

TAX DEDUCTION OR COLLECTION AT SOURCE AND ADVANCE TAX



LEARNING OUTCOMES

After studying this chapter, you would be able to–

- ◆ **appreciate** the modes of recovery of income-tax from an assessee;
- ◆ **comprehend** and **apply** the provisions governing deduction of tax at source from certain specified income and payments;
- ◆ **examine** whether tax is deductible in a particular case(s) considering the provisions of the relevant section;
- ◆ **compute** the tax deductible at source in respect of a particular case(s);
- ◆ **identify** the cases where tax is not required to be deducted at source and the conditions to be satisfied for this purpose;
- ◆ **comprehend** and **appreciate** the duty of the person deducting tax;
- ◆ **comprehend** the concept of tax collection at source and **appreciate** when tax is collectible at source;
- ◆ **examine** the consequences of failure to deduct/ collect tax at source or make payment of the tax deducted/ collected at source;
- ◆ **appreciate** when the liability to pay advance tax arises;
- ◆ **compute** advance tax liability and the schedule of instalments for payment of advance tax.

CHAPTER OVERVIEW

Tax deduction or collection at source

Deduction of tax at source
[Section 392 to 393(1) to (4)]

Collection of tax at source
[Section 394]

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[Section 395]

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[Section 393(6)]

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Advance Tax

Liability to pay advance tax
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Computation of advance tax
[Section 405]

Instalments of advance tax and due dates
[Section 408]

Credit for advance tax
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[Section 424 & 425]



1. STRUCTURED SECTIONAL LEARNING

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2(60)	Meaning of interest on securities
390	Deduction or collection at source and advance payment
391	Direct Payment
392	Salary and accumulated balance due to an employee
393	Tax to be deducted at source
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403	Liability for payment of advance tax
404	Conditions of liability to pay advance tax
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408	Instalments of advance tax and due dates
409	When assessee is deemed to be in default
410	Credit for advance tax
424	Interest for defaults in payment of advance tax
425	Interest for deferment of advance tax
427	Fee for default in furnishing statements



2. DEDUCTION OR COLLECTION AT SOURCE AND ADVANCE PAYMENT [SECTION 390]

- (1) The tax on income shall be recovered from the assessee in the tax year by way of –
 - (a) deduction or collection at source (TDS or TCS)
 - (b) advance tax
 - (c) payment under section 392(2)(a) (i.e., tax paid by the employer on the non-monetary perquisites provided to the employee).
- (2) The tax referred to above shall be payable as per the provisions of the Act, irrespective of the fact that the assessment in respect of such income is to be made in a later tax year. The payment of tax referred to above shall be in addition to any other mode of tax recovery to discharge the liability in respect of income assessed for a tax year.
- (3) The tax deducted at source or collected at source or sum referred to in section 392(2)(a) and paid to the Central Government shall be treated as payment of tax on behalf of the person-
 - (a) from whose income such tax has been deducted; or
 - (b) from whom such tax has been collected; or
 - (c) in respect of whose income such tax has been paid.
- (4) The Board may make rules for -
 - (a) giving credit of tax deducted or collected or paid to a person referred to in (5) above and also a person other than the person mentioned in (5) above;
 - (b) the tax year for which the credit may be given.



3. DIRECT PAYMENT [SECTION 391]

Direct payment of tax - Section 391(1) provides that in the following cases, tax on any income shall be payable by the assessee directly -

- (i) if there is no provision to deduct tax on such income at the time of payment; or

(ii) if income-tax has not been deducted as per the provisions.

Section 391(3) provides that where any person, including the principal officer of the company -

(i) who is required to deduct tax at source; or

(ii) an employer paying tax on non-monetary perquisites under section 392(2)(a), does not deduct, or after deducting fails to pay such tax, or does not pay, the whole or any part of the tax, and where the assessee has also failed to pay such tax directly, then, such person shall be deemed to be an assessee-in-default.

4. TAX DEDUCTION AT SOURCE



Students may note that under the new Income-tax Act, 2025, the various transactions that attract Tax Deduction at Source (TDS) are covered under two main sections, i.e., section 392 (Salary and accumulated balance of PF due to an employee) and section 393 (Payments to residents, non-residents and any person along with certain exemptions), followed by the compliance and reporting provisions. Let's first discuss the provisions of section 392 relating to "Salary and Accumulated Balance due to an Employee"

Salary and Accumulated Balance of PF due to an Employee [Section 392]

Salary

(1) **Applicability of TDS under section 392(1)**

This section casts an obligation on every person responsible for paying any income chargeable under the head 'Salaries' to deduct income-tax on the amount payable.



(2) **Time and Manner of deduction of tax**

- (i) Such deduction has to be made at the time of payment at the average rate of income-tax computed on the basis
 - of the rates in force for the relevant tax year in which the payment is made,
 - on the estimated total income of the assessee
 - where the employee intimates to the employer his intent to exercise the option of shifting out of the default tax regime.

Note - The liability to deduct tax at source in the case of salaries arises only **at the time of payment**.

- (ii) **Average rate of income-tax** means the rate arrived at by dividing the amount of income-tax calculated on the total income, by such total income [Section 2(16)].
- (iii) **Computation of TDS under default tax regime:** The income-tax in respect of the total income of an employee would be computed at the rates provided in section 202(1), subject to certain conditions, including the condition that the employee does not avail of specified exemptions and deductions. The tax regime provided in section 202(1) is the default tax regime applicable, *inter alia*, to an individual.

However, under section 202(4), an employee may exercise an option to opt out of this tax regime.

- (iv) **Information regarding intended tax regime:** A deductor, being an employer, has to seek information from each of its employees having income under section 392 regarding their intended tax regime and each

such employee would intimate the same to the deductor, being his employer, regarding his intended tax regime for each year and upon intimation, the deductor has to compute his total income, and deduct tax at source thereon according to the option exercised.

If intimation is not made by the employee, it would be presumed that the employee continues to be in the default tax regime and has not exercised the option to opt out of the default tax regime. Accordingly, in such a case, the employer has to deduct tax at source, on income under section 392, as per the rates provided under section 202(1).

- (v) **Tax on non-monetary perquisites:** The concept of payment of tax on non-monetary perquisites has been provided in sections 392(2). This section provides that the employer may pay this tax, at his option, in lieu of deduction of tax at source from salary payable to the employee. Such tax will have to be worked out at the average rate applicable to the income chargeable under the head "Salaries", including the value of non-monetary perquisites, and payment of tax will have to be made every month along with tax deducted at source on monetary payment of salary, allowances etc.

ILLUSTRATION 1

Mr. A, the employer, pays gross salary including allowances and monetary perquisites amounting to ₹ 7,30,000 to his General Manager. Besides, the employer provides non-monetary perquisites to him whose value is estimated at ₹ 1,20,000. The General Manager is exercising the option to shift out of the default tax regime and pay tax under the optional tax regime as per the normal provisions of the Act. What is the tax implication in the hands of Mr. A, the employer and General Manager, the employee?

SOLUTION

	₹
Gross salary, allowances and monetary perquisites	7,30,000
Non-Monetary perquisites	<u>1,20,000</u>
	8,50,000
Less: Standard deduction under section 19(1) (Table: Sl. No. 2)	<u>50,000</u>
	<u>8,00,000</u>

Tax Liability	75,400
Average rate of tax ($\text{₹ } 75,400 / \text{₹ } 8,00,000 \times 100$)	9.425%

Mr. A can deduct ₹ 75,400 at source from the salary of the General Manager at the time of payment.

Alternatively, Mr. A can pay tax on non-monetary perquisites as under –

Tax on non-monetary perquisites = 9.425% of ₹ 1,20,000 = ₹ 11,310

Balance to be deducted from salary = ₹ 64,090

If Mr. A pays tax of ₹ 11,310 on non-monetary perquisites, the same is not a deductible expenditure as per section 35(a). The amount of tax paid towards non-monetary perquisite by the employer, however, is exempt in the hands of the employee as per schedule III (Table: Sl. No. 10).

- (vi) **Particulars for determining the tax deducted at source:** The person responsible for making payment of salary shall take into account the following particulars furnished by the assessee, at his option¹, for the purpose of making deduction of tax at source and such particulars shall have an effect of increasing or decreasing the tax to be deducted:
- any income under the head “Salaries” due or received by the assessee, from any other employer(s) during the tax year;
 - any relief allowable under section 157, where the assessee being a Government servant, or an employee in a company, co-operative society, local authority, university, institution, association or body is entitled for such relief;
 - any loss under the head “Income from house property” for the same tax year if the assessee intimated to the employer his intent to exercise the option of shifting out of the default tax regime;
 - any income chargeable under any other head of income, not being a loss under any such head other than the loss from house property for the same tax year;

¹ in Form no. 122

- (e) any tax deducted or collected at source for the same tax year any other provision of the Act.

However, the tax deductible from income under the head "Salaries" shall not be reduced in any case, **except on account of -**

- (a) loss under the head "Income from house property" if the assessee intimated to the employer his intent to exercise the option of shifting out of the default tax regime; and
- (b) the tax deducted and collected as per other provisions of this Chapter.

(3) *Furnishing of statement of particulars of perquisites or profits in lieu of salary by employer to employee*

The person responsible for paying any income chargeable under the head "Salaries" to the assessee –

- (i) shall **furnish a statement** in prescribed form² with correct and complete particulars of perquisites or profits in lieu of salary paid, along with their value, to him.
- (ii) shall **obtain from the assessee the evidence or proof or particulars** of prescribed claims (including claim for set off of loss) for the purposes of estimating income of the assessee or computing tax deductible under section 392(1).

In case an employee has intimated his employer of his intent to exercise the option **under section 202(4)** of shifting out of the default tax regime, Rule 205 requires furnishing of evidence or particulars of the following claims by him to the person responsible for making payment under section 392(1)³ for the purpose of estimating his income or for computing TDS:

² The statement shall be in Form 123. This requirement is applicable only if the salary paid/payable to an employee for the tax year is more than ₹ 1,50,000. For other employees, the particulars of perquisites/profits in lieu of salary shall be given in Form 130 itself.

³ in Form No.124

S. No.	Nature of Claim	Evidence or particulars
1.	House Rent Allowance	Name, address and PAN of the landlord(s) where the aggregate rent paid during the tax year exceeds ₹ 1 lakh and relationship with the landlord, if any. 
2.	Leave Travel Concession or Assistance	Evidence of expenditure
3.	Deduction of interest under the head "Income from house property"	Name, address and PAN of the lender
4.	Deduction under Chapter VIII	Evidence of investment or expenditure.

- (iii) may, increase or reduce the amount to be deducted under this section for adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the tax year.

Accumulated balance of PF due to an employee

(1) Compliance with Paragraph 9 of Part A of the Schedule XI: Certain Concerns

- (i) **Provident Fund Scheme:** Under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF & MP Act, 1952)⁴, certain specified employers are required to comply with the Employees' Provident Fund Scheme, 1952 (EPFS). However, these employers are also permitted to establish and manage their own private provident fund (PF) scheme subject to the fulfilment of certain conditions.
- (ii) **Recognised Provident Fund:** The provident funds established under a scheme framed under EPF & MP Act, 1952, or Provident Fund exempted under section 17 of the said Act and recognised under the Income-tax Act, 2025, are termed as Recognised Provident Fund (RPF)

⁴ Now Code on Social Security, 2020

- (iii) **Withdrawal of accumulated balance:** Part A of the Schedule XI to the Income-tax Act, 2025, contains the provisions relating to RPFs. Under the provisions of Paragraph 8 of Part A of the Schedule XI, the withdrawal of an accumulated balance by an employee from the RPF is exempt from taxation.
- (iv) **Withdrawals subject to tax:** For the purpose of discouraging premature withdrawal and promoting long term savings, if the employee makes withdrawal
 - **before continuous service of five years** (other than the cases of termination due to ill health, contraction or closure of business, other cause beyond his control, cessation of employment etc.) and
 - **does not opt for transfer** of accumulated balance to the new employer,

the withdrawal would be subject to tax.
- (v) **TDS on withdrawals:** Paragraph 9 of Part A of the Schedule XI provides the manner of computing the tax liability of the employee in respect of such premature withdrawal. To ensure the collection of tax in respect of such premature withdrawals, Paragraph 10 of Part A of the Schedule XI casts responsibility on the trustees of the RPF or any person authorised by the regulations of the fund to make payment of the accumulated balances to deduct tax as computed in Paragraph 9 at the time of payment.
- (vi) Paragraph 9 provides that the tax on the withdrawn amount is required to be calculated by re-computing the tax liability of the years for which the contribution to RPF has been made by treating the same as a contribution to an unrecognised provident fund.

(2) Applicability and Rate of TDS

Section 392(7) provides for the deduction of tax @10% on premature taxable withdrawal from the employees' provident fund scheme.

TDS@ 10%

Accordingly, in a case where the accumulated balance due to an employee participating in a RPF is includible in his total income owing to the provisions

of Paragraph 8 of Part A of Schedule XI not being applicable, the trustees of the Employees Provident Fund Scheme, 1952 or any person authorised under the scheme to make payment of accumulated balance due to employees are required to deduct income-tax @10%.

(3) Time of tax deduction at source

Tax should be deducted **at the time of payment** of the accumulated balance due to the employee participating in a RPF.

(4) Threshold limit for deduction of tax under section 392(7)

The tax is required to be deducted under section 392(7) where the aggregate amount of payment of the accumulated balance due to the employee is ₹ 50,000 or more.

Tax to be deducted at source [Section 393]

The Income-tax Act, 2025, seeks to consolidate all transactions (other than salary and the accumulated balance of PF) involving payments to both residents and non-residents that are liable for tax deduction at source under a single comprehensive provision, i.e., Section 393.

Section 392 provides for tax deduction from salaries and payment of accumulated balance due to an employee in respect of provident fund. All other TDS provisions have been merged under the Income-tax Act, 2025 into one section, namely, section 393. Accordingly, sub-sections (1) to (4) of section 393 relate to the following –

Section No.	Particulars
Section 393(1)	TDS on income or sum credited, paid or distributed during the tax year to a resident
Section 393(2)	TDS on income or sum credited or paid during the tax year to a non-resident
Section 393(3)	TDS on income or sum credited or paid during the tax year to any person
Section 393(4)	For no tax deduction at source

(1) TDS on payment to residents [Section 393(1)]

Table to section 393(1) contains certain payments made to residents listed from Sl. No. 1 to 8, along with the details of the payer, being the person responsible for paying such sum, the rate of TDS and the threshold limit.

Further, **Table to section 393(4)** contains the relevant conditions and exemptions from deduction of tax at source, while the interpretation of certain terms is contained in section 402.

For ease of understanding, the discussion to section 393(1) has been arranged transaction-wise with reference to each Serial Number. While discussing each transaction, the relevant conditions and exemptions specified in the Table referred to in section 393(4), along with the interpretation of certain terms referred to in section 402, have also been incorporated so as to enable students to understand the complete implications of the transaction in one comprehensive reading. Now let's begin with the discussion:

As per section 393(1), where any income or sum of the nature specified in the Table to section 393(1), is credited or paid or distributed by the person specified in the said table during the tax year, **to a resident**, the person responsible for paying (referred as "Payer") such income or sum, shall deduct income-tax -

- (a) on the **entire amount** of such income or sum, where the amount or aggregate of amounts exceeds the specified threshold limit **unless otherwise mentioned**;
- (b) at the specified rate; and
- (c) at the time of credit of such income or sum to the account of the payee or at the time of its payment in cash or by way of a cheque or a draft or by any other mode, whichever is earlier, **unless otherwise mentioned**.

The credit of any income or sum to any account, whether called "suspense account" or by any other name, in the books of account of the person liable to pay such income or sum, shall be deemed to be the credit of such income or sum to the account of the payee and tax has to be deducted at source accordingly [Section 393(11)].

Commission or brokerage

Insurance commission [Section 393(1) {Table Sl. No. 1(i)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
1(i)	Any income by way of remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of insurance policies)	Any person	Rate in force i.e., 2% in case of resident other than a domestic company and 10% in case of a domestic company	₹ 20,000

Section 393(1) [Table: Sl. No. 1(i)] casts responsibility **on any person** responsible for paying to a resident insurance commission as referred above to deduct tax at source @

Analysis

- ♦ **2% in case of resident other than a domestic company and**
- ♦ **10% in case of a domestic company**

on the entire amount if the amount or aggregate of amounts of such income **exceeds ₹ 20,000**, at the time of credit or payment, whichever is earlier.

Commission or brokerage other than insurance commission [Section 393(1) {Table Sl. No. 1(ii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
1(ii)	Any income by way of commission [not being insurance commission] or brokerage	Specified person	2%	₹ 20,000

Meaning of certain terms:

Term	Meaning
Commission or brokerage	Commission or brokerage includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person- (a) for services rendered (not being professional services); or (b) for any services in the course of buying or selling of goods; or (c) in relation to any transaction relating to any asset, valuable article or thing, not being securities
Specified person	Specified person means – (a) any person, not being an individual or HUF; or (b) an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.

Analysis

Section 393(1) [Table: Sl. No. 1(ii)] casts responsibility **on specified person** responsible for paying to a resident any **income by way of commission (not being insurance commission) or brokerage** to deduct tax at source **@2% on the entire amount if the amount or aggregate of amounts of such income exceeds ₹ 20,000.**

It implies that an Individual or HUF who are not carrying on business or profession or whose total sales, gross receipts or turnover does not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of the profession during the tax year immediately preceding the tax year in which the income or sum is credited or paid are not required to deduct tax at source.

Non applicability of TDS [Section 393(4) (Table Sl. No. 1)]

No tax is required to be deducted where commission or brokerage is payable by Bharat Sanchar Nigam Limited or Mahanagar Telephone Nigam Limited to their public call office franchisees.

Rent

Payment of Rent on immovable property by certain individuals or HUF [Section 393(1) {Table Sl. No. 2(i)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
2(i)	Any income by way of rent	Person other than specified person	2%	₹ 50,000 for a month or part of a month

Meaning of rent

"Rent" means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of (either separately or together) any land or building (including factory building) or land appurtenant to a building (including factory building) whether or not are owned by the payee.

Time of deduction of TDS

The tax shall be deducted on such rent -

- (a) at the time of credit of rent to the account of the payee; or
- (b) at the time of payment,

whichever is earlier, for the last month of the tax year or the last month of tenancy.

Deduction of tax not to exceed the rent for last month

As per section 397(2)(b)(i), where PAN is not furnished by the payee to the payer, tax is deductible at higher of the rate of 2% or 20%. However, as per section 397(2)(e), the amount of TDS cannot exceed the amount of rent payable for the last month of the tax year or the last month of the tenancy.

[Note - Section 397(2)(b)(i), providing deduction of tax at source at a higher rate on non-furnishing of PAN by the payee, is discussed at length later in this chapter]

No requirement to obtain TAN

The payer is not required to obtain Tax Deduction and Collection Account Number (TAN) [Section 397(1)(c)].

Section 393(1) [Table: Sl. No. 2(i)] casts responsibility on **an individual or HUF**

Analysis

- ♦ not carrying on any business or profession or
- ♦ whose total sales, gross receipts or turnover from the business or profession carried on by him does not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.

responsible for paying to a resident any **income by way of rent** to deduct tax at source **@2% on the entire amount if the amount of rent exceeds ₹ 50,000 for a month or part of a month.**

The tax deduction is to be made at the time of credit of rent to the account of the payee or at the time of payment, whichever is earlier, for the last month of the tax year or the last month of tenancy.

Tax has to be deducted under this Sl. No. on payment of **rent for the use of any land or building (including factory building) or land appurtenant to a building (including factory building).**

ILLUSTRATION 2

Mr. X, a salaried individual, pays rent of ₹ 55,000 per month to Mr. Y from June, 2026. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.

Would your answer change if Mr. X vacated the premises on 31st December, 2026?

Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

SOLUTION

Since Mr. X pays rent of ₹ 50,000 or more per month in the T.Y. 2026-27, he is liable to deduct tax at source @2%. The tax is to be deducted in the last month of the T.Y. 2026-27 i.e., March 2027 or in the last month of tenancy, if the property is vacated during the year. Since property is not vacated during the year, ₹ 11,000 [(₹ 55,000 x 2% x 10)] has to be deducted from rent payable for March, 2027.

If Mr. X vacated the premises in December, 2026, then tax of ₹ 7,700 [(₹ 55,000 x 2% x 7)] has to be deducted from rent payable for December, 2026.

In case Mr. Y does not provide his PAN to Mr. X, tax would be deductible@20%, instead of 2%.

In case 1 above, this would amount to ₹ 1,10,000 [₹ 55,000 x 20% x 10], but the same has to be restricted to ₹ 55,000, being rent for March, 2027.

In case 2 above, this would amount to ₹ 77,000 [₹ 55,000 x 20% x 7], but the same has to be restricted to ₹ 55,000, being rent for December, 2026.

Rent [Section 393(1) {Table Sl. No. 2(ii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
2(ii)	Any income by way of rent	Specified person	- 2%, for the use of any machinery or plant or equipment - 10%, for the use of any land, or building (including factory building), or land appurtenant to a building (including factory building), or furniture, or fittings.	₹ 50,000 for a month or part of a month

Meaning of certain terms

Term	Meaning
Rent	Rent means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of (either separately or together) any - (a) land; or (b) building (including factory building); or (c) land appurtenant to a building (including factory building); or (d) machinery; or (e) plant; or (f) equipment; or

	(g) furniture; or (h) fittings, whether or not any or all of the above are owned by the payee.
Specified person	Specified person means – (a) any person, not being an individual or HUF; or (b) an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.

Section 393(1) [Table: Sl. No. 2(ii)] casts responsibility **on specified person** responsible for paying to a resident any **income by way of rent** to deduct tax at source

Analysis

- ♦ @ 2% for the use of any machinery or plant or equipment and
- ♦ @10%, for the use of any land, or building (including factory building), or land appurtenant to a building (including factory building), or furniture, or fittings.

on the entire amount if the amount of rent exceeds ₹ 50,000 for a month or part of a month.

Tax has to be deducted under this Sl. No. on payment of **rent for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or machinery, plant, equipment, furniture, fittings.**

<u>Circulars and Notifications</u>		
Applicability/ non-applicability of TDS under section 393(1) [Table: Sl. No. 2(ii)] on certain payments		
Nature of Payment	Analysis	Conclusion
Payments made by the customers on account of cooling charges to the cold storage owners.	The main function of cold storage is to preserve perishable goods by means of a mechanical process, and storage of such goods is only incidental in nature. The customer is also not given any right to use any demarcated	No tax is to be deducted under section 393(1) [Table: Sl. No. 2(ii)]. However, tax is

[Circular No.1/2008 dated 10.1.2008]	space/place or the machinery of the cold store and thus does not become a tenant. Therefore, the provisions of section 393(1) [Table: Sl. No. 2(ii)] are not applicable to the cooling charges paid by the customers of the cold storage. However, <u>since the arrangement between the customers and cold storage owners is basically contractual in nature</u>, the provision of section 393(1) [Table: Sl. No. 6(i)] will be applicable to the amounts paid as cooling charges by the customers of the cold storage.	to be deducted under section 393(1) [Table: Sl. No. 6(i)]
Lumpsum lease premium paid for acquisition of long-term lease [Circular No.35/2016, dated 13.10.2016]	The CBDT has clarified that lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for the acquisition of long-term leasehold rights over land or any other property are not payments in the nature of rent.	Not liable for TDS under section 393(1) [Table: Sl. No. 2(ii)].
Remittance of Passenger Service Fees (PSF) by an Airline to an Airport Operator [Circular No. 21/2017, dated 12.06.2017]	The primary requirement for any payment to qualify as rent is that the payment must be for the use of land and building and mere incidental/minor/insignificant use of the same while providing other facilities and service would not make it a payment for use of land and buildings so as to attract section 393(1) [Table: Sl. No. 2(ii)]. Accordingly, the CBDT has, vide this circular, clarified that the provisions of section 393(1) [Table: Sl. No. 2(ii)] shall not be applicable on payment of PSF by an airline to Airport Operator.	The provisions of section 393(1) [Table: Sl. No. 2(ii)] shall not be applicable.

TDS on service tax component of rental income [Circular No.4/2008 dated 15.4.2008]	Service tax paid by the tenant doesn't partake the nature of income of the landlord. The landlord only acts as a collecting agency for the Government for collection of service tax. Therefore, tax deduction at source under section 393(1) [Table: Sl. No. 2(ii)] would be required to be made on the amount of rent paid/payable without including the service tax. Note - It is possible to take a view that the clarification given in Circular No. 4/2008 would apply in the GST regime also.	TDS to be deducted only on the amount of rent excluding GST.
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ILLUSTRATION 3

XYZ Ltd. entered into a lease agreement to take a building on rent from Mr. Kishore on 1st May 2025, for a monthly rent of ₹ 46,000, with a 10% escalation in rent applicable from the second year. Discuss the applicability of TDS provisions under section 393(1) [Table: Sl. No. 2(ii)] for the T.Y. 2026-27.

SOLUTION

Section 393(1) [Table: Sl. No. 2(ii)], which governs the deduction of tax at source on payment of rent exceeding ₹ 50,000 per month or part of the month, is applicable to a company.

For April 2026, the rent is ₹ 46,000. However, as per the agreement, the rent from May 2026 onwards is ₹ 50,600 per month (₹ 46,000 x 110%).

Since the rent paid by XYZ Ltd. to Mr. Kishore exceeds ₹ 50,000 per month from 1st May 2026 to 31st March, 2027, the provisions of section 393(1) [Table: Sl. No. 2(ii)] for deduction of tax at source attracted. However, tax is not required to be deducted for the rent paid for April 2026.

The rate applicable for deduction at source under section 393(1) [Table: Sl. No. 2(ii)] on rent paid is 10%, assuming that Mr. Kishore had furnished his PAN to XYZ Ltd.

Therefore, the amount of tax to be deducted at source

$$= ₹ 50,600 \times 10\% \times 11 \text{ months} = ₹ 55,660$$

Payment on transfer of immovable property other than agricultural land

Consideration for transfer of immovable property (other than agricultural land [Section 393(1) {Table Sl. No. 3(i)}])

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
3(i)	Any consideration for transfer of any immovable property (other than agricultural land)	Person [other than the person who are required to deduct tax under serial number 3(iii) i.e., for compulsory acquisition of immovable property].	1% of -consideration for transfer of the immovable property; or - stamp duty value of such property, whichever is higher	₹ 50,00,000 [See Note below]

Notes

- (i) For the purpose of threshold limit of ₹ 50 lakhs, consideration for transfer of any immovable property shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.
- (ii) Tax shall be deducted where consideration for transfer of any immovable property or the stamp duty value of such land $\geq$ ₹ 50 lakhs.

Meaning of certain terms

Term	Meaning
Agricultural land	Agricultural land in India, not being a land situated in any area referred to in section 2(22)(iii) i.e., Rural agricultural land
Consideration for transfer of any immovable property	Consideration for transfer of any immovable property includes 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; or (f) any other charges of similar nature, which are incidental to transfer of the immovable property.
Immovable property	Any land (other than agricultural land) or any building or part of a building

No requirement to obtain TAN

The payer is not required to obtain Tax Deduction and Collection Account Number (TAN) [Section 397(1)(c)].

Analysis

Section 393(1) [Table: Sl. No. 3(i)] casts responsibility **on person (other than person who are required to deduct tax at source for compulsory acquisition of immovable property)** responsible for paying to a resident any consideration for transfer of **any immovable property (other than rural agricultural land)** to deduct tax at source **@1% of**

- ♦ Such **consideration or**
- ♦ **Stamp duty value** of such property

whichever is higher, on the entire amount if the consideration or stamp duty value of such property is ₹ 50,00,000 or more.

ILLUSTRATION 4

Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakhs and ₹ 15 lakhs, respectively, to Mr. Y on 1.8.2026. He has purchased the house property and the land in the year 2025 for ₹ 40 lakhs and ₹ 10 lakhs, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2026, is ₹ 85 lakhs and ₹ 20 lakhs for the house property and rural agricultural land, respectively. Examine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

SOLUTION

(i)	Tax implications in the hands of Mr. X
	As per section 78, the stamp duty value of house property (i.e. ₹ 85 lakhs) would be deemed to be the full value of consideration arising on transfer of property, since the stamp duty value exceeds 110% of the consideration

	received. Therefore, ₹ 45 lakhs (i.e., ₹ 85 lakhs – ₹ 40 lakhs, being the purchase price) would be taxable as short-term capital gains in the T.Y.2026-27. Since rural agricultural land is not a capital asset, the gains arising on sale of such land is not taxable in the hands of Mr. X.
(ii)	Tax implications in the hands of Mr. Y
	In case immovable property is received for inadequate consideration, the excess of stamp duty value over actual consideration would be taxable under section 92(2)(m), if such difference is more than the higher of ₹ 50,000 or 10% of the consideration. Therefore, in this case ₹ 25 lakhs (₹ 85 lakhs – ₹ 60 lakhs) would be taxable in the hands of Mr. Y under section 92(2)(m). Since agricultural land is not a capital asset, the provisions of section 92(2)(m) are not attracted in respect of receipt of agricultural land for inadequate consideration, since the definition of “property” under section 92(5) includes only capital assets specified thereunder.
(iii)	TDS implications in the hands of Mr. Y
	Since the consideration for transfer of house property or the stamp duty value of house property is ₹ 50 lakhs or more, Mr. Y is required to deduct tax at source under section 393(1) [Table: Sl. No. 3(i)]. The tax to be deducted under section 393(1) [Table: Sl. No. 3(i)] would be ₹ 85,000, being 1% of ₹ 85 lakhs (higher of ₹ 60 lakhs or ₹ 85 lakhs). TDS provisions under section 393(1) [Table: Sl. No. 3(i)] are not attracted in respect of transfer of rural agricultural land.

**Consideration for transfer of immovable property
(other than agricultural land) on compulsory
acquisition [Section 393(1) {Table Sl. No. 3(iii)}]**

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
3(iii)	Any sum, being in the nature of – (a) compensation or enhanced compensation; or (b) consideration or enhanced consideration,	Any person	10%	₹ 5,00,000

	on account of compulsory acquisition, under any law for the time being in force, of any immovable property (other than agricultural land).			
Meaning of certain terms				
S. No.	Term	Meaning		
1.	Agricultural land	Agricultural land in India, including a land situated in any area referred to in section 2(22)(iii) i.e., agricultural land whether rural or urban.		
2.	Immovable property	Any land (other than agricultural land) or any building or part of a building		

Section 393(1) [Table: Sl. No. 3(iii)] casts responsibility **on any person** responsible for paying to a resident any

Analysis

- ♦ **Compensation or the enhanced compensation or**
- ♦ **Consideration or enhanced consideration,**

on account of **compulsory acquisition of any immovable property (other than urban or rural agricultural land)** to deduct tax at source @10% on the entire amount if such sum exceeds ₹ 5,00,000.

Non applicability of TDS [Section 393(4) (Table Sl. No. 3)]

No tax is required to be deducted on 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.

Income from capital market

Income in respect of units [Section 393(1) {Table Sl. No. 4(i)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
4(i)	Any income in respect of – (a) units of a Mutual Fund; or	Any person	10%	₹ 10,000

(b)	units from the administrator of the specified undertaking; or			
(c)	units from the specified company			

Section 393(1) [Table: Sl. No. 4(i)] casts responsibility **on any person** responsible for paying to a resident any **sum in respect of units of**

Analysis

- ♦ **a mutual fund,**
- ♦ **administrator of the specified undertaking or**
- ♦ **specified company**

to deduct tax at source **@10% on the entire amount if the amount or aggregate of amounts of such income exceeds ₹ 10,000.**

Non applicability of TDS

No tax is required to be deducted if the income is of the nature of capital gains.

Interest income

Income on securities [Section 393(1) {Table Sl. No. 5(i)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
5(i)	Any income by way of interest on securities	Any person	Rates in force i.e., 10%	₹ 10,000

Meaning of interest on securities [Section 2(60)]

Interest on securities means -

- (i) interest on any security of the Central Government or a State Government;
- (ii) interest on debentures or other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central, State or Provincial Act.

Section 393(1) [Table: Sl. No. 5(i)] casts responsibility **on any person** responsible for paying to a resident **any income by way of interest on securities** to

Analysis

deduct tax at source **@10%, on the entire amount if the amount or aggregate of amounts of such income exceeds ₹ 10,000.**

Non applicability of TDS

No tax deduction is to be made from any interest payable on –

- (i) National Development Bonds;
- (ii) such debentures, issued by notified institution or authority or any other person;

Accordingly, the Central Government has, vide Notification No. 27 & 28/2018, dated 18-06-2018, notified-

- (i) "Power Finance Corporation Limited 54EC⁵ Capital Gains Bond" issued by Power Finance Corporation Limited {PFCL} and
- (ii) "Indian Railway Finance Corporation Limited 54EC⁶ Capital Gains Bond" issued by Indian Railway Finance Corporation Limited {IRFCL}

Thus, no tax is required to be deducted at source on interest payable on "Power Finance Corporation Limited 85 Capital Gains Bond" and "Indian Railway Finance Corporation Limited 85 Capital Gains Bond".

- (iii) any security of the Central Government or a State Government, **other than** –
 - (A) 8% Savings (Taxable) Bonds, 2003; or
 - (B) 7.75% Savings (Taxable) Bonds, 2018; or
 - (C) Floating Rate Savings Bonds, 2020 (Taxable); or
 - (D) any other notified security of the Central Government or State Government.

No tax deduction is to be made from any interest payable to –

- ♦ Life Insurance Corporation of India;
- ♦ General Insurance Corporation of India
- ♦ Any other insurer

⁵ Now section 54EC is section 85

⁶ Now section 54EC is section 85

- ♦ in respect of any securities owned by LIC, GIC or such companies or any other insurer or in which LIC, GIC or such companies or any other insurer has a full beneficial interest.

Interest other than interest on securities [Section 393(1) {Table Sl. No. 5(ii) & 5(iii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
5(ii)	Interest other than interest on securities	(a) A banking company; or (b) a co-operative society carrying on the business of banking; or (c) a post office for a deposit made under a scheme notified by the Central Government ⁷	Rates in force i.e., 10%	(a) ₹ 1,00,000 in the case of a senior citizen; (b) ₹ 50,000 in case of person other than senior citizen.
5(iii)		Specified person [other than person referred to in 5 (ii)]		₹ 10,000

Meaning of certain terms

Term	Meaning
Specified person	Specified person means – (a) any person, not being an individual or HUF; or (b) an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.
Time deposits	Time deposits mean deposits (including recurring deposits) repayable on the expiry of fixed periods.

⁷ "Senior Citizens Saving Scheme, 2019" and "Mahila Samman Savings Certificate, 2023" have been notified by the Central Government for this purpose.

Interest	Interest means interest payable in any manner for moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes service fee or any other charges for the moneys borrowed or debt incurred or for any credit facility that has not been utilized.
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Adjustment in the amount of tax deduction at source

The payer, may at the time of making any deduction, increase or reduce the amount to be deducted for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the tax year.

Deduction of tax at source on payment of interest on time deposits if the banks, co-operative society or public company not adopted core banking solutions

Where the interest income credited or paid is in respect of -

- (a) time deposits with a banking company; or
- (b) time deposits with a co-operative society engaged in carrying on the business of banking; or
- (c) deposits with a public company formed and registered in India with the main object of carrying on business of long-term finance for construction or purchase of houses in India for residential purposes and is eligible for deduction under section 32(e),

and the payer has not adopted core banking solutions (CBS), the threshold limit shall be computed with reference to the income credited or paid by a branch of such payer.

Analysis

Section 393(1) [Table: Sl. No. 5(ii)] casts responsibility **on banking company, co-operative society carrying on banking business or post office for a notified deposit** responsible for paying to a resident **any income by way of interest other than interest on securities** to deduct tax at source **@10% on the entire amount** if the amount or aggregate of amounts of such income **exceeds**

- ♦ ₹ 1,00,000 in case of payee, being a senior citizen or
- ♦ ₹ 50,000 in any other case.

Section 393(1) [Table: Sl. No. 5(iii)] casts responsibility **on specified person (other than banking company, co-operative society carrying on banking business or post office for a notified deposit) being -**

- ♦ any person not being an individual or HUF; or

- ♦ an individual and HUF whose total sales, gross receipts or turnover exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of the profession during the tax year immediately preceding the tax year in which the income or sum is credited or paid.

responsible for paying to a resident **any income by way of interest other than interest on securities** to deduct tax at source **@10% on the entire amount if the amount or aggregate of amounts of such income exceeds ₹ 10,000.**

Non applicability of TDS

No tax deduction is to be made from any interest income credited or paid to –

- (i) any banking company or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank)]; or
- (ii) any financial corporation established by or under a Central Act or State Act or Provincial Act; or
- (iii) the LIC; or
- (iv) the Unit Trust of India; or
- (v) any company or co-operative society carrying on the business of insurance; or
- (vi) notified institution, association or body or class of institutions, associations or bodies (National Skill Development Fund and Housing and Urban Development Corporation Ltd. (HUDCO), New Delhi have been notified by the Central Government for this purpose).

No tax deduction is to be made from any interest income credited or paid –

- (i) by a co-operative society other than a co-operative bank, to a member thereof; or
- (ii) by a co-operative society to any other co-operative society; or
- (iii) in respect of deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank; or

- (iv) in respect of deposits (other than time deposits) with a co-operative society, other than a co-operative society or bank referred to in (iii), engaged in the business of banking,

except when, -

- (A) the total sales, gross receipts or turnover of the co-operative society exceed ₹ 50 crores during the tax year immediately preceding the tax year in which such interest is credited or paid; and
- (B) the amount or aggregate of amounts of interest credited or paid exceeds ₹ 1,00,000 in the case of a senior citizen and ₹ 50,000 in case of person other than senior citizen.

Therefore, co-operative society fulfilling the conditions specified in (A) and (B) is required to deduct tax on interest credited or paid by it –

- (a) to its member or to any other co-operative society; or
- (b) in respect of deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank or
- (c) in respect of deposits with a co-operative society other than a co-operative society or bank engaged in carrying on the business of banking.

No tax deduction is to be made from any interest income credited or paid –

- (i) by the Central Government under any provision of the Act;
- (ii) in respect of notified deposits under any scheme framed by the Central Government;
- (iii) in respect of deposits (other than time deposits made) with a banking company;
- (iv) on the compensation amount awarded by a Motor Accidents Claims Tribunal –
 - (A) to an individual; or
 - (B) to a person other than an individual, where the aggregate interest on such compensation does not exceed ₹ 50,000 during the tax year;
- (v) payable by an infrastructure capital company; or infrastructure capital fund; or infrastructure debt fund; or a public sector company; or scheduled bank in

relation to a zero coupon bond issued on or after 1st June, 2005 by such company or fund or public sector company or scheduled bank;

(vi) by a firm to a partner of the firm.

Clarification regarding deduction of tax at source on interest where such interest is credited by the banks to the provisioning account on a daily/monthly basis for the purpose of macro monitoring only by the use of CBS software under section 393(1) [Table: Sl. No. 5(ii)]

As per section 393(11), the credit of any income or sum to any account, whether called "suspense account" or by any other name, in the books of account of the person liable to pay such income or sum, shall be deemed to be the credit of such income or sum to the account of the payee and tax has to be deducted at source accordingly.

The CBDT has, vide *Circular No.3/2010 dated 2.3.2010*, clarified that section 393(11) is not meant to apply in cases of banks where credit is made to provisioning account on daily/monthly basis for the purpose of macro monitoring only by the use of CBS software. It has been further clarified that since no constructive credit to the depositor's/payee's account takes place while calculating interest on time deposits on daily or monthly basis in the CBS software used by banks, tax need not be deducted at source on such provisioning of interest by banks for the purposes of macro monitoring only.

In such cases, tax shall be deducted at source on accrual of interest at the end of financial year or at periodic intervals as per practice of the bank or as per the depositor's/ payee's requirement or on maturity or on encashment of time deposits, whichever event takes place earlier, whenever the aggregate of amounts of interest income credited or paid or likely to be credited or paid during the tax year by the banks exceeds the limits specified in section 393(1) [Table: Sl. No. 5(ii)].

Note - *The time for making the payment of tax deducted at source would reckon from the date of credit of interest made constructively to the account of the payee.*

ILLUSTRATION 5

Examine the TDS implications under section 393(1) [Table: Sl. No. 5] in the cases mentioned hereunder—

- (i) On 1.10.2026, Mr. Harish made a six-month fixed deposit of ₹ 15 lakhs@9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2027.
- (ii) On 1.6.2026, Mr. Ganesh made three nine months fixed deposits of ₹ 3 lakhs each, carrying interest@9% p.a. with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2027.
- (iii) On 1.10.2026, Mr. Rajesh started a six months recurring deposit of ₹ 2,00,000 per month@8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2027.

SOLUTION

- (i) ABC Co-operative Bank has to deduct tax at source@10% on the interest of ₹ 67,500 ($9\% \times ₹ 15 \text{ lakh} \times \frac{1}{2}$) under section 393(1) [Table: Sl. No. 5(ii)]. The tax deductible at source under section 393(1) [Table: Sl. No. 5(ii)] from such interest is, therefore, ₹ 6,750.
- (ii) XYZ Bank has to deduct tax at source@10% u/s 393(1) [Table: Sl. No. 5(ii)], since the aggregate interest on fixed deposit with the three branches of the bank is ₹ 60,750 [$₹ 3,00,000 \times 3 \times 9\% \times \frac{9}{12}$], which exceeds the threshold limit of ₹ 50,000. Since the aggregate interest of ₹ 60,750 exceeds the threshold limit of ₹ 50,000, tax has to be deducted@10% u/s 393(1) [Table: Sl. No. 5(ii)].
- (iii) No tax has to be deducted under section 393(1) [Table: Sl. No. 5(ii)] by PQR Bank on the interest of ₹ 28,000 falling due on recurring deposit on 31.3.2027 to Mr. Rajesh, since such interest does not exceed the threshold limit of ₹ 50,000.

Payment to contractors, fees for professional and technical services etc.

Payment to contractors [Section 393(1) {Table Sl. No. 6(i)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
6(i)	Any sum for carrying out any work (including	Any designated person	- 1%, if contractor is	- ₹ 30,000 for any such sum; and

supply of labour for carrying out any work) in pursuance of a contract (including sub-contract) between the contractor and a designated person		individual or HUF - 2%, if contractor is a person other than individual or HUF	- ₹ 1,00,000 in case of aggregate of such sums.
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Meaning of certain terms

Term	Meaning
Designated person	Designated person means – (a) the Central Government or any State Government; or (b) any local authority; or (c) any corporation established by or under a Central Act or State Act or Provincial Act; or (d) any company; or (e) any co-operative society; or (f) any authority, constituted in India by or under any law, engaged either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both; or (g) any society registered under the Societies Registration Act, 1860 or under any law corresponding to that Act in force in any part of India; or (h) any trust; or (i) any University established or incorporated by or under a Central Act or State Act or Provincial Act and an institution declared to be a university under the UGC Act, 1956; or (j) any Government of a foreign State or a foreign enterprise or any association or body established outside India; or (k) any firm; or (l) any person, being an individual or a HUF or an AOPs or a BOIs, if such person, - (i) does not fall under any of the above category; and

	(ii) has total sales, gross receipts or turnover from business or profession carried on by him exceeding ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such sum is credited or paid to the account of the contractor.
Work	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). (f) supply of manpower to a person to work under his supervision, control or direction. However, work 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)] i.e., fees for professional services, technical services, royalty etc.
Contract	Contract shall include sub-contract.

Notes

If any sum is paid or credited for manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, tax shall be deducted at source on the

invoice value excluding the value of material purchased from such customer or its associate, if such value is specified separately in the invoice.

If the value of material is not specified separately in the invoice, tax shall be deducted on the whole of the invoice value.

Section 393(1) [Table: Sl. No. 6(i)] casts responsibility **on any designated person** responsible for paying to a resident **contractor and sub-contractors for carrying out any work (including supply of labour for carrying out any work)** in pursuance of a contract between designated person and contractor to deduct tax at source

Analysis

♦ @ 1% if the contractor is an individual or HUF or

♦ @ 2% if the contractor is another person

on the entire amount if the amount of such sum exceeds ₹ 30,000 or if the aggregate of such sum exceeds ₹ 1,00,000.

If a single payment to a contractor does not exceed **₹ 30,000**, TDS provisions would be attracted if the aggregate of the amounts of such sums exceeds **₹ 1,00,000**.

The deduction of tax will be made from sums paid for carrying out any work or for supplying labour for carrying out any work.

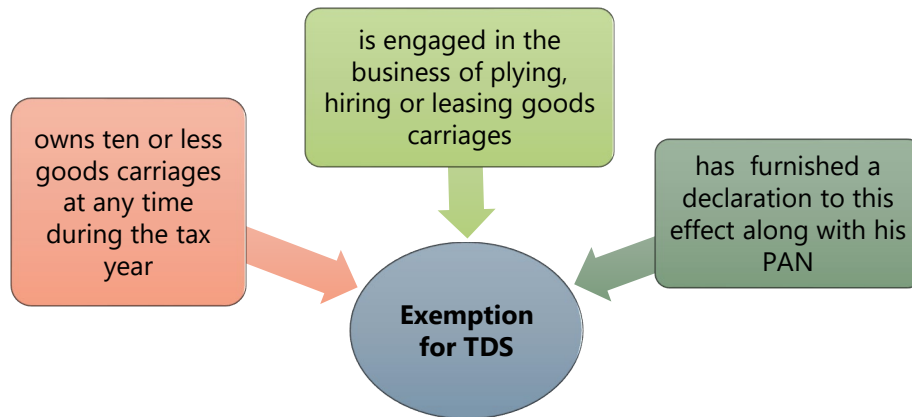
In other words, the TDS under this Sl. No. will apply only in relation to 'works contracts' and 'labour contracts' and will not cover contracts for sale of goods.

However, **an individual or HUF is not** required to deduct tax at source where the sum is credited or paid by individual or HUF **exclusively for their personal purposes.**

Non-applicability of TDS

- (i) **No deduction** is required to be made where –
 - (a) any sum credited or paid or likely to be credited or paid during the tax year to the account of a **contractor during the course of business of plying, hiring or leasing goods carriages**; and
 - (b) that contractor **owns 10 or less goods** carriages at any time during the tax year; and

- (c) **furnishes a declaration** to that effect along with his PAN to the person paying or crediting the sum; and
- (d) the person responsible for paying to the contractor furnishes to the prescribed income-tax authority the particulars in such form and within such time as may be prescribed.



Summary of applicable rates of TDS Section 393(1) [Table: Sl. No. 6(i)]

Payee	TDS rate
Individual/HUF contractor/sub-contractor	1%
Other than individual/HUF contractor/ sub-contractor	2%
Contractor in transport business (if PAN is furnished and conditions are satisfied)	Nil
Sub-contractor in transport business (if PAN is furnished and conditions are satisfied)	Nil

Applicability of TDS provisions on payments by television channels and publishing houses to advertisement companies for procuring or canvassing for advertisements [Circular No. 05/2016, dated 29-2-2016]

There are two types of payments involved in the advertising business:

- (i) Payment by client to the advertising agency for preparing advertisement content, designing advertisements, planning media strategy, booking advertisement slots/space or coordinating with TV channels/ newspapers, and

- (ii) Payment by advertising agency to the television channel/newspaper company for purchasing advertising space/time.

Apart from these payments, it is also possible that payment is directly made to television channel/newspaper for advertisement.

The applicability of TDS on these payments is dealt with in Circular No. 715 dated 8-8-1995, in the following question:

Question 1: What would be the scope of an advertising contract for the purpose of section 393(1) [Table: Sl. No. 6(i)] of the Act?

Answer: The term 'advertising' has not been defined in the Act. Provisions of tax deduction at source under section 393(1) [Table: Sl. No. 6(i)] would apply when a client makes payment to an advertising agency and not when advertising agency makes payment to the media, which includes both print and electronic media. It was further clarified that when an advertising agency makes payments to their models, artists, photographers, etc., the tax shall be deducted at the rate applicable to fees for professional and technical services under section 393(1) [Table: Sl. No. 6(iii)].

Question 2: Whether the advertising agency would deduct tax at source out of payments made to the media?

Answer: No. The position has been clarified in the answer to question No. 1 above.

Question 4: Where the tax is required to be deducted at source on payments made directly to the print media/Doordarshan for release of advertisements?

Answer: The payments made directly to print and electronic media would be covered under section 393(1) [Table: Sl. No. 6(i)] as these are in the nature of payments for purposes of advertising. It may, however, be clarified that the payments made directly to Doordarshan may not be subjected to TDS as Doordarshan, being a Government agency, is not liable to income-tax.

Question 5: Whether a contract for putting up a hoarding would be covered under section 393(1) [Table: Sl. No. 6(i)] or [Table: Sl. No. 2(ii)] of the Act?

Answer: The contract for putting up a hoarding is in the nature of advertising contract and provisions of section 393(1) [Table: Sl. No. 6(i)] would be applicable. It may, however, be clarified that if a person has taken a particular space on rent and thereafter sublets the same fully or in part for putting up a hoarding, he would be liable to TDS under section 393(1) [Table: Sl. No. 2(ii)] and not under section 393(1) [Table: Sl. No. 6(i)].

Applicability of TDS provisions on payments by broadcasters or Television Channels to production houses for production of content or programme for telecasting [Circular No. 04/2016, dated 29-2-2016]

The issue under consideration is whether payments made by the broadcaster/telecaster to production houses for production of content/programme are payments under a 'work contract' liable for tax deduction at source under section 393(1) [Table: Sl. No. 6(i)] or a contract for 'professional or technical services' liable for tax deduction at source under section 393(1) [Table: Sl. No. 6(iii)].

In this regard, the CBDT has clarified that while applying the relevant provisions of TDS on a contract for content production, a distinction is required to be made between:

- (i) a payment for production of content/programme as per the specifications of the broadcaster/telecaster; and
- (ii) a payment for acquisition of broadcasting/ telecasting rights of the content already produced by the production house.

In the first situation where the content is produced as per the specifications provided by the broadcaster/ telecaster and the copyright of the content/programme also gets transferred to the telecaster/ broadcaster, such contract is covered by the definition of the term 'work' in section 393(1) [Table: Sl. No. 6(i)] and, therefore, subject to TDS under that section.

However, in a case where the telecaster/broadcaster acquires only the telecasting/ broadcasting rights of the content already produced by the production house, there is no contract for "carrying out any work", as required in section 393(1) [Table: Sl. No. 6(i)].

Therefore, such payments are not liable for TDS. However, payments of this nature may be liable for TDS under other sections of 393(1).

ILLUSTRATION 6

Moon TV, a television channel, made payment of ₹ 50 lakhs to a production house for production of programme for telecasting as per the specifications given by the channel. The copyright of the programme is also transferred to Moon TV. Would such payment be liable for tax deduction at source under section 393(1) Table: Sl. No. 6(i)? Discuss.

Also, examine whether the provisions of tax deduction at source under section 393(1) Table: Sl. No. 6(i) would be attracted if the payment was made by Moon TV for acquisition of telecasting rights of the content already produced by the production house.

SOLUTION

In this case, since the programme is produced by the production house as per the specifications given by Moon TV, a television channel, and the copyright is also transferred to the television channel, the same falls within the scope of definition of the term 'work' under section 393(1) [Table: Sl. No. 6(i)]. Therefore, the payment of ₹ 50 lakhs made by Moon TV to the production house would be subject to tax deduction at source under section 393(1) [Table: Sl. No. 6(i)].

If, however, the payment was made by Moon TV for acquisition of telecasting rights of the content already produced by the production house, there is no contract for "carrying out any work", as required in section 393(1) [Table: Sl. No. 6(i)]. Therefore, such payment would not be liable for tax deduction at source under section 393(1) [Table: Sl. No. 6(i)].

ILLUSTRATION 7

ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the T.Y.2026-27 –

₹ 20,000 on 1.5.2026

₹ 25,000 on 1.8.2026

₹ 28,000 on 1.12.2026

On 1.3.2027, a payment of ₹ 30,000 is due to Mr. X on account of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source from payments made to Mr. X.

SOLUTION

In this case, the individual contract payments made to Mr. X does not exceed ₹ 30,000. However, since the aggregate amount paid to Mr. X during the T.Y. 2026-27 exceeds ₹ 1,00,000 (on account of the last payment of ₹ 30,000, due on 1.3.2027, taking the total from ₹ 73,000 to ₹ 1,03,000), the TDS provisions under section 393(1) [Table: Sl. No. 6(i)] would get attracted. Tax has to be deducted @1% on the entire amount of ₹ 1,03,000 from the last payment of ₹ 30,000 and the balance of ₹ 28,970 (i.e., ₹ 30,000 – ₹ 1,030) has to be paid to Mr. X.

ILLUSTRATION 8

Certain concessions are granted to transport operators in the context of cash payments u/s 36(4) and deduction of tax at source u/s 393(1) [Table: Sl. No. 6(i)]. Elucidate.

SOLUTION

Section 36(4) provides for disallowance of expenditure incurred by the assessee in respect of which payment or aggregate of payments made in a day to a person exceeds ₹ 10,000 and such payment is not made through specified banking or online mode.

However, in case the payment is made to transport operators for plying, hiring or leasing of goods carriages, the disallowance will be attracted only if the payment made in a day to a person exceeds ₹ 35,000. Therefore, payment or aggregate of payments up to ₹ 35,000 in a day can be made to a transport operator otherwise through specified banking or online mode, without attracting disallowance u/s 36(4).

Under section 393(1) [Table: Sl. No. 6(i)], tax had to be deducted in respect of payments made to contractors at the rate of 1%, if the contractor is individual or HUF or at the rate of 2%, if the contractor is another person.

However, section 393(4) [Table: Sl. No. 8] provides for no deduction of tax where –

- (a) any sum is credited or paid or likely to be credited or paid during the tax year to the account of a contractor during the course of the business of plying, hiring or leasing goods carriages; and
- (b) that contractor owns ten or less goods carriages at any time during the tax year; and
- (c) furnishes a declaration to this effect along with his PAN; and
- (d) the person responsible for paying to the contractor furnishes to the prescribed authority the particulars in prescribed form and manner.

Payment to contractors, fees for professional services and commission by certain individual or HUF [Section 393(1) {Table Sl. No. 6(ii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
6(ii)	Any sum – (a) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract; or (b) by way of fees for professional services; or (c) by way of commission [not being insurance commission or brokerage.	Any person, being an individual or HUF [other than those required to deduct tax as per Sl. No. 6(i) and (iii) or Sl. No. 1(ii)]	2%	₹ 50,00,000

No requirement to obtain TAN

The payer is not required to obtain Tax Deduction and Collection Account Number (TAN) [Section 397(1)(c)].

Analysis

Section 393(1) [Table: Sl. No. 6(ii)] casts responsibility **on individual and HUF (other than those who are required to deduct tax as per the provisions of Sl. No. 6(i), 6(iii) or 1(ii))** responsible for paying to a resident **any sum for**

- ♦ **work contract or**
- ♦ **by way of fees for professional services or**
- ♦ **by way of commission (not being insurance commission) or brokerage**

to deduct tax at source on the entire amount @2% **if the amount or aggregate of amounts exceeds ₹ 50,00,000.**

In other words, an individual or a HUF **is not liable to deduct tax at source under section 393(1)[Table: Sl. No. 6(ii)],** whose total sales, gross receipts or turnover from business or profession carried on by him exceeds ₹ 1 crore in case of business

or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which –

- (i) the sum for **carrying out any work contract** is credited or paid to the contractor and such amount **is not exclusively for personal purposes** of such individual or HUF.
- (ii) **fees for professional services** is credited or paid and such amount **is not exclusively for personal purposes** of such individual or HUF.
- (iii) the **commission (other than insurance commission)** or brokerage is credited or paid.

ILLUSTRATION 9

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

Sl. No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the T.Y.2026-27
1.	Mr. Ganesh, an individual carrying on retail business with turnover of ₹ 2.5 crores in the T.Y.2025-26	Contract Payment for repair of residential house	₹ 5 lakhs
		Payment of commission to Mr. Vallish for business purposes	₹ 80,000 in November 2026
2.	Mr. Rajesh, a wholesale trader whose turnover was ₹ 95 lakhs in T.Y. 2025-26.	Contract Payment for reconstruction of residential house (made during the period January-March, 2027)	₹ 20 lakhs in January, 2027, ₹ 15 lakhs in Feb 2027 and ₹ 20 lakhs in March 2027.
3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house in March, 2027	₹ 51 lakhs
4.	Mr. Dheeraj, a pensioner	Contract payment made during October-November 2026 for reconstruction of residential house	₹ 48 lakhs

SOLUTION

	Particulars of the payer	Nature of payment	Aggregate of payments in the T.Y. 2026-27	Whether TDS provisions are attracted?
1.	Mr. Ganesh, an individual carrying on retail business with turnover of ₹ 2.5 crores in the T.Y.2025-26	Contract Payment for repair of residential house	₹ 5 lakhs	No; TDS under section 393(1) [Table: Sl. No. 6(i)] is not attracted since the payment is for personal purpose. TDS under section 393(1) [Table: Sl. No. 6(ii)] is not attracted as aggregate of contract payment to the payee in the T.Y.2026-27 does not exceed ₹ 50 lakhs.
		Payment of commission to Mr. Vallish for business purposes	₹ 80,000	Yes, TDS under section 393(1) [Table: Sl. No. 1(ii)] @2% is attracted, since the payment exceeds ₹ 20,000 and Mr. Ganesh's turnover exceeds ₹ 1 crore in the T.Y.2025-26.
2.	Mr. Rajesh, a wholesale trader whose turnover was ₹ 95 lakhs in T.Y. 2025-26	Contract Payment for reconstruction of residential house	₹ 55 lakhs	Yes, TDS under section 393(1) [Table: Sl. No. 6(ii)] @2% is attracted, since the aggregate of payments (i.e., ₹ 55 lakhs) exceed ₹ 50 lakhs. Since, his turnover does not exceed 1 crore in the T.Y.2025-26, TDS provisions under section TDS under section 393(1) [Table: Sl. No. 6(i)] are not attracted in respect of payments made in the T.Y. 2026-27.

3.	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house	₹ 51 lakhs	Yes, TDS under section 393(1) [Table: Sl. No. 6(ii)] @2% is attracted, since the payment of ₹ 51 lakhs made in March 2027 exceeds the threshold of ₹ 50 lakhs. Since Mr. Satish is a salaried individual, the provisions of section 393(1) [Table: Sl. No. 1(ii)] are not applicable in this case.
4.	Mr. Dheeraj, a pensioner	Contract payment for reconstruction of residential house	₹ 48 lakhs	TDS provisions under section 393(1) [Table: Sl. No. 6(i)] are not attracted since Mr. Dheeraj is a pensioner. TDS provisions under section 393(1) [Table: Sl. No. 6(ii)] are also not applicable in this case, since the payment of ₹ 48 lakhs does not exceed the threshold of ₹ 50 lakhs.

Fees for professional or technical services, remuneration etc. to director, royalty and non-compete fees [Section 393(1) {Table Sl. No. 6(iii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
6(iii)	Any sum by way of – (a) fees for professional services; or (b) fees for technical services; or	Specified person	- 2% in case of (i) fees for technical services (not being professional services) or	- ₹ 50,000 each for (i) fees for professional services (ii) fees for technical services (iii) royalty

	(c) remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 392, to a director of a company; or (d) royalty; or (e) any sum referred to in section 26(2)(h) i.e., non-compete fees		(ii) royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films or (iii) payee, engaged only in the business of operation of call centre -10% in other cases	(iv) non-compete fees - Nil for remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 392, to a director of a company
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Meaning of certain terms

Term	Meaning
Fees for technical services	Fees for technical services means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel). Fees for technical services does not include following types of consideration: (i) Consideration for any construction, assembly, mining or like project undertaken by the recipient; or (ii) Consideration which would be income of the recipient chargeable under the head 'Salaries'.
Professional services	Professional services means services rendered by a person in the course of carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or advertising or such other profession as is notified by the CBDT for this purpose or of section 62.

	Other professions notified for the purposes of section 62 are as follows: (a) Profession of "authorised representatives"; (b) Profession of "film artist"; (c) Profession of "company secretary"; (d) Profession of "information technology". The CBDT has notified the services rendered by following persons in relation to the sports activities as Professional Services for the purpose of TDS under this section: (a) Sports Persons, (b) Umpires and Referees, (c) Coaches and Trainers, (d) Team Physicians and Physiotherapists, (e) Event Managers, (f) Commentators, (g) Anchors and (h) Sports Columnists. Accordingly, the requirement of TDS as per section 393(1) [Table: Sl. No. 6(iii)] would apply to all the aforesaid professions. The term "profession", as such, is of a very wide import. However, the term has been defined in this section exhaustively. For the purposes of TDS, therefore, all other professions would be outside the scope of section 393(1) [Table: Sl. No. 6(iii)]. For example, this section will not apply to professions of teaching, sculpture, painting etc. unless they are notified.
Specified person	Specified person means – (a) any person, not being an individual or HUF; or (b) an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.

Analysis

Section 393(1) [Table: Sl. No. 6(iii)] casts responsibility **on specified person** responsible for paying to a resident any sum by way of **fees for professional services or FTS or any remuneration or fees or commission, other than those on which tax is deductible under section 392, to a director of a company or royalty or non-compete fees** to deduct tax at source on the entire amount if exceed the specified threshold limit @ 2% in case of –

- ♦ **FTS (not being professional services) or**
- ♦ **royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films or**
- ♦ **payee engaged only in the business of operation of call centre.**

and @10% in other case.

The limit of ₹ 50,000 under section 393(1) [Table: Sl. No. 6(iii)] **is applicable separately** for fees for professional services, fees for technical services, royalty and non-compete fees. It implies that if the payment to a person towards each of the above is ₹ 50,000 or less, no tax is required to be deducted at source, even though the aggregate payment or credit exceeds ₹ 50,000.

However, there is **no threshold limit** in case of **remuneration or fees or commission, other than those on which tax is deductible under section 392, payable to director of a company.**

Non-applicability of TDS

No tax is required to be deducted at source where fees for professional or technical services are credited or paid by individual or HUF exclusively for their personal purposes.

Summary of rates and threshold limit under section 393(1) [Table: Sl. No. 6(iii)] for deduction of tax at source

Nature of payment	TDS rate	Separate Limit
Fees for technical services (not being professional services)	2%	₹ 50,000
Fees for professional services	10%	₹ 50,000

Royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films	2%	} ₹ 50,000
Other royalty	10%	
Any remuneration or fees or commission, by whatever name called, other than those on which tax is deductible under section 392, to a director of a company	10%	Nil
Non-compete fees	10%	₹ 50,000

In case of a payee, engaged only in the business of operation of call centre, the tax shall be deducted at source **@2%**

Clarification regarding TDS on Goods and Services Tax (GST) component comprised in payments made to residents [Circular No. 23/2017 dated 19.07.2017]

The CBDT has, vide this circular, clarified that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source on the amount paid or payable without including such 'GST on services' component.

GST shall include Integrated Goods and Services Tax, Central Goods and Services Tax, State Goods and Services Tax and Union Territory Goods and Services Tax.

Further, for the purposes of this Circular, any reference to "service tax" in an existing agreement or contract which was entered into prior to 01.07.2017 shall be treated as "GST on services" with respect to the period from 01.07.2017 onward till the expiry of such agreement or contract.

TPAs liable to deduct tax under section 393(1) [Table: Sl. No. 6(iii)] on payment to hospitals on behalf of insurance companies

The CBDT has, through *Circular No.8/2009 dated 24.11.2009*, clarified that TPAs (Third Party Administrator's) who are making payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes including cashless schemes are liable to deduct tax at source under section 393(1) [Table: Sl. No. 6(iii)] on all such payments to hospitals etc. This is because the services rendered by hospitals to various patients are primarily medical services and, therefore, the provisions of section 393(1) [Table: Sl. No. 6(iii)] are applicable to payments made by TPAs to hospitals etc.

Consideration for use or right to use of computer software is royalty within the meaning of section 9(6)(b)

As per section 9(6)(b), the term "royalty" means consideration for transfer of all or any right in respect of certain rights, property or information.

As per section 9(6)(b), the consideration for use or right to use of computer software would be royalty. This section clarifies that transfer of all or any rights in respect of any right, property or information includes transfer of all or any right for use or right to use a computer software (including granting of a licence) irrespective of the medium through which that right is transferred.

Consequently, the provisions of tax deduction at source under section 393(1) [Table: Sl. No. 6(iii)] would be attracted in respect of consideration for use or right to use computer software since the same falls within the definition of royalty as per the provisions of the Income-tax Act, 2025.

Exemption from the applicability of tax deduction at source in respect of certain software payments

The Central Government has, vide Notification No.21/2012 dated 13.6.2012, effective from 1st July, 2012, exempted certain software payments from the applicability of tax deduction under section 393(1) [Table: Sl. No. 6(iii)]. Accordingly, where payment is made by the transferee for acquisition of software from a resident-transferor, the provisions of section 393(1) [Table: Sl. No. 6(iii)] would not be attracted if-

- (1) the software is acquired in a subsequent transfer without any modification by the transferor;
- (2) tax has been deducted under section 393(1) [Table: Sl. No. 6(iii)] on payment for any previous transfer of such software; and
- (3) the transferee obtains a declaration from the transferor that tax has been so deducted along with the PAN of the transferor.

ILLUSTRATION 10

XYZ Ltd. makes a payment of ₹ 28,000 to Mr. Ganesh on 2.8.2026 towards fees for professional services and another payment of ₹ 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 393(1) [Table: Sl. No. 6(iii)] are attracted.

SOLUTION

TDS provisions under section 393(1) [Table: Sl. No. 6(iii)] would not get attracted, since the limit of ₹ 50,000 is applicable for fees for professional services and fees for technical services, separately. It is assumed that there is no other payment to Mr. Ganesh towards fees for professional services and fees for technical services during the T.Y.2026-27.

Dividend [Section 393(1) {Table Sl. No. 7}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
7	Any dividend (including dividend on preference shares) declared.	Any domestic company	10%	Nil
<u>Time of Deduction of TDS</u> The tax shall be deducted at source before making any distribution or payment of dividend.				

Section 393(1) [Table: Sl. No. 7] casts responsibility **on domestic company** responsible for paying to a resident

Analysis

- ♦ **any dividend including dividend on preference shares**
- ♦ **to deduct tax at source @10% on the entire amount**
- ♦ **if the amount or aggregate of amounts of dividend distributed or paid to individual by any mode other than cash exceeds ₹ 10,000.**

For shareholders other than individuals, there is no threshold. Likewise, if dividend is paid in cash, there is no threshold even if the shareholder is an individual.

Non applicability of TDS

No tax is required to be deducted on dividend income credited or paid to –

- ♦ LIC, GIC, subsidiaries of GIC or any other insurer provided the shares are owned by them, or they have full beneficial interest in such shares
- ♦ any other person notified by the Central Government; or
- ♦ a shareholder, being an individual, if –
 - (I) the dividend is paid by the company by any mode other than cash; and

- (II) amount or aggregate of amounts of such dividend distributed or paid or likely to be distributed or paid during the tax year does not exceed ₹ 10,000.

Other cases

Payment in respect of LIC [Section 393(1) {Table Sl. No. 8}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
8(i)	Any sum under a LIC, including the sum allocated as bonus on such policy, other than the amount not includible in the total income under Schedule II (Table: Sl. No. 2)	Any person	2% on income comprised in such sum	₹ 1,00,000

Section 393(1) [Table: Sl. No. 8(i)] casts responsibility **on any person** responsible for paying to a resident

- ♦ **any sum under a LIC, including the sum allocated as bonus on such policy,**
- ♦ **which are not exempt under Schedule II (Table: Sl. No. 2)**
- ♦ **to deduct tax at source @2% on income comprised in such sum if the amount or aggregate of amounts exceeds ₹ 1,00,000.**

Analysis

ILLUSTRATION 11

Examine the applicability of the provisions for tax deduction at source under section 393(1) [Table: Sl. No. 8(i)] in the following cases -

- (i) *Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 30.6.2026, towards maturity proceeds of LIC policy taken on 1.7.2023, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000.*
- (ii) *Mr. Y, a resident, is due to receive ₹ 3.95 lakhs on 31.12.2026 on LIC policy taken on 1.1.2012, for which the sum assured is ₹ 3.50 lakhs and the annual premium is ₹ 26,100.*

- (iii) Mr. Z, a resident, is due to receive ₹ 95,000 on 1.8.2026 towards maturity proceeds of LIC policy taken on 31.7.2018 for which the sum assured is ₹ 90,000 and the annual premium was ₹ 10,000.

SOLUTION

- (i) Since the premium to sum assured exceeds 10% in respect of a policy taken after 31.3.2012, the maturity proceeds of ₹ 4.50 lakhs due on 30.6.2026 are not exempt under schedule II (Table: Sl. No. 2) in the hands of Mr. X. Therefore, tax is required to be deducted @ 2% under section 393(1) [Table: Sl. No. 8(i)] on the amount of income comprised therein i.e., on ₹ 75,000 (₹ 4,50,000, being maturity proceeds - ₹ 3,75,000, being the aggregate amount of insurance premium paid).
- (ii) Since the premium to sum assured is less than 20% in respect of a policy taken before 1.4.2012, the sum of ₹ 3.95 lakhs due to Mr. Y would be exempt under schedule II (Table: Sl. No. 2) in his hands. Hence, no tax is required to be deducted at source under section 393(1) [Table: Sl. No. 8(i)] on such sum payable to Mr. Y.
- (iii) Even though the premium to sum assured exceeds 10% in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 due on 1.8.2026 would not be exempt under schedule II (Table: Sl. No. 2) in the hands of Mr. Z, the tax deduction provisions under section 393(1) [Table: Sl. No. 8(i)] are not attracted since the maturity proceeds does not exceed ₹ 1 lakh.

Purchase of goods [Section 393(1) {Table Sl. No. 8 (ii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
8(ii)	Any sum exceeding fifty lakh rupees for purchase of any goods	Any person, being a buyer	0.1%	On sum exceeding ₹ 50 lakhs
♦ The tax has to be deducted on the sum exceeding ₹ 50 lakhs. ♦ Tax is not required to be deducted under this Sl. No. to a transaction on which tax is deductible or collectible under any of the provisions of the Act.				

Meaning of buyer

Buyer means a person whose total sales, gross receipts or turnover from the business carried on by him exceeds ₹ 10 crores during the tax year immediately preceding the tax year in which the purchase of goods is carried out.

However, the buyer does not include a person as notified by the Central Government for this purpose, subject to fulfillment of the stipulated conditions.

Analysis

Section 393(1) [Table: Sl. No. 8(ii)] casts responsibility **on a buyer whose total sales, gross receipts or turnover from the business carried on by him**

- ♦ **exceeds ₹ 10 crores** during the tax year immediately preceding the tax year in which the purchase of goods is carried out
- ♦ who is responsible for paying to a resident
- ♦ **any sum exceeding ₹ 50 lakhs for purchase of goods**
- ♦ to deduct tax at source **@0.1% on the sum exceeding ₹ 50 lakhs.**

Deduction of tax at higher rate where PAN is not furnished by the seller [Section 397(2)(b)(i)]

In case **PAN is not furnished by the seller** to the buyer, tax shall be deducted at the higher of the following rates:

- ♦ At the rate specified in the relevant provisions of the Act
- ♦ At the rate or rates in force
- ♦ At the rate of 5%

ILLUSTRATION 12

Mr. Gupta, a resident Indian, is in retail business and his turnover for T.Y.2025-26 was ₹12 crores. He regularly purchases goods from another resident, Mr. Agarwal, a wholesaler, and the aggregate payments during the T.Y.2026-27 was ₹ 95 lakh (₹20 lakh on 1.6.2026, ₹25 lakh on 12.8.2026, ₹22 lakh on 23.11.2026 and ₹28 lakh on 25.3.2027). Assume that the said amounts were credited to Mr. Agarwal's account in the books of Mr. Gupta on the same date.

- (1) *Based on the above facts, examine the TDS implications, if any, under the Income-tax Act, 2025.*

- (2) Would your answer be different if Mr. Gupta's turnover for T.Y.2025-26 was ₹ 8 crores, all other facts remaining the same?
- (3) Would your answer to (1), if PAN has not been furnished by the seller, as required?

SOLUTION

- (1) Since Mr. Gupta's turnover for T.Y.2025-26 exceeds 10 crores, and payments made by him to Mr. Agarwal, a resident seller exceed ₹ 50 lakhs in the T.Y.2026-27, he is liable to deduct tax@0.1% of ₹ 45 lakhs (being the sum exceeding ₹ 50 lakhs) in the following manner –

No tax is to be deducted u/s 393(1) [Table: Sl. No. 8(ii)] on the payments made on 1.6.2026 and 12.8.2026, since the aggregate payments till that date i.e., 45 lakhs, has not exceeded the threshold of ₹ 50 lakhs.

Tax of ₹ 1,700 (i.e., 0.1% of ₹ 17 lakhs) has to be deducted u/s 393(1) [Table: Sl. No. 8(ii)] from the payment/ credit of ₹ 22 lakh on 23.11.2026 [₹ 22 lakh – ₹ 5 lakhs, being the balance unexhausted threshold limit].

Tax of ₹ 2,800 (i.e., 0.1% of ₹ 28 lakhs) has to be deducted u/s 393(1) [Table: Sl. No. 8(ii)] from the payment/ credit of ₹ 28 lakhs on 25.3.2027.

- (2) If Mr. Gupta's turnover for the T.Y.2025-26 was only ₹ 8 crores, TDS provisions under section 393(1) [Table: Sl. No. 8(ii)] would not be attracted.
- (3) In case (1), if PAN is not furnished by Mr. Agarwal to Mr. Gupta, then, Mr. Gupta has to deduct tax@5%, instead of 0.1%. Accordingly, tax of ₹ 85,000 (i.e., 5% of ₹ 17 lakhs) and ₹ 1,40,000 (5% of ₹ 28 lakhs) has to be deducted by Mr. Gupta u/s 393(1) [Table: Sl. No. 8(ii)] on 23.11.2026 and 25.3.2027, respectively.

Total income of a specified senior citizen
[Section 393(1) {Table Sl. No. 8 (iii)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
8(iii)	Total income of a specified senior citizen after giving effect to deduction allowable	Specified bank	Rates in force	Basic exemption limit as applicable

	under Chapter VIII and rebate allowable under section 156			
<u>Meaning of specified senior citizen</u> Specified senior citizen means an individual, being a resident in India, who – (a) is of the age of 75 years or more at any time during the tax year; (b) is having pension income and no other income except the interest received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and (c) has furnished a declaration to the specified bank containing particulars, in prescribed form and verified in prescribed manner.				
<u>Meaning of “Specified Bank”</u> Specified bank means a banking company as the Central Government may, by notification, specify.				
The provisions of this Sl. No. will override any other provisions of this Chapter and tax has to be deducted according to provision under this Sl. No.				

Section 393(1) [Table: Sl. No. 8(iii)] casts responsibility **on a specified bank, being a notified banking company**

Analysis

- ♦ to deduct tax at source **at the rates in force on the total income of a specified senior citizen**
- ♦ after giving effect to deduction allowable under Chapter VIII and
- ♦ rebate allowable under section 156
- ♦ where the deductee exercises the option under section 202(4) to shift out of the default tax regime.

Where the deductee does not exercise the option to shift out of the default tax regime, tax is required to be deducted **as per the rates provided under section 202(1)** subject to certain conditions, including the condition that the specified senior citizen does not avail of specified exemptions and deductions.

The threshold limit for deduction of tax at source is basic exemption limit i.e., ₹ 4,00,000, in case the specified senior citizen pays tax under the default tax regime u/s 202 and ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if the specified senior citizen has exercised the option of shifting out of the default tax regime.

Exemption from filing return of income [Section 263(8)(b)]

The specified senior citizen is not required to furnish his return of income for the relevant tax year in which the tax has been deducted under this Sl. No.

ILLUSTRATION 13

Mr. Sharma, a resident Indian aged 77 years, gets pension of ₹ 82,000 per month from the UP State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest@8% p.a. on fixed deposit of ₹ 40 lakh with the said bank. Out of the deposit of ₹ 40 lakhs, ₹ 2 lakhs represents five year term deposit made by him on 1.4.2026. Interest on savings bank credited to his SBI savings account for the T.Y.2026-27 is ₹ 9,500.

- (1) *From the above facts, compute the total income and tax liability of Mr. Sharma for the T.Y. 2026-27, assuming that he has exercised the option of shifting out of the default tax regime.*
- (2) *What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr. Sharma required to file his return of income for T.Y.2026-27, if tax deductible at source has been fully deducted? Examine.*
- (3) *Is Mr. Sharma required to file his return of income for T.Y. 2026-27, if the fixed deposit of ₹ 40 lakh was with Canara Bank instead of SBI, other facts remaining the same?*

SOLUTION**(1) Computation of total income of Mr. Sharma for T.Y.2026-27**

Particulars		₹	₹
I Salaries	Pension (₹ 82,000 x 12)	9,84,000	9,34,000
	Less: Standard deduction u/s 19(1) (Table: Sl. No. 2)	50,000	
II Income from Other Sources			
	Interest on fixed deposit (₹ 40 lakhs x 8%)	3,20,000	
	Interest on savings account	9,500	3,29,500

Gross total income		12,63,500
<i>Less:</i> Deductions under Chapter VIII		
Under section 123		
Five year term deposit (₹ 2 lakh, restricted to ₹ 1.5 lakh)	1,50,000	
Under section 153		
Interest on fixed deposit and savings account, restricted to 50,000, since Mr. Sharma is a senior citizen	50,000	2,00,000
Total Income		10,63,500

Computation of tax liability for T.Y.2026-27

Particulars	₹
Tax payable [₹ 63,500 x 30% + ₹ 1,10,000]	1,29,050
Add: Health and Education Cess@4%	5,162
Tax liability	1,34,212
Tax liability (rounded off)	1,34,210

- (2) SBI, being a specified bank, is required to deduct tax at source u/s 393(1) [Table: Sl. No. 8(iii)] and remit the same to the Central Government. In such a case, Mr. Sharma would not be required to file his return of income u/s 263.
- (3) If the fixed deposit of ₹ 40 lakh is with a bank other than SBI, which is the bank where his pension is credited, then, Mr. Sharma would not qualify as a "specified senior citizen". In this case, Mr. Sharma would have to file his return of income u/s 263(1), since his total income (without giving effect to deduction under Chapter VIII) exceeds the basic exemption limit.

Benefit or perquisite from business or profession [Section 393(1) {Table Sl. No. 8(iv)}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
8(iii)	Any benefit or perquisite, whether convertible into money or not, arising from	Specified person	10% of value or aggregate of values of	₹ 20,000

	business or the exercise of a profession of any resident		such benefit or perquisite	
<u>Meaning of specified person</u> Specified person means – (a) any person, not being an individual or HUF; or (b) an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid.				
<u>Where benefit or perquisite is wholly in kind or partly in kind and partly in cash</u> The provisions of this Sl. No. would apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind, provided to a resident and before providing such benefit or perquisite, as the case may be, the person responsible for providing such benefit or perquisite has to ensure that tax has been deducted. Where the benefit or perquisite provided is wholly in kind or is partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such benefit or perquisite, the person responsible for providing such benefit or perquisite has to ensure that tax required to be deducted has been paid, before providing such benefit or perquisite. <u>“Person responsible for providing”</u> Person responsible for providing means the person providing such benefit or perquisite. In case of a company, it means the company itself, including the principal officer thereof.				

Section 393(1) [Table: Sl. No. 8(iv)] casts responsibility **on specified person** responsible for providing to a resident **any benefit or perquisite arising from business or the exercise of a profession, by such resident** to deduct tax at source **@10% of value or aggregate of values of such benefit or perquisite if the amount or aggregate of benefit or perquisite exceeds ₹ 20,000.**

Analysis

(2) TDS on payment to any person [Section 393(3)]

Table to section 393(3) contains certain payments made to any person (resident or non-resident) listed from Sl. No. 1 to 7, along with the details of the payer, being the person responsible for making payment of such income or sum, the rate of TDS and the threshold limit.

For ease of understanding, the discussion to section 393(3) has been arranged transaction-wise with reference to each Serial Number. While discussing each transaction, the relevant conditions and exemptions specified in the Table referred to in section 393(4), along with the interpretation of certain terms referred to in section 402, have also been incorporated so as to enable students to understand the complete implications of the transaction in one comprehensive reading. Now let's begin with the discussion:

As per section 393(3), where any income or sum of the nature specified in in Table to section 393(3), is credited or paid by the person specified in in said table during the tax year, **to any person**, the person responsible for paying such income or sum shall deduct income-tax -

- (a) **on the entire amount of such income** or sum, where the amount or aggregate of amounts exceeds the specified threshold limit or on the net winnings as specified thereunder;
- (b) at the rate specified in the Table; and
- (c) at the time of payment in cash or by way of a cheque or a draft or by any other mode, **unless otherwise mentioned**.

Winnings from lottery, crossword puzzle etc [Section 393(3) {Table Sl. No. 1}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
1	Any income by way of winnings (other than winnings from online games) from – (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or	Any person	Rate in force i.e., 30%	₹ 10,000 in case of a single transaction

(d) gambling or betting of any form or nature whatsoever			
<u>Where the winnings is wholly in kind or partly in kind and partly in cash</u> Where the winnings ♦ is wholly in kind or ♦ is partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of the whole of such winnings, then, the person responsible for paying has to ensure that tax required to be deducted has been paid, before releasing the winnings.			

Section 393(3) [Table: Sl. No. 1] casts responsibility **on any person** responsible for paying to **any person any income by way of**

Analysis

- ♦ winnings from **any lottery or**
- ♦ **crossword puzzle or**
- ♦ **card game and other game of any sort or**
- ♦ **gambling or betting of any form or nature whatsoever,**

to deduct tax at source **@30%, on the entire amount** if the amount of **payment in respect of a single transaction exceeds ₹ 10,000.**

Winnings from online games [Section 393(3) {Table Sl. No. 2}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
2	Any income by way of winnings from online game	Any person	Rate in force i.e., 30%	-
Notes: (1) Tax shall be deducted – • on the net winnings in the user's account at the end of the tax year; • where there is any withdrawal from user account during the tax year, tax would be deducted				

- at the time of such withdrawal on the net winnings comprised in such withdrawal

as well as

- on the remaining amount of net winnings in user account at the end of the tax year as computed in prescribed manner.

(2) Where the net winnings is wholly in kind or partly in kind and partly in cash: Where the net winnings

- is wholly in kind or
- is partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of the whole of such winnings,

then, the person responsible for paying has to ensure that tax required to be deducted has been paid, before releasing the winnings.

Meaning of certain terms

Term	Meaning
Online gaming intermediary	An intermediary who offers one or more online games.
User	Any person who accesses or avails any computer resource of an online gaming intermediary.
User account	Account of a user registered with an online gaming intermediary.

Section 393(3) [Table: Sl. No. 2] casts responsibility **on any person** responsible for paying to **any person any income by way of winnings from online games** to deduct tax at source **@30%** on the

Analysis

- ◆ net winnings in the user's account at the end of the tax year
- ◆ in case of withdrawals, on the amount withdrawn and remaining amount in the account at the end of the year.

Power of the CBDT to issue guidelines [Section 400(2)]

Section 400(2) empowers the CBDT to issue guidelines, with the previous approval of the Central Government, to remove any difficulty arising in giving effect to the provisions of this Chapter. Such guidelines shall be –

- (a) binding on the income-tax authorities and on the person liable to deduct or collect tax and
- (b) laid before each House or Parliament

Accordingly, the CBDT has, vide circular No. 5/2023 dated 22.5.2023, issued the following guidelines:

Question 1: There are a large number of gamers who play with very insignificant amount and withdraw also very small amount. Deducting tax at source under section 393(3) [Table: Sl. No. 2] for each insignificant withdrawal would increase compliance for tax deductor. Can there be relaxation to ease compliance?

Answer: Tax may not be deducted on withdrawal on satisfaction of all of the following conditions, namely:-

- (i) net winnings comprised in the amount withdrawn does not exceed ₹ 100 in a month;
- (ii) tax not deducted on account of this concession is deducted at a time when the net winnings comprised in withdrawal exceeds ₹ 100 in the same month or subsequent month or if there is no such withdrawal, at the end of the tax year; and
- (iii) the deductor undertakes responsibility of paying the difference if the balance in the user account at the time of tax deduction under section 393(3) [Table: Sl. No. 2] is not sufficient to discharge the tax deduction liability.

Question 2: When the net winnings is in kind how will tax deduction under section 393(3) [Table: Sl. No. 2] operate?

Answer: At the outset, it may be clarified that where money in user account is used to buy an item in kind and given to user then it is net winnings in cash only and the deductor is required to deduct tax at source under section 393(3) [Table: Sl. No. 2] accordingly.

However, there could be a situation where the winning of the game is a prize in kind. In that situation provision of Note 2 below section 393(3) [Table: Sl. No. 2] will operate.

According to this, where the net winnings are wholly in kind or partly in cash, and partly in kind but the part in cash is not sufficient to meet the liability of deduction

of tax in respect of whole of the net winnings. In these situations, the person responsible for paying shall ensure that tax has been paid in respect of the net winnings before releasing the winnings.

In the above situation, the deductor will release the net winnings in kind after the deductee provides proof of payment of such tax (e.g., Challan details etc.).

In the alternative, as an option to remove difficulty if any, the deductor may deduct the tax under section 393(3) [Table: Sl. No. 2] and pay to the Government.

Question 3: How will the valuation of winnings in kind required to be carried out?

Answer: The valuation would be based on fair market value of the winnings in kind except in following cases:-

- (i) The online game intermediary has purchased the winnings before providing it to the user. In that case the purchase price shall be the value for winnings.
- (ii) The online game intermediary manufactures such items given as winnings. In that case, the price that it charges to its customers for such items shall be the value for such winnings.

It is further clarified that **GST will not be included for the purposes of valuation** of winnings for TDS under section 393(3) [Table: Sl. No. 2].

Winnings from horse race [Section 393(3) {Table Sl. No. 3}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
3	Any income by way of winnings from any horse race	Any person, being ♦ a bookmaker or ♦ a person to whom a licence has been granted by the Government under any law for the time being in force ♦ for horse racing in any race course or	Rate in force i.e., 30%	₹ 10,000 in case of a single transaction

		♦ for arranging for wagering or betting in any race course		
Meaning of “horse race” [Section 94(6)] Horse race means a horse race upon which wagering or betting may be lawfully made.				

Section 393(3) [Table: Sl. No. 3] casts responsibility

Analysis

- ♦ **on bookmaker or a person holding licence** for horse racing or for arranging for wagering or betting in any race course
- ♦ responsible for paying to **any person any income by way of winnings from horse race**

to deduct tax at source **@30% on the entire amount** if the amount of payment in respect of a **single transaction exceeds ₹ 10,000.**

Commission etc. on sale of lottery tickets
[Section 393(3) {Table Sl. No. 4}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
4	Any income, credited or paid to a person, who is or has been stocking, distributing, purchasing or selling lottery tickets, by way of commission, remuneration or prize (by whatever name called) on such tickets	Any person	2%	₹ 20,000

Time of Deduction

The person responsible for making the payment shall deduct tax

- ♦ at the time of **credit** of such sum or
- ♦ at the time of **payment** of such sum in cash or by issue of a cheque or a draft or by any other mode

whichever is earlier.

Analysis

Section 393(3) [Table: Sl. No. 4] casts responsibility **on any person responsible for paying any income by way of**

- ♦ **commission, remuneration or prize (by whatever name called)**
- ♦ **on lottery tickets**
- ♦ **to any person who is stocking, distributing, purchasing or selling lottery tickets**

to deduct tax at source **@2% on the entire amount** if the amount or aggregate of amounts **exceeds ₹ 20,000**

Cash withdrawals [Section 393(3) {Table Sl. No. 5}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
5	Any sum, paid in cash, from one or more accounts maintained by any person i.e., recipient	Any person, being, - (a) a banking company, (b) a co-operative society engaged in carrying on the business of banking, or (c) a post office	2%	- ₹ 3 crore in case of recipient being a cooperative society - ₹ 1 crore in case of other recipient

Section 393(3) [Table: Sl. No. 5)] casts responsibility **on**

- ♦ **a banking company,**
- ♦ **a co-operative society engaged in the business of banking or**
- ♦ **a post office** to deduct tax at source **@2%**

Analysis

from any sum paid in cash from one or more accounts maintained by the recipient, where the amount or aggregate of amounts withdrawn **exceed** –

- ♦ ₹ 3 crore, if the recipient is a **co-operative society**.
- ♦ ₹ 1 crore, if the recipient is a person **other than a co-operative society**.

Non-applicability of TDS

Liability to deduct tax at source under this Sl. No. shall not be applicable to any payment made to –

- (i) the Government
- (ii) any banking company or co-operative society engaged in carrying on the business of banking or a post-office
- (iii) any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, as per the RBI guidelines
- (iv) any white label ATM operator of a banking company or co-operative society engaged in carrying on the business of banking, as per the authorisation issued by the RBI under the Payment and Settlement Systems Act, 2007.

Sum paid to partner [Section 393(3) {Table Sl. No. 7}]

S. No.	Nature of income or sum	Payer	Rate	Threshold limit
7	Any sum in the nature of salary, remuneration, commission, bonus or interest paid to a partner of the firm or credited to his account (including capital account)	Any person, being a firm	10%	₹ 20,000

Section 393(3) [Table: Sl. No. 7] casts responsibility **on any person, being a firm** responsible for **paying any sum** in the nature of

Analysis

- ♦ salary,
- ♦ remuneration,
- ♦ commission, bonus or interest

paid to its partner or credited to his account (including capital account to deduct tax at source **@10% on the entire amount** if the amount or aggregate of amounts of such income **exceeds ₹ 20,000**.

No deduction of tax on sums payable to Government, RBI or certain corporations [Section 393(5)]

Irrespective of anything contained in this Chapter, no deduction of tax shall be made by any person from any amount payable to –

- (i) the Government; or
- (ii) the Reserve Bank of India; or
- (iii) a corporation established by or under a Central Act, which is, under any law in force, exempt from income-tax on its income; or
- (iv) a Mutual Fund⁸, where such amount is payable to it by way of:
 - (a) interest or
 - (b) dividend in respect of any securities or shares owned by the above entities or in which they have full beneficial interest or
 - (c) any other income accruing or arising to them.



1.	Mr. Raj, an individual having turnover from business of ₹ 90 lakhs during T.Y. 2026-27, pays professional fees of ₹ 80,000 to a consultant on 20.8.2026. Whether he is required to deduct tax at source on such payment?
(a)	Yes, @ 10%
(b)	Yes, @ 2%
(c)	No, since payment does not exceed ₹ 1,00,000
(d)	No, since neither his turnover from business exceeds 1 crore during T.Y. 2026-27 nor fee for professional services exceed ₹ 50 lakhs

⁸ Specified at Schedule VII (Table: Sl. No. 20 or 21)

2.	Mr. Aman purchased a residential property for ₹ 49 lakhs from Mr. Bharat on 15.10.2026. Stamp duty value of the property on that date was ₹ 52 lakhs. Determine the amount of tax to be deducted on such transaction?	
	(a)	₹ 4.9 lakhs
	(b)	₹ 5.2 lakhs
	(c)	Nil
	(d)	₹ 5 lakhs
3.	A bank pays interest of ₹ 65,000 on fixed deposit to Mr. Raja, a resident senior citizen, during T.Y. 2026-27. Mr. Raja furnished his PAN to the bank. How much TDS is deductible by bank on such interest?	
	(a)	Nil
	(b)	₹ 1,500
	(c)	₹ 6,500
	(d)	₹ 13,000
4.	P Ltd. hired machinery from a resident and paid rent of ₹ 60,000 per month during the tax year 2026-27. What is the amount of TDS deductible under section 393(1) [Table: Sl. No. 2(ii)]?	
	(a)	₹ 6,000 per month
	(b)	₹ 1,200 per month
	(c)	₹ 200 per month
	(d)	Nil
5.	PQR Ltd. paid dividend of ₹ 4,500 to a resident shareholder through account payee cheque. Whether tax is required to be deducted on dividend and how much?	
	(a)	Yes, @10%
	(b)	Yes, @20%
	(c)	No, since dividend does not exceed threshold limit
	(d)	No, because dividend is exempt in the hands of shareholder

No Deduction of tax in certain cases [Section 393(6), (7) & (10)]

(1) Enabling provision for furnishing of declaration for receipt of income or sum without deduction of tax

No deduction of tax shall be made under the provisions specified in column (C) of the table below,

- if the person (i.e. deductee or recipient) furnishes
- to the person responsible for paying such income or sum referred to in such provisions,
- a **written declaration in duplicate**, in the prescribed form and manner,
- to the effect that the **tax on his estimated total income** of the tax year in which such income or sum is to be included shall be **Nil**.

TABLE - DECLARATION FOR NO DEDUCTION AT SOURCE

S. No.	Person	Nature of income or sum
A	B	C
1.	An individual, being a resident	(a) payment of accumulated balance due to an employee [Section 392(7)] (b) insurance commission [Section 393(1) [Table: Sl. No. 1(i)]] (c) rent [Section 393(1) [Table: Sl. No. 2(ii)]] (d) income from units [Section 393(1) [Table: Sl. No. 4(i)]] (e) interest [Section 393(1) [Table: Sl. No. 5(i), (ii) and (iii)]] (f) payment in respect of life insurance policy [Section 393(1) [Table: Sl. No. 8(i)]] (g) Dividend [Section 393(1) [Table: Sl. No. 7]]
2.	Any person, other than a company or a firm or mentioned in 1 above	All specified income mentioned above except dividend mentioned in (g)

(2) Furnishing declaration not permissible if income/aggregate of incomes exceed basic exemption limit

A person (other than a resident senior citizen) is allowed to furnish declaration under section 393(6) only where the aggregate amount of income or sum of the nature specified in the Table above, which is credited or paid or likely to be credited or paid during the relevant tax year, **does not exceed** the maximum amount not chargeable to tax.

Accordingly, such a person may furnish the prescribed declaration for non-deduction of tax **only if** the specified income/aggregate income for the tax year is within the basic exemption limit.

The restriction will not apply to an individual being a resident who is the age of 60 years or more at any time during the tax year. The declaration in the prescribed form may be furnished where the tax payable on the estimated total income for the relevant tax year **is Nil**.

(3) Option to furnish declaration to depository in certain cases

The above declaration may also be furnished electronically **to a depository** in accordance with the prescribed procedure and manner, where –

- (a) the income is from units, interest on securities or dividends, as the case may be, as referred to in section 393(1) [Table: 4(i), 5(i) or 7];
- (b) such units or securities are held with such depository; and
- (c) such securities are listed on a recognised stock exchange.

(4) Time limit for delivery of declaration to prescribed authority

On receipt of the declaration from the person as specified in (1) above or the depository as specified in (3) above, the person responsible for paying the income or sum will be required to deliver or cause to be delivered such declaration to the prescribed authority **on or before the 7th of the month immediately following the end of each quarter in which declaration is furnished** to him.

(5) Net of TDS [Section 393(10)]

Where, under an agreement or other arrangement,

- **if the tax chargeable** on any income of the recipient referred to in the foregoing provisions of this Chapter

- **is to be borne by the payer**, then, for the purposes of deduction of tax,
- the income shall be increased to such amount as would, after deduction of tax thereon, becomes equal to the net amount payable under such agreement or arrangement.

However, no grossing up is required in the case of tax is paid under section 392(2)(a) by an employer on the non-monetary perquisites provided to the employee.

Tax deducted is income received [Section 396]

All sums deducted in accordance with the foregoing provisions of this Chapter shall be deemed as income received for the purposes of computing the income of an assessee except tax paid by an employer under section 392(2)(a) on non-monetary perquisites provided to the employees and tax deducted as per section 393(3) [Table: Sl. No. 5]] on cash withdrawals.

Person responsible for paying [Section 402(27)]

“Person responsible for paying” means:

	Nature of income/payment	Person responsible for paying tax
(1)	Salary (other than payment of salaries by the Central or State Government)	(i) the employer himself; or (ii) if the employer is a company, the company itself, including the principal officer thereof.
(2)	Interest on securities (other than payments made by or on behalf of the Central or State Government)	the local authority, corporation or company, including the principal officer thereof.
(3)	Any sum payable to a non-resident Indian, representing consideration for the transfer by him of any foreign exchange asset, which is not a short term capital asset	the “Authorised Person” responsible for remitting such sum to the non-resident Indian or for crediting such sum to his Non-resident (External) Account maintained as per the provisions of the Foreign Exchange Management Act, 1999 and any rules made thereunder.

(4)	furnishing of information relating to payment to a non-corporate non-resident, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act	(i) the payer himself; or (ii) if the payer is a company, the company itself including the principal officer thereof.
(5)	Credit/payment of any other sum chargeable under the provisions of the Act	(i) the payer himself; or (ii) if the payer is a company, the company itself including the principal officer thereof.
(6)	Credit/payment of any sum chargeable under the provisions of the Act made by or on behalf of the Central Government or the Government of a State	(i) the drawing and disbursing officer; or (ii) any other person, by whatever name called, responsible for crediting or paying such sum.
(7)	In case of a person not resident in India (irrespective of the nature of payment or income)	(i) the person himself; or (ii) any person authorized by such person; or (iii) the agent of such person in India including any person treated as an agent under section 306.

5. TAX COLLECTION AT SOURCE [SECTION 394]

Every person specified in section 394(1) shall collect tax -

- (a) on the amount of receipts specified in the said Table;
- (b) at the rate specified therein; and
- (c) **at the time of debiting** the amount payable by the buyer, licensee or lessee to the account of such buyer, licensee or lessee, or **at the time of receipt** of such amount from the said buyer, licensee or lessee, whether in cash, by cheque, draft or by any other mode, **whichever is earlier**.

Sale of Certain Goods or Use of Parking Lot, Toll Plaza or Mine or Quarry [Section 394(1) {Table Sl. No. 1 to 5 & 9}]

S. No.	Nature of receipt	Person (Collector)	Rate
1	Sale of alcoholic liquor for human consumption.	Seller	2%
2	Sale of tendu leaves		
3	Sale of timber, whether obtained under a forest lease or otherwise, or any other forest produce (not being timber or tendu leaves) obtained under a forest lease.		
4	Sale of scrap		
5	Sale of minerals, being coal or lignite or iron ore.		
9	Use of parking lot or toll plaza or a mine or a quarry for the purpose of business excluding mining and quarrying of mineral oil (including petroleum and natural gas)	Licensor or Lessor	

Non-applicability of TCS:

No collection of tax shall be made from **Table Sl. No. 1 to 5** in case of a **buyer, who is a resident in India**, if such buyer furnishes a **written declaration** in duplicate in form no. 127, to the person responsible for collecting tax, mentioning that **such goods are to be utilised** -

- (a) for the purpose of **manufacturing**, processing or producing articles or things or for **generating power** and
- (b) **not for trading purposes.**

Seller requires to submit such declaration to tax authorities:

Subsequently, where no collection of tax is to be made as per above provisions, the person responsible for collecting tax will be required to deliver or cause to be delivered, **one copy of the declaration** to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner **on or before the 7th of the month following the month of receipt of that declaration.**

Meaning of Certain Terms:

Term	Meaning
Buyer	A person who obtains in any sale, by way of auction, tender, or any other mode, goods of nature specified in Sl. No. 1 to 5 above or the right to receive any such goods.

	However, the following will not be included in the buyer – (a) a public sector company, (b) the Central or a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation, of a foreign State, (c) a club, or (d) a buyer in the retail sale of such goods purchased by him for personal consumption.
Seller	(i) The Central Government or (ii) a State Government or (iii) any local authority or corporation or authority established by or under a Central, State or Provincial Act or (iv) any company or firm or co-operative society or (v) an individual or a HUF whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business and ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which the goods of the nature specified are sold.
Scrap	Waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons.
Forest produce	It shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.
Licensor or Lessor	Any person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest either in whole or in part in any parking lot or toll plaza or mine or quarry, to another person, other than a public sector company for the use of such parking lot or toll plaza or mine or quarry for the purposes of business.
Licensee or Lessee	Any person, other than a public sector company , who has been granted a lease or a licence or entered into a contract or otherwise received any right or interest either in whole or in part in any parking lot or toll plaza or mine or quarry , from the licensor or lessor for the use of parking lot or toll plaza or mine or quarry for the purposes of business.

Analysis

Section 394(1) [Table SI. No. 1 to 5], cast responsibility on a seller to collect tax at source from sale of certain goods specified thereunder @2% on the entire amount of receipt at the time of debit to the account of the buyer or at the time receipt by any mode, whichever is earlier.

However, **no TCS** is to be collected where buyer who is a resident in India furnishes a written declaration to the seller that such goods will be utilized -

- ♦ for the purposes of manufacturing, processing, or producing articles or things or for generating power and
- ♦ not for trading purposes.

Section 394(1) [Table SI. No. 9], cast responsibility on a licensor or lessor to collect tax at source on receipts **for**

- ♦ **use of parking lot or**
- ♦ **toll plaza or**
- ♦ **a mine or a quarry** excluding mining and quarrying of mineral oil (including petroleum and natural gas)

for the purpose of business @2% on the entire amount of receipt at the time of debit to the account of the licensee or lessee or at the time receipt by any mode, whichever is earlier.

Sale of motor vehicle or other notified goods [Section 394(1) {Table SI. No. 6}]

Sl. No.	Nature of receipt	Person (Collector)	Rate
6	Sale consideration exceeding ₹10 lakh in case of - (a) a motor vehicle ; or (b) any other goods, as may be notified by the Central Government .	Seller	1%

Meaning of certain terms

Term	Meaning
Buyer [Section 402(6) Table No. 3]	A person who obtains in any sale, goods of nature specified in section 394(1) (Table Sl. No. 6). However, the following will not be included in the buyer – (a) the Central or a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation, of a foreign State, (c) a local authority, or (d) a public sector company which is engaged in the business of carrying passengers.
Seller [Section 402(33)]	(i) The Central Government or (ii) a State Government or (iii) any local authority or corporation or authority established by or under a Central, State or Provincial Act or (iv) any company or firm or co-operative society or (v) an individual or a HUF whose total sales, gross receipts or turnover from the business or profession carried on by him exceed ₹ 1 crore in case of business and ₹ 50 lakhs in case of profession during the tax year immediately preceding the tax year in which the goods of the nature specified are sold.

Section 394(1) (Table Sl. No. 6) casts responsibility on every person, being a seller, to collect tax at source @1% from the buyer on receipts of sale consideration exceeding ₹ 10 lakhs in case of motor car or any other notified goods.

Analysis

The tax is required to be collected at source at the time of debit to the account of buyer or at the time of receipt of such amount from the buyer, whichever is earlier.

It may be noted that threshold limit of ₹ 10 lakhs is applicable in respect of each good separately.

List of Notified Goods

The Central Government has, vide notification no. 36/2025 dated 22nd April 2025, notified following goods of the value exceeding ₹ 10 lakh for collection of tax at source:

S. No	Nature of goods
1	Any wrist watch
2	Any art piece such as antiques, painting, sculpture
3	Any collectibles such as coin, stamp
4	Any yacht, rowing boat, canoe, helicopter
5	Any pair of sunglasses
6	Any bag such as handbag, purse
7	Any pair of shoes
8	Any sportswear and equipment such as golf kit, ski-wear
9	Any home theatre system
10	Any horse for horse racing in race clubs and horse for polo

Circular

The CBDT has, vide *Circular No. 22/2016 dated 8.6.2016*, clarified the following issues in "Question & Answer (Q&A)" format.

Q.1 Whether TCS@1% is on sale of motor vehicle at retail level or also on sale of motor vehicles by manufacturers to dealers/ distributors?

A. It covers all transactions of retail sales and **will not apply on sale of motor vehicles by manufacturers to dealers/distributors.**

Q.2 Whether TCS@1% is applicable in the case of sale to Government Departments, Embassies, Consulates and United Nation Institutions, of motor vehicle or any other goods or provision of services?

A. Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission and trade representation of a foreign State shall not be liable to levy of TCS@1% under section 394(1) [Table: Sl. No. 6].

Q.3 Whether TCS is applicable on each sale of motor vehicle or on aggregate value of sale during the year?

- A.** Tax is to be collected at source @1% on sale consideration of a motor vehicle exceeding ₹ 10 lakhs. It is applicable to each sale and not to the aggregate value of sale made during the year.

Q.4 How would the provisions of TCS on sale of motor vehicle be applicable in a case where part of the payment is made in cash and part is made by cheque?

- A.** The provisions of TCS on sale consideration exceeding ₹ 10 lakhs in case of motor car is not dependent on mode of payment. Any sale of motor vehicle exceeding ₹ 10 lakhs would attract TCS@1%.

Remittance under LRS and Sale of overseas tour package
[Section 394(1) {Table Sl. No. 7 & 8}]

Sl. No.	Nature of receipt	Person (Collector)	Rate
7	Remittance under the Liberalised Remittance Scheme (LRS) of an amount or aggregate of the amounts exceeding ₹ 10,00,000	Authorised dealer	 2% for purposes of education or medical treatment  20% for purposes other than education or medical treatment.
As per section 394(4), No collection of tax shall be made by the authorised dealer - (a) on such amount on which tax has been collected by the seller in respect of receipt referred to in 394(1) (Table: Sl. No. 8) i.e., on sale of overseas tour programme package (b) if the amount being remitted out is a loan obtained from any financial institution as defined in section 129(3)(b), for the purpose of pursuing any education.			

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.	Seller	2%
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As per section 394(5), no collection of tax shall be made by the authorised dealer or the seller of "overseas tour programme package", if the buyer is liable to deduct tax at source under any other provisions of the Act and he has deducted such tax.

Meaning of Certain Terms

Term	Meaning
Buyer	For the purpose of 394(1) (Table SI. No. 7) [Section 402(6)(Table SI. No. 4)] A person remitting amount under the Liberalised Remittance Scheme of RBI. However, the following will not be included in the buyer – (a) the Central or a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation, of a foreign State, (b) a local authority, or (c) any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder. For the purpose of 394(1) (Table SI. No. 8) [Section 402(6) (Table SI. No. 5)] A person who purchases overseas tour programme package. However, the following will not be included in the buyer – (a) the Central or a State Government, and an embassy, a high commission, legation, commission, consulate and the trade representation, of a foreign State,⁹ (b) a local authority, or (c) any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder.

Person notified not included as buyer

Accordingly, the Central Government has, vide notification no. 99/2022 dated 17.8.2022, notified that the provisions of SI. No. 7 & 8 would not apply to a

⁹ In section 402(6) (Table SI. No. 4), reference with respect to person not to be included is given to SI. No. 2.D(a) i.e., to a public sector company. However, considering the erstwhile Act, 1961, such reference is to be given to SI. No. 2.D(b) i.e., "to the Central Government...." as stated here.

person (being a buyer) who is a non-resident in India in terms of section 6 and does not have a permanent establishment in India.	
Overseas tour programme package [Section 402(26)]	Overseas tour programme package means any tour package which offers visit to any country or territory outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.
Authorised Dealer [Section 402(4)]	It means a person authorised by the RBI to deal in foreign exchange or foreign security.
Seller [Section 402(33)]	For the purpose of Sl. No. 8, it means a person who sells overseas tour program package.

Section 394(1) (Table Sl. No. 7) cast responsibility on every person, being an authorized dealer, to collect tax at source on remittance under the LRS of an amount exceeding ₹ 10 lakhs at the rate -

Analysis

- ♦ 2% if the amount remitted is for purposes of education or medical treatment and
- ♦ 20% if the amount remitted is for other purposes.

Section 394(1) (Table Sl. No. 8) cast responsibility on every person, being a seller of overseas tour program package, to collect tax at source @2% on sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.

In both the cases, tax has to be collected at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier.

Power of the CBDT to issue guidelines

Section 400(2) empowers the CBDT to issue guidelines, with the previous approval of the Central Government, to remove any difficulty arising in giving effect to the provisions of this Chapter. Such guidelines shall be -

- (a) binding on the income-tax authorities and on the person liable to deduct or collect tax and
- (b) laid before each House or Parliament

In exercise of the power to issue guidelines, the CBDT has, with the approval of Central Government, vide Circular no. 10/2023 dated 30.6.2023, issued the following guidelines for removing certain difficulties-

Question 1: Whether the threshold of ₹ 10 lakhs, for TCS to become applicable on LRS, applies separately for various purposes like education, health treatment and others? For example, if remittance of ₹ 10 lakhs under LRS is made in a tax year for education purpose and other remittances in the same tax year of ₹ 10 lakhs is made for medical treatment and ₹ 10 lakhs for other purposes, whether the exemption limit of ₹ 10 lakhs shall be given to each of the three separately?

Answer: It is clarified that the threshold of ₹ 10 lakhs for LRS is combined threshold for applicability of the TCS on LRS irrespective of the purpose of the remittance. Thus, in the given example, upto ₹ 10 lakhs remittance under LRS during a tax year shall not be liable for TCS. However, subsequent ₹ 20 lakhs remittance under LRS shall be liable for TCS in accordance with the TCS rates applicable for such remittance. TCS rates would be applicable as under:-

Remittances	Rate of TCS
First ₹ 10 lakhs remittance under LRS during the tax year 2026-27 for education purpose (or for that matter any purpose)	No TCS
Remittances beyond ₹ 10 lakhs under LRS during the tax year 2026-27	TCS will be 2% (if it is for education or medical treatment) and 20% (if it is for other purposes)

Question 2: Whether the threshold of ₹ 10 lakhs, for TCS to become applicable on LRS, applies separately for each remittance through different authorised dealers? If not, how will authorised dealer know about the earlier remittances by that remitter through some other authorised dealer?

Answer: It is clarified that the threshold of ₹ 10 lakhs for LRS is qua remitter and not qua authorised dealer.

Since the facility to provide real time update of remittance under LRS by remitter is still under development by the RBI, it is clarified that the details of earlier remittances under LRS by the remitter during the tax year may be taken by the authorised dealer through an undertaking at the time of remittance.

If the authorised dealer correctly collects the tax at source based on information given in this undertaking, he will not be treated as "assessee in default". However, for any false information in the undertaking, appropriate action may be taken against the remitter under the Act.

It is further clarified that same methodology of taking undertaking from the buyer of overseas tour program package may be followed by the seller of such package.

Question 3: A resident individual spends ₹ 3 lakh for purchase of overseas tour program package from a foreign tour operator and remits money which is classified under LRS. There is no other remittance under LRS or purchase of overseas tour program during the tax year. Whether TCS is applicable?

Answer: In case of purchase of overseas tour program package which is classified under LRS, TCS provision for purchase of overseas tour program package shall apply and not TCS provisions for remittance under LRS.

Since for purchase of overseas tour program package, the threshold of ₹ 10 lakhs for applicability of TCS does not apply, TCS is applicable and tax is required to be collected by the seller. In this case the tax shall be required to be collected at 2%. The TCS should be made by the seller.

Question 4: There are different rates for remittance under LRS for medical treatment/education purposes and for other purposes. What is the scope of remittance under LRS for medical treatment/education purposes?

Answer: As per the clarification by the RBI, remittance for the purposes of medical treatment shall include,-

- (i) remittance for purchase of tickets of the person to be treated medically overseas (and his attendant) for commuting between India and the overseas destination;
- (ii) his medical expense; and

- (iii) other day to day expenses required for such purpose.

Education Remittance for purpose of education shall include -

- (i) remittance for purchase of tickets of the person undertaking study overseas for commuting between India and the overseas destination;
- (ii) the tuition and other fees to be paid to educational institute; and
- (iii) other day to day expenses required for undertaking such study.

Question 5: Whether purchase of international travel ticket or hotel accommodation on standalone basis is purchase of overseas tour program package?

Answer: The term 'overseas tour program package' is defined as to mean any tour package which offers visit to a country or territory outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

It is clarified that purchase of only international travel ticket or purchase of only hotel accommodation, by in itself is not covered within the definition of 'overseas tour program package'. To qualify as 'overseas tour program package', the package should include at least two of the followings:

- (i) international travel ticket,
- (ii) hotel accommodation (with or without food)/boarding/lodging,
- (iii) any other expenditure of similar nature or in relation thereto.



6. *Pear Parking Plaza Ltd. has leased out one of its parking spaces to M/s Greater Park & Co., a partnership firm, for ₹ 50,000 per month on 01.05.2026 and received 6 months' lease rent in advance on the same date and rest on monthly basis from November, 2026 to March, 2027. Determine the amount of tax to be collected at source by Pear Parking Plaza Ltd.*

(a)	₹ 12,000
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	(b)	₹ 11,000
	(c)	Nil
	(d)	₹ 1,000
7.	Ravi, an Indian resident, bought an overseas tour package from Kartik, also a resident Indian and a seller of overseas tour programmes, and paid ₹ 7 lakhs as cost. What shall be the amount of tax to be collected at sources from the payment made by Ravi?	
	(a)	₹ 35,000
	(b)	₹ 1,35,000
	(c)	Nil
	(d)	₹ 14,000
8.	Ravi, an Indian resident, remitted ₹ 12 lakhs to USA under Liberalised Remittance Scheme of RBI for the purpose of investment in USA share market via Jones, a resident authorized dealer. What shall be the amount of tax to be collected at sources from the remittances made by Ravi?	
	(a)	₹ 24,000
	(b)	₹ 2,40,000
	(c)	₹ 40,000
	(d)	₹ 4,000



6. CERTIFICATE FOR DEDUCTION OR COLLECTION OF TAX AT A LOWER RATE [SECTION 395]

(1) Certificate for Lower / No Deduction of Tax at source [Section 395(1)]

Where tax is required to be deducted under this Chapter -

- The payee may apply to the Assessing Officer for the deduction of tax at a lower rate or for no deduction.

- If satisfied that the total income justifies such lower or nil deduction, the Assessing Officer may issue an appropriate certificate.
- Upon issuance of such certificate, the payer shall deduct tax in accordance with the certificate till its validity.

(2) Electronic application for certificate of lower or nil deduction of tax

The application for lower or no deduction of tax may also be filed before the prescribed authority, subject to such prescribed conditions, and such authority on electronic verification of the contents of the application, may –

- (a) either issue a certificate for deduction of tax at lower rate or no deduction of tax; or
- (b) reject such application on account of non-fulfilment of the prescribed conditions or on account of the application being incomplete.

(3) Certificate for collection of tax at lower rate

Where tax is required to be collected on any amount –

- (a) the buyer or licensee or lessee may make an application before the Assessing Officer for collection of tax at a lower rate,
- (b) If satisfied that the total income of the buyer or licensee or lessee justifies collection of tax at a lower rate, the Assessing Officer shall issue to him a certificate as may be appropriate and
- (c) when a certificate is issued, the person responsible for collecting tax shall collect it at the rates specified in such certificate till its validity.

(4) Cancellation of certificate

The Assessing Officer may cancel the certificate granted for lower deduction or no deduction of tax or lower collection at source after giving reasonable opportunity to the applicant.

(5) Issue of TDS/ TCS certificate

- (a) Every person deducting or collecting tax at source have to, within such period, as may be prescribed, issue a certificate to the deductee or collectee, as the case may be, specifying -
 - (i) the amount of tax that has been deducted or collected
 - (ii) the rate at which tax has been deducted or collected and
 - (iii) any other particulars as may be prescribed.

- (b) Every person, being an employer referred to in section 392(2)(a) shall, within such period, as may be prescribed, issue a certificate to the employee, in respect of whose income payment of tax has been made by the employer, that the tax has been paid to the Central Government, and specify -
- (i) the amount of tax so paid,
 - (ii) the rate at which the tax has been paid and
 - (iii) such other particulars as may be prescribed.

Prescribed Forms and due dates under section 395(4) [Rule 215]

Section under which tax deducted, paid or collected	Form No.	Due date
Section 392 [Other than 392(7)] and section 393(1) [Table: Sl. No. 8(iii)] TDS on salary and TDS on Total income of a specified senior citizen	130	By 15th June of the financial year immediately following the tax year in which the income was paid and tax deducted.
Section 392(7), section 393(1) [other than Table: Sl. No. (2)(i), (3)(i) and (6)(ii)] and section 393(3) TDS on accumulated balance due to an employee, TDS on other payments to residents except TDS on rent on immovable property by certain individual or HUF, TDS on consideration for transfer of immovable property (other than agricultural land), TDS on payment to contractors, fees for professional services and commission by certain individual or HUF, TDS on payments to any person	131	Within 15 days from the due date for furnishing statement of tax deducted at source under Rule 219.

Section 393(1) [Table: Sl. No. (2)(i), (3)(i) and (6)(ii)] TDS on rent on immovable property by certain individual or HUF, TDS on consideration for transfer of immovable property (other than agricultural land) and TDS on payment to contractors, fees for professional services and commission by certain individual or HUF	132	Within 15 days from the due date for furnishing <i>challan-cum</i> -statement in Form No. 141.
Section 394(1) (TCS)	133	Within 15 days from the due date for furnishing statement of tax collected at source under Rule 219.



7. COMPLIANCE AND REPORTING [SECTION 397]

(1) Allotment and Quoting of Tax Deduction and Collection Account Number (TAN) [Section 397(1)]

- (a) Every person responsible for deducting tax or collecting tax at source shall apply to the Assessing Officer for the allotment of a "tax-deduction and collection-account number (TAN)" within the prescribed time, if such person has not already been allotted such number.
- (b) Where a TAN has been allotted, such person shall quote such number in –
 - all challans,
 - statements,
 - certificates, and
 - such other documents relating to the prescribed transactions in the interest of revenue
- (c) The requirement of obtaining and quoting of TAN shall not apply to
 - a person in respect of a transaction where he is required to deduct tax under section 393(1):
 - Table Sl. No. 2(i) i.e., TDS on rent on immovable property by certain individual or HUF

- Table Sl. No. 3(i) i.e., TDS on consideration for transfer of immovable property (other than agricultural land)
- Table Sl. No. 6(ii) i.e., TDS on payment to contractors, fees for professional services and commission by certain individual or HUF

➤ such person notified by the Central Government in this behalf.

(2) **Mandatory requirement of furnishing Permanent Account Number (PAN) and consequences of non-furnishing PAN**

Every person whose receipts are subject to deduction of tax at source or payment subject to collection of tax shall mandatorily furnish his valid PAN to the person responsible for deducting or collecting tax.

Further, the deductee or collectee shall furnish his valid Permanent Account Number to the deductor or collector, as the case may be, and such PAN shall be indicated in all bills, vouchers, correspondence and other documents other documents exchanged between them.

I. **Consequences of Failure to Furnish PAN**

(A) **Tax shall be deducted** at source at the higher of—

- the rate specified in the relevant provision.
- the rate or rates in force i.e., the rate mentioned in the Finance Act; or
- at the rate 20% {or 5% in case of section 393(1) [Table: Sl. No. 8(ii)] i.e., purchase of goods exceeding ₹ 50 lakhs}

In case of payment of rent by certain individuals or HUF under section 393(1) [Table: Sl. No. 2(i)], deduction at higher rate shall not exceed the rent payable for the last month of the tax year or tenancy.



In case of rental payment for plant and machinery, where the payee does not furnish his PAN to the payer, tax would be deductible @20% instead of @2% prescribed under section 393(1) [Table: Sl. No. 2(ii)].

However, non-furnishing of PAN by the deductee in case of income by way of winnings from lotteries, card games etc., would result in tax being deducted at the existing rate of 30% under section 393(3) [Table: Sl. No. 1].

Therefore, wherever tax is deductible at a rate higher than 20%, this provision would not have any impact.

- (B) the **tax shall be collected at source** at higher of the following rates, not exceeding 20% –
- at twice the rate prescribed in the Act; or
 - at 5%.
- II. Tax would be deductible or collectible at the rates mentioned above if, declaration filed
- under section 393(6) for no deduction of tax at source or
 - under section 394(2) for no collection of tax at source
- becomes invalid on account of non-furnishing of PAN in the declaration.
- III. No certificate under section 395(1) for deduction of tax at lower rate or no deduction of tax or under section 395(3) for collection of tax at lower rate shall be granted by the Assessing Officer unless the applicant furnishes his valid PAN in the application.

(3) Deposit of tax deducted or collected

- (a) Every person responsible for deducting or collecting tax at source should deposit the amount deducted or collected to the credit of the Central Government within the prescribed time.
- (b) Further, an employer paying tax on non-monetary perquisites provided to employees as per section 392(2)(a), should deposit within the prescribed time, the tax to the credit of the Central Government.
- (c) Such persons after paying tax to the credit of the Central Government shall furnish a statement for tax deduction or collection at source in the prescribed form and within prescribed time.
- (d) Rule 218 prescribes the time and mode of payment to Government account of TDS or TCS or tax paid under section 392(2)(a) and Rule 219 provides for submission of quarterly statements by every person responsible for deduction or collection of tax [depicted in the diagram given in page 7.92 for TDS]

However, every person responsible for deduction of tax under section 393(1) [Table: Sl. No. 2(i), [Table: Sl. No. 3(i) and [Tabe: Sl. No. 6(ii)] have to furnish a challan-cum-statement in Form No. 141, within thirty days from the end of the month of deduction of tax.

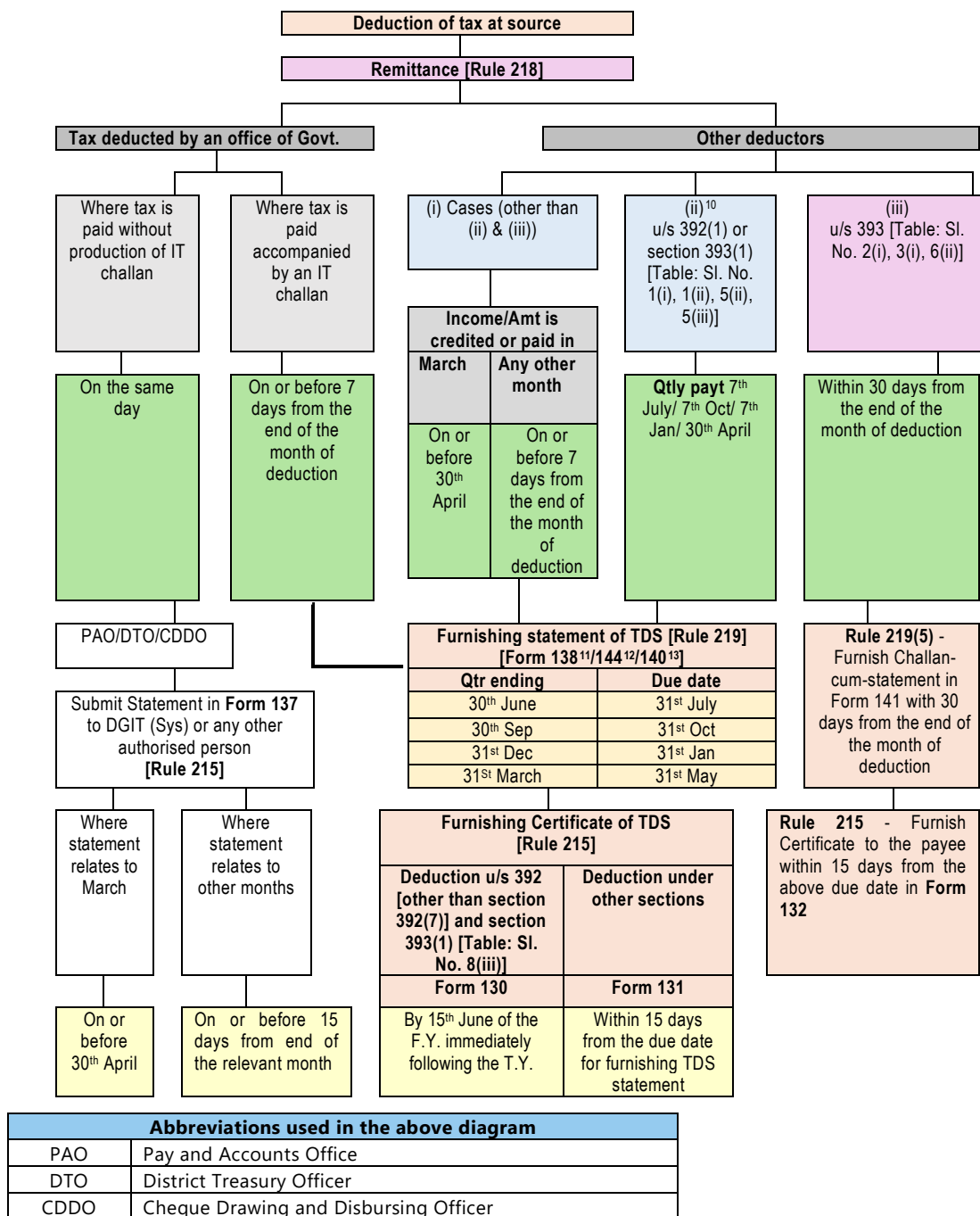
Time limit for paying tax collected to the credit of the Central Government [Rule 218]

	Person collecting sums as per section 394(1)	Circumstance	Period within which such sum should be paid to the credit of the Central Government
(1)	An office of the Government	(i) where the tax is paid without production of an income-tax challan	on the same day
		(ii) where tax is paid accompanied by an income-tax challan	on or before 7 days from the end of the month in which the collection is made
(2)	Collectors other than an office of the Government	(i) Where the income debited or received in the month of March	on or before 30 th April
		(ii) Where the income debited or received in any other month	On or before 7 days from the end of the month in which the collection is made

Submission of quarterly statement by every person responsible for collection of tax [Rule 219]

Every person responsible for collection of tax at source under section 394(1) has to deliver or cause to be delivered to the Director General of Income-tax (Systems) or the person authorized by him, quarterly statement in Form 143 for the quarter of the financial year ending with the date specified in Column 1 of the table below by the due date specified in column (2) –

Qtr ending of the financial year	Due date
30 th June	31 st July
30 th Sep	31 st Oct
31 st Dec	31 st Jan
31 st March	31 st May



Abbreviations used in the above diagram

PAO	Pay and Accounts Office
DTO	District Treasury Officer
CDDO	Cheque Drawing and Disbursing Officer

¹⁰ In special cases, the A.O. may, with the prior approval of the JC, permit quarterly payment of TDS

¹¹ If deduction of tax is under section 392 [other than section 392(7) i.e., accumulated balance of PF] and section 393(1) [Table: Sl. No. 8(iii)] i.e., specified senior citizen

¹² If deduction of tax is u/s 392(7), 393(3), in respect of deductee who is a non-corporate non-resident or a foreign company or RNOR

¹³ If deduction of tax is u/s 392(7), 393(1) [other than [Table: Sl. No. 8(iii)] and 393(3) in respect of all other deductees



8. CONSEQUENCES OF FAILURE TO DEDUCT OR PAY, COLLECT OR PAY [SECTION 398]

(1) Deemed assessee-in-default

If a person including the principal officer of a company -

- (i) who is required to deduct or collect any amount under the Act; or
- (ii) an employer paying tax on non-monetary perquisites under section 392(2)(a).

does not deduct or does not pay or does not collect or does not pay or after deducting or collecting fails to pay, the whole or any part of the tax, as required by or under the Act, then such person shall be deemed to be an assessee-in-default.

(2) Non-applicability of deeming provision

Any person

- (a) including the principal officer of the company, who fails to deduct or
- (b) responsible for collection of tax as per section 394(1) [Table: Sl. No. 1 to 5 and 9], who fails to collect

the whole or any part of the tax on the amount credited or paid to the account of payee or on the amount collected or debited to the account of buyer or licensee or lessee **shall not be deemed to be an assessee-in-default** in respect of such tax if such payee or buyer or licensee or lessee has –

- (i) furnished his return of income under section 263;
- (ii) taken into account such sum for computing income in such return of income; and
- (iii) paid the tax due on the income declared by him in such return of income,

and the person furnishes a certificate to this effect from an accountant in such form as may be prescribed.

(3) Interest Liability

- (i) A person deemed to be an assessee-in-default under section 398(1), for failure to deduct tax or collect tax or to pay the tax after deduction or collection, is liable to pay simple interest

- **@ 1%** for every month or part of month on the amount of such tax from the date on which tax was deductible or collectible to the date on which such tax is actually deducted or collected and
 - **@ 1.5%** for every month or part of month on the amount of such tax from the date on which tax was deducted or collected to the date on which such tax is actually paid [Section 398(3)(a)].
- (ii) Such interest should be paid before furnishing the quarterly statement as per the provisions of section 397(3)(b).
- (iii) Where the person **is not deemed to be an assessee-in-default** under section 398(2), interest under section 398(3)(a)(i) i.e., @1% p.m. or part of month, shall be payable by the person **from the date on which such tax was deductible or collectible to the date of furnishing of return of income** by such payee or buyer or licensee or lessee.
- The date of deduction or collection and payment of taxes shall be deemed to be the date on which return of income has been furnished by the payee or buyer or licensee or lessee.
- (iv) When an order is made by the Assessing Officer for assessee-in-default, the interest shall be paid by the person as per such order.
- (v) Where the tax has not been paid after it is deducted or collected, the amount of the tax together with the amount of simple interest thereon shall be a charge upon all the assets of the person.



9. ADVANCE PAYMENT OF TAX [SECTIONS 403 TO 410]

Liability for payment of advance tax

- (1) Advance tax shall be payable during any financial year in respect of an assessee's current income of a tax year i.e., the total income of the assessee which would be chargeable to tax for such tax year [Section 403].
- (2) Under section 404, obligation to pay advance tax arises where the amount of such tax payable during that year is ₹ 10,000 or more.

Note - An assessee who is liable to pay advance tax of less than ₹ 10,000 will not be saddled with interest under sections 424 and 425 for defaults in payment of advance tax. However, the consequences under section 423 regarding interest for belated filing of return would be attracted.

- (3) In case of senior citizens who have passive sources of income like interest, rent, etc., the requirement of payment of advance tax causes genuine compliance hardship. Therefore, in order to reduce the compliance burden on such senior citizens, exemption from payment of advance tax has been provided to a resident individual -
- (i) who does not have any income chargeable under the head "Profits and gains of business or profession"; and
 - (ii) who is of the age of 60 years or more at any time during the tax year.

Computation of advance tax

- (1) An assessee has to determine the specified sum i.e., estimated current income and pay advance tax thereon. He need not submit any estimate or statement of income to the Assessing Officer, except where he has been served with order by the Assessing Officer.
- (2) Where an obligation to pay advance tax has arisen, the assessee shall himself compute the advance tax payable and deposit the same, whether or not he has been previously assessed to tax.
- (3) The amount of advance tax payable by an assessee in the financial year shall be computed as under –

$$A = B - C$$

A = Amount of advance tax payable in a financial year

B = income-tax on the specified sum calculated at the rates in force in the financial year

C = amount of tax deductible or collectible at source during the said financial year from any income subject to the following

- (a) such income has been taken into account in computing the specified sum and
- (b) the person responsible for deducting tax has paid or credited such income after deduction of tax; or

the person responsible for collecting tax has received or debited such income after collection of tax.

(4) **For this purpose, specified sum would be**

- (i) where the assessee himself based on his estimation of current income pays the advance tax – **Current income as estimated by the assessee**
- (ii) where the Assessing Officer pass an order
 - the total income of the latest tax year in respect of which the assessee has been assessed by way of regular assessment or
 - the total income returned by the assessee in any return of income furnished by him for any subsequent tax year.

It may be noted that the net agricultural income has also to be considered for the purpose of computing advance tax.

Instalments of advance tax and due dates [Section 408]

(1) **Advance tax payment schedule for both corporates and non-corporates [Other than assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]]:**

Due date of instalment	Amount payable
On or before 15th June	Not less than 15% of advance tax
On or before 15th September	Not less than 45% of advance tax, as reduced by the amount, if any, paid in the earlier instalment.
On or before 15th December	Not less than 75% of advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
On or before 15th March	The whole amount of advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

Note - Any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during the financial year ending on 31st March.

(2) Advance tax payment by assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]

An assessee, who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3], shall be required to pay the whole amount of advance on the current income during each financial year, on or before 15th March.

However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during the financial year ending on 31st March.

- (3) If the last day for payment of any instalment of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the interest leviable under sections 424 and 425 would not be charged.

Assessee in default

A person shall be deemed to be an assessee in default, if such person, in respect of such instalment or instalments, –

- (a) does not pay on the date specified in section 408, any instalment of the advance tax that he is required to pay by an order of the Assessing Officer under section 407(1) and (4); or
- (b) does not send to the Assessing Officer an intimation under section 407(8) on or before the date on which any such instalment as is not paid becomes due; or
- (c) does not pay on the basis of his estimate of his current income, the advance tax payable by him under section 407(9).

Credit for advance tax

Any sum, other than interest or penalty, paid by or recovered from an assessee as advance tax, is treated as a payment of tax in respect of the income of the tax year in which it was payable, and credit thereof shall be given to such assessee in the regular assessment.

**Interest for non-payment or short payment
of advance tax**

- (1) Interest under section 424 is attracted for non-payment of advance tax or payment of advance tax of an amount less than 90% of the assessed tax.
- (2) The interest liability would be simple interest @1% for every month or part of a month from 1st April following the tax year upto the date of determination of total income under section 270(1) and where a regular assessment is made, upto the date of completion of such regular assessment.
- (3) Such interest is calculated on the amount of assessed tax, if assessee failed pay advance tax or on difference between the assessed tax and the advance tax paid, if such advance tax is less than 90% of assessed tax.
- (4) **Assessed tax** means the tax on the total income determined under section 270(1) and where a regular assessment is made, the tax on the total income determined under such regular assessment, as reduced by the amount of -
 - tax deducted or collected at source on any income which is subject to such deduction or collection and which is taken into account in computing such total income;
 - any relief of tax allowed under section 157; and
 - any tax credit allowed to be set off as per section 206(2)(e) to (h), in case the assessee exercises the option of shifting out of the default tax regime.
- (5) However, where self-assessment tax is paid by the assessee under section 266 or otherwise, interest shall be calculated upto the date of payment of such tax and reduced by the interest, if any, paid under section 266 towards the interest chargeable under this section. Thereafter, interest shall be calculated at 1% on the amount by which the tax so paid together with the advance tax paid falls short of the assessed tax.

Interest payable for deferment of advance tax

- (1) **Manner of computation of interest under section 425 for deferment of advance tax by corporate and non-corporate assessees:**

In case an assessee, other than **an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]**, who is liable to pay advance tax

under section 404 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) is less than the advance tax due on returned income as specified in column (2), then assessee shall be liable to pay interest on the amount of shortfall of advance tax as per column (3) at the rate of interest specified in column (4).

Specified date	Advance tax due on returned income	Shortfall in advance tax	Interest payable on shortfall
(1)	(2)	(3)	(4)
15 th June	15% of the tax due on returned income	15% of tax due on returned income (-) advance tax paid up to 15 th June	3%
15 th September	45% of the tax due on returned income	45% of tax due on returned income (-) advance tax paid up to 15 th September	3%
15 th December	75% of the tax due on returned income	75% of tax due on returned income (-) advance tax paid up to 15 th December	3%
15 th March	100% of the tax due on returned income	100% of tax due on returned income (-) advance tax paid up to 15 th March	1%

Note – However, if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September, is 12% or more or 36% or more of the tax due on the returned income, respectively, then, the assessee shall not be liable to pay any interest on the amount of the shortfall on those dates.

(2) Computation of interest under section 425 in case of an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]:

In case an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3], who is liable to pay advance tax under section 404 has failed to pay such tax or the advance tax paid by the assessee on its current income on or before 15th March is less than the tax due on the returned income,

then, the assessee shall be liable to pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.

(3) Non-applicability of interest under section 425 in certain cases:

Interest under section 425 shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimation of or failure to estimate –

- (i) capital gains;
- (ii) income as per section 2(29)(n) i.e., winnings from lotteries, crossword puzzles etc.;
- (iii) income under the head “Profits and gains of business or profession” accruing or arising for the first time.
- (iv) dividend income other than deemed dividend referred u/s 2(40)(e).

However, the assessee should have paid in full, the tax payable on the said income had such income been part of the total income, in any of remaining instalments of advance tax, if any, or by 31st March of the tax year.

(4) Meaning of tax due on the returned income

Tax due on the returned income means the tax chargeable on the total income declared in the return of income furnished by the assessee for the tax year in which the advance tax is paid or payable *less*

- tax deducted or collected at source on any income which is subject to such deduction or collection and which is taken into account in computing such total income;
- any relief of tax allowed under section 157; and
- any tax credit allowed to be set off as per section 206(2)(e) to (h), in case the assessee exercises the option of shifting out of the default tax regime.



9.	Mrs. Kavita, resident aged 68 years, has income only from pension and bank interest. Her estimated tax liability for T.Y. 2026-27 is ₹ 1,25,000. Whether she is liable to pay advance tax?
(a)	Yes, since estimated tax liability exceeds ₹ 50,000
(b)	No, senior citizen not having business or professional income is exempt from advance tax
(c)	Yes, since estimated tax liability exceeds ₹ 10,000
(d)	No, because pension income is exempt
10.	A company estimated its tax liability for T.Y. 2026-27 at ₹ 8 lakhs. What minimum amount should be paid by 15th December 2026 to avoid interest under section 425?
(a)	₹ 1,20,000
(b)	₹ 3,60,000
(c)	₹ 6,00,000
(d)	₹ 8,00,000

LET US RECAPITULATE					
I. Tax deduction at source					
S. No.	Nature of income or sum	Threshold Limit for deduction of tax at source	Payer	Rate of TDS	Time of deduction
On payment to individual employee [Section 392(1) & (7)]					
-	Salary	Basic exemption limit This is taken care of in computation of the average rate of income-tax.	Any person responsible for paying any income chargeable under the head "Salaries"	Average rate of income-tax	At the time of payment.
-	Premature withdrawal from Employees' Provident Fund	Aggregate payment $\geq$ ₹ 50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	10% on premature taxable withdrawal	At the time of payment.
On payment to any resident [Section 393(1)]					
1(i)	Any income by way of remuneration or reward for soliciting or procuring insurance business i.e., Insurance Commission	Amount or aggregate of amounts > ₹ 20,000 in a T.Y.	Any person	Rate in force i.e., 2% in case of resident other than a domestic company and 10% in case of a domestic company	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

1(ii)	Any income by way of commission or brokerage	Amount or aggregate of amounts > ₹ 20,000 in a T.Y.	Specified person i.e., - Any person other than an Individual or HUF - An individual or HUF whose total sales, gross receipts or turnover from business or profession carried on by him exceeds ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the relevant tax year	2%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
2(i)	Any income by way of rent	> ₹ 50,000 for a month or part of a month	Person other than specified person i.e., Individual/ HUF not carrying on business or profession or whose total sales, gross receipts or turnover from business or profession carried on by him does not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the relevant tax year.	2%	At the time of credit of rent to the account of the payee or at the time of payment, whichever is earlier, for the last month of the tax year or the last month of tenancy.

2(ii)	Any income by way of rent	> ₹ 50,000 per month or part of a month	Specified person i.e., - Any person other than an Individual or HUF - An individual or HUF whose total sales, gross receipts or turnover from business or profession carried on by him exceeds ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the relevant tax year	2% - For use of any P & M or equipment 10% - For use of land or building, land appurtenant to a building, furniture or fittings	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
3(i)	Consideration for transfer of any immovable property other than rural agricultural land	Consideration for transfer or stamp duty value $\geq$ ₹ 50 lakh	Any person, being a transferee (other than a person who is required to deduct tax under Sl. No. 3(iii))	1% of consideration for transfer or to the account of stamp duty value, whichever is higher	At the time of credit of such sum to the transferor or at the time of payment, whichever is earlier.
3(iii)	Any sum in the nature of compensation or enhanced compensation or consideration or	Amount or aggregate of amounts > ₹ 5,00,000 in a T.Y.	Any person	10%	

enhanced consideration on compulsory acquisition of immovable property other than agricultural land situated in India					
4(i)	Any income in respect of units of a mutual fund/Administrator of the specified undertaking/ specified company other than in the nature of capital gains	Amount or aggregate of amounts > ₹ 10,000 in a T.Y.	Any person	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
5(i)	Any income by way of interest on securities	Amount or aggregate of amounts > ₹ 10,000 in a T.Y.	Any person	Rates in force i.e., 10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

5(ii)	Any income by way of interest other than interest on securities	Amount or aggregate of amounts - > ₹ 1,00,000 in a T.Y. in case of a senior citizen or - > ₹ 50,000 in any other case	(i) a banking company; (ii) a co-operative society carrying on the business of banking; or (iii) a post office for any deposit under a notified Scheme	Rates in force i.e., 10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
5(iii)	Any income by way of interest other than interest on securities	Amount or aggregate of amounts > ₹ 10,000 in a T.Y.	Specified person other than person specified in Sl. No. 5(ii)	Rates in force i.e., 10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.
6(i)	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract (including sub-contract) between the	Single sum credited or paid > ₹ 30,000 (or) aggregate of sums credited or paid to a contractor during the T.Y. > ₹ 1,00,000	Any designated person	- 1% if the contractor is an Individual or HUF - 2%, if the contractor is any other person	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier.

contractor and a designated person	No tax deducted at source where sum is credited or paid exclusively for personal purposes of an Individual/HUF			
6(ii)	Any sum - for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract - by way of fees for professional services - by way of commission or brokerage	Amount or aggregate of amounts > ₹ 50,00,000 in a T.Y.	Individual or HUF other than those who are required to deduct tax at source under Sl. No. 6(i) and 6(iii) or Sl. No. 1(ii)	2% At the time of credit of such sum or at the time of payment, whichever is earlier.
6(iii)	Any sum by way of fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration	Amount or aggregate of amounts > ₹ 50,000 in a tax year, for each category of income. (However, this limit does not apply in case of payment made to director of a company).	Specified person i.e., - Any person other than an Individual or HUF - An individual or HUF whose total sales, gross receipts or turnover from business or profession carried on by him exceeds ₹ 1 crore in case of business	2% - Payee engaged only in the business of the operation of call centre - In case of technical services or

		No tax would be deducted at source where fees for technical or professional services is credited or paid exclusively for personal purposes of an Individual/HUF	or ₹ 50 lakhs in case of profession during the tax year immediately preceding the relevant tax year	royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films 10% - Other payments	Before making any payment or distribution of dividend.
7	Any dividend (including dividends on preference shares) declared	Amount or aggregate of amounts > ₹ 10,000 in a F.Y., in case of dividend paid or distributed to an individual shareholder by any mode other than cash > No threshold in other cases	Any domestic company	10%	
8(i)	Any sum under a Life Insurance Policy sum allocated as bonus other than exempt under Schedule II (Table: Sl. No. 2)	Amount or aggregate of amounts > ₹ 1,00,000 in a T.Y.	Any person	2% on income comprised therein.	

8(ii)	Any sum exceeding ₹ 50 lakhs for purchase of goods	> ₹ 50 lakhs in a tax year	Buyer Buyer means a person whose total sales, gross receipts or turnover from business carried on by him exceeds ₹ 10 crores during the TY immediately preceding the TY in which the purchase of goods is carried out.	0.1% of sum exceeding ₹ 50 lakhs	At the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier.
8(iii)	Total income of a specified senior citizen after giving effect to the deduction allowable under Chapter VIII and rebate u/s 156	Basic exemption limit [₹ 4,00,000 (in case specified senior citizen pays tax under default tax regime u/s 202(1)), ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if specified senior citizen has exercised the option of shifting out of the default tax regime]	Notified specified bank	Rates in force, where the individual has exercised the option of shifting out of the default tax regime. Rates specified in section 202(1), where the individual pays tax under the default tax regime.	

	- who is having pension income and no other income except interest income received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and - has furnished a declaration to the specified bank.				
8(iv)	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a	Value or aggregate values of benefit or perquisite > ₹ 20,000 in a T.Y.	Specified person i.e., - Any person other than an Individual or HUF - An individual or HUF whose total sales, gross receipts or turnover from business or profession	10% of value or aggregate of values of such benefit or perquisite	

	profession of any resident. The provisions would apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind.		carried on by him exceeds ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the relevant tax year		
TDS on payments made to any person [Section 393(3)]					
1	Any income by way of winnings from any lottery, crossword puzzle or card game or other game of any sort or from gambling or betting of any form or nature	Amount in respect of single transaction > ₹ 10,000.	Any person	Rates in force i.e., 30%	At the time of payment
2	Any income by way of winnings from online games	On the net winnings in a person's user account as computed in prescribed manner.	Any person	Rates in force i.e., 30%	At the end of the T.Y. In case there is withdrawal from user account during the T.Y., tax would be deducted

					at the time of such withdrawal on net winnings comprised in such withdrawal. In addition, tax would also be deducted on the remaining amount of net winnings in the user account as computed in prescribed manner at the end of the T.Y.
				Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course	Rates in force i.e., 30%
				Any person	2%
				Amount in respect of single transaction > ₹ 10,000.	
				Amount or aggregate of amounts > ₹ 20,000 in a T.Y.	
3	Any income by way of winnings from horse race				At the time of payment
4	Any income by way of commission on sale of lottery tickets to a person who is or has been stocking, distributing,				At the time of credit of such income to the account of the payee or at the time of payment,

	purchasing or selling lottery tickets				whichever is earlier.
5	Any sum paid in cash from one or more accounts maintained by any person	> ₹ 3 crore if the recipient is a co-operative society > ₹ 1 crore in case of others	- a banking company - a co-operative society engaged in carrying on the business of banking or - a post office	@2%	At the time of payment of such sum
7	Any sum in the nature of salary, remuneration, commission, bonus or interest paid to a partner of the firm or credited to his account	Sum or aggregate of such sums > ₹ 20,000 during the T.Y.	Any person, being a firm	10%	

II. Tax collection at source [Section 394]				
S. No.	Nature of receipt	Person	Rate of TCS	Time of collection
1	Sale of alcoholic liquor for human consumption	Seller	2%	
2.	Sale of tendu leaves			
3.	Sale of timber whether obtained under a forest lease or otherwise; or any other forest produce (not being timber or tendu leaves) obtained under a forest lease			
4.	Sale of scrap			

5.	Sale of minerals, being coal or lignite or iron ore	Seller	2%	At the time of debiting the amount payable by the buyer or licensee or lessee, as the case may be, or at the time of receipt, whichever is earlier.
9.	Use of parking lot or toll plaza or a mine or a quarry for the purpose of business excluding mining and quarrying of mineral oil (including petroleum and natural gas)	Licensor or lessor		
However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a written declaration in duplicate mentioning that goods listed at Sl. No. 1 to 5, are to be utilised for the purpose of manufacturing, processing or producing articles or things or for generating power and not for trading purposes.				
6.	Sale consideration exceeding ₹ 10 lakhs in case of motor car or any other notified goods	Seller	1%	At the time of debiting the amount payable by the buyer or at the time of receipt, whichever is earlier.
7.	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of amounts exceeding ₹ 10 lakhs	Authorized dealer	2% if the amount remitted is for purposes of education or medical treatment and 20% if the amount remitted is for other purposes	
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	Seller	2%	

Notes –

- (1) Section 397(2) requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, -
 - (i) the rate prescribed in the Act; or
 - (ii) at the rate or rates in force; or
 - (iii) at the rate of 5% in case tax is required to be deducted at source u/s 393(1) [Table: Sl. No. 8(ii)] or 20% in any other case.
- (2) In case of non-furnishing of PAN by the collectee to the collector, tax is required to be collected at the higher of the following rates, not exceeding 20% –
 - (i) twice the rate prescribed in the Act; or
 - (ii) at 5%

The provisions do **not** apply to a non-resident who does not have a permanent establishment in India.

III Advance Payment of Tax	
Liability for payment of advance tax [Sections 403 & 404]	
Advance tax shall be payable during any financial year in respect of an assessee's current income of a tax year i.e., the total income of the assessee which would be chargeable to tax for such tax year. Obligation to pay advance tax arises where the amount of such tax payable during that year is ₹ 10,000 or more. However, an individual resident in India of the age of 60 years or more at any time during the tax year, who does not have any income chargeable under the head "Profits and gains of business or profession" (PGBP), is not liable to pay advance tax.	
Instalments of advance tax and due dates [Section 408]	
Advance tax payment schedule for both corporates and non-corporates [Other than assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]] – Four instalments	
Due date of instalment	Amount payable
On or before 15 th June	Not less than 15% of advance tax liability.

On or before 15 th September	Not less than 45% of advance tax liability (-) amount paid in earlier instalment.
On or before 15 th December	Not less than 75% of advance tax liability (-) amount paid in earlier instalment or instalments.
On or before 15 th March	The whole amount of advance tax liability (-) amount paid in earlier instalment or instalments.

Advance tax payment by assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]

An assessee, who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3], shall be required to pay the whole amount of advance on the current income during each financial year, on or before 15th March.

However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during the financial year ending on 31st March.

Interest for defaults in payment of advance tax [Section 424]

(1)	Interest under section 424 is attracted for non-payment of advance tax or payment of advance tax of an amount less than 90% of the assessed tax.
(2)	The interest liability would be simple interest @1% for every month or part of a month from 1 st April following the tax year upto the date of determination of total income under section 270(1) and where a regular assessment is made, upto the date of completion of such regular assessment.
(3)	Such interest is calculated on the amount of assessed tax, if assessee failed pay advance tax or on difference between the assessed tax and the advance tax paid, if such advance tax is less than 90% of assessed tax.
(4)	"Assessed tax" means the tax on the total income determined u/s 270(1) less TDS & TCS, any relief of tax allowed u/s 157, any tax credit allowed to be set off as per section 206(2)(e) to (h), in case the assessee exercises the option of shifting out of the default tax regime. Tax on the total income determined under section 270(1) shall not include the additional income-tax, if any, payable u/s 267.
(5)	Where self-assessment tax is paid by the assessee u/s 266 or otherwise, interest shall be calculated upto the date of payment of such tax and reduced by the interest, if any, paid u/s 266 towards the interest chargeable under this section. Thereafter, interest shall be calculated at 1% on the amount by which the tax so paid together with the advance tax paid falls short of the assessed tax.

Interest for deferment of advance tax [Section 425]**(1) Manner of computation of interest under section 425 for deferment of advance tax by corporate and non-corporate assessees:**

In case an assessee, other than **an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]**, who is liable to pay advance tax under section 404 has failed to pay such tax or the advance tax paid by such assessee on its current income on or before the dates specified in column (1) is less than the advance tax due on returned income as specified in column (2), then assessee shall be liable to pay interest on the amount of shortfall of advance tax as per column (3) at the rate of interest specified in column (4).

Specified date	Advance tax due on returned income	Shortfall in advance tax	Interest payable on shortfall
(1)	(2)	(3)	(4)
15 th June	15% of the tax due on returned income	15% of tax due on returned income (-) advance tax paid up to 15 th June	3%
15 th September	45% of the tax due on returned income	45% of tax due on returned income (-) advance tax paid up to 15 th September	3%
15 th December	75% of the tax due on returned income	75% of tax due on returned income (-) advance tax paid up to 15 th December	3%
15 th March	100% of the tax due on returned income	100% of tax due on returned income (-) advance tax paid up to 15 th March	1%

Note – However, if the advance tax paid by the assessee on the current income, on or before 15th June or 15th September, is 12% or more or 36% or more of the tax due on the returned income, respectively, then, the

	assessee shall not be liable to pay any interest on the amount of the shortfall on those dates. Tax due on returned income = Tax chargeable on total income declared in the return of income – TDS – TCS - any relief of tax allowed u/s 157 - any tax credit allowed to be set off as per section 206(2)(e) to (h), in case the assessee exercises the option of shifting out of the default tax regime.
(2)	<u>Computation of interest under section 425 in case of an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3]:</u> In case an assessee who declares profits and gains as per section 58(2) [Table: Sl. No. 1 or 3], who is liable to pay advance tax under section 404 has failed to pay such tax or the advance tax paid by the assessee on its current income on or before 15th March is less than the tax due on the returned income, then, the assessee shall be liable to pay simple interest at the rate of 1% on the amount of the shortfall from the tax due on the returned income.
(3)	<u>Non-applicability of interest under section 425 in certain cases:</u> Interest under section 425 shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimation of or failure to estimate – (i) capital gains; (ii) income as per section 2(29)(n) i.e., winnings from lotteries, crossword puzzles etc.; (iii) income under the head “Profits and gains of business or profession” accruing or arising for the first time. (iv) dividend income other than deemed dividend referred u/s 2(40)(e). However, the assessee should have paid in full, the tax payable on the said income had such income been part of the total income, in any of remaining instalments of advance tax, if any, or by 31st March of the tax year.



TEST YOUR KNOWLEDGE

1. Ashwin doing manufacture and wholesale trade furnishes you the following information:

Total turnover for the tax year -

Particulars	₹
2025-26	1,05,00,000
2026-27	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the tax year 2026-27:

Particulars	₹
Interest paid to UCO Bank on 15.8.2026	41,000
Contract payment to Raj (2 contracts of ₹ 12,000 each) on 12.12.2026	24,000
Shop rent paid	₹ 40,000 per month
Commission paid to Balu on 15.3.2027	7,000

2. Compute the amount of tax deduction at source on the following payments made by M/s S Ltd. during the tax year 2026-27 as per the provisions of the Income-tax Act, 2025.

S. No.	Date	Nature of Payment
(i)	1-10-2026	Payment of ₹ 2,00,000 to Mr. R, a transporter who owns 8 goods carriages throughout the tax year and furnishes a declaration to this effect alongwith his PAN.
(ii)	1-11-2026	Payment of fee for technical services of ₹ 25,000 and Royalty of ₹ 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2026	Payment of ₹ 25,000 to M/s X Ltd. for repair of building.

(iv)	01-01-2027	Payment of ₹ 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd or its associates.
(v)	01-01-2027	Payment of ₹ 2,30,000 made to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2027	Payment of commission of ₹ 14,000 to Mr. Y.

3. Examine the applicability of TDS provisions and TDS amount in the following cases:
 - (a) Rent of ₹ 55,000 per month was paid for hire of machinery by B Ltd. to Mr. Raman in T.Y. 2026-27.
 - (b) Fee paid on 1.12.2026 to Dr. Srivatsan by Sundar (HUF) ₹ 55,000 for surgery performed on a member of the family.
 - (c) ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 01-01-2027.
4. Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the T.Y. 2026-27:
 - (1) Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31.3.2027.
 - (2) Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.
 - (3) ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2027 by the State of Uttar Pradesh on compulsory acquisition of his urban land.
5. Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.
6. Examine the applicability of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 2025 for the T.Y 2026-27 in the following situations
 - (i) Mr. Raja paid ₹ 12 lakhs on 1.11.2026 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of

November. Mr. Raja also remitted ₹ 13 lakhs on 28.3.2027, out of his personal savings, under LRS through Bank of India, as gift to his sister residing in London, on the occasion of her 50th birthday.

- (ii) Mr. Rohit and Mr. Raj are the joint owners of a house property. They sold the house property on 31.12.2026 for ₹60 lakhs, receiving ₹30 lakhs each as their respective shares. However, the stamp duty value (SDV) of the property on the date of transfer is ₹ 75 lakhs. The property was jointly purchased by Ms. Shashi and Ms. Sujata.
- (iii) XYZ Ltd. provided a luxury car worth ₹ 15 lakhs to its distributor, Mr. A, as an incentive for achieving high sales targets.
7. Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the tax year 2026-27.

Estimated tax liability for the tax year 2026-27	₹ 80,000
Tax deducted at source for this year	₹ 12,000

ANSWERS

1. As the turnover of business carried on by Ashwin for T.Y. 2025-26, has exceeded ₹ 1 crore, he is a specified person and he has to comply with the tax deduction provisions during the tax year 2026-27, subject to the exemptions provided for under the relevant sections for applicability of TDS provisions.

Interest paid to UCO Bank

TDS under section 393(1) [Table: Sl. No. 5(iii)] is not attracted in respect of interest paid to a banking company by virtue of section 393(4) [Table: Sl. No. 7].

Contract payment of ₹ 24,000 to Raj for 2 contracts of ₹ 12,000 each

TDS provisions under section 393(1) [Table: Sl. No. 6(i)] would not be attracted if the amount paid to a contractor does not exceed ₹ 30,000 in a single payment or ₹ 1,00,000 in the aggregate during the tax year. Therefore, TDS provisions under section 393(1) [Table: Sl. No. 6(i)] are not attracted in this case.

Shop Rent paid ₹ 40,000 per month – Tax under section 393(1) [Table: Sl. No. 2(ii)] would not be attracted since the rental payment does not exceed ₹ 50,000 per month or part of the month.

Commission paid to Balu – No, tax has to be deducted under section 393(1) [Table: Sl. No. 1(ii)] in this case as the commission does not exceed ₹ 20,000.

2. (i) No tax is required to be deducted at source under section 393(1) [Table: Sl. No. 6(i)] by M/s S Ltd. on payment to transporter Mr. R, since he satisfies the following conditions:
 - (1) He owns ten or less goods carriages at any time during the tax year.
 - (2) He is engaged in the business of plying, hiring or leasing goods carriages;
 - (3) He has furnished a declaration to this effect along with his PAN.
- (ii) As per section 393(1) [Table: Sl. No. 6(iii)], liability to deduct tax is attracted only in case the payment made as fees for technical services and royalty, individually, exceeds ₹ 50,000 during the tax year. In the given case, since the individual payments for fee of technical services i.e., ₹ 25,000 and royalty ₹ 20,000 is less than ₹ 50,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for technical services and royalty were made during the year to Mr. Shyam.
- (iii) Provisions of section 393(1) [Table: Sl. No. 6(i)] are not attracted in this case, since the payment for repair of building on 30.06.2026 to M/s X Ltd. is less than the threshold limit of ₹ 30,000.
- (iv) According to section 402(47), the definition of “work” does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer or associate of such customer.

Therefore, there is no liability to deduct tax at source in respect of payment of ₹ 2,00,000 to Mr. A, since the contract is a contract for ‘sale’.

- (v) As per section 393(1) [Table: Sl. No. 3(iii)], any person responsible for payment to a resident, any sum in the nature of compensation or

consideration on account of compulsory acquisition under any law, of any immovable property, is responsible for deduction of tax at source if such payment or the aggregate amount of such payments to the resident during the tax year exceeds ₹ 5,00,000.

In the given case, no liability to deduct tax at source is attracted as the payment made does not exceed ₹ 5,00,000.

- (vi) As per section 393(1) [Table: Sl. No. 1(ii)], tax is deductible at source if the amount of commission or brokerage or the aggregate of the amounts of commission or brokerage credited or paid during the tax year exceeds ₹ 20,000.

Since the commission payment made to Mr. Y does not exceed ₹ 20,000, the provisions of section 393(1) [Table: Sl. No. 1(ii)] are not attracted.

3. (a) Since the rent paid for hire of machinery by B Ltd. to Mr. Raman exceeds ₹ 50,000 per month or part of the month, the provisions of section 393(1) [Table: Sl. No. 2(ii)] for deduction of tax at source are attracted.

The rate applicable for deduction of tax at source under section 393(1) [Table: Sl. No. 2(ii)] on rent paid for hire of plant and machinery is 2%, assuming that Mr. Raman had furnished his permanent account number to B Ltd.

Therefore, the amount of tax to be deducted at source:

$$= ₹ 6,60,000 \times 2\% = ₹ 13,200.$$

Note: In case Mr. Raman does not furnish his permanent account number to B Ltd., tax shall be deducted @ 20% on ₹ 6,60,000, by virtue of provisions of section 397(2).

- (b) As per the provisions of section 393(1) [Table: Sl. No. 6(iii)], a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the tax year immediately preceding the current tax year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 393(1) [Table: Sl. No. 6(ii)], provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 393(1) [Table: Sl. No. 6(iii)]) in respect of fees for professional

service if such sum or aggregate of such sum exceeds ₹ 50 lakhs during the tax year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2026 for a personal purpose, therefore, section 393(1) [Table: Sl. No. 6(iii)] is not attracted. Section 393(1) [Table: Sl. No. 6(ii)] would have been attracted if the payment or aggregate of payments exceeded ₹ 50 lakhs in the T.Y.2026-27. However, since the payment does not exceed ₹ 50 lakh in this case, there is no liability to deduct tax at source under section 393(1) [Table: Sl. No. 6(ii)] also.

- (c) Section 393(1) [Table: Sl. No. 6(iii)] provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 392. The threshold limit of ₹ 50,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 393(1) [Table: Sl. No. 6(iii)] is, however, not applicable in respect of sum paid to a director.

Therefore, tax@10% has to be deducted at source under section 393(1) [Table: Sl. No. 6(iii)] in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.

Therefore, the amount of tax to be deducted at source:

$$= ₹ 19,000 \times 10\% = ₹ 1,900$$

4. (1) Provisions of tax deduction at source under section 393(1) [Table: Sl. No. 6(i)] are attracted in respect of payment by a company to a sub-contractor. Under section 393(1) [Table: Sl. No. 6(i)], tax is deductible at the time of credit or payment, whichever is earlier @1% in case the payment is made to an individual.

Since the aggregate amount credited or paid during the year is ₹ 4,20,000, tax is deductible @1% on ₹ 4,20,000.

$$\text{Tax to be deducted} = ₹ 4,20,000 \times 1\% = ₹ 4,200$$

- (2) Under section 393(3) [Table: Sl. No. 3], tax is to be deducted at source, if the winnings from horse races exceed ₹ 10,000 in respect of a single transaction. The rate of deduction of tax at source is 30%.

$$\text{Hence, tax to be deducted} = ₹ 1,50,000 \times 30\% = ₹ 45,000.$$

- (3) As per section 393(1) [Table: Sl. No. 3(iii)], any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the tax year exceeds ₹ 5,00,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 5,00,000.

5. Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles, etc.

Since it is not possible for the assessee to estimate his capital gains, or income from lotteries etc., it has been provided that if any such income arises after the due date for any instalment, then, the entire amount of the tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining instalments of advance tax, which are due.

Where no such instalment is due, the entire tax should be paid by 31st March of the relevant tax year.

No interest liability on late payment would arise if the entire tax liability is so paid as per section 425(4).

Note: In case of casual income, the entire tax liability is fully deductible at source @30% under section 393(3) [Table: Sl. No. 1, 2 and 3]. Therefore, advance tax liability would arise only if the surcharge, if any, and health and education cess@4% in respect thereof, along with tax liability in respect of other income, if any, is ₹ 10,000 or more.

6. (i) M/s. Thomas Cook, being a seller of an overseas tour programme package has to collect tax at source @2% on ₹ 12 lakhs under section 394(1) [Table: Sl. No. 8] from Mr. Raja on sale of overseas tour programme package.

M/s Thomas Cook has to collect tax of ₹ 24,000 (2% of ₹ 12 lakhs).

Bank of India, being an authorized dealer has to collect tax at source under section 394(1) [Table: Sl. No. 7] @20% on amount exceeding ₹ 10 lakhs remitted under the LRS since the remittance of ₹ 13 lakhs is not for the purpose of education and medical treatment.

Bank of India has to collect tax of ₹ 60,000 i.e., 20% of ₹ 3 lakhs, being the amount remitted exceeding ₹ 10 lakhs.

- (ii) As per section 393(1) [Table: Sl. No. 3(i)], if a person (transferor) transfers any immovable property whose consideration for transfer or stamp duty value is or greater than ₹ 50 lakh to a person (transferee), then transferee is required to deduct tax at source @1% of consideration for transfer or stamp duty value, whichever is higher.

In case there are multiple transferee or transferor in respect of any immovable property, consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

Accordingly, in the present case, Ms. Shashi and Ms. Sujata are required to deduct tax at source @1% on ₹ 75 lakhs, being the amount higher of consideration of ₹ 60 lakhs and stamp duty value of ₹ 75 lakhs.

- (iii) As per section 393(1) [Table: Sl. No. 8(iv)], if any specified person (being, a company in the present case) provides any benefit or perquisite to a resident arising from his business or profession and the total value of such benefits exceeds ₹ 20,000 in a tax year, then such person is required to deduct tax at source @10% of the total value of the benefit or perquisite. Where the benefit or perquisite is in kind, the person has to ensure before releasing such benefit or perquisite that the tax required to be deducted has been paid in respect of such benefit or perquisite.

In the present case, XYZ Ltd. provided a luxury car worth ₹ 15 lakhs to Mr. A, as an incentive which qualifies as a perquisite u/s 393(1) [Table: Sl. No. 8(iv)]. Therefore, XYZ Ltd. has to ensure before releasing the car that the tax of ₹ 1,50,000 i.e., 10% of ₹ 15 lakhs has been paid by Mr. A.

7.

Determination of Advance Tax Liability of Mr. Sameer

Particulars	₹
Estimated tax liability for the tax year 2026-27	80,000
Less: Tax deducted at source	<u>12,000</u>
Tax payable	<u>68,000</u>

Due Date of installment	Amount payable	₹
On or before 15 th June, 2026	Not less than 15% of advance tax liability	10,200
On or before 15 th September, 2026	Not less than 45% of advance tax liability <i>less</i> amount paid in earlier installment	20,400 (₹ 30,600, being 45% of ₹ 68,000 - ₹ 10,200)
On or before 15 th December, 2026	Not less than 75% of advance tax liability <i>less</i> amount paid in earlier installment(s)	20,400 (₹ 51,000, being 75% of ₹ 68,000 - ₹ 30,600)
On or before 15 th March, 2027	Whole of the advance tax liability <i>less</i> amount paid in earlier installment(s)	17,000 (₹ 68,000, being 100% of ₹ 68,000 - ₹ 51,000)



Q.NO.	ANSWERS	
1.	(d)	No, since neither his turnover from business exceeds 1 crore during T.Y. 2026-27 nor fee for professional services exceed ₹ 50 lakhs
2.	(b)	₹ 5.2 lakhs
3.	(a)	Nil
4.	(b)	₹ 1,200 per month
5.	(c)	No, since dividend does not exceed threshold limit
6.	(b)	₹ 11,000
7.	(d)	₹ 14,000
8.	(c)	₹ 40,000
9.	(b)	No, senior citizen not having business or professional income is exempt from advance tax
10.	(c)	₹ 6,00,000