TAX DEDUCTED AT SOURCE

TDS — Complete Study Notes

Income Tax Act, 1961 • All Sections Covered • Latest Rates & Rules

40+ TDS Sections	**■10L+** Annual Threshold	**30%** Max TDS Rate
1% Min TDS Rate	**26QB** Property TDS Form	**26AS** Annual Tax Credit

A comprehensive, exam-ready reference covering all TDS provisions, rates, due dates, forms, penalties and practical examples under the Income Tax Act, 1961.

NAVIGATION

Table of Contents

Your roadmap through TDS

CHAPTER 1

Introduction to TDS

What is Tax Deducted at Source and why does it matter?

Tax Deducted at Source (TDS) is a mechanism introduced by the Indian government under the **Income Tax Act, 1961** to collect tax at the very point of income generation. Instead of the recipient paying tax later, the **payer (deductor)** withholds a specified percentage of the payment and deposits it directly with the Central Government on behalf of the **payee (deductee)**.

Why TDS Exists

TDS was introduced to ensure regular flow of revenue to the Government.

It prevents tax evasion by capturing income at the source.

It distributes the tax payment burden across the financial year.

Governed primarily by Sections 192 to 206AA of the Income Tax Act, 1961.

1.1 The TDS Mechanism — How It Works

Amount Paid to Payee = Gross Payment – TDS Amount

The deductor must: (1) deduct TDS at the time of credit or payment, whichever is earlier; (2) deposit it with the government within the specified due date; (3) file TDS returns; and (4) issue TDS certificates to the deductee.

1.2 Parties Involved in TDS

Party	Role	Obligation
Deductor	Person/entity making payment	Deduct TDS, deposit & file returns
Deductee	Person receiving payment	Claim TDS credit in ITR via Form 26AS
Central Government	Tax authority	Receive TDS, credit to deductee's PAN
TRACES Portal	IT Dept. system	Repository of TDS returns & certificates

1.3 Objectives of TDS

- Ensure regular and steady collection of income tax throughout the year.

- Widen the tax base by capturing payments to individuals who may not file returns.
- Minimize tax evasion and bring undisclosed income to the tax net.
- Provide advance tax credit to the deductee, easing their tax burden at year-end.
- Create an audit trail of financial transactions between parties.
- Enable the government to verify income reported in tax returns against TDS data.

CHAPTER 2

Key Definitions & Concepts

Fundamental terminology every student must know

■ TDS (Tax Deducted at Source)

Tax withheld by the payer at the time of making specified payments such as salary, interest, rent, commission, professional fees, etc.

■ Deductor

The person responsible for deducting TDS from payments made. Can be an individual, HUF, firm, company, or any other entity as specified.

■ Deductee

The person from whose income TDS is deducted. The deductee receives credit for the TDS deducted against their total tax liability.

■ TAN (Tax Deduction Account Number)

A 10-digit alphanumeric number allotted to every deductor. Mandatory to quote on all TDS returns, certificates and challans. Applied via Form 49B.

■ PAN (Permanent Account Number)

10-digit alphanumeric number identifying the deductee. If PAN is not furnished, TDS is deducted at a higher rate of 20% under Section 206AA.

■ Threshold Limit

Minimum payment below which TDS is not required to be deducted. Varies by section.

■ Time of Deduction

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

■ Challan 281

The official challan used to deposit TDS/TCS with the government through authorized bank branches or online (OLTAS).

■ Form 26AS

Annual Tax Statement reflecting all TDS deducted, TCS collected, advance tax, and self-assessment tax paid against the taxpayer's PAN.

■ TRACES

TDS Reconciliation Analysis and Correction Enabling System — the online portal (www.tdscpc.gov.in) for TDS-related services.

■ Quick Formula Reference

Key Formula: TDS = (Payment Amount × TDS Rate) / 100

If PAN not given → TDS Rate = max(applicable rate, 20%) under Sec 206AA

Surcharge & Health + Education Cess (4%) applicable only on salary TDS.

Cess is NOT applicable on TDS for non-salary payments to residents.

CHAPTER 3

TDS Sections at a Glance

Complete reference table for all major TDS provisions

The Income Tax Act specifies different TDS rates for different types of income under separate sections. The table below covers all major sections with their threshold limits, applicable rates and type of deductee.

Section	Nature of Payment	Threshold (■)	Rate — Individual/HUF	Rate — Others
192	Salary	Basic Exemption Limit	Slab Rates	Slab Rates
192A	PF Withdrawal (premature)	50,000	10%	10%
193	Interest on Securities	10,000 (listed deb.)	10%	10%
194	Dividends (domestic company)	5,000	10%	10%
194A	Interest other than securities	40,000 (bank/PO)/ 5,000	10%	10%
194B	Lottery / Puzzle Winnings	10,000 per prize	30%	30%
194BB	Horse Race Winnings	10,000	30%	30%
194C	Contractor Payments	30,000 (single)/1L(agg)	1%	2%
194D	Insurance Commission	15,000	5%	10%
194DA	Life Insurance Maturity	1,00,000	5%	5%
194E	Non-Resident Sportsman/Association	—	20%+cess	20%+cess
194EE	NSS Payments	2,500	10%	10%
194F	Repurchase of MF/UTI units	—	20%	20%
194G	Commission on Lottery Tickets	15,000	5%	5%
194H	Commission / Brokerage	15,000	5%	5%

194I(a)	Rent — Plant & Machinery	2,40,000 p.a.	2%	2%
194I(b)	Rent — Land/Building/Furniture	2,40,000 p.a.	10%	10%
194IA	Property Transfer (immovable)	50,00,000	1%	1%
194IB	Rent (Individuals/HUF not TAB)	50,000/month	5%	N/A
194IC	Joint Dev. Agmt — monetary consideration	—	10%	10%
194J(a)	Technical Services / Call Centre	30,000	2%	2%
194J(b)	Professional/Royalty	30,000	10%	10%
194K	Income from MF Units	5,000	10%	10%
194LA	Compensation on immovable property	2,50,000	10%	10%
194LB	Interest — Infra Debt Fund (NR)	—	5%	5%
194LC	Interest — Foreign currency loan	—	5%	5%
194LD	Interest on Govt. securities (FII)	—	5%	5%
194M	Contractor/Prof fee by Ind/HUF	50,00,000 p.a.	5%	5%
194N	Cash Withdrawal (bank)	1 Cr (ITR filer)/ 20L	2% / 5%	2% / 5%
194O	E-commerce Operator Payments	5,00,000	1%	1%
194P	Senior Citizen (75+) bank TDS	Basic exemption	Slab Rates	N/A
194Q	Purchase of Goods	50,00,000 p.a.	0.1%	0.1%
194R	Perquisites / Benefits in kind	20,000 p.a.	10%	10%
194S	Virtual Digital Assets (Crypto)	10,000/50,000	1%	1%
195	Payments to Non-Residents	No threshold	Rates in DTAA / Act	As per Act
196B	Income from units (offshore funds)	—	10%	10%
196C	Income from Foreign Currency Bonds	—	10%	10%
196D	Income of FIIs from Securities	—	20%	20%

206AA	No PAN furnished	—	20% or higher	20% or higher
206AB	Non-filer of ITR (2 years)	—	Higher of 5%/2x rate	Same

■ ***Note:*** *Rates shown are for AY 2024-25. Surcharge and cess (4%) apply only on salary TDS for residents. Always verify the latest rates from the Income Tax portal before deducting.*

CHAPTER 4

Residential Status & TDS

How residential status determines TDS applicability

Residential status is critical in determining which TDS provisions apply and at what rate. Residents are taxed on global income while non-residents are taxed only on India-sourced income.

Status	Taxability	Applicable TDS Sections	Rate
Resident (Ordinary)	Global income	Sections 192–194X	Per applicable section
Resident (Not Ordinary)	India income + specific foreign income	192–194X	Per section
Non-Resident (NR)	India-sourced income only	Sections 195, 196, etc.	Per DTAA or Act
Foreign Company	India-sourced income	195, 196C, 196D	40% or per DTAA

4.1 TDS on Non-Residents — Key Points

- All payments to non-residents are subject to TDS under Section 195, regardless of amount.
- Double Taxation Avoidance Agreements (DTAA) can override Act rates — beneficial rates apply.
- Non-resident must furnish a Tax Residency Certificate (TRC) and Form 10F to claim DTAA benefit.
- Lower withholding certificate under Section 197 is available for NRs too.
- Section 195(2): Deductor can apply to AO for determining TDS on portion of gross sum.
- FEMA/RBI approvals do not substitute TDS compliance — both must be complied with.

CHAPTER 5

Salary TDS — Section 192

The most widely applicable TDS provision

Section 192 mandates every employer to deduct TDS on salary payments to employees. It is unique because TDS is calculated on the estimated annual salary using **slab rates** rather than a flat percentage.

5.1 Computation of TDS on Salary

TDS = [Estimated Annual Tax Liability] ÷ 12 per month

Step	Action	Result
1	Calculate Gross Salary (Basic + DA + HRA + Allowances + Perquisites)	Gross Salary
2	Deduct Exemptions (HRA u/s 10(13A), LTA u/s 10(5), Standard Deduction ■50,000)	Salary after exemptions
3	Deduct Chapter VI-A deductions (80C, 80D, 80G, etc.)	Net Taxable Salary
4	Apply applicable tax slab rates	Gross Tax
5	Add surcharge (if applicable)	Tax + Surcharge
6	Add Health & Education Cess @ 4%	Total Tax Liability
7	Divide by 12 (or remaining months)	Monthly TDS

5.2 Tax Slabs — Old vs New Regime (FY 2024-25)

Income Slab (■)	Old Regime Rate	New Regime Rate
Up to 2,50,000	NIL	NIL
2,50,001 – 3,00,000	NIL	5%
3,00,001 – 5,00,000	5%	5%
5,00,001 – 6,00,000	20%	5%

6,00,001 – 7,00,000	20%	10%
7,00,001 – 9,00,000	20%	10%
9,00,001 – 10,00,000	20%	15%
10,00,001 – 12,00,000	30%	15%
12,00,001 – 15,00,000	30%	20%
Above 15,00,000	30%	30%

■ ***Note:*** *From FY 2023-24, the New Tax Regime is the default. An employee must specifically opt for the Old Regime by informing their employer in writing. Rebate u/s 87A: ■12,500 (Old) or ■25,000 (New) — income up to ■5L (Old) or ■7L (New) effectively NIL tax.*

5.3 Special Points for Section 192

• Employer must obtain declaration from employee regarding other income/losses for TDS calculation.

• Employee can declare loss from house property (self-occupied) to reduce TDS.

• If employee works for two employers simultaneously — only one employer deducts TDS after furnishing Form 12B.

• Employer must issue **Form 16** (Part A + Part B) by 15th June of following year.

• Perquisites valued as per Rule 3 are included in taxable salary for TDS.

• Retirement benefits (Gratuity, Leave Encashment, Provident Fund) may be exempt u/s 10.

CHAPTER 6

Interest Income — Sections 193 & 194A

TDS on interest from securities and bank deposits

6.1 Section 193 — Interest on Securities

TDS @ **10%** is deductible on interest paid/credited on debentures/securities. Threshold: ■10,000 for listed debentures. No threshold for unlisted debentures issued to residents.

- Exempt: Interest on 8% Savings (Taxable) Bonds, National Defence Bonds, etc.
- TDS by company on debenture interest — threshold ■5,000 if payable by A/c payee cheque.

6.2 Section 194A — Interest Other Than Securities

Category	Threshold Limit (■)	TDS Rate
Banks / Cooperative Banks / Post Office	40,000 (50,000 for Sr. Citizen)	10%
Other entities	5,000	10%
Bank FD — Senior Citizen (75+) u/s 194P	Slab rate threshold	Slab rates

■ Senior citizens (60+) can submit Form 15H to the bank if income is below taxable limit — no TDS will be deducted. Others below taxable income may submit Form 15G.

6.3 Exclusions from Section 194A

- Interest paid by partnership firm to its partners.
- Interest paid by cooperative society to its members.
- Interest under the Income Tax Act (refund interest) — but this is included from FY 2020-21.
- Interest on compensation/enhanced compensation awarded by Motor Accident Claims Tribunal.
- Interest credited or paid by a firm to its partner.

CHAPTER 7

Dividends — Section 194

TDS on dividends declared by domestic companies

Post the abolition of Dividend Distribution Tax (DDT) from April 1, 2020, dividends are now taxable in the hands of the shareholder. Consequently, companies paying dividends must deduct TDS under **Section 194**.

Parameter	Detail
Applicable Section	Section 194
Who Deducts	Domestic company paying dividend to resident shareholders
Rate	10%
Threshold	■5,000 per shareholder per FY
Time of Deduction	At the time of payment or credit, whichever is earlier
Certificate Issued	Form 16A
Exception	No TDS if dividend paid to LIC, GIC, or subsidiary company

■ Mutual Fund dividends are covered under Section 194K @ 10% (threshold ■5,000 per FY). REIT/InvIT distributions are subject to different TDS rates based on nature of income.

CHAPTER 8

Professional / Technical Fees — Section 19

One of the most common TDS sections for businesses

Section 194J covers fees paid for professional services, technical services, royalty, and non-compete fees. It was amended in 2020 to introduce a lower rate for certain technical services.

Category under 194J	Examples	Rate
194J(a) — Technical Services / Call Centre	Software services, IT services, call centre services, technical consulting	2%
194J(b) — Professional Services	Doctors, lawyers, CAs, engineers, architects, consultants	10%
194J(b) — Royalty	Payments for IP use, patents, copyrights, trademarks, know-how	10%
194J(b) — Non-Compete Fees	Amounts paid not to compete in business/profession	10%
194J(b) — Film Artists	Fees to actors, directors, cameramen, etc.	10%

■ ***Note:*** *Threshold: ■30,000 per financial year per payee. If payment to a single person exceeds ■30,000, TDS applies on the entire amount (not just the excess). No threshold for non-compete fees and director's fees (Section 194J).*

8.1 Who Must Deduct under 194J?

Any person (other than an individual or HUF whose turnover/gross receipts do not exceed ■1 crore in business or ■50 lakh in profession in the preceding FY) is required to deduct TDS under 194J. Individual/HUF exceeding these limits must also deduct.

CHAPTER 9

Contractor Payments — Section 194C

TDS on work contracts — construction, manufacturing, supply

Section 194C applies to payments made to any resident contractor or sub-contractor for carrying out any work (including supply of labour) in pursuance of a contract between the contractor and a specified person.

Parameter	Individual/HUF	Others (Firms/Companies)
TDS Rate	1%	2%
Single Payment Threshold	■30,000	■30,000
Aggregate Threshold	■1,00,000 p.a.	■1,00,000 p.a.
Time of Deduction	Payment or Credit, whichever earlier	Same
Sub-contractor Rate	1%	2%

9.1 'Work' under Section 194C includes:

- Advertising, broadcasting & telecasting.
- Transportation of goods or passengers (except railways).
- Catering, hotel management.
- Manufacturing/supply of product as per specification (job work).
- Construction, repair, maintenance, demolition.
- Supply of labour for carrying out any work.

Section 194C — Key Exemptions & Notes

No TDS if transporter (owning ≤10 goods carriages at any time during the year) furnishes PAN.
Payment by individual/HUF for personal purposes is exempt.
194C does NOT apply to salary payments — Sec 192 applies to those.
Composite works contracts (material + labour) — TDS on total invoice if not separately stated.

CHAPTER 10

Rent — Sections 194I & 194IB

TDS on rental payments for property and assets

Section	194I(a)	194I(b)	194IB
Asset	Plant, Machinery, Equipment	Land, Building, Furniture, Fittings	Land, Building (by Ind/HUF)
Rate	2%	10%	5%
Threshold	■2,40,000 p.a.	■2,40,000 p.a.	■50,000 per month
Who deducts	TAB + specified	TAB + specified	Individual/HUF not under TAB
Form	26Q	26Q	26QC (Challan-cum-statement)

10.1 Definition of 'Rent' under 194I

Rent means any payment by whatever name called, under a lease, sub-lease, tenancy, or any other agreement/arrangement for the use of land, building (including factory building), land appurtenant to a building (including factory building), machinery, plant, equipment, furniture or fittings, whether or not any/all of the above are owned by the payee.

10.2 Key Points — Section 194IB

- Applicable to individuals/HUF not subject to Tax Audit (TAB).
- TDS to be deducted at the time of credit/payment for the last month of the FY or last month of tenancy.
- One-time annual deduction: TDS on rent for the whole year is deducted in March (or last month of tenancy).
- Form 26QC is both the challan and the statement — to be filed within 30 days of end of the month.
- TDS certificate to tenant: Form 16C, issued within 15 days of filing 26QC.

CHAPTER 11

Property Transactions — Section 194IA

TDS on purchase of immovable property

Section 194IA requires every buyer of immovable property (other than agricultural land) to deduct TDS @ **1%** before making payment to the seller, if the consideration is ■50 lakh or more.

Parameter	Details
Applicable to	All buyers of immovable property (resident seller)
Threshold	Consideration ≥ ■50,00,000 (stamp duty value also considered)
TDS Rate	1% of consideration or stamp duty value, whichever is higher (w.e.f. Apr 2022)
Property excluded	Agricultural land as defined in Section 2(14)
TAN requirement	Not required — PAN of buyer and seller sufficient
Form	Form 26QB (online challan-cum-statement)
Time to file	Within 30 days from end of month of deduction
TDS Certificate	Form 16B — issued within 15 days of filing 26QB

■ From April 2022: TDS base is HIGHER of (a) actual consideration paid/payable or (b) stamp duty value. This prevents undervaluation of property transactions.

■ Important Practical Points

Each installment payment attracts TDS — not just the final payment.

If multiple buyers, each buyer deducts proportionate TDS.

NRI seller → Section 195 applies (not 194IA); TDS rate may be 20%+ as per DTAA.

Penalty: Interest @ 1.5% per month for late deduction + 1% per month for late deposit.

CHAPTER 12

Commission & Brokerage — Section 194H

TDS on payments to agents and intermediaries

Commission or brokerage includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person for services rendered (not being professional services) or for buying/selling goods or assets, or for the transaction of a business.

Parameter	Details
Rate	5%
Threshold	■15,000 per FY per payee
Deductor	Any person (excluding Ind/HUF below turnover threshold)
Exclusion	Insurance commission (Sec 194D), Comm on lottery tickets (Sec 194G)

- Securities dealers' brokerage deducted by stock exchange is covered under 194H.
- Bank charges and processing fees do NOT constitute commission for 194H.
- Discount given to distributors/dealers for purchasing products for resale is NOT commission.

CHAPTER 13

Winnings — Sections 194B & 194BB

TDS on lottery, crossword, game show and horse race winnings

Section	Type of Winning	Threshold (■)	TDS Rate
194B	Lottery, Crossword Puzzle, Card Game, Game Show, Online Gaming	10,000 per prize	30%
194BB	Horse Race Winnings	10,000 per race	30%
115BBJ	Online Gaming (from Apr 2023)	Aggregate income	30% u/s 194BA

■ TDS @ 30% on winnings is a FLAT rate — no basic exemption, no deductions, no slab benefit. If prize is in kind, the prize giver must ensure tax is paid before releasing the prize.

• If winnings in kind — organizer pays TDS from other income and recovers it.

• Online gaming winnings from April 2023: New Section 194BA — TDS @ 30% on net winnings (withdrawal-based).

CHAPTER 14

Insurance — Sections 194D & 194DA

TDS on insurance commission and maturity proceeds

14.1 Section 194D — Insurance Commission

Deductee	Rate	Threshold
Individual	5%	■15,000 per FY
Domestic Company	10%	■15,000 per FY

14.2 Section 194DA — Life Insurance Policy Maturity

TDS @ **5%** (on income component) is deductible on maturity/surrender proceeds of life insurance policies not exempt under Section 10(10D). Threshold: ■1,00,000 per policy.

- Exempt policies (10(10D)) are KEYMAN insurance, any policy where premium exceeds 10%/15%/20% of sum assured.
- TDS is on the income portion = Proceeds – Premiums Paid (net of bonuses and exclusions).

CHAPTER 15

Other Important TDS Sections

New-age TDS provisions and sector-specific rules

15.1 Section 194N — TDS on Cash Withdrawals

Category	Threshold	Rate
Filed ITR in preceding 3 years	> ■1 Crore in FY	2% on excess
Not filed ITR in preceding 3 years (> ■20L–■1Cr)	> ■20 Lakh	2% on excess
Not filed ITR in preceding 3 years (> ■1 Cr)	> ■1 Crore	5% on excess

15.2 Section 194O — E-Commerce TDS

E-commerce operators must deduct TDS @ **1%** on gross sales/services of sellers on their platform. Threshold: ■5,00,000 p.a. (only for individual/HUF sellers). No threshold for others.

- Amazon, Flipkart, Swiggy, Zomato etc. must deduct TDS before paying sellers/restaurants.
- The seller cannot claim exemption even if below 5 lakh if s/he is not individual/HUF.

15.3 Section 194Q — TDS on Purchase of Goods

Introduced from 1 July 2021, buyers with turnover > ■10 crore in the preceding FY must deduct TDS @ **0.1%** on purchases of goods from a single seller exceeding ■50 lakh in the current FY.

Section 194Q — Key Notes

194Q vs 206C(1H): If both TDS (194Q) and TCS (206C-1H) apply, TDS under 194Q prevails.

Does NOT apply to import of goods or transactions where TDS applies under any other section.

If seller's turnover ≤ ■10 Cr: Section 206C(1H) (TCS) by seller applies instead.

15.4 Section 194R — Benefits / Perquisites

From 1 July 2022, any person providing benefits or perquisites to a resident (in the course of business/profession) must deduct TDS @ **10%**. Threshold: ■20,000 p.a.

- Covers gifts, free samples, foreign trips given to doctors by pharma companies.
- Benefits in kind: deductor must pay tax from own pocket (cannot deduct from money).

15.5 Section 194S — Virtual Digital Assets (Crypto/NFT)

From 1 July 2022, TDS @ **1%** on transfer of virtual digital assets (VDAs) such as cryptocurrencies and NFTs. Threshold: ■50,000 (individual/HUF below TAB) or ■10,000 (others) per FY.

- Exchange/broker deducts TDS if transaction is through them.
- Peer-to-peer (P2P) transfer: buyer deducts TDS and deposits via Form 26QE.

CHAPTER 16

TDS on Non-Residents — Section 195

Withholding tax on payments to foreign entities

Section 195 is a wide-ranging provision requiring any person making payment to a non-resident (or foreign company) in respect of income chargeable to tax in India to deduct TDS.

Nature of Payment	Rate as per Act	Common DTAA Rate
Interest	20%	10–15%
Royalty	20%	10–15%
Technical Services	20%	10–15%
Business profits	As per slab/40%	Nil (if no PE in India)
Capital Gains (Long-term)	20%	20% or lower
Capital Gains (Short-term)	30%	30% or as per DTAA
Dividends	20%	10–15%
Fees for Professional Services	20%	10%

16.1 DTAA — Double Taxation Avoidance Agreement

India has DTAA with 90+ countries. NR can claim lower DTAA rate by furnishing: (1) Tax Residency Certificate (TRC), (2) Form 10F, (3) PAN / Tax ID, (4) Declaration that no Permanent Establishment (PE) in India (for business income). If no DTAA, or treaty rate is higher, Act rates apply.

16.2 Section 195(2) — Determination by AO

If the payer is uncertain whether TDS is applicable (e.g., on capital gains, mixed transactions), they can apply to the Assessing Officer to determine the appropriate TDS amount. The AO issues an order specifying the sum on which TDS is to be deducted.

■ Failure to deduct TDS on NR payments makes the payer an assessee-in-default, attracting interest, penalty, and disallowance of the related expenditure u/s 40(a)(i).

CHAPTER 17

TAN — Tax Deduction Account Number

Registration requirement for all deductors

17.1 What is TAN?

TAN is a 10-digit alphanumeric number mandatory for all entities required to deduct or collect tax at source. It must be quoted in all TDS returns, challans, certificates, and correspondence.

TAN — Quick Facts

Structure: ABCD12345E — First 4 letters (jurisdiction code) + 5 digits + 1 check letter

Application Form: Form 49B (offline) or online at NSDL/UTIITSL portal

Fee: ■65 + GST

Allotment: Within 7–10 working days online

Multiple TANs: An entity can have multiple TANs for different branches/divisions

17.2 Consequences of Not Having TAN

- Penalty of ■10,000 under Section 272BB for failure to apply for TAN.
- TDS returns cannot be filed without TAN.
- Deductor cannot issue valid TDS certificates without TAN.
- Banks and authorities will reject challans without TAN.

17.3 Exemptions from TAN Requirement

Individuals deducting TDS under Section 194IA (property purchase) and Section 194IB (rent by individuals) and Section 194M (contractor/professional payments by individuals) are NOT required to obtain TAN. They use their PAN for filing Form 26QB, 26QC, and 26QD respectively.

CHAPTER 18

TDS Returns & Filing

Forms 24Q, 26Q, 27Q, 27EQ and due dates

Form	Purpose	Due Date
24Q	TDS on Salary (Sec 192)	Q1: 31 Jul | Q2: 31 Oct | Q3: 31 Jan | Q4: 31 May
26Q	TDS on non-salary payments to residents	Q1: 31 Jul | Q2: 31 Oct | Q3: 31 Jan | Q4: 31 May
27Q	TDS on payments to NRs/Foreign Companies	Q1: 31 Jul | Q2: 31 Oct | Q3: 31 Jan | Q4: 31 May
27EQ	TCS Returns	Q1: 15 Jul | Q2: 15 Oct | Q3: 15 Jan | Q4: 15 May
26QB	TDS on property purchase (194IA)	Within 30 days of month of deduction
26QC	TDS on Rent (194IB)	Within 30 days of month of deduction (annual)
26QD	TDS on contractor/prof by Ind (194M)	Within 30 days of month of deduction
26QE	TDS on VDA (Sec 194S — P2P)	Within 30 days of month of deduction

18.1 Quarterly Payment Due Dates for TDS Deposit

Month of Deduction	Government Deductors	Other Deductors
April to February	Same day as deduction	7th of following month
March (salary)	Same day	30th April
March (non-salary)	Same day	7th April

18.2 Revised TDS Returns

A deductor can file a correction/revised return to rectify errors in the original return. Corrections can be made for: PAN errors, challan details, deductee details, and amounts. Corrections are processed by TRACES. Online corrections: possible for certain types. Physical corrections: via TIN-FC for older returns.

CHAPTER 19

TDS Certificates — Form 16 & 16A

Proof of tax deducted — issued to deductees

Feature	Form 16	Form 16A
Applicable Section	Section 192 (Salary)	All non-salary TDS sections
Issued by	Employer	Any deductor
Issued to	Employee	Deductee
Frequency	Annual	Quarterly
Due Date of Issue	15th June (following FY)	15 days from due date of return
Parts	Part A (TAN/PAN/Tax) + Part B (Salary details)	Single form
Generation	Part A from TRACES only	Must download from TRACES
Contains	Salary breakup, exemptions, deductions, tax computation	TDS on specific payment

■ From FY 2019-20, Part A of Form 16 must be generated ONLY from TRACES portal. Manual Part A is not valid. Penalty for not issuing Form 16: ■100 per day of default under Section 272A(2)(g).

19.1 Form 16C — Rent TDS Certificate

Form 16C is the TDS certificate issued by the tenant (who deducts TDS under Section 194IB) to the landlord. It must be issued within 15 days from the due date of filing Form 26QC. Generated from TRACES portal.

CHAPTER 20

Form 26AS & Annual Information Statement

Taxpayer's consolidated tax statement

Form 26AS is the Annual Tax Credit Statement available on the Income Tax Portal. It is the taxpayer's complete record of all taxes deducted, collected, and paid. Every taxpayer must reconcile their Form 26AS before filing their ITR.

20.1 Contents of Form 26AS

Part	Information
Part A	TDS on salary and non-salary payments
Part A1	TDS on 15G/15H declarations
Part B	TCS (Tax Collected at Source)
Part C	Advance Tax and Self-Assessment Tax paid
Part D	Refunds received
Part E	AIR (Annual Information Return) Transactions
Part F	TDS on sale of immovable property (26QB)
Part G	TDS on rent (26QC)

20.2 Annual Information Statement (AIS) — New Format

AIS was introduced in 2021 and provides a comprehensive view of taxpayer information including salary, interest, dividends, securities transactions, mutual fund transactions, foreign remittances, GST data, and more — sourced from third parties.

- AIS > Form 26AS in scope and detail.
- Taxpayer Information Summary (TIS) is a simplified summary derived from AIS.
- Taxpayer can provide feedback on incorrect information in AIS.

CHAPTER 21

Lower / Nil TDS — Sec 197 & Forms 15G/15

How deductees can reduce or eliminate TDS

21.1 Section 197 — Certificate for Lower Deduction

A deductee can apply to the Assessing Officer for a certificate authorising the deductor to deduct TDS at a lower rate or at NIL rate, where their estimated total income justifies it.

Parameter	Details
Who can apply	Any person whose income is subject to TDS
Form	Form 13 (online on TRACES)
Validity	FY specified in the certificate
Sections covered	192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194I, 194J, 194K, 194LA, 195
Processing	AO issues certificate specifying rate and period of validity
Quoting	Deductee furnishes certificate to deductor; deductor quotes in TDS return

21.2 Form 15G & Form 15H — Self-Declaration for Nil TDS

Feature	Form 15G	Form 15H
Applicable to	Resident Individual below 60 years	Resident Senior Citizen (60+)
Condition 1	Tax on estimated income = NIL	Tax on estimated income = NIL
Condition 2	Aggregate interest income ≤ Basic Exemption	No such additional condition
Applicable Sections	194A, 194, 193, 194K, 194DA, 194EE	194A, 194, 193, 194K, 194DA, 194EE
Filed with	Payer (bank/company) at start of FY	Payer (bank/company) at start of FY

■ ***Note:*** *If a false 15G/15H is submitted, penalty provisions under Section 277 apply (imprisonment). Banks aggregate all 15G/15H across branches — total interest must still be within limits.*

CHAPTER 22

Consequences of TDS Default

Interest, penalties, prosecution and disallowances

22.1 Interest for Default — Sections 201(1A)

Default	Interest Rate	Period
TDS not deducted at all	1% per month	From date tax was deductible to date of actual deduction
TDS deducted but not deposited	1.5% per month	From date of deduction to date of deposit

■ ***Note:*** *Interest is rounded to the nearest month (part month = full month). No maximum cap — interest can exceed principal for large delays.*

22.2 Penalties

Section	Provision	Penalty Amount
271C	Failure to deduct TDS	Equal to TDS amount not deducted
271CA	Failure to collect TCS	Equal to TCS amount not collected
272A(2)(c)	Failure to file TDS return in time	■200 per day (max = TDS amount)
271H	Incorrect TDS return	■10,000 to ■1,00,000
272BB	Failure to apply for TAN	■10,000
272A(2)(g)	Failure to issue TDS certificate	■100 per day (no max limit)
234E	Late filing fee for TDS return	■200 per day (max = TDS amount)

22.3 Prosecution — Section 276B

If TDS is deducted but not deposited to government, the responsible person is liable for prosecution with rigorous imprisonment of **3 months to 7 years** with fine. This is one of the most serious TDS defaults.

22.4 Disallowance of Expenditure — Section 40(a)

If TDS is not deducted/deposited on payments to residents, **30% of such expenditure** is disallowed in computing business income. Full disallowance applies for NR payments.

- Disallowance reversed in the year TDS is ultimately deposited.
- Applies to: salary, interest, commission, rent, professional fees, contractor payments, etc.

CHAPTER 23

TDS vs TCS — Key Differences

Comparing Tax Deducted at Source and Tax Collected at Source

Parameter	TDS	TCS
Full Form	Tax Deducted at Source	Tax Collected at Source
Governing Section	Sections 192–206AA	Sections 206C–206CCA
Who is responsible	Payer (Deductor)	Seller/Collector
When applicable	At time of making payment	At time of receiving payment
Who bears burden	Payee (Deductee)	Buyer/Recipient
Applicable on	Specified income payments	Specified goods/transactions
Return Form	24Q, 26Q, 27Q	27EQ
Certificate	Form 16/16A/16B/16C	Form 27D
Examples	Salary, Interest, Rent, Professional Fees	Scrap, Timber, Tendu Leaves, Foreign Remittance, LRS
Credit in 26AS	Part A	Part B

23.1 Important TCS Categories

Section	Category	Rate
206C(1)	Scrap, Minerals, Tendu Leaves, Forest Produce	1–5%
206C(1C)	Parking Lot, Toll Plaza, Mining/Quarrying	2%
206C(1F)	Sale of Motor Vehicles > ■10 lakh	1%
206C(1G)	Foreign Remittance under LRS (> ■7 lakh)	5% / 0.5% for education
206C(1G)	Overseas Tour Package	5% (20% if no PAN/Aadhaar)
206C(1H)	Sale of Goods (turnover > ■10 Cr)	0.1% on receipts > ■50 lakh

CHAPTER 24

Practical Examples & Case Studies

Real-world TDS computations and scenarios

Example 1 — TDS on Salary (Section 192)

Ramesh earns ■12 lakh salary. He opts for New Regime. Calculate monthly TDS.

Particulars	Amount (■)
Gross Salary	12,00,000
Less: Standard Deduction	(-) 50,000
Net Taxable Income	11,50,000
Tax on ■11,50,000 (New Regime):	
0–3,00,000 @ NIL	0
3–6,00,000 @ 5%	15,000
6–9,00,000 @ 10%	30,000
9–11,50,000 @ 15%	37,500
Gross Tax	82,500
Add: Health & Edu Cess @ 4%	3,300
Total Annual Tax	85,800
Monthly TDS (■85,800 ÷ 12)	7,150

Example 2 — TDS on Professional Fee (Section 194J)

ABC Ltd pays ■80,000 to Dr. Sharma (individual) as consulting fee. Calculate TDS.

TDS = ■80,000 × 10% = ■8,000 | Net Payment = ■72,000

■ ***Note:*** *Threshold ■30,000 exceeded, so TDS on full ■80,000. Rate = 10% (professional).*

Example 3 — TDS on Contractor (Section 194C)

XYZ Ltd pays ■2,50,000 to M/s Builders & Co (firm) for renovation work.

TDS = ■2,50,000 × 2% = ■5,000 | Net Payment = ■2,45,000

■ ***Note:*** *Rate = 2% (firm/company). Threshold ■1L exceeded. TDS on full amount.*

Example 4 — TDS on Property Purchase (Section 194IA)

Priya buys a flat for ■75 lakh. Stamp duty value = ■80 lakh. Calculate TDS.

TDS = Higher of (■75L, ■80L) × 1% = ■80,00,000 × 1% = ■80,000

■ ***Note:*** *From April 2022, TDS is on higher of consideration or stamp duty value.*

Example 5 — TDS on Interest (Section 194A)

Bank credits ■48,000 interest on FD to Suresh (42 yrs). Calculate TDS.

Threshold = ■40,000 (exceeded) | TDS = ■48,000 × 10% = ■4,800

■ ***Note:*** *Had Suresh submitted Form 15G and income was below taxable limit, no TDS.*

Example 6 — Penalty for Late TDS Deposit

Deductor deducts TDS ■50,000 in October but deposits it 3 months late in January.

Interest = ■50,000 × 1.5% × 3 months = ■2,250

■ ***Note:*** *Also faces potential ■200/day late filing fee u/s 234E if return is also late.*

CHAPTER 25

Important TDS Due Dates

Never miss a deadline — complete annual calendar

Activity	Due Date
TDS Deposit (Govt Deductors)	Same day as deduction
TDS Deposit (Non-Govt, Apr–Feb)	7th of following month
TDS Deposit (Non-Govt, March salary)	30th April
TDS Deposit (Non-Govt, March non-salary)	7th April
Q1 TDS Return (Apr–Jun)	31st July
Q2 TDS Return (Jul–Sep)	31st October
Q3 TDS Return (Oct–Dec)	31st January
Q4 TDS Return (Jan–Mar)	31st May
Form 16 (Salary Certificate)	15th June of following FY
Form 16A (Non-Salary Certificate)	15 days from due date of quarterly return
Form 16B (Property TDS Certificate)	15 days from filing of 26QB
Form 16C (Rent TDS Certificate)	15 days from filing of 26QC
Form 26QB deposit (Property)	30 days from end of month of deduction
Form 26QC deposit (Rent 194IB)	30 days from end of month (annual deduction in March)
Lower Deduction Cert. Application (Sec 197)	Before making payment / start of FY
Form 15G/15H submission	At start of FY or before first receipt of income

■ Due Date Rules — Key Reminders

If due date falls on a Sunday or national holiday, next working day applies.

Government deductors must deposit TDS on the same day of deduction — no extension.

Delayed deposit: 1.5% per month interest | Late return filing: ■200/day fee u/s 234E.

Always confirm dates on incometax.gov.in for any official extensions.

CHAPTER 26

Quick Revision Table

Last-minute exam cheat sheet — all key points at a glance

Topic	Key Point to Remember
TDS deduction timing	Earlier of: Credit in books OR Actual Payment
Section 206AA	No PAN → TDS @ 20% or applicable rate, whichever is HIGHER
Section 206AB	Non-filer (2 yrs) → 5% or twice the rate, whichever higher
Salary TDS	Slab rates + cess; no flat rate; employer computes annually
Threshold computation	Threshold checked on aggregate annual basis for most sections
194C sub-contractor	Same rates as main contractor (1%/2%); separate threshold
194IA property	No TAN needed; PAN of buyer/seller sufficient; Form 26QB
194IB rent (Ind/HUF)	TDS annually in March or last month; Form 26QC
194M (Ind/HUF contracts)	Applicable only if aggregate payment > ■50 lakh; rate 5%
194N cash withdrawal	2% on excess over ■1 Cr (ITR filer); higher for non-filer
195 (NR payments)	No threshold; DTAA rate if TRC + Form 10F submitted
Interest on default	1% (not deducted) or 1.5% (deducted not deposited) per month
Penalty 271C	= TDS amount not deducted (not an addition — equal amount)
234E late fee	■200/day up to TDS amount; mandatory — not discretionary
Form 16 generation	Part A ONLY from TRACES portal — manual Part A invalid
15G vs 15H	15G: below 60 yrs + double condition | 15H: 60+ only single condition
TCS vs TDS	TCS by seller at time of receipt; TDS by buyer/payer at payment
40(a) disallowance	30% of expense disallowed for resident TDS default (100% for NR)
Section 192A PF	10% TDS on PF withdrawal > ■50,000 before 5 years of service
DTAA applicability	Whichever is beneficial — DTAA rate or Act rate

Sec 192 Salary	**Sec 194C** Contractors	**Sec 194J** Professional
Sec 194I Rent	**Sec 194A** Interest	**Sec 195** Non-Residents

END OF TDS COMPREHENSIVE NOTES — All sections covered as per Income Tax Act, 1961 (Updated for FY 2024-25 / AY 2025-26)