
 - o Part B – Salary, perquisites, deductions, and rebates.
 - o If the salary exceeds Rs. 1,50,000, perquisites must be separately detailed in Form 12BA.
- Form 16A** – Issued for TDS on non-salary payments under Sections 192A to 196D, except Sections 192, 194-IA, 194-IB, 194M, 194P, and 194S (for specified persons).
- Form 16B** – Issued for TDS on immovable property transactions (Section 194-IA).
- Form 16C** – Issued for TDS on rent by individuals/HUFs (Section 194-IB).
- Form 16D** – Issued for TDS on contractor/professional payments by individuals/HUFs (Section 194M).
- Form 16E** – Issued for TDS on virtual digital assets (Section 194S, for specified persons).

Duplicate TDS Certificate

A duplicate certificate may be issued upon request, marked as "Duplicate."

Due Dates for Issuing TDS Certificates

Form	TDS Section	Due Date
Form 16	Section 192, 194P	15th June (next FY)
Form 16A	Sections 192A to 196D	15 days after the due date for Form 26Q/27Q filing
Form 16B	Section 194-IA	15 days from the due date of furnishing Form 26QB
Form 16C	Section 194-IB	15 days from the due date of furnishing Form 26QC
Form 16D	Section 194M	15 days from the due date of furnishing Form 26QD
Form 16E	Section 194S (for specified persons)	15 days from the due date of furnishing Form 26QE

Penalty for Non-Issuance

Failure to issue a TDS certificate attracts a penalty under Section 272A.



Income Tax Department

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Requirement to Furnish PAN for TDS

Requirement to Furnish PAN for TDS

Introduction

Any person receiving income subject to tax deduction at source (TDS) must furnish his Permanent Account Number (PAN) to the deductor. Failure to provide PAN results in higher TDS rates.

TDS Deduction Rates When PAN Is Not Furnished

- **General Rule (Section 206AA):** TDS is deducted at the highest of the following:
 - o Rate specified under the relevant provision of the Income-tax Act.
 - o Rate in force.
 - o 20%.
- **E-commerce Participants (Section 194-O):** Higher of specified rate, rate in force, or 5%.
- **Buyers deducting TDS (Section 194Q):** Higher of specified rate, rate in force, or 5%.

Exemptions for Non-Residents from PAN Requirement

Non-residents are not required to furnish PAN for TDS on:

1. Interest on long-term bonds (Section 194LC).
2. Interest, royalty, FTS, dividends, or capital asset transfers (Rule 37BC), subject to the furnishing of specified information.
3. Income from Alternative Investment Funds (AIFs) in IFSCs (Rule 114AAB), subject to the fulfilment of specified conditions.
4. Securities transactions under Section 47(viib) in IFSCs, subject to the fulfilment of specified conditions.

Use of Aadhaar Instead of PAN

- Individuals can furnish Aadhaar in place of PAN under Section 139A(5E).
- If Aadhaar is provided instead of PAN, higher TDS under Section 206AA should not apply.

Consequences of an Inoperative PAN

From 1st July 2023, if PAN is not linked with Aadhaar, it becomes inoperative, leading to:

- Higher TDS rates subject to certain exceptions. [Circular No. 06/2024, dated 23-04-2024, Circular No. 08/2024, dated 05-08-2024, and Circular No. 09/2025, dated 21-07-2025]
- Inability to obtain nil or lower TDS certificates or file nil TDS declaration.
- No eligibility for tax refunds.
- No interest on refunds for non-operative period.

Tax Deduction and Collection Account Number (TAN)

Tax Deduction and Collection Account Number (TAN)

Introduction

Every person responsible for deducting or collecting tax at source must obtain a Tax Deduction and Collection Account Number (TAN) within the prescribed time.

Application Process

- Application for TAN must be made in Form 49B.
- It can be filed electronically or manually with the Income-tax Department.

Time Limit for TAN Application

TAN must be obtained within 1 month from the end of the month in which tax was deducted or collected.

Mandatory Quoting of TAN

Once allotted, TAN must be quoted in:

- TDS/TCS payment challans.
- TDS/TCS returns (statements).
- TDS/TCS certificates.
- All prescribed documents related to such transactions.

Exceptions Where TAN is Not Required



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1. Purchase of Immovable Property (Section 194-IA)

- o Deductor must file Form 26QB using PAN or Aadhaar instead of TAN.

2. Rent Payments by Individuals/HUFs (Section 194-IB)

- o Deductor must file Form 26QC using PAN or Aadhaar.

3. Payments to Contractors/Professionals (Section 194M)

- o Deductor must file Form 26QD using PAN or Aadhaar.

4. Virtual Digital Assets (Section 194S - Specified Persons)

- o Deductor must file Form 26QE using PAN or Aadhaar.

Consequences of Failure to Deduct or Pay TDS

Consequences of Failure to Deduct or Pay TDS

Introduction

If any person fails to deduct TDS or deducts but does not deposit it with the Government, they are deemed an assessee-in-default and are subject to interest, penalties, prosecution, and disallowance of expenses.

When Is a Deductor Deemed to Be in Default?

1. Failure to deduct TDS.
2. Failure to deposit TDS after deduction.
3. Failure to deposit tax on non-monetary perquisites (paid by an employer).

When is a deductor not considered in default?

- If the payee (resident or non-resident) has paid the tax and reported the income in their ITR. The deductor must obtain a Certificate of Chartered Accountant (Form 26A).

Time limit for passing the order of assessee-in-default

- The Assessing Officer (AO) must pass an order within:
 - o 6 years from the financial year-end in which payment was made/credited; or
 - o 2 years from the financial year-end in which a correction statement was furnished, whichever is later.

Interest on TDS Default

Default Type	Interest Rate	Calculation Period
Failure to deduct TDS	1% per month	From the due date of deduction to the actual deduction date
Failure to deposit TDS	1.5% per month	From the deduction date to the actual deposit date

Additional Consequences

1. Charge on Assets – Unpaid TDS becomes a charge on the deductor's assets.
2. Penalty & Prosecution –
 - o Penalty under Section 271C for failure to deduct TDS.
 - o Prosecution under Sections 276B & 278A for failure to deposit TDS.
 - o Reasonable cause defence available under Section 278AA.
 - o If deemed in default u/s 201, the person is liable to a penalty u/s 221 as directed by the AO.
3. Disallowance of Expense –
 - o Business expenses disallowed under Section 40 while calculating business income.
 - o Other expenses disallowed under Section 58 while calculating income from other sources.

Quarterly Return by Banks to Report Interest Payments

Quarterly Return by Banks to Report Interest Payments

Introduction

Banks and certain financial institutions must file quarterly returns to report interest payments (other than on securities) made to resident individuals where TDS is not deducted.

Who Must File Quarterly Returns?

1. Banks and Co-operative Banks



Income Tax Department

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o If interest (other than on securities) paid to a resident individual does not exceed Rs. 40,000 in a financial year.

2. Public Companies Providing Long-Term Housing Finance

o If interest paid on deposits does not exceed Rs. 5,000 in a financial year.

Due Dates & Forms

- The return must be filed in Form 26QAA within:
 - o 1 month from the end of Q1, Q2, and Q3.
 - o By June 30 for Q4.

Electronic Filing & Correction Statements

- Return to be filed electronically.
- Correction statements can now be filed to rectify errors, update, or delete information.

Penalty for Default

- Rs. 500 per day of delay under Section 272A.

Intimation to the Department about Payment to Non-Resident

Intimation to the Department about Payment to Non-Resident

Introduction

Any person making a payment to a non-resident must furnish information in Form 15CA and, in certain cases, obtain a certificate in Form 15CB from a Chartered Accountant.

Form 15CA – Details of Foreign Payments

Scenario	Form 15CA Part to be Filed	Additional Requirement
Payment is chargeable to tax & ≤ 5 lakh	Part A	No additional certificate required
Payment is chargeable to tax & > 5 lakh (with AO's nil/lower TDS order)	Part B	AO order under Section 195(2) or 195(3)
Payment is chargeable to tax & > 5 lakh (without AO order)	Part C	Form 15CB (CA Certificate) Required
Payment is not chargeable to tax	Part D	No additional certificate required

Exemptions from Filing Form 15CA

No reporting required if:

- Payment is made by an individual and does not require RBI approval under FEMA.
- Payment is made by IFSC units referred to in Section 80LA(1A).
- Payments include foreign investments, imports, travel, personal remittances, embassy expenses, etc.

Form 15CB – CA Certification

- Required when payment is chargeable to tax and exceeds 5 lakh.
- Must be obtained before filing Part C of Form 15CA.

Quarterly Reporting by Banks & IFSC Units

Form	Entity Required to File	Due Date
Form 15CC	Authorised Dealers	Within 15 days from quarter-end
Form 15CD	IFSC Units making payments to non-residents	Within 15 days from quarter-end