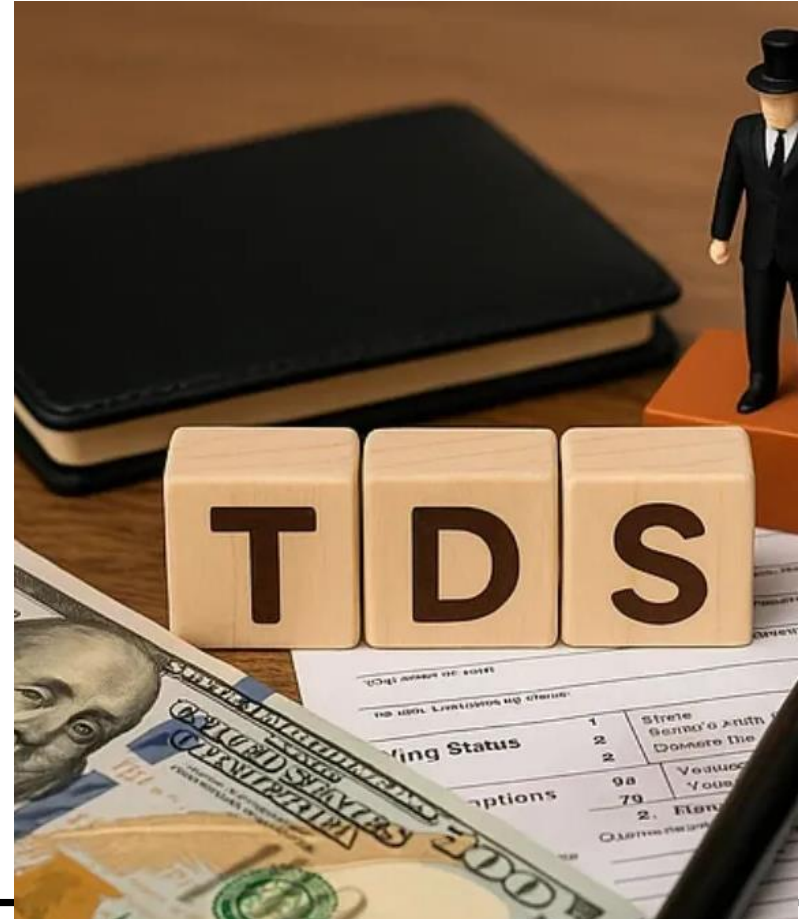


TDS & TCS Provisions: Income Tax Act 2025 vs. 1961 Act

*A Practitioner's Comparative Guide to
Nuances, Structural Changes & Key Shifts
By CA Suresh Kumar*



Objectives of TDS Provisions | Why Government Loves TDS

PRIMARY OBJECTIVE

Accelerated Tax Collection

- ▶ Monthly inflow into government coffers
- ▶ Avoids relying solely on advance tax / self-assessment tax payments

SECONDARY (GROWING) OBJECTIVE

Information / Data Collection

- ▶ 194N: Cash withdrawals → data trail
- ▶ 194Q / TCS on luxury goods → intelligence

GROWTH OF TDS PROVISIONS

Total TDS provisions: 43

- ▶ 19 out of 43 introduced in last 15 years
- ▶ No provision has been omitted under ITA 2025
- ▶ Same 43 provisions, just renumbered / restructured

KEY TAKEAWAY

Sections reduced: 69 → 13 (Chapter XIX)

Words reduced by: ~12,777

But: Not a policy simplification —
it is a structural / cosmetic redesign

The Big Picture: Structural Shift from 1961 to 2025

Aspect	Income Tax Act 1961	Income Tax Act 2025
Chapter / Structure	Chapter XVII Sec. 192 – Sec. 206CCA (Numerous sections)	Chapter XIX-B Sec. 392 – Sec. 399 + Tables (Consolidated framework)
Year Terminology	Financial Year (FY) Assessment Year (AY) Previous Year (PY)	Tax Year (TY) Single unified concept Effective 1 April 2026
TDS Sections	Multiple standalone sections based on payment categories” (Sec. 192, Sec. 193, Sec. 194.... including Sec. 195)	Sec. 392 (Salary) Sec. 393 (Non-Salary via 5 Tables) Sec. 393(2) (Non-Residents - Payments)
TCS Sections	Sec. 206C — Multiple sub-sections (1F, 1G, 1H...)	Sec. 394 — Consolidated through one structured table
PAN Compliance	Sec. 206AA + Sec. 206CC Separate provisions	Sec. 397(2) — Unified PAN compliance architecture

Tax Year Concept — Elimination of FY / AY Duality

ITA 1961 — Dual Year System

- Previous Year (PY): Year in which income is earned
- Financial Year (FY): Same as Previous Year (income context)
- Assessment Year (AY): Year following PY, in which returns are filed & assessed
- TDS Certificates: Issued for FY (e.g., FY 2025-26)
- Returns filed for: AY (e.g., AY 2026-27)
- Constant confusion among deductors & deductees
- Assessment Year / Financial Year mentioned on all forms



ITA 2025 — Unified Tax Year

- Single concept: Tax Year (TY) replaces FY, PY & AY
- Tax Year 2026-27 = Period 1 April 2026 to 31 March 2027
- All forms, challans & returns refer to Tax Year
- Eliminates dual-year confusion for taxpayers
- Assessment Year & Financial Year removed from all forms
- Practical implication: Only the Tax Year (TY) concept will apply going forward.
- First Tax Year: 1 April 2026 to 31 March 2027

TDS Deduction Criteria — No Substantive Change

Key Clarification: Despite wholesale renumbering, the threshold criteria for TDS deduction remain unchanged from the 1961 Act.

Category of Deductor	Applicable Threshold / Condition	Governing Provision
Individual / HUF	Gross receipts from business > Rs. 1 Crore OR Professional receipts > Rs. 50 Lakhs in preceding year	Sec. 44AB — Tax audit threshold
Firm / LLP / Company / Govt. / PSU / Non-Resident	Always required — no turnover threshold	Mandatory obligation
Any person — Rent payment	Monthly rent > Rs. 50,000	Sec. 194IB → Sec. 393 Table
Any person — Immovable property purchase	Consideration > Rs. 50 Lakhs	Sec. 194IA → Sec. 393 Table
Any person — Contractor / Professional fees	Individual payment > Rs. 30,000 OR Aggregate > Rs. 1 Lakh p.a.	Sec. 194C / Sec. 194J → Sec.393
Employer — Salary	Estimated annual salary exceeds basic exemption limit	Sec. 192 → Sec.392

TDS Based on Residential Status of Recipient

Category	Applicable Sections (1961 Act)	New Act 2025 Table Reference
Payments to Residents Only	194A, 194C, 194H, 194I, 194IB, 194IC, 194J, 194K, 194LA, 194IA, 194IIA, 194T...	Sec. 393(1) – Table I for Payment to Residents
Payments to Non-Residents Only	195, 196A, 196B, 196C, 196D	Sec. 393(2) – Table II for Payment to Non-Residents
Neutral – Resident & NR Both	192 (Salary), 192A (PF), 194B, 194BA, 194BB, 194N, 194T (Partners)	Sec. 393(3) – Table III for Payment to Any Person
Example: Professional Fee – Rs. 50,000	Recipient Resident → 194J Recipient Non-Resident → 195	Test of recipient's residential status still applies

When to Deduct TDS — General Rule vs. Exceptions

Rule / Category	Trigger Point	Relevant Sections (1961)	New Act (2025)
General Rule – Most Sections	Payment or Credit (whichever is earlier)	194A, 194C, 194J, 194I, 194H, etc.	393(1)(c)
Salary	Payment only (not credit)	192	392
PF Withdrawals	Payment only	192A	392(7)
Winnings (Lottery, Games, etc.)	Payment only	194B, 194BA, 194BB	393(3)
Cash Withdrawals	Payment only	194N	393(3)
Dividend	Payment or distribution only	194	Note under S.No.7 of 393(1)

When to Deduct TDS — General Rule vs. Exceptions

Rule / Category	Trigger Point	Relevant Sections (1961)	New Act (2025)
Partner Remuneration/Interest	Payment or Credit (resident or NR)	194T	393(3)
Motor Accident Interest (MACT)	Credit or Payment	194A	Not Taxable
Compulsory Acquisition (194LA)	Payment only	194LA	393(1)

Architecture of Chapter XIX — Income Tax Act 2025

Sec. 392

TDS on Salary
+ PF Withdrawals
(192 + 192A
merged)

Sec. 393

ALL Other 41
TDS Provisions
(5 tables inside)

Sec. 394

ALL TCS
Provisions
(206C equivalent)

Sec. 395

Lower/No
Deduction
Applications
(197 equivalent)

The Five Tables Inside Section 393:

393(1)

Payment to Residents — TDS rates & thresholds (S.No. 1-8)

393(2)

Payment to Non-Residents — NR-specific TDS provisions

393(3)

Payment to Any Person — Provisions neutral to residential status (Salary, Winnings, 194N)

393(4)

No Deduction Table — All exemptions/exclusions from TDS (earlier scattered across sections)

393(6)

Declaration Table — Form 15G / 15H scenarios (197A equivalent)

How to Read Section 393(1) — The Resident TDS Table

- **Column A: Serial Number (S.No.)** — the new identifier replacing section numbers
 - Example: For 194C contracts → Sec. 393(1), S.No. 6, Item 1 or Item 2
- **Column B: Nature of Income / Payment** — similar incomes bundled together
 - S.No. 1: Commission & Brokerage (194DA + 194H)
 - S.No. 2: Rent — 194I (S.No.2 Item 1) + 194IB (S.No.2 Item 2)
 - S.No. 3: Immovable Property Transaction — 194IA + 194IC + 194LA
 - S.No. 4: Income from Capital Market — 194K, 194LBA, 194LBB, 194LBC
 - S.No. 5: Interest — 193 (Item 1) + 194A (Item 2)
 - S.No. 6: Contracts + Professional/Technical Fees — 194C + 194J + 194M merged
 - S.No. 7: Dividend — 194
 - S.No. 8: Other Cases — 194DA, 194Q, 194P, 194R, 194O and residual provisions

How to Read Section 393(1) — The Resident TDS Table

- **Column C: Who is the Payer (three categories):**
 - Any Person → Broadest; Specified Person → excludes individual/HUF < Rs. 1Cr/Rs. 50L; Any Person other than Specified Person (Eg - 194IB) - Means individual/HUF < Rs. 1Cr/Rs. 50L
- **Column D: Rate + Threshold — both given in the same column**
- **Notes below S.No. items serve as old provisos (e.g., 194IB timing — read as exception to 393(1)(C))**

Practical Impact of New Structure on Professionals

CHALLENGES (What Gets Harder)

- **Referencing — 3-word reply ('194C @ 1%') becomes 9-word: '393(1) Table, S.No.6, Item 1'**
- Memorization of item numbers within each S.No. is unavoidable
- Ledger/accounting codes must now carry table + S.No. + item number
- Provisions fragmented across: main table, notes, 402 definitions
- Definition searches harder: Works Contract is now 'Works' under 402 Clause 47
- Staff training: New section numbers must be internalized before Apr 2026
- Notes within tables have no precedent in direct tax — interpretation risk

BENEFITS (What Gets Easier)

- All exclusions/exemptions consolidated in 393(4) — no hunting across sections
- Table acts as built-in ready reckoner — fewer external references needed
- All definitions in one place (Sec. 402)
- Low/no deduction applications now cover ALL sections (Sec. 395)
- CBDT empowered to fix difficulties for entire Chapter XIX (Sec. 400)
- Structural consistency: all TCS in 394, all TDS procedurals systematically ordered

Section Mapping: ITA 1961 → ITA 2025

Nature of Payment	1961 Section	2025 Section / Table Reference	Rate / Threshold
TDS on Salary	192	Sec. 392	Slab rates
TDS on PF Withdrawal (>Rs.50,000/-)	192A	Sec. 392(7) [merged with 192]	10%
TDS on Contracts (Works Contract)	194C	Sec. 393(1) → S.No.6 Item 1	1% (Individual/HUF) 2% (Others)
TDS on Professional/Technical Fees	194J	Sec. 393(1) → S.No.6 Item 2	10% (general) / 2% (tech svc, call centres, films) Threshold = Rs. 50,000/- except for film - NIL)
TDS on Rent	194I	Sec. 393(1) → S.No.2 Item 1	2% / 10%

Section Mapping: ITA 1961 → ITA 2025

Nature of Payment	1961 Section	2025 Section / Table Reference	Rate / Threshold
TDS on Rent by Individual/HUF (>Rs.50,000/month)	194IB	Sec. 393(1) → S.No.2 Item 2	2%
TDS on Commission / Brokerage	194H	Sec. 393(1) → S.No.1 Item 2	2 % Threshold = Rs. 20,000/- p.a
TDS on Insurance Commission (194D) & 194DA	194D / 194DA	Sec. 393(1) → S.No.1 Item 1	2 % Threshold = Rs. 20,000/- p.a
TDS on Interest (other than securities)	194A	Sec. 393(1) → S.No.5 Item 2	10% New Act Rs. 50,000/- (Rs. 1,00,000/- Sr. Cit)
TDS on Motor Accident Claim Interest	194A(1)	N/A	No TDS

Section Mapping: ITA 1961 → ITA 2025

Nature of Payment	1961 Section	2025 Section / Table Reference	Rate / Threshold
TDS on Interest on Securities	193	Sec. 393(1) → S.No.5 Item 1	10% Threshold = Rs. 10,000/- p.a
TDS on Dividends	194	Sec. 393(1) → S.No.7	10% Threshold = NIL
TDS on Immovable Property Transfer (Buyer)	194IA	Sec. 393(1) → S.No.3	1% (More than Rs. 50L)
TDS on Immovable Property (Compulsory Acquisition)	194LA	Sec. 393(1) → S.No . 3 item (iii)	10% Threshold = Rs. 5,00,000/-
TDS on Winnings (Lottery/Games)	194B, 194BA, 194BB	Sec. 393(3) → S.No.1/2/3	30% Threshold = Rs. 10,000/-

Section Mapping: ITA 1961 → ITA 2025

Nature of Payment	1961 Section	2025 Section / Table Reference	Rate / Threshold
TDS on Cash Withdrawals	194N	Sec. 393(3) → S.No.5	2% Threshold = Rs. 1 crore (Rs. 3 crores for Co- Society)
TDS on Purchase of Goods	194Q	Sec. 393(1) → S.No.8 (Other Cases)	0.1% Threshold = Rs. 50 Lakhs
TDS on Partner Remuneration/Interest	194T	Sec. 393(3) → S.No.7	10% Threshold = Rs. 20,000/-
TDS to Non-Residents	195, 196A-196D	Sec. 393(2) → NR Table	Various
All TCS Provisions	206C sub-sections	Sec. 394 (All TCS)	1% /2%/20%

Section Mapping: ITA 1961 → ITA 2025

Nature of Payment	1961 Section	2025 Section / Table Reference	Rate / Threshold
Benefit/ Perquisite	194R	Sec. 393(1) → S.No.8	10% Threshold = Rs. 20,000/-
Virtual Digital Asset (VDA)	194S	Sec. 393(1) → S.No. .8 item (vi)	1% Threshold = Nil
E-Commerce	194O	Sec. 393(1) → S.No. .8 item (v)	1% Threshold = Nil
Senior Citizen (75+) Income	194P	Sec. 393(1) → S.No. .8 item (iii)	Rates in force Threshold as applicable
Non-resident Property Purchase	195 + TAN	Sec. 393(2) → S.No. .17	Rates in force

Procedural & Administrative Provisions: 1961 → 2025 Mapping

Provision / Functionality	1961 Act Section	2025 Act Section	Key Change / Observation
Lower Deduction / No Deduction Certificate	197 (Form 13)	395 (Form 128)	Scope expanded to cover ALL TDS sections (inc. 194IA, 194IIA etc.)
Self-Declaration (Form 15G / 15H)	197A	393(6) (Form 121)	Same scope
Exemptions from TDS Deduction	Scattered across various sections	393(4) → Table 4	All exclusions consolidated into one table
Processing of TDS Statements	200A	399	Form 26QF

Procedural & Administrative Provisions: 1961 → 2025 Mapping

Provision / Functionality	1961 Act Section	2025 Act Section	Key Change / Observation
Credit for TDS to Deductee	199	390	Income & TDS must arise in same Tax Year
Application where TDS in later year	155(20)	No direct equivalent yet	Form 71 route still unclear / rarely processed
Power to Remove Difficulties	119 (limited scope)	400(2)	Extended to entire Chapter XIX (TDS + TCS + Advance Tax + Recovery)
All Definitions for Chapter XIX	Explanation to each section	Sec. 402	Single consolidated definition section

New / Significant TDS Provisions in ITA 2025 (No Direct Equivalents)

Provision	Old Act Reference	New Act (ITA 2025)	Effective Date
Property Purchase from Non-Resident	Sec. 195: Buyer must obtain TAN number	From 1 Oct 2026: TAN NOT required; file PAN-based return (similar to 26QB) instead of obtaining TAN	1 October 2026
Centralised Form 15G/15H (Dividend)	Submit separately to each company	Form 121 submitted ONCE to NSDL/CDSL; depositories share with companies	1 April 2027
Automated LDC Issuance	Manual process – CIT review; delays common	Rule-based automated issuance up to a threshold; no manual intervention; certificate issued in 1–2 days	Finance Act 2025-26 – Rules to be notified
Compulsory Acquisition Threshold	Rs. 2,50,000	Raised to Rs. 5,00,000; trigger changed to credit or payment, whichever earlier	1 April 2026

Salary TDS | Key Provisions under Sec. 392

Estimation Basis	TDS on salary computed on estimated income for entire year, deducted equally each month. Adjustments on increments or deductions made prospectively.
Trigger for TDS	Salary TDS arises ONLY at time of PAYMENT (unlike other TDS which arises on credit or payment, whichever earlier).
New Regime – Default	New Tax Regime is now default. Old regime applicable only on written declaration by employee. Employer bound by employee's declaration.
Non-Monetary Perquisites	Tax on non-monetary perquisites may be borne by employer. Not deductible u/s 37 but permissible for TDS computation.
Multiple Employment Income	Employer MAY (not mandatory) consider income from other employment/sources if declared by employee. Earlier restriction (TDS cannot reduce below standalone computation) has been REMOVED.
HRA & Metro Cities	Bangalore, Hyderabad, Pune and Ahmedabad now added to metro city list → 50% HRA exemption instead of 40%.
Form 149 Certificate - Old Form 26A	Certificate by payee's CA for non-deduction cases now requires extended disclosures: total taxable income, head-wise breakup, tax paid – difficult to certify; encourage compliance.
Perquisite Documentation	Strict documentation requirements for HRA, LTC, rent from relatives. CA must insist on complete evidence before computing salary TDS.

TDS on Contractor Payments – Sec. 194C → Sec. 393 Table 1, Sl. 6

Parameter	ITA 1961 – Sec. 194C	ITA 2025 – Sec. 393 T1 Sl. 6
TDS Rate	1% (Individual/HUF deductee) 2% (Others)	1% (Individual/HUF) 2% (Others) – Unchanged
Threshold (Single Transaction)	Rs. 30,000	Rs. 30,000 – Unchanged
Threshold (Annual Aggregate)	Rs. 1,00,000	Rs. 1,00,000 – Unchanged
Manpower Supply Classification	Ambiguity: Officers classified as professional services (194J @ 10%) or work contract (194C @ 1%/2%)	CLARIFIED – Manpower supply (including professional manpower) explicitly included in definition of 'Work' under Sec. 402; TDS at 1%/2% regardless of professional nature
Definition Location	No consolidated definition; scattered in provisos	Sec. 402 – Comprehensive definition chapter for all TDS terms
Litigation Risk	High – frequent disputes on manpower classification	Significantly reduced; explicit legislative codification
Non-PAN Deductee Rate	20%	5% (reduced significantly)

TDS on Professional / Technical Services – Sec. 194J → Sec. 393 Table 1

Nature of Payment	Rate – ITA 1961	Rate – ITA 2025	Key Amendment
Technical Services (FTS), Call Centre Services, Royalty – Cinematographic Films	2%	2% – Unchanged	No change
Royalty – Other, Professional Fees (Medical, Legal, Engineering, Accountancy), Director's Remuneration (Non-salary)	10%	10% – Unchanged	No change
Advertising Services – NEW AMBIGUITY	194C (Work – 1%/2%)	Now ALSO in Professional Services (10%) → DUAL CLASSIFICATION	Design/creative work → 10% (Prof.); Display/running ads → 1%/2% (Work). Expect future circular for clarity
Threshold	Rs. 30,000	Threshold = Rs. 50,000/- except for film - NIL	

TDS on Rent – Sec. 194I → Sec. 393 Table 1

Parameter	ITA 1961 – Sec. 194I	ITA 2025 – Sec. 393 T1
TDS Rate – Land/Building/Furniture	10%	10% – Unchanged
TDS Rate – Plant/Machinery/Equipment	2%	2% – Unchanged
Factory Premises Classification	Ambiguous – often treated as Plant & Machinery → 2%	Explicitly classified as Land & Building → 10% TDS mandatory
Threshold Basis	Annual: Rs. 2,40,000 per annum	Monthly: Rs. 50,000 per month (KEY CHANGE)
Threshold Trigger	Annual income exceeds Rs. 2,40,000 (changed to Rs. 50,000 p.m w.e.f 01.04.2025)	Monthly income exceeds Rs. 50,000 (accrual basis, not payment basis)
Joint Development Agreement	10% TDS on monetary consideration	Same – 10% on monetary consideration; no change
TDS Return Form	Form 26QC (quarterly/annual)	Form 141 – unified PAN-based return; no separate form required

TDS on Cash Withdrawal – Sec. 194N → Sec. 393 Table 1 (MAJOR AMENDMENT)

ITA 1961 – Sec. 194N (Complex Regime)

Non-filer (ITR not filed for 3 prior years):

- Withdrawal > Rs. 20 Lakh: 2% TDS
- Withdrawal > Rs. 1 Crore: 5% TDS

Regular filer:

- Withdrawal > Rs. 1 Crore: 2% TDS

Problem: Banks had to check filer/non-filer status for EACH customer – huge administrative burden

Senior citizens treated same as non-filers → Unfair hardship on emergency withdrawals

ITA 2025 – Sec. 393 (Simplified & Fair)

UNIFORM RULE – No filer/non-filer distinction:

- Withdrawal ≤ Rs. 1 Crore: NO TDS
- Withdrawal > Rs. 1 Crore: 2% TDS
(TDS only on EXCESS over Rs. 1 Crore)

Cooperative Society Relief:

- Enhanced threshold: Rs. 3 Crore (instead of Rs. 1 Crore) for cooperative societies

Bank's Burden: Eliminated – no filer status check required

Senior Citizen Relief: Emergency withdrawals up to Rs.1 Crore now fully TDS-free

NRI Property Transactions — PAN-Based TDS Compliance

Finance Act 2026 Amendment — Effective 1 October 2026: NRI sellers no longer need to obtain TAN for property transactions with resident buyers.

Aspect	Earlier Position (ITA 1961)	New Position (ITA 2025)
NRI Seller — TAN Requirement	NRI selling property to resident buyer was required to obtain TAN (Tax Deduction Account Number)	TAN requirement REMOVED for NRI sellers of property
TDS Reporting Method	NRI had to file TDS returns using TAN — complex for single-transaction sellers	PAN-based challan statement filing — same as resident sellers
Effective Date	Old provision applicable till 30 September 2026	New provision applicable from 1 October 2026
Buyer's Obligation	Buyer deducts TDS @ 20% (+ surcharge + cess) and deposits using 26QB	Buyer deducts TDS and reports through PAN-based challan statement — simplified
Relief to NRI	Significant compliance burden — obtain TAN, file returns, track credit	Single transaction = PAN-based compliance only — significant simplification
Practical Impact	NRIs often delayed property sales due to TAN/TDS compliance complexity	Expected to unlock NRI property market participation considerably

TCS Reform | Sec. 394 (ITA 2025) vs Sec. 206C (ITA 1961)

TCS Category	Old Sec (1961)	Old Rate	New Rate (Sec 394)	Threshold	Remarks
TCS on purchase of goods (>Rs. 50L turnover)	206C(1H)	0.1% REMOVED FROM 01.04.2025	REMOVED	—	Removed to avoid TDS-TCS overlap
TCS – General rate (most items)	206C(1)	Varies	2% uniform	As notified	Rationalised to uniform rate
Luxury goods – NEW category	NIL (not covered)	—	1%	Rs. 10 lakh per item	7 new categories: art, watches, yachts, golf, etc.
LRS – Education (own funds)	206C(1G)	5% above Rs. 7L	0% up to Rs.10L; 2% above	Rs. 10 lakh	Significant relief for students going abroad

TCS Reform | Sec. 394 (ITA 2025) vs Sec. 206C (ITA 1961)

TCS Category	Old Sec (1961)	Old Rate	New Rate (Sec 394)	Threshold	Remarks
LRS – Education (bank loan)	206C(1G)	5%	NIL	No limit	Full exemption if financed by institutional loan
LRS – Tour Package	206C(1G)	5%/20%	2%	No threshold	Reduced; threshold removed
LRS – Other remittances	206C(1G)	20%	0% up to Rs.10L; 20% above	Rs.10 lakh	Rationalised with threshold
TCS on sale of motor vehicles (>Rs.10L)	206C(1F)	1%	1%	Rs.10 lakh	No change

TCS on Luxury Goods | Entirely New Obligation under Sec. 394

Code 181

Works of Art & Paintings

Paintings, sculptures, artistic works transacted above Rs. 10L. Aimed at unaccounted cash in art market.

Code 182

Precious Metals & Coins

Gold, silver coins, bullion items > Rs. 10L. Captures previously untracked high-value transactions.

Code 183

Sports Equipment & Goods

Golf sets, polo equipment, other luxury sports equipment above Rs. 10L threshold.

Code 184

Luxury Watches & Timepieces

Wristwatches, chronographs, collectible timepieces exceeding Rs. 10L value.

Code 185

Yachts & Pleasure Crafts

Motor boats, yachts, jet skis and similar luxury watercraft > Rs. 10L.

Code 186

Audio / Music Systems

High-end music systems, audiophile equipment, luxury home theatre systems. > Rs. 10L

Code 187

Stamps & Philatelic Items

Rare stamps, first-day covers, philatelic collections > Rs. 10L.

Sector-Wise Impact Analysis – ITA 2025 TDS/TCS Changes

Staffing Industry

POSITIVE

Manpower supply clarified as 'Work' → 1%/2% TDS (not 10%).
Reduces cost disputes.

Senior Citizens

POSITIVE

Cash withdrawal: Rs. 1Cr threshold (up from Rs. 20L for non-filers). Mutual fund & insurance thresholds enhanced.

Education (Abroad)

POSITIVE

LRS TCS on education remittance > Rs. 10L: 5% → 2%.
Significant savings for families.

Real Estate

MIXED

Factory premises now Land (10% TDS, up from 2%). Non-resident purchase TAN eliminated (positive from Oct 2026).

Partnership Firms

NEW BURDEN

TDS on partner remuneration > Rs. 20,000 newly introduced from 1 April 2025. Registration & compliance needed.

Travel & Tourism

POSITIVE

LRS TCS for foreign tours reduced from 5% to 2%. Major cash flow relief for travel operators.

Banking Sector

POSITIVE

194N non-filer check eliminated. CBS vs non-CBS interest threshold codified. Reduced compliance burden.

Scrap / Mining

NEGATIVE

TCS rate increased from 1% to 2%. Working capital impact on scrap dealers and miners.

Advertising Agencies

RISK

Advertising now dual-listed (Work + Professional Services).
Classification litigation likely until CBDT clarification.

ESOP / Equity

NEUTRAL

No significant change in ESOP TDS. Capital gains TDS remains with specific provisions.

Forms Renaming — Complete Reference Table

Purpose	ITA 1961 Form	ITA 2025 Form	Remarks
Application for lower / nil deduction certificate	Form 13	Form 128	From 1 April 2026 for payments under ITA 2025
TDS certificate — salary	Form 16 / Form 12BA	Form 130	From Tax Year 2026-27; to be issued by 15th June following the FY
TDS certificate — other than salary	Form 16A	Form 131	From Tax Year 2026-27; Within 15 days from due date of quarterly TDS return
TCS certificate	Form 27D	Form 133	Within 15 days from due date of quarterly return

Forms Renaming — Complete Reference Table

Purpose	ITA 1961 Form	ITA 2025 Form	Remarks
Quarterly TDS return — salary	Form 24Q	Form 138	Q1-Q3: 31 st of succeeding month; Q4: 31 st May /Q1 TY of TY 2026-27 onwards
Quarterly TDS return — other than salary	Form 26Q	Form 140	Q1-Q3: 31 st of succeeding month; Q4: 31 st May /Q1 TY of TY 2026-27 onwards
Quarterly TDS return — non-residents	Form 27Q	Form 144	Q1-Q3: 31 st of succeeding month; Q4: 31 st May /Q1 TY of TY 2026-27 onwards
Quarterly TCS return	Form 27EQ / 26EQ*	Form 143	31 st of succeeding month; From Q1 of TY 2026-27

Forms Renaming — Complete Reference Table

Purpose	ITA 1961 Form	ITA 2025 Form	Remarks
TDS return — VDA transactions	Form 26QF	Form 142	From TY 2026-27
Unified challan for TDS / TCS	26QB / 26QC / 26QD / 26QE (Separate)	Form 141 (Single unified challan)	From 1 April 2026
Declaration for no / lower TDS — individual below 60	Form 15G	Form 121	Centralised filing from 1 April 2027; Submit by 7 th of month in which in which income received.
Declaration for no / lower TDS — senior citizen	Form 15H	Form 121	15G + 15H Combined into single Form 121; Centralised filing from 1 April 2027

Forms Renaming — Complete Reference Table

Purpose	ITA 1961 Form	ITA 2025 Form	Remarks
Employee investment declaration	Form 12BB	Form 124	To be submitted by employee to employer
PAN / TAN application	Form 49B / 49D	Form 135	From 1 April 2026
Foreign tax credit claim	Form 67	Form 44	From TY 2026-27
CA certificate for foreign tax credit	N/A (If FTC < Rs. 1 Lakh) Applicable if more than Rs. 1 Lakh	Form 45 (CA Certificate mandatory)	from TY 2026-27

Forms Renaming — Complete Reference Table

Purpose	ITA 1961 Form	ITA 2025 Form	Remarks
Foreign remittance declaration	Form 15CA	Form 145	Prior to remittance to non-resident
CA certificate for foreign remittance	Form 15CB	Form 146	Must precede Form 145 if TDS/DTA applicable
Certificate where TDS not deducted because payee paid tax	Form 26A	Form 149	Enhanced disclosures required (Sl.3-9ABC)
Relief under 89 for salary arrears	Form 10E	Form 39	To be filed before filing return
Annual tax statement	Form 26AS	Form 168	Available online; reflects TDS / TCS credits

Unified Challan — Form 141 (New Consolidated Challan)

ITA 1961 — Multiple Challans

- 26QB — Transfer of Immovable Property (Buyer)
- 26QC — Rent payment by Individual/HUF
- 26QD — Payment to Contractor by Individual/HUF
- 26QE — VDA (Virtual Digital Asset) TDS
- Separate challans for each transaction type
- Two sellers = two separate challans required
- No unified tracking
- BSR code-based payment tracking



ITA 2025 — Form 141 (Unified)

- Single Form 141 for ALL types of TDS/TCS payments
- Payment type selected via dropdown in the form
- Month-level granularity in header — which month TDS relates to
- Captures: date of agreement, registration, last instalment, consideration amount
- Lower certificate number entry field with child certificate support
- End of tenancy / year-end rental deduction explicitly captured
- Two sellers — expectation: single challan (being updated)
- Virtual digital asset payment in cash or kind captured

PAN Compliance — Unified Architecture under Sec. 397(2)

Aspect	ITA 1961	ITA 2025
Governing Sections	Sec. 206AA — Higher TDS if deductee has no PAN Sec. 206CC — Higher TCS if collectee has no PAN	Sec. 397(2) — Single unified section for both TDS and TCS PAN compliance
TDS Rate — No PAN	Higher of: applicable rate OR 20% OR rate in force	Same principle retained under Sec. 397(2) — 20% or applicable rate, whichever higher
TCS Rate — No PAN	Twice the applicable TCS rate OR 5%, whichever higher (Sec. 206CC)	Same principle — Sec. 397(2)
Linked Aadhaar — Effect	Linking Aadhaar to PAN was treated as having PAN	Same effect retained
Exemptions	Non-residents not having PAN exempted in certain cases subject to other conditions	Exemptions retained — subject to TRC, TIN and other documentation requirements
PAN on Documents	PAN mandatory on challans, TDS certificates, returns	MANDATORY — PAN must be explicitly stated in declaration body
Aadhar-PAN Update (New)	No provision for digital self-service update	From 1 April 2026: Address, email, mobile changes via UTI Self Service — free of cost if Aadhaar is updated; no need to file form

Consolidated TDS Exemptions – Sec. 393 Table 4 (ITA 2025)

Category	Exemption / No-TDS Provision	Condition
Small Taxpayer	Dividend < Rs.10,000 (Individual, non-cash payment only)	Recipient must be individual; payment not in cash
Small Taxpayer	Contractor payment for personal use < Rs. 50 Lakh	Payer must not be using for business purpose
Small Taxpayer	E-commerce gross sales < Rs. 5 Lakh per year	Applicable to small individual sellers on platforms
Small Taxpayer	VDA threshold raised from Rs.10,000 to Rs.50,000	Individual threshold; Rs. 10,000 for others
Financial Sector	Interest to National Development Bank / NHB	Institutional lender exemption
Financial Sector	Interest / Dividend paid to LIC, UTI, Mutual Funds	Statutory entities per Sec. 402 list
Financial Sector	Interest to cooperative bank or scheduled bank	Bank-to-bank transactions
Financial Sector	Interest from MACT claims (up to court-order date)	Only pre-order period; post-order interest taxable

Consolidated TDS Exemptions – Sec. 393 Table 4 (ITA 2025)

Category	Exemption / No-TDS Provision	Condition
Business / Infrastructure	Transporter with valid PAN (owned ≤ 10 vehicles)	PAN submission mandatory; rate reverts if non-compliant
Business / Infrastructure	Business Trust (REIT/InvIT) – rent income received	Specific infrastructure trust category
Business / Infrastructure	Capital gain on transfer of property (Sec. 45)	Separate capital gain tax mechanism applies
Business / Infrastructure	Compulsory acquisition compensation under Sec. 96 (RFCTLARR Act 2013)	Full exemption for qualifying acquisitions
Self-Declaration (Form 121)	Form 121 submitted to deductor (or NSDL/CDSL from Apr 2027)	Income below taxable limit; must be filed before payment
Self-Declaration	Form 126 by company for nil/lower TDS on borrowing	Foreign borrowing / institutional cases

Form 15G / 15H — Centralized Filing via Depository (Form 120/121)

One of the most investor-friendly changes: Shift from per-company declaration filing to centralized depository-based filing.

	ITA 1961 — Old Regime	ITA 2025 — New Regime
Forms	Form 15G (individuals below 60) / Form 15H (Senior Citizens)	Form 121
Filing Method	Individual declaration filed with EACH company paying income (dividend, interest, etc.)	Single declaration filed with Depository (NSDL / CDSL)
Filing Recipient	Each and every dividend-paying company / bank separately	NSDL or CDSL — one-time centralized filing
Information Flow	Company maintains its own records — no centralized visibility	Depository shares declaration with all relevant companies / dividend payers
Applicability	Effective for all tax years	Effective from 1 April 2027 onwards
Benefit to Investor	Multiple forms, multiple submissions, multiple tracking	Single submission — zero redundancy
Benefit to Companies	Must independently verify Form 15G/H before every payment	Receives list from depository — no need for independent verification
PAN Linkage	PAN mandatory on declaration	PAN mandatory — depository validates via PAN linkage

Child Certificate — New Concept under ITA 2025

- A 'Child Certificate' is a sub-certificate issued under a parent Nil/Lower Deduction Certificate, enabling splitting of limits across multiple deductors.
- When Needed: A single assessee receives income from multiple deductors — one parent certificate is issued by AO covering total expected income.
- Child Certificate: Deductor-specific sub-certificates split the parent limit. E.g., Rs. 10 Lakh parent split into 10 child certs of Rs. 1 Lakh each.
- How to Generate: Log in to TRACES → Dashboard → Service Request → Apply for Child Certificate.
- Unique Numbering: Child certificate has a distinct number (sub-number of parent certificate number).
- Filing Obligation: Deductor MUST use the Child Certificate number (NOT the parent) when depositing TDS challans and filing TDS returns — use of wrong number results in demand notice.
- Limit Consumption: Once a child certificate limit is exhausted, the next child certificate is activated. Limits do not carry over.
- Practical Warning: Using the parent certificate number when a child certificate has been issued will result in mismatched credit and an erroneous TDS demand on the deductee.

Recovery Certificate — New Correction Powers under Sec. 413

Aspect	ITA 1961 — Sec. 222	ITA 2025 — Sec. 413
Correction of Certificate	Tax Recovery Officer (TRO) had NO power to cancel or correct the recovery certificate — even if clerical / arithmetical error existed	Sec. 413 explicitly empowers TRO to rectify clerical and arithmetical mistakes in recovery certificates at any stage
Stage of Correction	No correction permitted — error remained on record	Correction permitted at ANY stage — no limitation on stage of enforcement
Challenges Mid-Process	No provision for challenging certificate correctness during recovery process	Explicit prohibition on challenges to corrected certificate — amendment is final for recovery purposes
Error Types Covered	Not applicable	Clerical errors + Arithmetical errors — both expressly covered
Impact on Taxpayers	Taxpayer suffered from recovery of incorrect amounts without remedy at certificate level	Provides taxpayer an avenue to seek rectification — and also protects revenue from frivolous challenges post-correction

Key Change: Sec. 194J Split into Two Distinct Codes

Code 126 | Rate: 2%

- Fees for technical services
- Royalty (other than films/copyright)
- Fees for professional services in notified fields
- Call centre payments

Old Act: Sec. 194J @ 2% (technical services)

Code 127 / 128 | Rate: 10%

- Professional fees (doctors, lawyers, engineers)
- Architectural / interior design fees
- Advertising services (professional element)
- Directors' fees (non-salary)

Old Act: Sec. 194J @ 10% (professional services)

Sec. 400-2 | CBDT Guidelines – Binding on All Parties

What Sec. 400-2 says - The Board may, with prior approval of Central Government, issue guidelines to remove difficulties in TDS/TCS provisions. Such guidelines are BINDING on: (a) Income Tax Authorities, AND (b) persons liable to deduct or collect tax.

Pre-ITA 2025 position - Circulars binding on Revenue (KP Varghese SC), but Assessee could challenge. Courts held circulars cannot override the statute. NNL Javia: Departing circular not binding on Assessee.

Post-ITA 2025 position - Under Sec. 400-2, CBDT guidelines for TDS/TCS are NOW BINDING on both authorities and assessee. Departure from guidelines possible only when guideline itself contradicts the parent Act.

Practical implication for deductor - If in doubt about TDS characterisation – DEDUCT as per circular. 'When in doubt, deduct' principle now has statutory backing. Deductee may contest in assessment/refund claim – deductor is protected.

Potential challenge - Circular must genuinely aim at 'removing difficulty'. If it imposes additional burden or modifies substantive rights, challenge remains possible on the ground of ultra vires / conflict with Act.

Decriminalisation | TDS & TCS Offences under ITA 2025

Offence	ITA 1961 Punishment	ITA 2025 Position	Remarks
TDS failure – Lottery / Crossword / Perquisite	RI: 3 months to 7 years	REMOVED from criminal list	Penalty continues. No prosecution.
TDS – Online games (in-kind prizes only)	RI: 3 months to 7 years	Excluded if prize is in-kind	E.g., car given as prize in game show
TDS – Amount < Rs. 10 lakh	RI: 3 months to 7 years	Fine only (no imprisonment)	Graded approach introduced
TDS – Amount Rs. 10L to Rs. 50L	RI: up to 7 years	Simple imprisonment + fine (6 months)	Rigorous → Simple imprisonment
TCS not deposited	RI: 3 months to 7 years	Graded: Simple imprisonment + fine	Graded based on amount of default
PAN invalid / not belonging to deductee	Treated as PAN not furnished	Provision implicit under Sec 397A	Best practice: Verify PAN card copy

Practical Challenges & Grey Areas – ITA 2025

01 Old vs New Section Code in ERP/SAP

Section codes (194C, 194J etc.) will be replaced by 4-digit numeric codes. ERP providers will release updates once rules are finalised. No rush to modify until forms officially notified.

02 Old Chalan Utilisation

Challans from FY 2025-26 (old act) for use in FY 2026-27 (new act): No express departmental clarification. Speaker's view: Usable as matching is by PAN + amount + FY + code (section number irrelevant). Await official communication.

03 TDS Correction for Time-Barred Returns (Pre-FY 2018-19)

Correction statement cannot be filed. Use Demand Management System on TRACES (tdscpc.gov.in) to tag paid challans against demands. If PAN mismatch: file appeal to CIT – no procedural remedy otherwise.

04 Partner TDS – Implementation

Firms not under audit still subject to TDS on partner remuneration if > Rs. 20K/year. Must register for TAN.
Interest/salary/bonus/commission covered. Share of profit and capital withdrawal exempt.

Transitional Rules — Which Act Applies When?

Fundamental Rule: The Act applicable is determined by WHEN the triggering event (credit / payment / deduction) occurred — not the date of return filing.

Scenario	Applicable Act	Practical Implication
TDS deducted on or before 31 March 2026	ITA 1961	Use old section numbers; deposit using old challans (26QB, 26QC etc.); file old returns (24Q, 26Q etc.)
TDS deductible from 1 April 2026 onwards	ITA 2025	Use new payment codes; deposit using Form 141; file new returns (Form 138, 140 etc.)
Bill booked in March 2026 — payment in April 2026	ITA 1961	Deduction triggered at booking (accrual) — old law applies; deduct before 31 March 2026
Advance payment made in March 2026 — credited in April 2026	ITA 1961	Payment made before 31 March — ITA 1961 applies; TDS must be deducted in March 2026 itself (confirmed by CBDT FAQ)

Transitional Rules — Which Act Applies When?

Scenario	Applicable Act	Practical Implication
Agreement executed in March 2026 — final payment in April 2026	ITA 1961 for event; ITA 2025 for payment portion	Prior TDS (if any) under ITA 1961; balance payment TDS under ITA 2025 per new challan
Old section selected by mistake for post-April payment	ITA 2025 should govern	Likely processing error in new TRACES — correct challan before return filing to avoid demand
TDS Returns for Q4 FY 2025-26 (Jan–Mar 2026)	ITA 1961 — use old forms	24Q, 26Q, 27Q, 26EQ — in old format; due dates unchanged
TDS Returns for Q1 TY 2026-27 (Apr–Jun 2026)	ITA 2025 — use new forms	Form 138, 140, 144, 143 — new format; due by 31 July 2026

TDS Correction Statement — Time Limit Reduced to 2 Years

High-Impact Change: Correction window shrinks from 6 years to 2 years from the relevant Tax Year — effective 1 April 2026.

Aspect	ITA 1961 Position	ITA 2025 Position
Correction Statement Window	Up to 6 years from the end of the Financial Year of TDS payment	Up to 2 years from the end of the Tax Year of TDS payment
Effective Date of Restriction	Not applicable	1 April 2026 onwards
Practical Impact as on 31 March 2026	Corrections open for TDS from FY 2020-21 onwards	From 1 April 2026: Only TDS of TY 2024-25 and TY 2025-26 can be corrected
Consequence of Missed Window	Minor — long window available	SEVERE — errors in returns beyond 2 years become PERMANENT and uncorrectable
Example	TDS Return for FY 2020-21 could be corrected till 31 March 2027	TDS Return for TY 2024-25 can only be corrected till 31 March 2027 (2 years from end of TY 2024-25)

Critical Implementation Timeline & Compliance Calendar

1 April 2025

DONE/CHECK

TDS on Partner Remuneration NEW - Firms must deduct TDS if remuneration /interest/bonus/salary to partner > Rs.20,000/year. Register TAN if not already done.

1 April 2026

HIGH

New Income Tax Act 2025 fully operative - All TDS/TCS provisions under new Act applicable. New section codes, forms, and challans replace old. Old sections cease.

31 March 2026

URGENT

DEADLINE: TDS Correction Returns (FY 2019-20 to 2023-24) - Last opportunity to file correction TDS statements for FY 2019-20 to FY 2023-24. After 1 Apr 2026, only 2-year window applies.

1 October 2026

MEDIUM

Non-Resident Property Purchase – TAN not required - Buyers purchasing property from non-residents need NOT obtain TAN. File PAN-based Form 141 (equivalent of 26QB) instead.

1 April 2027

FUTURE

Centralised Form 141 (15G/15H) via NSDL/CDSL - Investors submit Form 141 once to NSDL/CDSL for dividend TDS exemption. NSDL/CDSL shares with companies. Infrastructure under development.

Challan & Return Selection Guide — Transitional Year TY 2026-27

Period of TDS/TCS	Applicable Act	Challan Form	Return Form	Notes
Jan–Mar 2026 (Q4 FY 25-26)	ITA 1961	ITNS 281 / 26QB / 26QC / 26QD	24Q / 26Q / 27Q / 26EQ	Old format — due 31 May 2026
Apr–Jun 2026 (Q1 TY 26-27)	ITA 2025	Form 141 (Unified)	Form 138 / 140 / 144 / 143	New format — due 31 Jul 2026
Jul–Sep 2026 (Q2 TY 26-27)	ITA 2025	Form 141	Form 138 / 140 / 144 / 143	New format — due 31 Oct 2026
Oct–Dec 2026 (Q3 TY 26-27)	ITA 2025	Form 141	Form 138 / 140 / 144 / 143	New format — due 31 Jan 2027
Jan–Mar 2027 (Q4 TY 26-27)	ITA 2025	Form 141	Form 138 / 140 / 144 / 143	New format — due 31 May 2027
TDS Salary Certificate FY 25-26	ITA 1961	N/A	Issue Form 16 (old)	Applicable for salary up to 31 Mar 2026
TDS Salary Certificate TY 26-27	ITA 2025	N/A	Issue Form 130 (new)	Applicable for salary from 1 Apr 2026
Form 15G/15H	ITA 1961 till 31 Mar 2027	N/A	Form 15G / 15H	Centralized (Form 120/121) from 1 Apr 2027
Lower Certificate — New application	ITA 2025	N/A	Form 128 (from 1 Apr 2026)	Form 13 for applications relatable to FY 25-26

Due Dates & Consequences of Default – ITA 2025 (Sec. 398)

Due Dates (UNCHANGED in ITA 2025)

TDS Deposition (April – Feb)	7th of the following month
TDS Deposition (March)	30th April
TCS Deposition (all months)	7th of the following month
Quarterly TDS Return (Q1 – Apr–Jun)	31st July
Quarterly TDS Return (Q2 – Jul–Sep)	31st October
Quarterly TDS Return (Q3 – Oct–Dec)	31st January
Quarterly TDS Return (Q4 – Jan–Mar)	31st May
TDS Certificate Issuance (salary – Form 130)	15th June (after FY end)
TDS Certificate (Non-salary – Form 132)	15th of month following quarter

Consequences of Default – Sec. 398

Non-Deduction of TDS

Deductor treated as 'assessee-in-default'

→ Interest: 1% per month (or part of month) from date TDS was due till date of deduction

TDS Deducted but Not Deposited

→ Interest: 1.5% per month (or part of month) from date of deduction till actual deposit

Part-Month Rule

Even 1 day delay spans 2 months for interest. Example: Deducted 15 Feb, deposited 8 Mar → interest for Feb (part = 1 month) + March (part = 1 month) = 2 months

Prosecution Risk

Wilful non-deduction / non-deposit: imprisonment 3 months to 7 years + fine (Sec. 276B equivalent)

Fee u/s 234E

Rs. 200 per day for delayed filing of TDS return; capped at TDS amount

Higher TDS – Inoperative PAN

If PAN inoperative (not linked to Aadhaar): TDS at higher of normal rate or 20%

194A — What Constitutes 'Interest'? Definition under Sec. 2(28A) / Sec. 259 (2025 Act)

- **Definition (Exhaustive): 'Interest means interest payable in any manner in respect of monies borrowed or debt incurred and includes any service fee or other charge in respect of monies borrowed or debt incurred'**
- **INCLUDED in 'Interest' for TDS purposes:**
 - Loan processing fee (upfront fee charged by NBFC) — interest on monies borrowed
 - Liquidated damages / penal interest for default on loan repayment
 - Interest paid to vendors for delayed payment on credit purchases (debatable — majority view: TDS applicable)
- **NOT INCLUDED in 'Interest' for TDS purposes:**
 - Discounting / factoring charges — no loan borrowed; a negotiable instrument (asset) is sold at discount; no 'debt incurred'
 - Chit dividend (lottery winnings in chit fund) — no loan/debt by chit company; Karnataka HC supports no TDS
 - Interest paid to a banking company or NBFC — NOTE: NBFCs are NOT exempt from 194A!
- **Takeaway: TDS under 194A applies to ALL forms of interest on borrowed money or debt — including charges and fees in connection with such debt**

194C / Sec. 393 — Practical Issues in Contract Payments

- **Clearing & Forwarding Agents**

- Service fees: TDS under 194C — 1% / 2% (CBDT Circular 715/1995 — not 194J)
- Pure reimbursements: No TDS if income element absent; needs documentary support
- On-behalf payments (Sima Agencies case — Madras HC): TDS obligation rests on the PRINCIPAL (exporter), not on C&F agent; works contract is between exporter and airline, not C&F agent and airline

- **Freight Charges on Vendor Invoice**

- Freight shown as breakup on sales invoice → entire amount is cost of goods; no works contract between buyer and vendor; TDS NOT required (consistent tribunal view; CBDT Circular 9 of 2012 on gas contracts)

- **Salary — Any Person Obligated to Deduct**

- 192 / Sec. 392 — 'ANY PERSON responsible for paying salary shall deduct TDS'; no turnover exemption; pure personal payments NOT exempt (unlike 194J/194C)
- Example: HNI paying chef Rs. 3L/month — TDS compulsory even if HNI has no PGBP income

- **Restaurant Bills vs. Catering**

- Restaurant (you go there): Not a works contract; no TDS required
- Catering service (comes to office): Expressly covered as 'works'; TDS under 194C compulsory

Can TDS be Reversed? — Law, Exceptions & Practical Solutions

General Rule: TDS once deducted CANNOT be reversed by the deductor

Deductor is merely an agent of the government. Upon deduction, the amount belongs to the government. The only recourse for refund is the deductee filing ITR. [ITC Ltd. vs. ITC Employee — Patna HC]

SCENARIO 1: Credit Note Received from Vendor

TDS deducted on Rs. 5L invoice; 3 months later credit note for Rs. 2.5L received. Can Rs. 25,000 TDS be reversed? → NO. Strict rule applies. Vendor to claim refund via ITR. Deductor cannot reverse or refund.

SCENARIO 2: Transaction Completely Cancelled

Royalty provision reversed as contract was cancelled; transaction never materialised. TDS deduction entries reversed. Karnataka HC (Wipro case): TDS reversal allowed where transaction itself did not occur — no income, no tax.

SCENARIO 3: TDS under 194Q — Purchase Return

Purchase return after TDS @ 0.1%. Reversal not allowed. BUT: CBDT Circular 13/2021 — TDS may be adjusted against next purchase payment from same vendor. (TCS reversal: NOT permitted even on return — Circular 17/2020)

Credit of TDS — Sec. 199 (1961) / Sec. 390 (2025): Year of Claim Must Match Year of Income

1 BEST CASE — Same Year (No Issue)

1

Income Side: Income offered to tax: FY 2025-26

TDS Side: TDS deducted by payer: FY 2025-26

Resolution: Claim TDS in return for AY 2026-27 ✓
(No issues, standard scenario)

2 TDS EARLY, INCOME LATE (Carry Forward)

2

Income Side: Income taxed: FY 2025-26 (cash basis, received April-25)

TDS Side: TDS deducted: FY 2024-25 (accrual credit in March-25)

Resolution: Do NOT claim in AY 2025-26; Carry forward in TDS schedule; Claim in AY 2026-27 ✓

3 TDS LATE, INCOME EARLY (Most Difficult)

3

Income Side: Income taxed: FY 2024-25 (accrual — unbilled revenue)

TDS Side: TDS deducted: FY 2025-26 (invoice raised May-25; client deducts)

Resolution: File Form 71 within 2 years of FY of TDS; - Section 155(20); AO should grant credit — but rarely processed in practice; Practical: If ITR not filed, offset in Year 2

Common Practical Issues & Solutions

Q1

Rent paid Rs. 45,000/month for two properties - rent paid together (Rs. 90,000)

A: TDS applicable as payment to same payee exceeds monthly threshold. Total rent to same payee aggregated, not property-wise.

Q2

Joint owners: Rs. 60,000 rent paid – 2 owners (Rs. 30,000 each)

A: If payment split to two joint owners @ Rs. 30,000 each, TDS NOT applicable on individual shares below threshold.

Q3

Date of agreement 26 Mar 2026; registration 8 Apr 2026

A: If registered within statutory time allowed for registration, contract dates back to execution date (26 Mar 2026). ITA 1961 governs TDS.

Q4

Partner's remuneration: TDS u/s 194T when books finalised on 31 Mar?

A: Partner's TDS on remuneration triggered on payment or credit whichever is earlier unlike salary

Q5

Unused Challan balance from FY 2025-26 carried to TY 2026-27?

A: Apply for REFUND. Do not carry forward – credit transfer process is cumbersome; legal position unclear for cross-year adjustment.

Q6

TIN not available for payee in Middle East (no TIN system)

A: Use '000000' as placeholder. CBDT clarification awaited for countries without TIN. Alternatively, use return filing reference number.

Q7

Advertising – professional services or contract work?

A: Placing ad in newspaper/media = Contract (Sec. 393, Code 105-120). Creating ad / using name/photo = Professional (Code 127-128 @ 10%).

CBDT FAQ Analysis | Key Clarifications (FAQ, Apr 2026)

Q2.1

Does the fundamental obligation to discharge income-tax through TDS/TCS, advance tax, or self-assessment tax continue under the Income-tax Act, 2025? **Yes**

Q2.2

Have the permissible modes of tax payment been altered under the Income tax Act, 2025? **No**

Q2.3

What change has been introduced in the Income Tax Act, 2025 with respect to TDS provisions in the 1961 Act? **Sec 392, Sec 393, Tables etc.**

Q2.4

Which Act will govern the TDS obligations during the transition period? **Act based on FY of payment/credit**

Q2.5

Which section should be quoted for TDS/TCS made after 01st April 2026? **Sec 392, Sec. 393, Sec. 394**

Q2.6

How is TDS determined for contracts spanning March–April 2026? **Event earlier of credit or payment**

Q2.7

Any change in due dates for depositing TDS to Govt account in the 2025 Act? **No change; Same as earlier**

CBDT FAQ Analysis | Key Clarifications (Apr 2026)

Q2.8

What is the due date for depositing the tax deducted at source in the month of March, 2026? **30th April, 2026**

Q2.9

For TDS to be deposited after 1st April 2026 on a sum paid/credited before 31.03.26, should the challan be of 1961 Act or 2025 Act? **1961 Act**

Q2.10

If tax has already been deducted at source prior to 01 April 2026 at the time of credit to the payee's account, is there any requirement to deduct tax again upon actual payment? **No**

Q2.11

Where tax has been deducted under the 1961 Act pursuant to a lower withholding certificate valid up to 31 March 2026, will such deduction remain legally valid if remitted after 1 April 2026? **Yes**

Q2.12

Will a lower/nil withholding certificate issued under Section 197 of the old Act remain valid for payments/credits made on or after 1st April, 2026? **Yes**

Q2.13

Is there any change in the rate of interest for delayed deposit of TDS/TCS under the new Act? **No**



Thank You

Questions & Discussion
