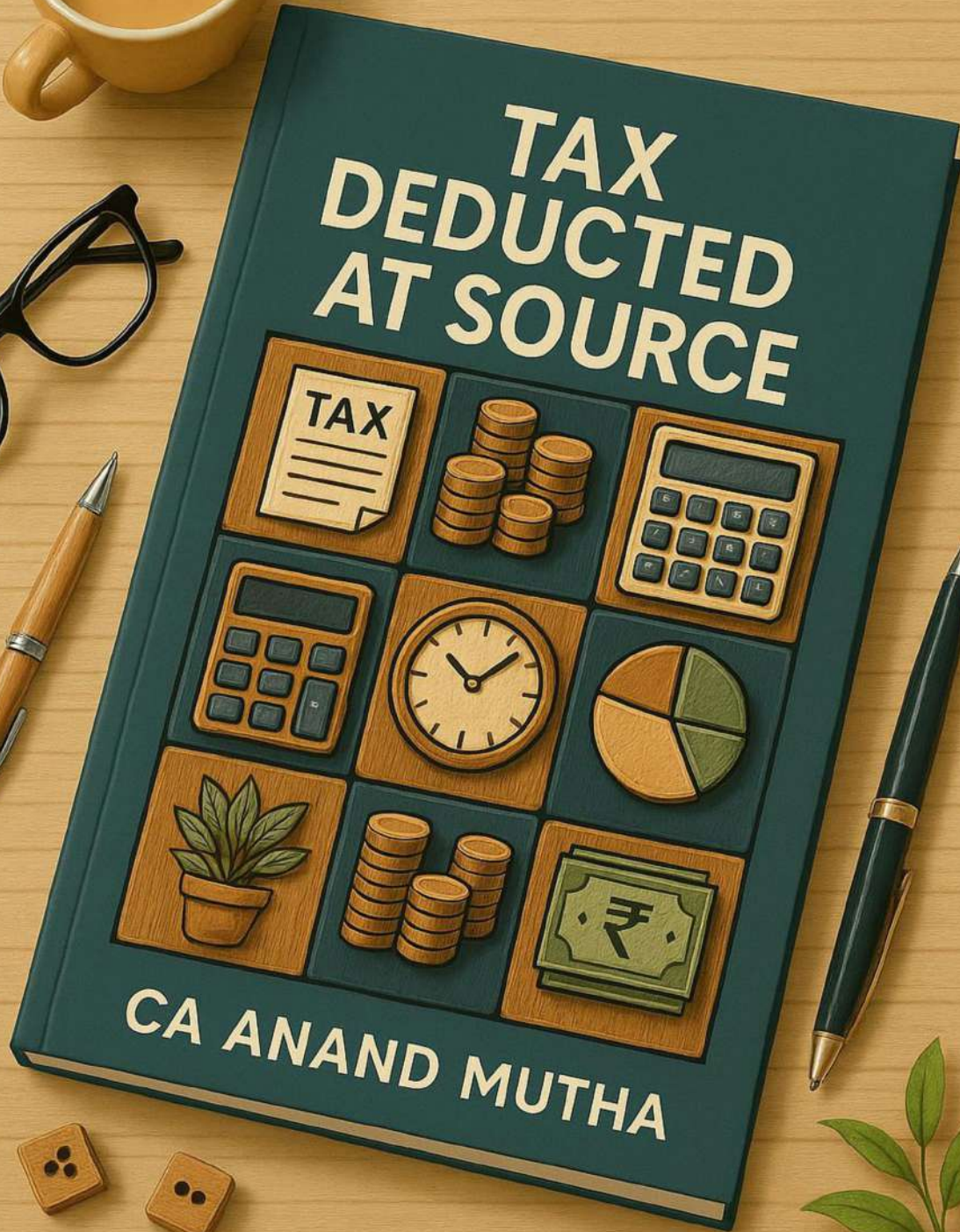


**TDS Rates and Provisions for FY
2025-26**



TDS BOOKLET

TDS (Tax Deducted at Source) is a tax collection mechanism under the Income Tax Act, 1961, where tax is deducted at the point of income generation by the person making the payment, and it is remitted to the government on behalf of the recipient of the payment. The primary purpose of TDS is to reduce tax evasion and ensure a steady flow of revenue to the government throughout the year.

Key Aspects of TDS

Is TDS tedious :(for you?

Get in touch with us on armutha@armutha.in for
FREE Guidance

1. Purpose and Concept of TDS:

- TDS is based on the principle of "pay as you earn," where a portion of the income is withheld at the source itself.
- It applies to various payments such as salaries, interest, rent, dividends, commissions, and professional fees.
- The deductor is responsible for deducting and remitting the tax to the government, while the deductee can claim the credit for this deduction when filing their income tax return.

2. Applicability of TDS: TDS is applicable under various sections of the Income Tax Act based on the type of payment. Some common sections include:

- **Section 192:** TDS on salary.
- **Section 193:** TDS on interest on securities.
- **Section 194A:** TDS on interest other than securities (e.g., bank interest).
- **Section 194C:** TDS on payments to contractors.
- **Section 194I:** TDS on rent.
- **Section 194J:** TDS on fees for professional or technical services.

3. When Should TDS be deducted and by Whom?

Any person making specified payments mentioned under the Income Tax Act is required to deduct TDS at the time of making such specified payment. But no TDS has to be deducted if the person making the payment is an individual or HUF whose sales from business or profession doesn't exceed Rs.1 crore or Rs.50 lakhs, respectively.

4. TDS Rates: Refer the TDS Rate Chart given below.

5. Due Date for Depositing the TDS to the Government: 7th of the subsequent month.

6. How to Deposit TDS:

Tax Deducted at Source has to be deposited via Income Tax Portal based on the TAN login. Direct tax payments facility has been migrated from OLTAS 'e-payment: Pay Taxes Online' to e-Pay Tax facility of e-Filing portal. You have to click on '**e-Pay Tax**' option of Income Tax Department on <https://www.incometax.gov.in/> to make direct tax payments including TDS.

Is TDS tedious :(for you?

7. Thresholds for Deduction:

Get in touch with us on armutha@armutha.in for
FREE Guidance

- TDS is deducted only if the payment exceeds a prescribed threshold limit, which varies for different transactions. For example:
- Under **Section 194A**, no TDS is deducted on interest payments if the amount is less than ₹40,000 (for general category individuals).
- Under **Section 194C**, TDS is deducted only if the payment exceeds ₹30,000 for a single transaction or ₹1,00,000 annually.

8. TDS Deduction Process:

- The deductor must calculate the appropriate TDS based on the applicable rates and deduct it before making the payment.
- The deductor is responsible for depositing the TDS to the government by the 7th of the following month.
- For March payments, the due date to deposit TDS is the 30th of April.

9. Deposit TDS to Government:

- Tax deducted or collected at source shall be deposited to the credit of the Central Government by following modes:
 - 1) Electronic mode: E-Payment is mandatory for
 1. All corporate assesses; and
 2. All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act, 1961 are applicable.
 - 2) Physical Mode: By furnishing the Challan 281 in the authorized bank branch

10. **Liability to file TDS returns:** A deductor is liable to file TDS returns, only when TDS has been deducted. If there is no deduction of TDS during a particular quarter, filing of TDS return for that quarter is not mandatory. However, if any tax is deducted, the deductor must furnish a quarterly TDS return in the prescribed form within the due date.

11. TDS Return Filing:

- The deductor must file **quarterly TDS returns** in the prescribed forms, such as:
 - **Form 24Q**: TDS return for salary payments.
 - **Form 26Q**: TDS return for non-salary payments.
- The due dates for filing TDS returns are:
 - **Quarter 1 (April to June)**: 31st July
 - **Quarter 2 (July to September)**: 31st October
 - **Quarter 3 (October to December)**: 31st January
 - **Quarter 4 (January to March)**: 31st May

Is TDS tedious :(for you?

12. TDS Certificates:

Get in touch with us on armutha@armutha.in for
FREE Guidance

- After filing the TDS return, the deductor must issue a TDS certificate to the deductee, indicating the amount of tax deducted and deposited.
- **Form 16** is issued for TDS on salary.
- **Form 16A** is issued for TDS on non-salary payments.

13. Consequences of Non-Compliance:

- **Failure to Deduct TDS**: The deductor may face penalties and interest.
- **Late Filing of TDS Returns**: A penalty of ₹200 per day of default is applicable under **Section 234E**.
- **Penalty (Sec 271H)**: Section 271H provides for a penalty ranging from ₹10,000 to ₹1,00,000 for failure to file TDS/TCS returns on time or for furnishing incorrect information in such returns.
- **Interest on Late Deposit**: Under **Section 201(1A)**, interest is charged at:
 - 1% per month for the period from the date the tax was deductible until the actual deduction.
 - 1.5% per month for the period from the date of deduction to the date of deposit.

14. Refund of Excess TDS: If excess TDS has been deducted, the deductee can claim the refund in the annual income tax return. After considering all deductions and taxes already paid, the refund will be processed based on the total tax liability.

15. If the PAN of a deductee is not provided or PAN is inoperative, especially due to non-linking with Aadhaar, the key penalty under TDS (Tax Deducted at Source) provisions is that TDS will be deducted at a higher rate.

Key Points on TDS Penalty:

- **Higher Rate of TDS:** According to Section 206AA of the Income Tax Act, if the deductee (person whose tax is being deducted) does not furnish a valid PAN, TDS will be deducted at the higher of the following rates:
 - **At the rate specified in the relevant provisions of the Income Tax Act.**
 - **At the rate of 20%.**
- **No Refund for Excess TDS:** If TDS is deducted at a higher rate due to the inoperative PAN, the excess TDS deducted cannot be refunded until the PAN is made operative and linked as required. Filing a refund claim would be subject to normal tax filing rules, and the inoperative PAN will restrict this.
- **Non-Applicability of Basic Exemption Limits:** Even if the income is below the basic exemption limit or qualifies for lower TDS rates due to deductions, the 20% TDS will still apply as long as the PAN remains inoperative.

Example:

- If the TDS rate is 10% for a particular transaction, and the PAN is inoperative, the TDS rate will be increased to 20%.
- If an individual earns interest of ₹50,000, instead of ₹5,000 (10% TDS), ₹10,000 (20%) would be deducted as TDS due to the inoperative PAN.

Is TDS tedious :(for you?

Get in touch with us on armutha@armutha.in for
FREE Guidance

Illustration of TDS Mechanism:

- Suppose a company makes a payment of ₹2,00,000 for professional services to a consultant.
- Under **Section 194J**, the applicable TDS rate is 10%.
- The company deducts ₹20,000 as TDS before making the payment to the consultant and deposits this amount with the government.
- The consultant will receive ₹1,80,000 as payment and can claim the ₹20,000 TDS as tax credit while filing their income tax return.

How to Upload TDS Returns?

Follow the below guide for uploading TDS statements on the Income Tax Department website:

- Visit Income Tax website. Login with your TAN.
- Select e-File > Income Tax Forms > File Income Tax Forms on the dashboard

- Select the relevant form and fill in the details
- Validate the return using either DSC (Digital Signature Certificate) or EVC (Electronic Verification Code).

How and When to file TDS returns?

TDS return is to be submitted quarterly and various details need to be furnished like TAN, amount of TDS deducted, type of payment, PAN of deductee, etc. Also, different forms are prescribed for filing returns depending upon the purpose of the deduction of TDS. Various types of return forms are as follows:

Form No	Transactions reported in the return	Due date for filing TSD return
Form 26Q	TDS on all payments except salaries	Q1 – 31st July Q2 – 31st October Q3 – 31st January Q4 – 31st May
Form 24Q	TDS on Salary	Q1 – 31st July Q2 – 31st October Q3 – 31st January Q4 – 31st May
Form 27Q	TDS on all payments made to non-residents except salaries	Q1 – 31st July Q2 – 31st October Q3 – 31st January Q4 – 31st May
Form 26QB	TDS on sale of property (under Section 194-IA)	30 days from the end of the month in which TDS is deducted
Form 26QC	TDS on rent (under Section 194IB)	30 days from the end of the month in which TDS is deducted

TDS RATE CHART FY: 2025-26 (AY: 2026-27)

Section	Nature of Payment	Threshold	Indv / HUF	Others
192	Salaries	-	Slab Rate	Slab Rate
192A	Premature withdrawal from EPF	50000	10	-
193	Interest on Securities	10000	10	10
194	Dividends	10000	10	10
194A	Interest (Banks)	50000	10	10
194A	Interest - Senior Citizen (Banks)	1 Lakh	10	-
194A	Interest (Others)	10000	10	10
194B	Winning from Lotteries	10000	30	30
194BA	Winnings from online games	-	30	30
194BB	Winning from Horse Race	10000	30	30
194C	Contractor - Single Transaction	30000	1	2
194C	Contractor - During the F.Y.	1 Lakh	1	2
194C	Transporter (44AE) declaration with PAN	-	-	-
194D	Insurance Commission (15G - 15H allowed)	20000	5	10
194DA	Payment received - Life insurance Policy	1 Lakh	2	2
194E	Payment to non-resident sportsmen/ sports association	-	20	20
194EE	Payment received - National Savings Scheme (NSS)	2500	10	10
194F	Repurchase Units by MFs (Upto 30/09/2024 - 20% TDS)	-	-	-
194G	Commission - Lottery	20000	2	2
194H	Commission / Brokerage	20000	2	2
194I(a)	Rent for Plant & Machinery	50000 P. M.	2	2
194I(b)	Rent for Land, Building & Furniture	50000 P. M.	10	10
194IA	Transfer of certain immovable property other than agriculture land (Form 26QB)	50 Lakh (total consideration)	1	1
194IB	Rent payment by individual / HUF not covered u/s 194I (Form 26QC)	50000 P. M.	2	2
194IC	Payment under specified Joint Development Agreement	-	10	10
194J(a)	Fees - Technical Services, Call Centre, Royalty, Distribution / Exhibition of Cinematographic Films, etc.	50000	2	2
194J(b)	Fees - All other Professional Services	50000	10	10
194K	Payment of dividend by mutual Funds	10000	10	10
194LA	Compensation on transfer of certain immovable property other than agricultural land	5 Lakh	10	10
194LB	Income by way of interest from infrastructure debt fund (non-resident)	-	5	5
194LBA	Certain income from units of a business trust (applicable from 01.10.2014)	-	10	10

TDS RATE CHART FY: 2025-26 (AY: 2026-27)

Section	Nature of Payment	Threshold	Indv/HUF	Others
194LBC	Income in respect of investment in securitization trust	-	25% for resident, 30% for non-residents	30%, residents, 40% for non-residents
194LD	Interest on certain bonds and Govt. Securities (from 01.06.2013)	-	5	5
194M	Payment made for Contracts, Brokerage or Professional Fees by individual & HUF (other than Section 194C, 194H & 194J)	50 Lakh	2	2
194N	Cash withdrawal by any person from a bank, co-op bank, or post office (if ITRs filed for last 3 AYs)	1 Crore	2	2
194N	Cash withdrawal by a person not filing ITRs for last 3 AYs	₹20 lakh - ₹1 crore	2	2
194N	Cash withdrawal by a person not filing ITRs for last 3 AYs	>₹1 crore	5	5
194N	Cash withdrawal by Co-operative Society (filing ITRs)	>₹3 crore	2	2
194O	TDS on e-commerce participants	5 Lakh	0.1	0.1
194P	TDS in case of Specified Senior Citizen (above 75 years) having Salary & Interest (ITR not required)	-	Slab Rate	NA
194Q	TDS on Purchase of Goods exceeding Rs. 50 Lakhs (Applicable From 01-July-2021)	₹50 Lakhs	0.1	0.1
194R	Benefits or perquisites of business or profession	20000	10	10
194S	Payment of consideration for transfer of virtual digital asset by persons other than specified persons	10000	1	1
194S	Payment of consideration for transfer of virtual digital asset by specified persons: Individual or a HUF having income from business <1 Cr or from profession < 50 Lakh	50000	1	1
194T	Payments to partners of firms	20000	10	10

(* Refer Point no 14 on Page no. 4)

Section 206AB – Omitted from 1st April 2025

Section 206AB mandated higher Tax Deducted at Source (TDS) rates for individuals who had not filed their income tax returns for specified periods. This provision required deductors to check the return filing status of deductees, leading to increased compliance burden and potential delays. This section has been omitted with effect from 1st April 2025, simplifying the TDS process and easing the operational burden for businesses.

TCS

TCS (Tax Collected at Source) is a tax that certain sellers are required to collect from the buyer at the time of selling specific goods or services. The seller then deposits this tax with the government on behalf of the buyer.

For example, if you buy a car worth ₹12 lakhs, the car dealer must collect 1% TCS (₹12,000) from you in addition to the car price. This ₹12,000 is paid to the government and reflects in your Form 26AS, which you can later adjust while filing your income tax return.

TCS RATE CHART FY: 2025-26 (AY: 2026-27)

Section	Nature of Payment	Threshold	Rate
206C(1)	Alcoholic liquor for human consumption	No threshold	1%
206C(1)	Tendu leaves	No threshold	5%
206C(1)	Timber (under forest lease or other modes)	No threshold	2.5%
206C(1)	Other forest produce (excluding timber and tendu leaves)	No threshold	2.5%
206C(1)	Scrap	No threshold	1%
206C(1)	Minerals (coal, lignite, iron ore)	No threshold	1%
206C(1C)	Lease/license of parking lot, toll plaza, mining, and quarrying	No threshold	2%
206C(1F)	Sale of motor vehicle exceeding ₹10 lakhs	Per vehicle	1%
206C(1G)	Foreign remittance under LRS (education/medical)	Above ₹10 lakhs	5%
206C(1G)	Foreign remittance under LRS (others)	Above ₹10 lakhs	20%
206C(1G)	Foreign remittance under LRS (education financed by loan from financial institution)	No threshold	Nil
206C(1G)	Overseas tour program package	5% up to ₹10 lakhs; 20% above ₹10 lakhs	5% / 20%
206C(1H)	Sale of goods exceeding ₹50 lakhs	Abolished from 1st April 2025	Not applicable
206CC	Non-furnishing of PAN by collectee	No threshold	Higher of 2x rate or 5% (max 20%)
206CCA	Higher TCS for non-filers	Abolished from 1st April 2025	Not applicable

Is TDS tedious :(for you?

Get in touch with us on armutha@armutha.in for FREE Guidance

Section 206CCA – Omitted from 1st April 2025

Section 206CCA required the collection of Tax at a higher rate from persons who had not filed their income tax returns for a specified time. It imposed a significant compliance load on tax collectors who had to verify the tax status of each collectee. This section has been omitted with effect from 1st April 2025, removing the requirement for such checks and streamlining the TCS procedure.

Is TDS tedious :(for you?

Get in touch with us on armutha@armutha.in for
FREE Guidance

Disclaimer

The information provided in this handout is intended for general informational purposes only and does not constitute legal, tax, or professional advice. While every effort has been made to ensure the accuracy and completeness of the content, **A R MUTHA & Co.** Chartered Accountants does not accept any responsibility or liability for any errors, omissions, or inaccuracies. Tax laws and provisions are subject to frequent changes and interpretations, and it is recommended that you consult with a qualified professional before making any tax-related decisions or taking any actions based on the information provided in this handout.

A R MUTHA & Co. Chartered Accountants shall not be held liable for any loss or damages arising from reliance on the information contained herein.

Reach us

CA Anand Mutha

☎ 8275019423/ 7588515468

✉ anandmutha@armutha.in

🌐 www.armutha.in