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"This document contains the provisions of the Income-tax Act, 2025, as amended by the Finance Act, 2026."

FAQs on TDS on Rent

Q1. What are the provisions in the Income-tax Act that govern the deduction of tax at source on rent payments?

Ans: The tax deduction from rent payments is mandated by Sections 393(1) [Table S. No. 2(ii)] and Sections 393(1) [Table S. No. 2(i)] of the Income-tax Act 2025. Section 393(1) [Table S. No. 2(ii)] provides for the deduction of tax by any person (excluding specified individuals or HUFs) from the sum paid or payable as rent to a resident person which exceeds Rs. 50,000 per month or part of a month during the tax year. Section 393(1) [Table S. No. 2(i)] provides for a tax deduction by specified Individuals or HUFs from the rent paid or payable, if the rent exceeds Rs. 50,000 per month or part of the month during the tax year.

Q2. What is the meaning of Rent for the purpose of section Sections 393(1) [Table S. No. 2(ii)] and section Sections 393(1) [Table S. No. 2(i)]?

Ans: Rent means any payment made under any lease, sub-lease, tenancy, or any other agreement or arrangement for the use, whether individually or in combination, of any of the following, whether or not any or all of them are owned by the payee:

(a) land; or
(b) building (including a factory building); or
(c) land appurtenant to a building (including a factory building); or
(d) machinery; or
(e) plant; or
(f) equipment; or
(g) furniture; or
(h) fittings.

However, for the purposes of section 393(1) [Table: Sl. No. 2(i)], only payments in respect of the assets specified in sub-clauses (a), (b), and (c) shall be treated as rent.

Q3. Who is liable to deduct tax at source (TDS) on rental payments under section 393(1) [Table S. No. 2(ii)]?

Ans: Any person, other than an Individual or HUF, responsible for paying rent is required to deduct tax under section 393(1) [Table S. No. 2(ii)]. An individual or HUF engaged in the business or profession having turnover or gross receipts exceeding Rs. 1 crore or Rs. 50 lakhs respectively. Further, no deduction shall be made if the rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in Schedule V [Table S. No. 4], owned directly by such business trust.

Q4. When is the tax required to be deducted under section 393(1) [Table S. No. 2(ii)]?

Ans: Tax is required to be deducted under section 393(1) [Table S. No. 2(ii)] only if the rent is payable to a person who is a resident of India. The tax shall be deducted at the time of credit of such rent or payment to the payee, whichever is earlier.

Q5. What is the threshold limit prescribed for the deduction of tax under Section 393(1) [Table S. No. 2(ii)]?

Ans: The tax shall be deducted by the payer if the amount paid or payable exceeds Rs. 50,000 per month or part of a month during the tax year. However, in the case of joint owners of a property, the threshold limit of Rs. 50,000 applies to each owner individually if their share in the property is definite and ascertainable.

Q6. What is the rate at which tax is required to be deducted under Section 393(1) [Table S. No. 2(ii)]?

Ans: The rate of deduction of tax at source (TDS) is 2% in case rent is paid for the use of plant, machinery, or equipment. However, if rent is paid for the use of land, building (including factory building), or land appurtenant thereto or furniture or fittings, the rate of tax would be 10%. Further, these rates will not be enhanced by surcharge or health and education cess.

Q7. What will be the rate of TDS under section 393(1) [Table S. No. 2(ii)] if the payee does not furnish PAN?

Ans: As per section 397(2), if the payee does not furnish PAN, tax shall be deducted at a rate higher of the following:

• The rate prescribed in the relevant provisions of the Act, or

• Rate or rates in force, or

• 20%

Relevant Content

Section - 397(2)

Q8. How to deduct tax at source under Section 393(1) [Table S. No. 2(ii)] in case the building is let out along with machinery or other equipment?

Ans: The rental proceeds are considered as composite rent in case other assets such as plant, machinery, or equipment are also let out along with land or building. The tax deduction in such case would be as under: (a) If there is a separate agreement for letting out of land or building and letting out of other assets: The tax shall be deducted at the rate of 10% from the payment of rent of land or building and 2% from the rental payment of machinery, plant, or equipment. (b) If there is no separate agreement for letting out of land or building and letting out of other assets: The tax shall be deducted at the rate of 10% or 2% depending upon the substantial element of the rent agreement. If the renting of machinery, plant, or equipment is incidental to the renting of land or building, tax shall be deducted at the rate of 10%.

Q9. Can the payee claim a nil/lower deduction of tax under Section 393(1) [Table S. No. 2(ii)]?

Ans: Yes, where the estimated tax liability of an assessee justifies no deduction of tax or a deduction of tax at a lower rate, he can apply to the assessing officer for the issue of a nil or lower deduction certificate under Section 395. Further, he can also file a self-declaration to the deductor under Section 393 for non-deduction of tax.

Relevant Content

Section - 395
Sections 393(1) [Table S. No. 2(ii)]

Q10. What is the time limit to deposit the tax amount deducted under section 393(1) [Table S. No. 2(ii)]?

Ans: Tax deducted at source under section 393(1) [Table S. No. 2(ii)] is required to be deposited to the credit of the Central Government through Challan within 7 days from the end of the month in which tax was deducted. However, the tax deducted during the month of March shall be deposited by 30th April of the next tax year.

If the deductor is a government office and tax is required to be deposited without submitting an Income-tax Challan, the Govt. Dept. shall deposit the tax on the same day on which tax has been deducted.

Q11. Whether the deductor is required to issue TDS Certificates to the deductee?

Ans: The deductor is required to issue a TDS certificate to the deductee in Form No. 131 within 15 days from the due date of furnishing of the TDS Statement.

Q12. Who is required to deduct tax on rent under section 393(1) [Table S. No. 2(i)]?

Ans: Any individual or HUF who is not covered under section 393(1) [Table S. No. 2(ii)] is required to deduct tax at source under section 393(1) [Table S. No. 2(i)] on rental payments.

Q13. Is there any requirement to furnish TDS Statement for tax deducted under section 393(1) [Table S. No. 2(ii)]?

Ans: The person responsible for deduction of tax at source under section 393(1) [Table S. No. 2(ii)] is required to file a statement of tax deducted at source in Form 140 on a quarterly basis.

Q14. When is it required to deduct tax at source under Section 393(1) [Table S. No. 2(i)]?

Ans: The section provides the following timelines for deduction of tax at source:

(a) Where the property is let out for the whole year

Tax shall be deducted at the time of payment or credit of rent to the account of the payee for the last month of the tax year, whichever happens earlier.

(b) Where the property is vacated during the year

If the property is vacated during the year, tax shall be deducted at the time of payment or credit of rent to the payee's account for the last month of tenancy, whichever occurs earlier.

Q15. What is the prescribed threshold limit for rent under Section 393(1) [Table S. No. 2(i)]?

Ans: The tax shall be deducted under this section if the rent for a month or part of the month exceeds Rs. 50,000 during the tax year.

Q16. What is the rate at which tax is required to be deducted under section 393(1) [Table S. No. 2(i)]?

Ans: The tax shall be deducted under section 393(1) [Table S. No. 2(i)] at the rate of 2%. Further, the rate will not be enhanced by a surcharge or health and education cess.

Q17. What will be the rate of TDS under section 393(1) [Table S. No. 2(i)] if the payee does not furnish PAN?

Ans: As per section 397(2), if the payee does not furnish PAN, tax shall be deducted at a rate higher of the following:

- The rate prescribed in the relevant provisions of the act, or
- The rate or rates in force, or
- 20%

However, deduction at a higher rate will prevail subject to the condition that the amount of TDS cannot exceed the amount of rent for the last month of the tax year or the termination of tenancy, as the case may be.

Relevant Content

Section - 397(2)

Sections 393(1) [Table S. No. 2(i)]

Q18. Whether the assessee is required to obtain Tax Deduction or Collection Number (TAN) in case tax is to be deducted under section 393(1) [Table S. No. 2(i)]?

Ans: There is no requirement to apply for or obtain a Tax Deduction or Collection Account Number (TAN) for deducting tax under this section. Hence, a deductor can use his PAN in place of TAN.

Q19. What is the time limit to deposit the tax amount deducted under Section 393(1) [Table S. No. 2(i)]?

Ans: Where tax is deducted under section 393(1) [Table S. No. 2(i)], it is required to be deposited through a challan-cum-statement in Form No. 141 within 30 days from the last day of the month in which such tax is deducted. No further statement or form is required to be furnished.

Q20. Whether the deductor is required to issue TDS certificates to the deductee under section 393(1) [Table S. No. 2(i)]?

Ans: A certificate in Form No. 132 shall be issued by the deductor where tax is deducted under section 393(1) [Table S. No. 2(i)]. The form shall be issued within 15 days from the due date of furnishing challan-cum-statement in Form No. 141.