



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Women Members Excellence Committee

Hosted by: Kottayam Branch, ICAI (SIRC)



Happy  
International  
**Women's  
Day**  
8  
March  
2026

*Rise. Lead. Transform - Beyond Boundaries*



Speaker  
**CA. Ramya N**

Past Chairperson,  
Kottayam Branch of SIRC of ICAI

Topic:

TDS provisions under  
Income Tax Act 2025

 **19 MARCH 2026 (Thursday)**

 **ICAI Bhawan, Kollad, Kottayam**

 **03.30 pm to 05.30 pm**

The International Women's Day 2026 campaign theme is

**“Give To Gain”**

focusing on the power of generosity, mentorship, and investment in women to accelerate gender equality.

The theme highlights that supporting women through resources and advocacy leads to broader economic and social benefits

### Power to Frame Schemes

- ❖ The Act authorizes the Central Government to design new schemes aimed at **improving efficiency, transparency, and accountability** in tax administration (*S. 532*). This can be done by:
  - i. **Eliminating the interface** with the assessee or any other person to the extent technologically feasible, and
  - ii. **Optimising utilisation** of the resources through economies of scale and functional specialisation.

### Simplified Compliance

- ❖ Multiple provisions have been brought together for more clarity. For example, the provisions related to **Tax Deducted at Source (TDS)**, which were earlier distributed across multiple sections, have now been **streamlined and grouped** under a single section - **Section 393**. This consolidation is intended to simplify the legal framework, making it easier for taxpayers, professionals, and authorities to locate and interpret TDS related rules without navigating through numerous scattered clauses.

**Tabular Mapping - Sections of the Income-tax Act, 2025 *vis-a-vis* Income-tax Act, 1961**

<b>Chapters &amp; Sections of the Income-tax Act, 2025</b>		<b>Page No.</b>	<b>Parallel Section(s) of Income-tax Act, 1961</b>
<b>Section No.</b>	<b>Chapter No., Chapter heading and Section heading</b>		
<b>[390-430]</b>	<b>CHAPTER XIX- COLLECTION AND RECOVERY OF TAX</b>	<b>506-572</b>	
<b>[390-391]</b>	<b>A. General</b>	<b>506</b>	
390	Deduction or collection at source and advance payment.	506	190
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			206C
391	Direct payment		191
<b>[392-402]</b>	<b>B. Deduction and collection at source</b>	<b>507</b>	
392	Salary and accumulated balance due to an employee	507	192
			192A

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<b>Section No.</b>	<b>Chapter No., Chapter heading and Section heading</b>		
393	Tax to be deducted at source	509	193
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			194BB
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			194K
			194LA
			194LB
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394	Collection of tax at source	534	206C
395	Certificates	536	197
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396	Tax deducted is income received		198

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<b>Section No.</b>	<b>Chapter No., Chapter heading and Section heading</b>		
397	Compliance and reporting.	537	203A
			206AA
			206CC
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			194S
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Chapters & Sections of the Income-tax Act, 2025		Page No.	Parallel Section(s) of Income-tax Act, 1961
Section No.	Chapter No., Chapter heading and Section heading		
398	Consequences of failure to deduct or pay or, collect or pay	540	201
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399	Processing	541	200A
			206CB
400	Power of Central Government to relax provisions of this Chapter	542	194A
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			197A
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401	Bar against direct demand on assessee		205
402	Interpretation		192 to 206CB

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448	Penalty for failure to deduct tax at source	592	271C
449	Penalty for failure to collect tax at source		271CA
476	Failure to pay tax to credit of Central Government under Chapter XIX-B.		276B
477	Failure to pay tax collected at source.		276BB

# Why TDS Matters

- Major direct tax collection mechanism
- Ensures early tax collection
- Creates transaction level audit trail
- Large compliance responsibility for businesses
- 30% disallowance where TDS not deducted or deposited

# Objectives of Withholding Tax

- Prevent tax evasion
- Ensure steady government revenue
- Track taxable transactions
- Widen tax base

# Major Categories of TDS Payments

- Salary
- Interest
- Contractor payments
- Professional fees
- Rent
- Property transfers
- Purchase of goods

# TDS Compliance Cycle

- Identify payment
- Determine applicable section
- Deduct tax
- Deposit to government
- File TDS return
- Issue certificate

# TDS Deposit Timeline

- April–Feb deductions → 7th of next month
- March deductions → 30 April

# Quarterly TDS / TCS Returns

## TDS Returns due date

- Q1 – 31 July
- Q2 – 31 October
- Q3 – 31 January
- Q4 – 31 May

## TCS Returns due date

- Q1 – 31 July
- Q2 – 31 October
- Q3 – 31 January
- Q4 – 31 May

- Old form 24 Q – New form 138 – Salary deduction
- Old form 26 Q – New form 140 – Non salary TDS
- Old form 27 Q – New form 144 – Non resident TDS
- Old form 27 EQ – New form 143 – TCS

# TDS Certificates

- Form 16 – Salary – New Form 130
- Form 16A – Non salary payments – New Form 131
- Form 16B – Property purchase – New Form 132
- Form 16C – Rent payments

## Section 390

When is Chapter XIX applicable?

- a. for deduction or collection of tax
- b. For advance payment
- c. non-monetary perquisite chargeable to tax

# Section 392

## **TDS on salary and payments to employees (S 192)**

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Who should deduct	Any person paying any sum by way of salary Trustees of recognised provident fund
When	at the time of such payment
Rate	average rate of income-tax computed on the basis of the rates in force for the tax year in which the payment is made, on the estimated income of the assessee under this head for such year.
Also applies to	non-monetary perquisite ESOP

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# Section 392

## TDS on salary and payments to employees : Changes via new rules under the new Act

<i>Particulars</i>	<i>Specifications</i>
House Rent Allowance (HRA)	ceiling of 50% of salary for HRA has been extended to include: Ahmedabad, Bengaluru, Hyderabad and Pune.
Children's Allowances	<ul style="list-style-type: none"><li>• Children Education Allowance: Increased from ₹100 to ₹3,000 per month per child</li><li>• Children Hostel Allowance: Increased from ₹300 to ₹9,000 per month per child</li></ul>
Free Food and Non-Alcoholic Beverages	₹50 per meal → ₹200 per meal
Gifts, Vouchers and Tokens	₹5,000 → ₹15,000 per financial year
Free or Concessional Education	taxable only where the cost exceeds ₹3,000 per month per child
Employer-Granted Medical Loans	No perquisite value shall arise where: <ul style="list-style-type: none"><li>• Loan granted for medical treatment of specified diseases; or</li><li>• Aggregate loan amount does not exceed ₹2,00,000</li></ul>
Motor vehicle perquisite	Significant increase in limits on vehicle given to employee for use (₹5000 for ≤ 1600cc and ₹7000 > 1600cc) and for driver provided (₹3000 per month)
Form No. 124 – Replacement of Form 12BB	For Employees claiming exemptions and deductions. Mandatory disclosure of relationship with landlord for HRA claims.
Form No. 130 – Replacement of Form 16	The certificate for tax deducted at source on salary is now prescribed in Form 130

# Section 393

## Tax to be deducted at source – S. 393 (1) - PAYMENTS TO RESIDENT

On what	Any income or Sum of the nature specified in column B of Table
When	at the time of credit or payment or distribution
By whom	Payer specified in column C of Table
To whom	<b>RESIDENT</b>
Rate and threshold limit	specified in column D of Table
Exceptions	Listed in sub sections 4, 5, 6, 8 and 9

## Section 393 (contd...)

<b>TDS on payments made to residents - COMMISSION (S 194H)</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
1. (i)	Commission - Insurance	Any person	Rates in force 5%	₹ 20,000
(ii)	Other commission or brokerage	Specified person	2%	₹ 20,000

## Section 393 (contd...)

<b>TDS on payments made to residents – RENT</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
2. (i)	Rent <i>(see Note 1)</i> (S 194IB)	Person other than specified person	2%	₹ 50,000 for a month or part of a month
<i>Note 1</i>	<i>TDS to be done at the time of credit or payment of rent for last month of tax year or the last month of tenancy</i>			
(ii)	Rent (S 194I)			
	(a) Use of any machinery or plant or equipment	specified person	2%	₹ 50,000 for a month or part of a month
	(b) use of any land or building or furniture or fittings	specified person	10%	₹ 50,000 for a month or part of a month

## Section 393 (contd...)

<b>TDS on payments made to residents – TRANSFER OF PROPERTY (S 194IA)</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
3. (i)	Payment on transfer of certain immovable property other than agricultural land	Any person	1% on consideration or SDV whichever is higher	₹ 50 lakhs <i>Also see Note</i>
(ii)	Consideration under JDA (S. 67(14))	Any person	10% on consideration not in kind	Nil
(iii)	Compensation or enhanced compensation on compulsory acquisition	Any person	10%	₹ 5 lakhs
<i>Note 1</i>	<i>Aggregate consideration of all transferors by all transferees to be considered for threshold limit</i>			
<i>Note 2</i>	<i>If 3 (i) and 3 (ii) are applicable, TDS shall be done under 3 (ii)</i>			

## Section 393 (contd...)

<b>TDS on payments made to residents – INCOME FROM CAPITAL MARKETS (S 194K)</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
4. (i)	Income from (a) Units of MF (b) Units of specified undertaking (c) Units from specified company	Any person	10%	₹ 10,000
(ii)	Distributed income of business trust	Any business trust	10%	Nil
(iii)	Any income other than exempt income	Any investment fund	10%	Nil
(iv)	Income to investor	Any securitisation trust	10%	Nil

## Section 393 (contd...)

TDS on payments made to residents – <b>INTEREST INCOME</b> (S 194A)				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
5. (i)	Interest on securities	Any person	Rates in force 10%	₹ 10,000
(ii)	Interest from Bank, Co-operative society (bank) or Post Office	Bank, Co-operative society (bank) or Post Office	Rates in force 10%	₹ 1,00,000 <i>For senior citizens</i>  ₹ 50,000 <i>For others</i>
(iii)	Other interest	Specified person	Rates in force 10%	₹ 10,000

## Section 393 (contd...)

TDS on payments made to residents – PAYMENTS TO CONTRACTORS, (S 194C) FEES FOR PROFESSIONAL AND TECHNICAL SERVICES, ETC.				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
6. (i)	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a designated person	Any designated person	1% Individual or HUF  2% Others	₹ 30,000 for any such sum <b>AND</b> ₹ 1,00,000 in case of aggregate of such sums

## Section 393 (contd...)

TDS on payments made to residents – PAYMENTS TO CONTRACTORS, (S 194M) FEES FOR PROFESSIONAL AND TECHNICAL SERVICES, ETC.				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
6 (ii)	(a) Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract (b) fees for professional services (c) Commission or brokerage	Any person (other than (i) above or (iii) below))	2%	₹ 50,00,000

## Section 393 (contd...)

TDS on payments made to residents – PAYMENTS TO CONTRACTORS, FEES FOR PROFESSIONAL AND TECHNICAL SERVICES, ETC. (S 194J)				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
6 (iii)	(a) fees for professional services	Specified person	10%	₹ 50,000
	(b) fees for technical services		2%	₹ 50,000
	(c) Payments to director of a company except u.s. 392 salary		10%	Nil
	(d) royalty		2%	₹ 50,000
	(e) Non compete / non-disclosure S.26(2)(h)		10%	₹ 50,000

## Section 393 (contd...)

<b>TDS on payments made to residents - DIVIDEND</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
7.	Dividend including preference dividend (S 194)	Any domestic company	10%	Nil
Note	<i>Tax shall be deducted at source before making any distribution or payment of dividend</i>			

## Section 393 (contd...)

TDS on payments made to residents – OTHER CASES				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
8. (i)	sum under a life insurance policy which is not exempt (S 194DA)	Any person	2% on income comprised in such sum	₹ 1,00,000
(ii)	Purchase of any goods (S 194Q)	Any person, being a buyer	0.1%	₹ 50,00,000 Note 1(b) tax shall be deducted on the sum exceeding fifty lakh rupees
(iii)	Total income of a specified senior citizen (S 194P)	Specified bank	Rates in force	Slab rate

## Section 393 (contd...)

TDS on payments made to residents – OTHER CASES				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
8. (iv)	benefit or perquisite, arising from business or profession of any Resident (S 194R)	Specified person	10% of value of benefit or perquisite	₹ 20,000
(v)	sale of goods or services by an e-commerce Participant (S 194O)	Any e-commerce operator	0.1% of sale or service	Nil
(vi)	consideration for transfer of a virtual digital asset (S 194S)	Any person	1%	Nil

# Section 393

## Tax to be deducted at source – S. 393 (2) - PAYMENTS TO NON-RESIDENT

On what	Any income or Sum of the nature specified in column B of Table
When	at the time of credit or payment
By whom	Payer specified in column D of Table
To whom	<b>NON RESIDENT</b> specified in column C of Table
Rate and threshold limit	specified in column E of Table
Exceptions	Listed in sub sections 4, 8 and 9

## Section 393 (contd...)

<b>TDS on payments made to non-residents (S 195)</b>				
Sl.	Nature of Income or sum	Payee	Payer	Rate
A	B	C	D	E
1.	Income as per S. 211	non-resident sportsman or entertainer or sports association	Any person	20%
2, 3	interest payable to a source outside India	Any non- resident or a foreign company	Any Indian company or a Business Trust	5%
5.	Interest	Any non- resident or a foreign company	Infrastructure debt fund	5%

## Section 393 (contd...)

<b>TDS on payments made to non-residents (S 195)</b>				
Sl.	Nature of Income or sum	Payee	Payer	Rate
A	B	C	D	E
10.	Income of units of Mutual Fund	Any non- resident or a foreign company	Any person	20% Also see Note
13.	Interest or dividend of bonds or GDR	Any non- resident	Any person	10%
14.	Income by way of LTCG from transfer of bonds or GDR	Any non- resident	Any person	12.5%

## Section 393 (contd...)

### **TDS on payments to non-residents**

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Where payer / payee is in the organised sector provisions not covered in this presentation

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Several clauses require detailed study especially in light of provisions of DTAA

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# Section 393

## Tax to be deducted at source – S. 393 (3) - PAYMENTS TO ANY PERSON

On what	Any income or Sum of the nature specified in column B of Table
When	at the time of credit or payment
By whom	Payer specified in column C of Table
To whom	<b>ANY PERSON</b>
Rate and threshold limit	specified in column D of Table
Exceptions	Listed in sub sections 4, 5, 6, 8 and 9

## Section 393 (contd...)

TDS on payments made to ANY PERSON				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
1.	Winnings from lottery, crossword puzzle, card game, gambling, betting (S 194B)	Any person	Rate in force 30%	₹ 10,000
2.	Winnings from online Game (S 194BA)	Any person	Rate in force 30%	Note 1
3.	Winnings from any horse race (S 194BB)	Bookmaker or person with licence to bet or race	Rate in force 30%	₹ 10,000
4.	commission, remuneration or prize to lottery agent (S 194G)	Any person	2%	₹ 20,000

## Section 393 (contd...)

<b>TDS on payments made to ANY PERSON</b>				
Sl.	Nature of Income or sum	Payer	Rate	Threshold limit
A	B	C	D	
5.	Cash drawn (S 194N)	Bank or Co-operative Bank or Post Office	2%	₹ 3 crores if recipient is co- operative society ₹ 1 crore for others
6.	National Savings Scheme – S.80CCA(2)(a) (S 194EE)	Any person	10%	₹ 2,500
7.	Salary, remuneration, commission, bonus or interest paid to a partner of the firm (S 194T)	Any person, being a firm	10%	₹ 20,000

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
1.	Commission or Brokerage referred to in section 393(1) [Table: Sl. No. 1(ii)].	Commission or brokerage payable by BSNL or MTNL to their public call office franchisees.
2.	Rent referred to in section 393(1) [Table: Sl. No. 2(ii)].	Income by way of rent credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset owned directly by such business trust
3.	Compensation on acquisition of certain immovable property referred to in Section 393(1) [Table: Sl. No. 3(iii)].	Income by way of any award or agreement which has been exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013).

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
4.	Income in respect of units referred to in section 393(1) [Table: Sl. No. 4(i)].	If income is of the nature of capital gain
5.	Income from units of a business trust referred to in section 393(1) [Table: Sl. No. 4(ii)].	Income of the nature referred to in Schedule V [Table: Sl. No. 3. B(b)], if the special purpose vehicle referred to in the said serial number has not exercised the option under section 200
6.	Interest on securities referred to in section 393(1) [Table: Sl. No. 5(i)].	Interest on National Development Bonds, notified debentures, notified securities of Central or State Government, LIC securities, GIC securities, business trust

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
7.	Interest other than interest on securities referred to in section 393(1) [Table: Sl. No. 5(ii) and 5(iii)].	<ul style="list-style-type: none"><li>• Interest paid to</li><li>• banking company,</li><li>• LIC, UTI, insurance company,</li><li>• notified institutions,</li><li>• co-operative banks to members,</li><li>• co-operative society to other co-operative society</li><li>• interest on the compensation amount awarded by the Motor Accidents Claims Tribunal</li><li>• By a firm to a partner of the firm</li></ul>

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
8.	Payments to contractors referred to in section 393(1) [Table: Sl. No. 6(i)].	<p>A) Payment to contractor for</p> <ul style="list-style-type: none"> <li>• plying, hiring or leasing goods carriages AND</li> <li>• contractor owns ten or less goods carriages at any time during the tax year</li> <li>• furnishes a declaration with PAN</li> <li>• contractor furnishes details to IT authority</li> </ul> <p>B) personal purposes of individual or any member of Hindu undivided Family</p>
9.	Fees for professional or technical services referred to in section 393(1) [Table: Sl. No. 6(iii)].	paid by individual or Hindu undivided family exclusively for personal purposes of such individual or any member of Hindu undivided family.

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
10.	Dividend referred to in section 393(1) (Table: Sl. No. 7).	Dividend paid to LIC, GIC, insurance companies, business trust, notified persons, shareholders with dividend less than Rs. 10,000 (not paid as cash)
11.	Payment by ecommerce operator to e-commerce participant referred to in section 393(1) [Table: Sl. No. 8(v)].	<ul style="list-style-type: none"> <li>• e-commerce participant is individual or HUF</li> <li>• Gross amount does not exceed Rs. 5 lakhs</li> <li>• PAN of participant is furnished</li> </ul>
12.	Payment on transfer of virtual digital asset referred to in section 393(1) [Table: Sl. No. 8(vi)].	<ul style="list-style-type: none"> <li>• when payable by an individual or a HUF</li> <li>• amount does not exceed Rs. 50,000 (non audit cases under PGBP)</li> <li>• amount does not exceed Rs. 10,000 (audit cases under PGBP)</li> </ul>

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
13.	Income from units of a business trust referred to in section 393(2) (Table: Sl. No. 6).	Income of the nature referred to in Schedule V [Table: Sl. No. 3. B(b)], if the special purpose vehicle referred to in the said clause has not exercised the option under section 200
14.	Income in respect of units of investment fund referred to in section 393(2) (Table: Sl. No. 8).	Income that is not chargeable to tax under the provisions of this Act.
15.	Income in respect of units of non-residents referred to in section 393(2) (Table: Sl. No. 10).	Income payable in respect of units of the UTI to a non-resident Indian or a nonresident Hindu undivided family, subject to prescribed conditions

## Section 393 (4) NO DEDUCTION AT SOURCE

Sl. No.	Provisions for tax deduction at source	Condition for no deduction on income or sum
A	B	C
16.	Income of Foreign Institutional Investors from securities referred to in section 393(2) (Table: Sl. No.15).	Income, by way of capital gains arising from the transfer of securities referred to in section 210, if payable to a Foreign Institutional Investor
17.	Income of Specified Fund from securities referred to in section 393(2) (Table: Sl. No. 16).	Income is exempt as per Schedule VI (Table: Sl. Nos. 1 to 4).
18.	Payment of certain amounts in cash referred to in section 393(3) (Table: Sl. No. 5).	Payment to Government, Banking company, Co-operative Bank, post office, ATM (RBI permitted)
19.	Payment in respect of deposits under National Savings Scheme, etc., referred to in section 393(3) (Table: Sl. No. 6).	Payment made to heirs of an assessee.

## Section 393 (6)

### DECLARATION FOR NO DEDUCTION AT SOURCE

Sl. No.	Person	Provisions for tax deduction at source
A	B	C
1.	An individual being a resident	<ul style="list-style-type: none"><li>a) payment of accumulated balance due to an employee referred to in section 392(7);</li><li>b) insurance Commission referred to in section 393(1) [Table: Sl. No. 1(i)];</li><li>c) rent referred to in section 393(1) [Table: Sl. No. 2(ii)];</li><li>d) income in respect of units referred to in section 393(1) [Table: Sl. 4(i)];</li><li>e) interest referred to in section 393(1) [Table: Sl. No. 5(i), (ii) and (iii)];</li><li>f) payment in respect of life insurance policy referred to in section 393(1) [Table: Sl. No. 8(i)];</li><li>g) dividend referred to in section 393(1) (Table: Sl. No. 7).</li></ul>
2.	Any person not being a company or a firm or an individual covered in Sl. No. (1).	Sl. No. (1).C(a) to (f).

## Section 393 (7), (8), (9), (10)

393 (7)	Deductor to forward declaration for no deduction of tax to PCIT before 7 <sup>th</sup> of next month
393 (8)	No TDS on interest paid by an Offshore Banking Unit by a non-resident or a person not ordinarily resident in India
393 (9)	No TDS on payment to a person from New Pension System Trust
393 (10)	Grossing up of TDS

## Section 394 TAX COLLECTION AT SOURCE

Sl.	Nature of receipt	Person	Rate	New rate in Budget
A	B	C	D	
1.	Sale of alcoholic liquor for human consumption	Seller	1%	2%
2.	Sale of tendu leaves	Seller	5%	2%
3.	Sale of timber or forest produce	Seller	2%	
4.	Sale of scrap	Seller	1%	2%
5.	Sale of minerals	Seller	1%	

## Section 394 TAX COLLECTION AT SOURCE

Sl.	Nature of receipt	Person	Rate	New rate in Budget
A	B	C	D	
6.	Sale consideration exceeding Rs. 10 lakhs a) Motor vehicle b) Notified goods	Seller	1%	
7.	Remittance under LRS > Rs. 10 lakhs	Authorised dealer	5% - Medical or educational 20% - others	2% 20%
8.	Overseas tour package	Seller	5% - upto Rs. 10 lakhs 20% > Rs. 10 lakhs	2%
9.	parking lot or toll plaza or mine or quarry	Licensor or Lessor	2%	

# Changes proposed in budget

TCS

Rates rationalised

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Motor claim tribunal award interest

Not income and no TDS

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## Section 395 – Certificate for lower or Non deduction of tax at source

395 (1) Resident payments - Payee makes application

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395 (2) payment to non-resident - person making payment may apply

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395 (3) TCS cases – buyer may apply

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395 (5) The Assessing Officer may cancel the certificate granted under sub-section (1) or (3) after giving reasonable opportunity to the applicant

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## Section 397 – Compliance and reporting

397 (1) Apply for TAN and quoting TAN

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397 (2) Every deductee / payer to furnish PAN to deductor / payee  
Else TDS at higher of applicable rate or 20%  
And TCS at higher of applicable rate or 5% (not exceeding 20%)

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397 (3) Payment of TDS / TCS and filing of returns  
Correction to returns within 2 years from the end of the tax year

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395 (5) The Assessing Officer may cancel the certificate granted under  
sub-section (1) or (3) after giving reasonable opportunity to the  
applicant

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## Section 398 – Consequences of failure to deduct or pay or, collect or pay

398 (1)	Assessee in default
398 (2)	If deductee / payer has furnished return after including the relevant amount and paid ta thereon and produces certificate from accountant, the deductor / payee will not be deemed to be an assessee in default
398 (3)	Interest on delayed payment of TDS / TCS 1% p.m. for delay in deduction 1.5% p.m. for delay in payment
398 (5)	The Assessing Officer may pass order a) Within 6 years from end of tax year in which TDS or TCS due b) Within 2 years from end of tax year when correction return is filed whichever is later
427	Late fee of Rs. 200 per day for delay in filing statement of TDS

## Section 401 – Bar against direct demand on assessee

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401	Where tax is deductible at the source under this Chapter, the assessee shall not be called upon to pay the tax himself to the extent to which tax has been deducted from that income
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## Section 402 – Interpretation

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- 402 (9) “consideration for transfer of any immovable property” shall include all charges of the nature of,—
- (a) club membership fee; or
  - (b) car parking fee; or
  - (c) electricity or water facility fee; or
  - (d) maintenance fee; or
  - (e) advance fee;
  - (f) or any other charges of similar nature, which are incidental to transfer of the immovable property
- 
- 402 (37) specified person” means—
- (a) any person, not being an individual or Hindu undivided family; or
  - (b) an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid;
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## Section 402 – Interpretation

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402 (47)

“work” shall include—

- (a) advertising;
- (b) broadcasting and telecasting including production of programmes for such broadcasting or telecasting;
- (c) carriage of goods or passengers by any mode of transport other than by railways;
- (d) catering;
- (e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from—
  - (i) such customer; or
  - (ii) its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in section 36(3),

but does not include—

- (A) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer or associate of such customer; or
  - (B) any sum referred to in section 393(1) [Table: Sl. No. 6(iii)].
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# Section 391

## Who is an assessee in default?

- any person including principal officer of the company
  - who is required to deduct any sum as per the provisions of the Income Tax Act 2025 or
  - Employer
- Does not deduct or
- Does not pay the tax deducted (part or whole) **AND**
- assessee has also failed to pay such tax directly
- such person shall apart from any other consequences that he may incur be deemed to be an assessee in default within the meaning of section 398(1) in respect of such tax.

## Section 448, 449 – Penalty

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448                      Penalty for failure to deduct tax at source - 100 % of TDS

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449                      Penalty for failure to collect tax at source - 100 % of TCS

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470                      Proof for reasonable cause – to waive penalty

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## Section 476, 477 – Offences and Prosecution

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476	failure to pay TDS - rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine
477	failure to pay TCS - rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine
486	No person shall be punishable for any failure referred to in section 476 or 477, irrespective of anything contained in that section, if he proves that there was reasonable cause for such failure

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# Common TDS Mistakes / Common Areas of Litigation

- Wrong section selection
- GST component
- Incorrect threshold application
- Vendor PAN errors / Inoperative PAN / Aadhar linking
- Contractor vs professional
- Reimbursement vs income
- Software payments
- Discount vs commission

# Key Takeaways

- Substantive TDS principles largely unchanged
- Structural presentation evolving
- Professionals must adapt to new format

**Thank You**