



Chapter 1

Basics of TDS / TCS, Comparision and Ready Reckoner

Collection and Recovery of Tax



Basics of TDS

The tax which is paid before assessment of income is called pre-paid taxes. Generally income is earned during the tax year and computed and assessed in later tax year. The tax which is paid in income earning year is called pre-paid taxes which are TDS, TCS and Advance Tax. Final computation of income and tax shall be as per Section 4(1) only.

Tax deductor and tax collector are in a way agent of the Government since the tax which is required to be paid by payee / deductee is paid by deductor or collector. The amount of TDS and TCS is treated as income of the payee or seller.

Where tax has not been deducted the payee can pay the amount of TDS on his own. It means either offer your income for tax deduction or ready to pay advance tax.

Tax year 2026-27 Income earning year / Current tax year			Tax year 2027-28 Tax paying year / Later Tax Year			
TDS 392 and 393	TCS 394	Advance Tax 403 to 410	Self Assessment Tax 266	Interest 423 to 426	Fees 427 to 430	Return of income 263

Purpose of TDS	Purpose of Advance Tax
To stop tax evasion. If there is no scope of tax evasion TDS is not applicable. For example payment to Banks, Government etc	To help government to meet day to day expenditure Assessee is able to pay balance tax easily in the later tax year. It solves liquidity problem

	Tax Deductor	Tax Collector	Advance Tax
Meaning	Payer----->Payee The person who pays money is required to deduct tax at the time of transaction. TDS gets reflected as tax credit in payee return of income. Few examples: Employer: Payment of Salaries Bank: Payment of Interest Company: Payment of Dividend	Buyer----->Seller The person who sells the goods is required to collect tax at source at the time of transaction. TCS gets reflected as tax credit in buyers return of income. Few examples: Purchaser of goods Parking lot	Tax Payer pays advance tax in installments during the tax year if certain conditions are satisfied. Condition: If self assessment tax exceeds Rs. 10,000
Procedure	Section 397 - Apply for TDCAN Section 392 and 393 - Deduct tax Section 397 - Submit return Section 395 - Certificates	Section 397 - Apply for TDCAN Section 394 - Collect tax Section 397 - Submit return Section 395 - Certificates	Section 262 - Apply for PAN Pay advance tax Section 263 - Submit return
Non allowance of expenditure	Section 35(b)(i)	-	-
Interest	Section 398 Did not deduct: 1% p.m. Deducted but not paid: 1.5% p.m.	Section 398 Did not deduct: 1% p.m. Deducted but not paid: 1.5% p.m.	Section 424 and 425
Penalty	Section 448	Section 449	-
• non deposit of tax			
• non submission of statement	Section 461 and 462	Section 461 and 462	-
Prosecution	Section 476	Section 477	-
Late fees	Section 427	Section 427	-

Common Questions for TDS

Questions	Answers						
Who is required to deduct tax at source	• Employer: Every person is required to deduct tax at source even Individual or HUF • Others: Every person is required to deduct tax at source except Individual or HUF However Individual or HUF shall also deduct tax at source if following conditions are satisfied. <u>Specified Person</u> <table> <tr> <th>Tax year 2025-26</th><th>Tax year 2026-27</th></tr> <tr> <td>Business: Turnover exceeds ₹ 1 crore</td><td>For this year the person becomes specified person</td></tr> <tr> <td>Professional: Turnover exceeds ₹ 50 Lakhs</td><td></td></tr> </table>	Tax year 2025-26	Tax year 2026-27	Business: Turnover exceeds ₹ 1 crore	For this year the person becomes specified person	Professional: Turnover exceeds ₹ 50 Lakhs	
Tax year 2025-26	Tax year 2026-27						
Business: Turnover exceeds ₹ 1 crore	For this year the person becomes specified person						
Professional: Turnover exceeds ₹ 50 Lakhs							
When to deduct tax at source	P: At the time of payment C: At the time of credit to payee's account D: Deemed credit						
What should be the Rate of TDS	• Resident If normal rate: Liquidity If fixed too low: Chances of tax evasion Therefore a reasonable rate of TDS has been fixed. <u>Exceptions</u> Salaries Lottery Income No surcharge and cess on TDS rate but required to be paid at the time of self assessment tax except salaries. • Non-Resident The tax required to be paid in India on self assessment basis						
When tax is not required to be deducted at source	• If income is exempt • If income is taxable but there is no scope of tax evasion. • Upto certain threshold limit or if income below slab rate <u>Reason</u> To remove administrative difficulties for tax deductor. For tax administration, to avoid unnecessary refund procedure. Filing of return etc.						
On which amount tax is required to be deducted at source	Income or Sum: On that payment after deduction of indirect taxes. Payment: On that payment including taxes						
Rates in force	As per Finance Act						

Section 393

- (1) Table: For payments to resident (S. No. 1 to 8)
- (2) Table: For payments to non-resident (S. No. 1 to 17)
- (3) Table: For payments to any person (S. No. 1 to 7)
- (4) Table: For no deduction at source (S. No. 1 to 19)
- (6) Table: Declaration for no deduction at source (S. No. 1 and 2)

Section 394

- (1) Table: Tax collection at source (S. No. 1 to 9)

Section 402

- (1) Table: Interpretation (S. No. 1 to 5)

Violations

- 1. Did not deduct or did not collect
- 2. Deducted but not deposited
- 3. Lower deduction
- 4. Deducted and deposited but not filed the return
- 5. Deducted and deposited but late filing of return
- 6. Non issuance of TDS / TCS certificate

READY RECKONER

Section 393

- (1) Table: For payments to resident (S. No. 1 to 8)
- (2) Table: For payments to non-resident (S. No. 1 to 17)
- (3) Table: For payments to any person (S. No. 1 to 7)
- (4) Table: For no deduction at source (S. No. 1 to 19)
- (6) Table: Declaration for no deduction at source (S. No. 1 and 2)

Section 394

- (1) Table: Tax collection at source (S. No. 1 to 9)

Section 402

- (1) Table: Interpretation (S. No. 1 to 5)

General Rate of TDS

Nature of payment	Rate of TDS
Payment of Salaries	Rate of TDS + Surcharge + Health and Education Cess
Payment to Resident	Rates of TDS
Payment to Non Resident other than company	Rate of TDS + Surcharge + Health and Education Cess
Payment to Foreign Company	Rate of TDS + Surcharge + Health and Education Cess

Summary of TDS

Section 392

S.No	Sections	Nature of income or sum ^{TDS} at the time of payment	Payer	Rate of TDS	Base amount (No TDS)
1	392	Salary ^{old section 192}	Any person	Average rate + Surcharge + Cess	Basic exemption
2	392	Lumpsum withdrawal from PF ^{old section 192A}	Any person who is authorised to make such payment	10%	less than ₹ 50,000

Section 393(1). Payment made to Resident

S. No.	Nature of income or sum ^{TDS at the time of} payment, credit or deemed credit	Payer	Rate of TDS	Threshold limit (No TDS)
1(i)	Insurance commission ^{old section 194D}	Insurance Company	2%	₹ 20,000
1(ii)	Commission or brokerage ^{old section 194H}	Specified person	2%	₹ 20,000
2(i)	Rent ^{old section 194I}	Person other than specified person	2%	₹ 50,000 p.m. or part of month
2(ii)	Rent ^{old section 194IB}	Specified person	(a) 2% (P&M) (b) 10% (Others)	(a) and (b) ₹ 50,000 p.m. or part of month
3(i)	Transfer of immovable property ^{old} ^{section 194IA}	Person other than 3(iii)	1%	₹ 50 Lakhs or more

3(ii)	Transfer of immovable property under JDA old section 194IC	Any person	10%	Nil
3(iii)	Compulsory acquisition of immovable property old section 194LA	Any person	10%	₹ 5,00,000
4(i)	Income from units of pass through entity old section 194K	Any person	10%	₹ 10,000
4(ii)	Income from units of business trust old section 194LBA	Business trust	10%	Nil
4(iii)	Income from units of investment fund old section 194LBB	Specified person	10%	Nil
4(iv)	Income from units of securitisation trust old section 194LBC	Securitisation trust	10%	Nil
5(i)	Interest on securities old section 193	Any person	10%	₹ 10,000
5(ii)	Other interest old section 194A	Banking company Co-operative society Post Office	Rates in force: 10%	₹ 1,00,000 (Senior citizen) ₹ 50,000 (others)
5(iii)	Other interest old section 194A	Specified person other than 5(ii)	Rates in force: 10%	₹ 10,000
6(i)	Payment to contractors old section 194C	Any designated person	(a) 1% (Ind/HUF)) (b) 2% (Others)	(a) and (b) ₹ 30,000 (single) and ₹ 1 Lakh (aggregate)
6(ii)	Payment to contractor or professional fees or brokerage and commission old section 194M	Individual / HUF other than 6(i), 6(iii) and 1(ii)	2%	₹ 50 Lakhs
6(iii)	(a) Professional fees or (b) technical fees or (c) director fees or (d) royalty and (e) non compete fees old section 194J	Specified person	2% (FTS, Royalty cinema and call centre) 10% (Professional services, Director, other Royalty, non compete fees)	(i) Nil for Director covered in (c) (ii) ₹ 50,000 for others covered in (a), (b), (d) and (e)
7	Dividend old section 194	Any domestic company	10%	Nil
8(i)	Life insurance maturity proceeds old section 194DA	Any person	2%	₹ 1,00,000

8(ii)	Purchase of goods exceeding ₹ 50 Lakhs old section 194Q	Any person being buyer whose TO in preceding tax year exceeds ₹ 10 Crore	0.1%	exceeding ₹ 50 Lakhs and TCS not applicable
8(iii)	Pension and Interest earned by specified senior citizen (atleast 75 years) old section 194P	Specified bank in which both pension and interest is credited	Rates in force: 10%	As applicable (slab rate)
8(iv)	Perquisites arising from business or profession old section 194R	Specified person	10% of value of perquisite or benefit	₹ 20,000
8(v)	Sale on E Commerce operator old section 194O	E Commerce operator	0.1% on gross sale of goods or services	(a) For ind/HUF: ₹ 5 lakh Refer 393(4)-S. No 11 (b) For others: Nil
8(vi)	Transfer of virtual digital asset old section 194S	Any person	1%	Nil

Section 393(2). Payment made to Non Resident

S. No.	Nature of income or sum ^{TDS at} the time of payment, credit or deemed credit	Payee	Payer	Rate of TDS + Surcharge + Cess
1	Any income referred in Section 211 ^{old section 194E}	- Non resident sportsman being a foreign citizen - Non resident sports association	Any person	20% + Surcharge + Cess
2	Income: Interest ^{old section 194LC} Loan: Borrowed in foreign currency from outside India Investment: Long term infrastructure bond / Long term bond approved by CG	Non Resident or a foreign company ^{resident or non resident}	Indian Company or Business Trust	5% + Surcharge + Cess
3	Income: Interest ^{old section 194LC} Loan: Borrowed from outside India Investment: Rupee denominated bond before 01.07.2023	Non Resident or a foreign company ^{resident or non resident}	Indian Company or Business Trust	5% + Surcharge + Cess
4	Income: Interest ^{old section 194LC} Loan: Borrowed from outside India Investment: Long term bond or rupee denominated bond listed on a recognised stock exchange located in International financial services centre	Non Resident or a foreign company ^{resident or non resident}	Indian Company or Business Trust	a. 4% + Surcharge + Cess (01.04.2020 to 30.06.2023) b. 9% + Surcharge + Cess (01.07.2023)
5	Income: Interest ^{old section 194LB}	Non Resident or a foreign company ^{resident or non resident}	Infrastructure debt fund (Schedule VII, S. No. 46)	5% + Surcharge + Cess
6	Distributed Income ^{old section 194LBA} Section 223 and Schedule V, S. No. 3	Unit holder Non Resident or a foreign company ^{resident or non resident}	Business trust	a. 5% + Surcharge + Cess [Sch V, 3B(a)] b. 10% + Surcharge + Cess [Sch V, 3B(b)]
7	Distributed Income ^{old section 194LBA} Section 223 and Schedule V, S. No. 4	Unit holder Non Resident or a foreign company ^{resident or non resident}	Business trust	Foreign Company: 30% + Surcharge + Cess Others: 35% + Surcharge + Cess

8	Distributed Income old section 194LBB Section 223 and Schedule V, S. No. 4	Unit holder Non Resident or a foreign company resident or non resident	Investment fund	Foreign Company: 30% + Surcharge + Cess Others: 35% + Surcharge + Cess
9	Investment in securitisation trust old section 194LBC	Investor Non Resident or a foreign company resident or non resident	Securitisation trust	Foreign Company: 30% + Surcharge + Cess Others: 35% + Surcharge + Cess
10	Income from units of mutual fund or specified company old section 196A and 196D	Any non resident (not being a company) or a foreign company.	Any person	20% + Surcharge + Cess or DTAA whichever is lower
11	Any income in respect of units referred to in section 208. old section 196B	Any offshore fund.	Any person	10% + Surcharge + Cess
12	Any income by way of long- term capital gains arising from the transfer of units referred to in section 208; old section 196B	Any offshore fund	Any person	12.5% + Surcharge + Cess
13	Any income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in section 209. old section 196C	Any non resident.	Any person	10% + Surcharge + Cess
14	Any income by way of long- term capital gains arising from the transfer of bonds or Global Depository Receipts referred to in section 209 old section 196C	Any non resident	Any person	12.5% + Surcharge + Cess
15	Any income in respect of securities referred to in section 210(1) (Table: Sl. No. 1). old section 196A and 196D	Any Foreign Institutional Investor	Any person	20% + Surcharge + Cess or DTAA whichever is lower
16	Any income in respect of securities referred to in section 210(1) (Table: Sl. No. 1) old section 196D	A specified fund referred to in Schedule VI [Note 1(g)].	Any person	10% + Surcharge + Cess
17	Any interest (not being interest referred to against serial numbers 2, 3, 4 and 5) or any other sum chargeable under the provisions of this Act, not being income chargeable under the head "Salaries". old section 195	Any non resident (not being a company) or a foreign company.	Any person	Rates in force Refer chapter 8

Section 393(3). Payment to any person whether resident or non resident

S. No.	Nature of income or sum TDS at the time of payment or credit	Payer	Rate of TDS	Threshold limit (No TDS)
1	Winning from lottery, crossword puzzle, card game or gambling or betting old section 194B	Any person	30%	₹ 10,000 (single transaction)
2	Winning from online game old section 194BA	Any person	Rates in force: 30%	Nil
3	Winning from horse race old section 194BB	Bookmaker, licence	Rates in force: 30%	₹ 10,000 (single transaction)
4	Commission, remuneration or prize in relation to lottery tickets of lottery tickets seller old section 194G	Any person	2%	₹ 20,000
5	Cash withdrawal from Bank old section 194N	Bank Co-operative Bank Post office	2%	(a) ₹ 3 Crore (recipient Co-operative Society) (a) ₹ 1 Crore (recipient others)
6	80CCA(2)(a)-receipt from deferred annuity plan old section 194EE	Any person	10%	₹ 2,500
7	Remuneration and interest payable by firm to it's partner old section 194T	Firm	10%	₹ 20,000

Section 394. Tax Collected at Source

Sl. No.	Nature of receipt	Person	Rate of Tax Collected at Source
A	B	C	D
1	Sale of alcoholic liquor for human consumption old section 206C(1). S. No (i)	Seller	2%
2	Sale of tendu leaves old section 206C(1). S. No (ii)	Seller	2%
3	Sale of timber whether obtained under a forest lease or otherwise old section 206C(1) S. No (iii) and (iv) ; or any other forest produce (not being timber or tendu leaves) obtained under a forest lease old section 206C(1) S. No (v)	Seller	2%
4	Sale of scrap old section 206C(1). S. No (vi)	Seller	2%
5	Sale of minerals, being coal or lignite or iron ore old section 206C(1). S. No (vii)	Seller	2%
6	Sale consideration exceeding ₹ 10 lakh in case of old section 206C(1F) ____ (a) motor vehicle; or (b) any other goods, as may be notified by the Central Government.	Seller	1%
7	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ₹ 10 lakh old section 206C(1G) ____	Authorised dealer.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
8	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure. old section 206C(1G)	Seller	2%
9	Use of parking lot old section 206C(1C). S. No (i) or toll plaza old section 206C(1C). S. No (ii) or mine or quarry old section 206C(1C). S. No (iii) for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).	Licensor or Lessor.	2%

COMPARISON OLD VS NEW

Old	Heading	New
139A	PAN	262
190	Deduction or collection at source and advance payment	390
191	Direct payment	391
192	Salary	392(1), (2), (3), (4), (5), (6) and (8)
192A	Payment of accumulated balance due to an employee	392(7)
193	Interest on securities	Section 393(1) [Table: Sl. No. 5(i)] Section 393(4) [Table: Sl. No. 6]
194	Dividends	Section 393(1) [Table: Sl. No. 7] Section 393(4) [Table: Sl. No. 10]
194A	Interest other than “Interest on securities”	Section 393(1) [Table: Sl. No. 5(ii), (iii)] Section 393(4) [Table: Sl. No. 7]
194B	Winnings from lottery or crossword puzzle, etc.	Section 393(3) [Table: Sl. No. 1]
194BA	Winnings from online games	Section 393(3) [Table: Sl. No. 2]
194BB	Winnings from horse race	Section 393(3) [Table: Sl. No. 3]
194C	Payments to contractors	Section 393(1) [Table: Sl. No. 6(i)] Section 393(4) [Table: Sl. No. 8]
194D	Insurance commission	Section 393(1) [Table: Sl. No. 1(i)]
194DA	Payment in respect of life insurance policy	Section 393(1) [Table: Sl. No. 8(i)]
194E	Payments to non-resident sportsmen or sports associations	Section 393(2) [Table: Sl. No. 1]
194EE	Payments in respect of deposits under National Savings Scheme, etc.	Section 393(3) [Table: Sl. No. 6] Section 393(4) [Table: Sl. No. 19]
194G	Commission, etc., on sale of lottery tickets	Section 393(3) [Table: Sl. No. 4]
194H	Commission or brokerage	Section 393(1) [Table: Sl. No. 1(ii)] Section 393(4) [Table: Sl. No. 1]
194-I	Rent	Section 393(1) [Table: Sl. No. 2(i)] Section 393(4) [Table: Sl. No. 2]
194-IA	Payment on transfer of certain immovable property other than agricultural land	Section 393(1) [Table: Sl. No. 3]
194-IB	Payment of rent by certain individuals or Hindu undivided family	Section 393(1) [Table: Sl. No. 2(ii)]
194-IC	Payment under specified agreement	Section 393(1) [Table: Sl. No. 3(ii)]
194J	Fees for professional or technical services	Section 393(1) [Table: Sl. No. 6(iii)] Section 394(4) [Table: Sl. No. 9]
194K	Income in respect of units	Section 393(1) [Table: Sl. No. 4(i)] Section 394(4) [Table: Sl. No. 4]
194L	-	-

194LA	Payment of compensation on acquisition of certain immovable property	Section 393(1) [Table: Sl. No. 3(iii)] Section 394(4) [Table: Sl. No. 3]
194LB	Income by way of interest from infrastructure debt fund	Section 393(2) [Table: Sl. No. 5]
194LBA	Certain income from units of a business trust	Section 393(1) [Table: Sl. No. 4(ii)] Section 392(2) [Table: Sl. No. 6 & 7] Section 394(4) [Table: Sl. No. 5 & 13]
194LBB	Income in respect of units of investment fund	Section 393(1) [Table: Sl. No. 4(iii)] Section 393(2) [Table: Sl. No. 8] Section 393(4) [Table: Sl. No. 14]
194LBC	Income in respect of investment in securitization trust	Section 393(1) [Table: Sl. No. 4(iv)] Section 393(2) [Table: Sl. No. 9]
194LC	Income by way of interest from Indian company	Section 393(2) [Table: Sl. No. 2, 3 & 4]
194LD	Income by way of interest on certain bonds and Government securities	-
194M	Payment of certain sums by certain individuals or Hindu undivided family	Section 393(1) [Table: Sl. No. 6(ii)]
194N	Payment of certain amounts in cash	Section 393(3) [Table: Sl. No. 5] Section 393(4) [Table: Sl. No. 18]
194O	Payment of certain sums by e-commerce operator to e-commerce participant	Section 393(1) [Table: Sl. No. 8(v)]
194P	Deduction of tax in case of specified senior citizen	Section 393(1) [Table: Sl. No. 8(ii)]
194Q	Deduction of tax at source on payment of certain sum for purchase of goods	Section 393(1) [Table: Sl. No. 8(iii)]
194R	Deduction of tax on benefit or perquisite in respect of business or profession	Section 393(1) [Table: Sl. No. 8(iv)]
194S	Payment on transfer of virtual digital asset	Section 393(1) [Table: Sl. No. 8(vi)] Section 393(4) [Table: Sl. No. 12]
194T	Payments to partners of firms	Section 393(3) [Table: Sl. No. 7]
195	Other sums	Section 393(2) [Table: Sl. No. 17] Section 393(4) [Table: Sl. No. 12]
195A	Income payable 'net of tax'	Section 393(10)
196	Interest or dividend payable to Government / RBI	Section 393(5)
196A	Income in respect of units of non-residents	Section 393(2) [Table: Sl. No. 10 & 15] Section 393(4) [Table: Sl. No. 15]
196B	Income from units	Section 393(2) [Table: Sl. No. 11 & 12]
196C	Income from foreign currency bonds or shares	Section 393(2) [Table: Sl. No. 13 & 14]
196D	Income of Foreign Institutional Investors	Section 393(2) [Table: Sl. No. 15 & 16] Section 393(4) [Table: Sl. No. 16 & 17]
197	Certificate for deduction at lower rate	Section 395(1) Section 400(4)

197A	No deduction to be made in certain cases	Section 393(6) [Table: Sl. No. 1 & 2]
197B	Lower deduction in certain cases for a limited period	-
198	Tax deducted is income received	Section 396
199	Credit for tax deducted	Section 395(5)(a),(c) Section 390(6)
200	Duty of person deducting tax	Section 395(5)(a),(b),(e) & (f)
200A	Processing of statements of tax deducted at source and other statements	Section 399(1) Section 399(2) Section 399(3) Section 402(3)
201	Consequences of failure to deduct or pay	Section 2(1) Section 398(1) Section 398(2) Section 398(3) Section 398(4) Section 398(5) Section 398(6) Section 398(7)
202	Deduction only one mode of recovery	Section 390(4)
203	Certificate for tax deducted	Section 395(4)(a), (b)
203A	Tax deduction and collection account number	Section 397(1)(a), (b) Section 395(4)(a)(c)(iii)
204	Meaning of “person responsible for paying”	Section 402(27) Section 402(27)(a), (b), (c), (d), (e), (f), (g) Section 402(16) Section 402(23)
205	Bar against direct demand on assessee	Section 401
206	Persons deducting tax to furnish prescribed returns	-
206A	Furnishing of statement in respect of payment of any income to residents without deduction of tax	Section 397(3)(g)(i), (ii) & (iii)
206AA	Requirement to furnish Permanent Account Number	Section 397(2)(a) & (b)(i) Section 397(2)(c) Section 397(2)(f)(i) & (ii) Section 397(2)(g) Section 397(2)(h)
206AB	Special provision for deduction of tax at source for non-filers of income-tax return	-
207	Liability for payment of advance tax	Section 403
208	Conditions of liability to pay advance tax	Section 404
209	Computation of advance tax	Sections 405, 406, 407
210	Payment of advance tax by the assessee of his own accord or in pursuance of order of Assessing Officer	Sections 406, 407
211	Instalments of advance tax and due dates	Sections 407, 408
214	Interest payable by Government	-

215	Interest payable by assessee	-
216	Interest payable by assessee in case of under-estimate, etc.	-
217	Interest payable by assessee when no estimate made	-
218	When assessee deemed to be in default	Section 409
219	Credit for advance tax	Section 410
234A	Interest for defaults in furnishing return of income	Section 423
234B	Interest for defaults in payment of advance tax	Section 424
234C	Interest for deferment of advance tax	Section 425
234D	Interest on excess refund	Section 426
234E	Fee for default in furnishing statements	Section 427
234F	Fee for default in furnishing return of income	Section 428
234G	Fee for default relating to statement or certificate	Section 429
234H	Fee for default relating to intimation of Aadhaar number	Section 430
234I	Fee for default in furnishing revised return of income	Section 428