

Form No. 128: Application for issuance of certificate for lower/nil deduction of Income-tax and lower collection of Income-tax under section 395(1) and 395(3) of the Income-tax Act, 2025

Name of form as per I.T. Rules, 1962	13	Name of form as per I.T. Rules, 2026	128
Corresponding section of I.T. Act, 1961	197/206C(9)	Corresponding section of I.T. Act, 2025	395(1)/395(3)
Corresponding Rule of I.T. Rules, 1962	28, 28AA, 28AB, 29, 37G & 37H	Corresponding Rule of I.T. Rules, 2026	213

Purpose:

Form No. 128 is used by a taxpayer to apply for a certificate authorizing the payer to deduct tax at a lower or nil rate/collect tax at a lower rate under section 395(1)/395(3) of the Income-tax Act, 2025. The application must be furnished electronically to the Director General of Income-tax (Systems) or any person authorized on their behalf.

Who Should File:

Any person (resident or non-resident) seeking certificate for no deduction of tax, or deduction or collection of tax at a lower rate under section 395(1) (for TDS) or section 395(3) (for TCS) of the Income-tax Act, 2025, in respect of income that is subject to tax deduction at source (TDS) such as interest, commission, professional fees, contract payments, rent, or other specified income may file application in Form No. 128.

Frequency & Due Dates:

Form No. 128 may be filed any time during the Tax Year for which the certificate is sought. Once approved, the certificate is generally valid for the specified period mentioned in the certificate or until withdrawn or modified by the Assessing Officer.

Structure of Form No. 128:

1. **Part A: Details of Applicant** - Name, Address, Status, PAN, Residential Status and Contact Details.
2. **Part B:**
 - **Application filed by** – Registered non-profit organisation / Specified Entity referred to in Section 263(9)(c) / Person carrying on business or profession / Person other than the above.
 - **Details of Request**
3. **Part C:**

- **Details of existing tax liabilities**
- **Particulars of income and other relevant details**
- 4. **Part D:** Declaration for Registered non-profit organisation or Specified Entity referred to in Rule 213
- 5. **Part E:** Declaration for the person other than person mentioned in Part D
- 6. **Part F:** Verification
- 7. **Annexure-I:** Applicable for TDS
- 8. **Annexure-II:** Applicable for TDS where the number of persons responsible for deducting tax is likely to exceed 100 and details of such persons are not available with the applicant at the time of making application.
- 9. **Annexure-III:** Applicable for TCS

Documents/details required to file the Form No. 128:

1. PAN of the applicant.
2. Details of the payer(s) including TAN for Annexure-I & III.
3. Estimated income and tax computation for the period.
4. Last 4 years' ITRs, Audit Reports, financial statements, or other supporting financial data (if required).
5. Details of advance tax paid, TDS/TCS credits available.

Filing Count:

On average, about **1.2 lakh** original applications were filed annually over the last five years.

Process flow of filing Form No. 128:

The process flow includes following steps:

1. **Login** to the TRACES Portal
2. Navigate to “**TRACES login → Dashboard → e-file and view → File Forms → Form No. 128**”
3. **Fill the Online Form**
4. **Upload Supporting Documents**
5. **E-Verify and Submit the Form**
6. The application is processed by the Assessing Officer/automated system.
7. Upon approval, the **lower deduction/collection or nil deduction certificate** becomes available for download and sharing with the payer.

Outcome of the Processed Form No. 128:

For the Applicant (Deductee/Collectee)

- Upon processing of Form No. 128, the taxpayer may receive a certificate for deduction/collection of tax at a lower rate or deduction of tax at nil rate under section 395(1)/395(3).
- Once issued, the certificate becomes available electronically and can be shared with the payer(s) to ensure tax is deducted/collected at the approved rate.
- The certificate helps the taxpayer avoid excess deduction/collection of tax, thereby improving cash flow and reducing the need to claim refunds.
- The details of the certificate are also made available to the payer (deductor/collector) through the system, enabling them to apply the correct TDS/TCS rate while making/receiving payments.

For the Payer (Deductor/Collector)

- Once Form No. 128 is processed and a lower deduction/collection or nil deduction certificate is issued, the deductor/collector can verify the certificate electronically (through TRACES).
- The deductor/collector becomes authorised to deduct/collect tax at the lower rate or deduct tax at nil rate specified in the certificate for payments made to the applicant.
- The deductor/collector must apply the approved rate for all eligible payments covered by the certificate during its validity period.
- The details of the certificate help the deductor/collector correctly report TDS/TCS in their periodic TDS/TCS statements, ensuring seamless matching and credit for the taxpayer.
- If the certificate is modified, withdrawn, or expires, the deductor/collector is required to update the TDS/TCS rate accordingly from that point onward.

Brief Note on Qualitative Changes made:

1. Categorisation of Applicants

The Form has been restructured to classify applicants into four specific categories to streamline the filing process and capture relevant information more accurately. The categories are:

- Registered Non-Profit Organization
- Specified Entity referred to in section 263(9)(c)
- Person carrying on business or profession
- Others

2. Annexure and Declarations Based on Applicant Category

Depending on the category selected, the **relevant Annexure and declaration sections** will be displayed and will become applicable. This ensures that each applicant is required to provide only the information and declarations pertinent to their category, enhancing clarity and reducing unnecessary compliance burden.

3. Child Certificate

Where the number of persons responsible for deducting the tax is likely to exceed 100 and details of such persons are not available with the applicant at the time of making application, the certificate may be issued in the name of the applicant authorising him

- (a) to receive specified payments at appropriate rate of deduction; and
- (b) to generate appropriate certificate and provide to the person responsible for deducting tax.

4. The revised Form No. 128 will be a smart one to enhance user experience and providing ease of filing through
 - a) auto-population/pre-filling of relevant details using information available from the Taxpayer's TRACES profile.
 - b) real time validations & error handling
 - c) drop downs & date pickers
 - d) integration with APIs & Databases
 - e) Check box based smart verification
 - f) Standardization of name & address fields etc.

Common Changes made across Forms:

1. To make Forms system-friendly and enable e-filing and uploading, certain anomalies found due to grouping of Name, Designation, Address and PAN have been separated into different boxes.
2. Assessment / Financial / Previous year or years have been replaced with Tax year or years, wherever appearing in the Form/Annexure.
3. Changes in Sections, Clauses and Schedules have been aligned as per the Income-tax Act, 2025.
4. Currency symbol "Rs." has been replaced with "₹".