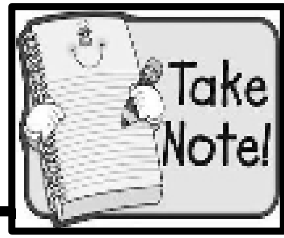
CONVERGANCE & DIVERGENCE PROVISIONS & PROCEDURES OF TDS AND TCS CHANGES IN INCOME TAX ACT 2025
VS
INCOME TAX ACT1961

CA Avinash Rawani



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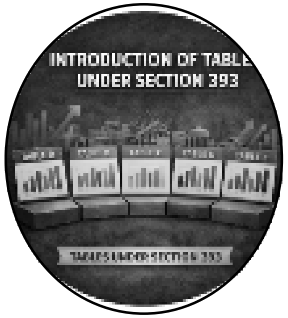
Main Changes on Introduction of Income Tax Act, 2025

Merging of Sections into a Single Section

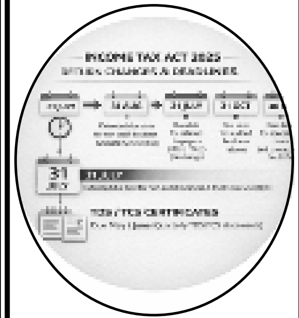


Introduction of Tables

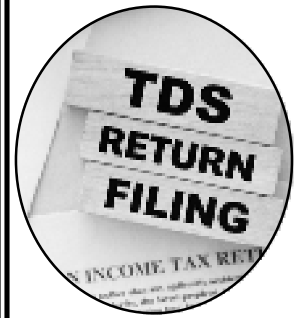
Concept of Tax Year

Effective from 1st April, 2026

Replacement of Forms



Changes in Returns/Issue of Certificates



Changes in the Filing System

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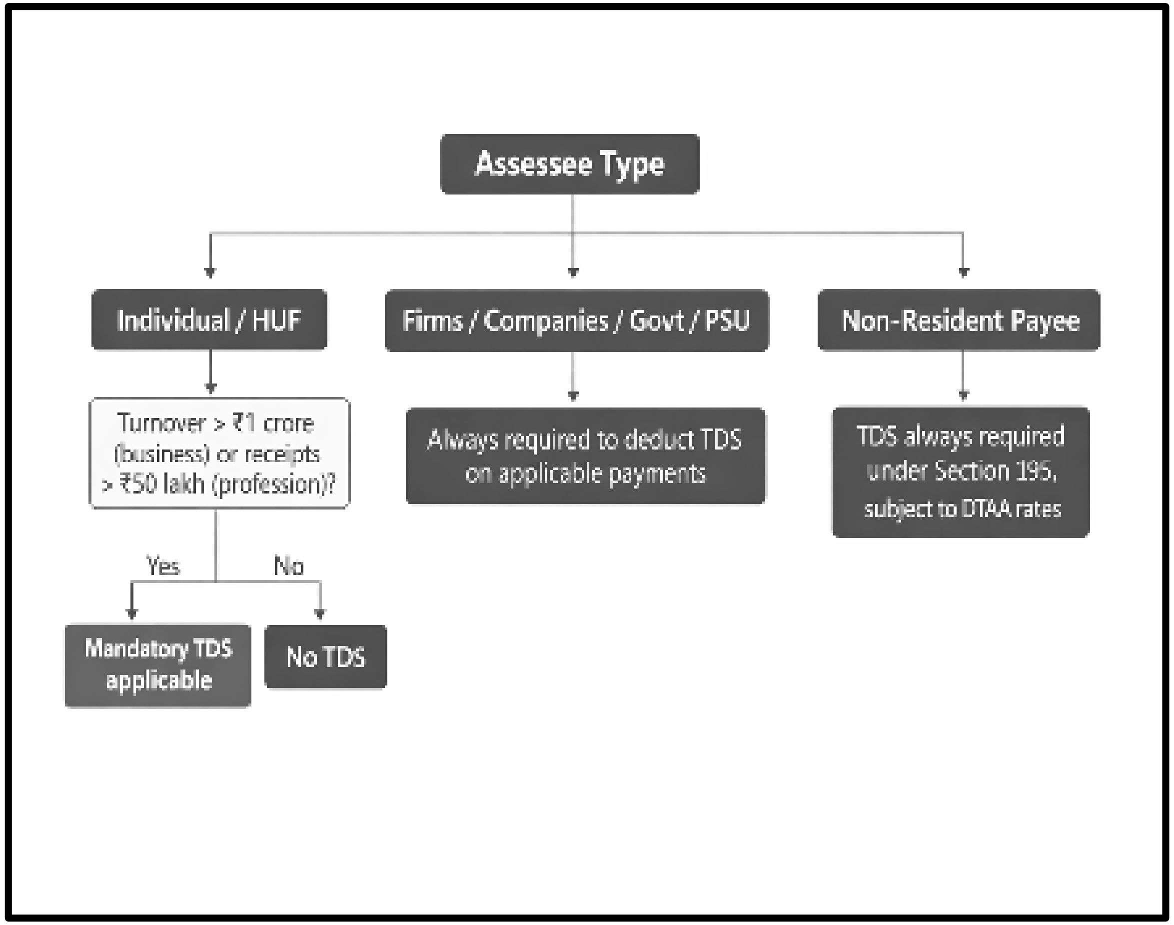
Criteria for Applicability for deduction of TDS



Other Payments	Threshold
Rent (individual/HUF)	Exceeding ₹50,000/month
Property purchase	Exceeding ₹50 lakh
Contractor/ Professional fees	Exceeding ₹50 lakh/year
Salary	Income above exemption

Simplified Rate Structure

The Income Tax Act, 2025 simplifies TDS and TCS rates.
Earlier, taxpayers had to deal with many different rates, which caused confusion and errors. Now, these rates are grouped into fewer, easy-to-use slabs, making tax work smoother for everyone.

Three Big Benefits

- **Fewer, Simpler Rates**
  - Instead of dozens of different rates, most non-salary TDS now uses just **1%, 2% or 5%**.
  - TCS rates are also clearly defined.
- **Fewer Mistakes**
  - Simple rates mean **less confusion** and fewer calculation errors when filing taxes.
- **Easy Automation**
  - Accounting software and ERP systems can **automatically handle** TDS and TCS without manual checks.

Section 392: Deals with Salary Related Provisions

Sections replaced with Tables

Business & Professional Payments

- Commission and brokerage
- Work or service contracts
- Professional or technical fees
- Directors' remuneration
- Business perks

Property & Asset Payments

- Rent (for equipment, property, or land)
- Sale or transfer of property
- Royalty and license fees

Financial Instruments

- Interest on securities or deposits
- Dividend payments
- Income from mutual funds, REITs, InvITs

Special Categories

- Insurance payouts
- High-value goods purchases

E-commerce transactions

- Virtual digital assets

All these payments now fall under one section with ***clear thresholds, rates, and conditions****, making TDS simpler and easier to follow for residents.*

Section 393: Deals with Other than Salary Related Provisions

What Changed

- Old rules under **Section 192 (salary)** and **Section 192A (EPF withdrawals)** are now merged into **one section: 392**.
- Same calculation methods continue, but everything is now in one place for clarity.

Core Coverage

- Salary and allowances
- Value of perks (like housing, car, etc.)
- Employer-paid taxes on perks
- Retirement benefits and gratuity

Special Provisions

- Employer can choose to pay tax on certain perks directly
- Deferred tax option for start-up ESOPs (employees don't need to pay tax immediately)
- Tax rules for Provident Fund withdrawals
- Tax rules for superannuation fund payments

Why It Matters

- Easier for employers to manage tax on salaries and perks
- Clear rules for modern benefits like ESOPs
- Employees get flexibility when dealing with retirement and equity compensation

Comparative Analysis — Changes in TDS Provisions

TDS on Payment of Interest on Securities

Old Law: (Section 193)

- **Limited to** interest payable on debentures to a resident individual and HUF. Threshold of **₹ 10,000**,

New Law: [Table 1 Sl no. 5(i) of 393(1)]

- **Uniform Threshold** introduced at **₹10,000**; Rate remains 10%.

TDS on Payment of Dividend

Old Law: (Section 194)

- Threshold Limit of ₹ 10,000

New Law: [Table 1 Sl no. 7 of 393(1) & Table 4 Sl No. 10 of Section 393(4)]

- No Change.

TDS on Payment in respect of Life Insurance

- **Old Law: (Section 194DA)**
  - TDS deduction @ 2% on ≥ ₹1,00,000/-
- **New Law: [Table 1, Sl. no. 8(i) of 393(1)]**
- TDS deduction @2% on **>** ₹1,00,000/- (and not ≥ ₹1,00,000/-)

Comparative Analysis — Changes in TDS Provisions

TDS on Payment of Interest other than Interest on Securities

Old Law: (Section 194A)

1. TDS provisions **shall not apply** for interest income credited or paid to—
   - Any Banking company under the Banking Regulation Act
   - Any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank).

New Law: [Table 4 Sl No. 7 of 393(4)]

- The exemption **is limited to 'any banking company**' only.
- The expression 'any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank)' **has been omitted.**

Old Law:

2. Two separate clauses-(ix) & (ixa)--Interest on Compensation Awarded by the Motor Accidents Claims Tribunal.
   - TDS on interest deducted on **actual payment.**

New Law:

2. Two separate clauses-(ix) & (ixa)--Interest on Compensation Awarded by the Motor Accidents Claims Tribunal.
   - TDS on interest deducted on **actual payment.**

Comparative Analysis — Changes in TDS Provisions

TDS on Payment under commission or brokerage

- **<u>Old Law: (Section 194H)</u>**
  - Definition 'Professional Services' **excluded 'Advertising'**
- **<u>New Law: [Table 1, Sl. No. 1(ii) of 393(1) r.w.s 402(28)]</u>**
  - The term 'Professional Services', **expands** the scope by expressly **including 'advertising'**

Expanding the Definition of 'Rent'

Old Law: (Section 194-IB)

- Definition of 'Rent' included any payment for the use of:
  - Any **Land** or
  - Any **Building** or
  - Both **Land & Building**

New Law: [Table 1, Sl. No. 2(ii) of 393(1)]

- Definition of 'Rent' **expands** to cover any payment for the use of **(either separately or together):**
  - Any Land or
  - Any building **(including factory building),** or **Land appurtenant to a building (including a factory building)**

Comparative Analysis — Changes in TDS Provisions

Compensation on acquisition of certain immovable property.

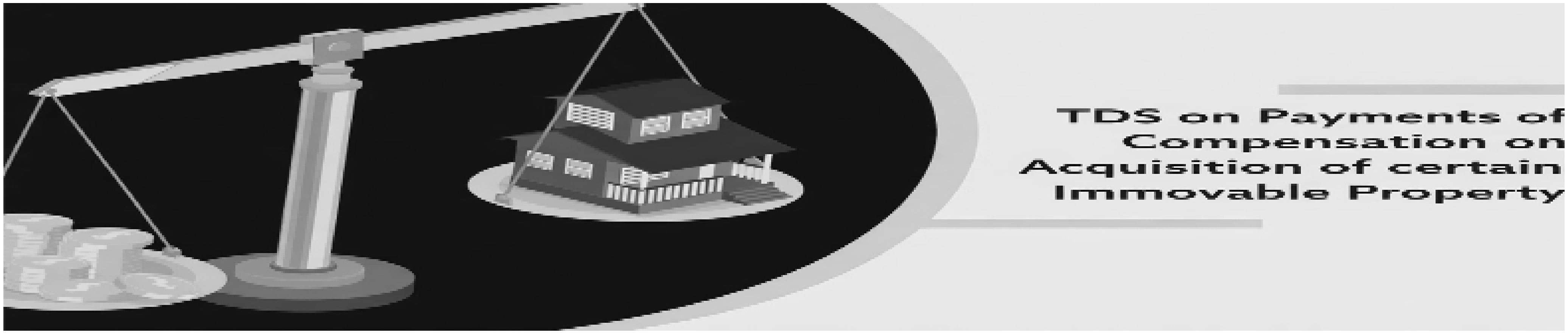
Old Law: (Section 194LA)

- TDS deduction @10% on **actual payment**

New Law:

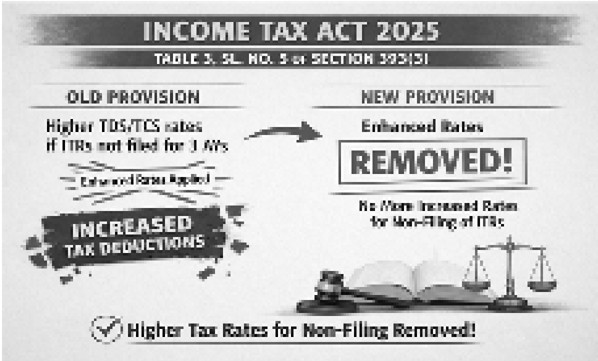
[Table 1, Sl. No. 3(iii) of 393(1)]

- TDS deduction @10% **earlier of:**
  - **Amount credited to Payee's Account or**
  - **Actual Payment made**



Comparative Analysis — Changes in TDS Provisions

TDS on Cash Withdrawals

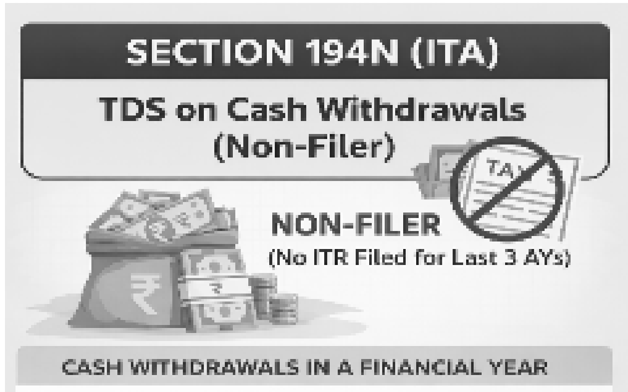


New Law: [Table 3, Sl. No. 5 of 393(3)]

- Both these **enhanced** provisions have been **completely removed**.
- Same flat 2% TDS rate once withdrawals > ₹1 crore (or ₹3 crores for co-operative societies).

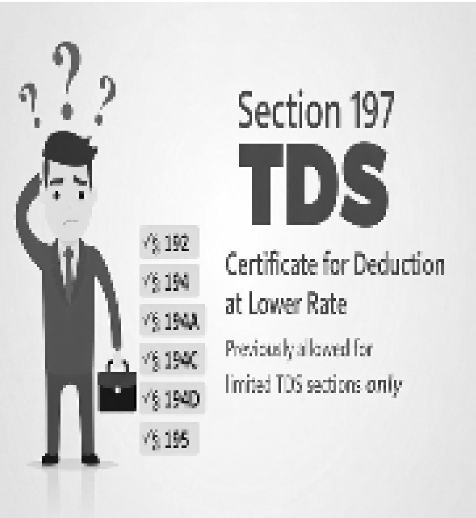
Old Law: (Section 194N)

- Person ≠ ITRs for 3 AYs then following **enhanced rates applies**:
  - > ₹20 Lakhs but ≤ ₹1 Crore (₹3 Crores for Co-operative Societies)→ TDS rate = 2%
  - > ₹1 Crore (₹3 Crores for Co-operative Societies)→ TDS rate = 5%



Comparative Analysis — Changes in TDS Provisions

Certificate for Deduction of TDS at Lower Rates



Old Law: [Section 197(1)]

Obtaining a Lower TDS certificate was available to **specific TDS sections**

Example: Section 192, 193, 194, 194A, 194C, 194H, 194-I, 194J etc.

Obtaining a Lower TDS certificate **now extended to all TDS provisions** under Chapter XIX-B

No restriction to specific sections

New Law: [Section 395(1)]

Compliance and Reporting

PAN Provision Rationalisation

Old Law: (Section 206AA & 206CC)

- 2 parallel but separate provisions

New Law: [Section 397(2)]

- No separate Penal Sections
- Unified PAN compliance architecture

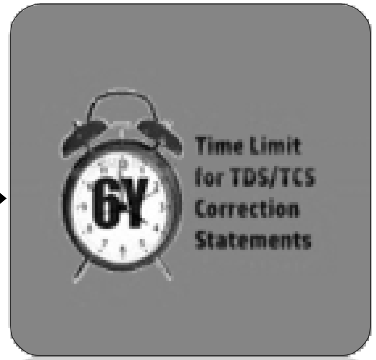
TDS/TCS Correction Statement Time Limit

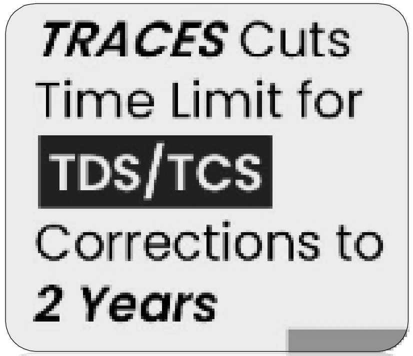
Old Law: [Section 200(3)]

- Provision allowed time limit for correction up to **6 years**

New Law: [Section 397(3)(f)]

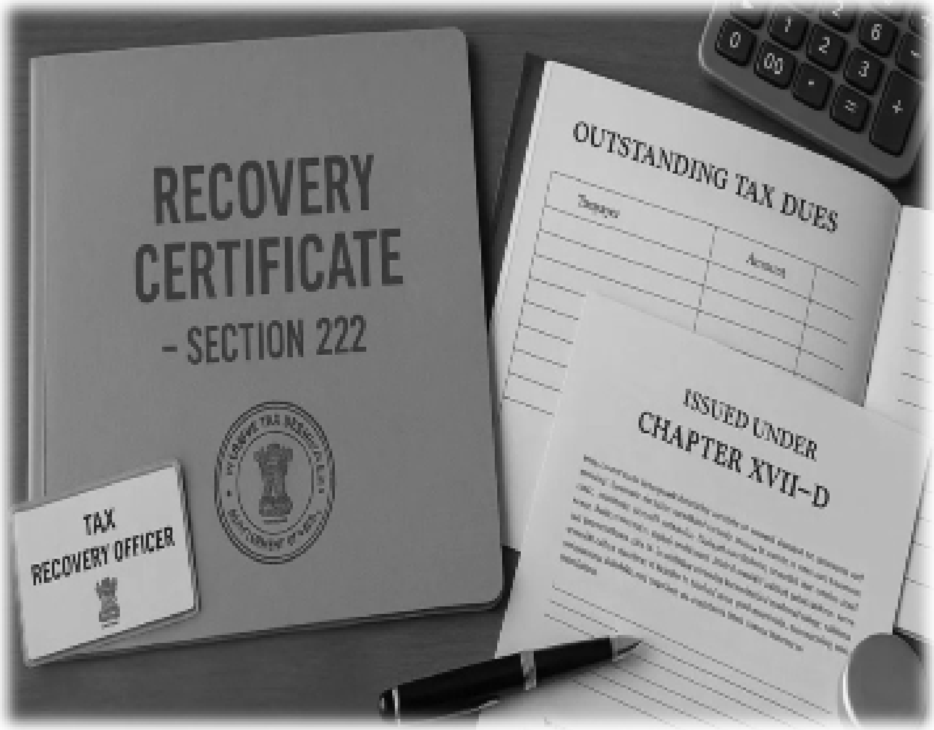
- Time limit **reduced to 2 years**





Certificate by Tax Recovery Officer and Validity thereof

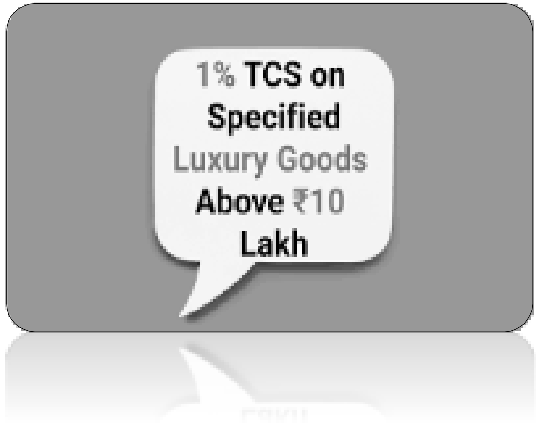
Section 222 (IT Act 1961)	Section 413 (IT Act 2025)
No express power for the TRO to cancel/ correct the certificate	TRO **may cancel the certificate** if considered necessary & **may correct** clerical/ arithmetical errors **[S. 413 (4)]**
Did not contain express bar within the section	**Explicitly prohibits** challenges to certificate correctness at this stage **[S. 413 (3)]**



Collection of Tax at Source (TCS)

In case of Motor Vehicles and Notified Goods

- **Old Law: [Section 206C(1F)]**
  - Mandates TCS @ 1% on the entire sale consideration **at the time of receipt from the buyer** if value > ₹ 10 Lakhs
- **New Law: [Table 1, Sl. No. 6(a) of Section 394(1)]**
  - TCS @ 1% at the **earliest of:**
    - **Debit** to buyer account or
    - **Receipt** of payment



Processing of Statements of TDS & Other Statements

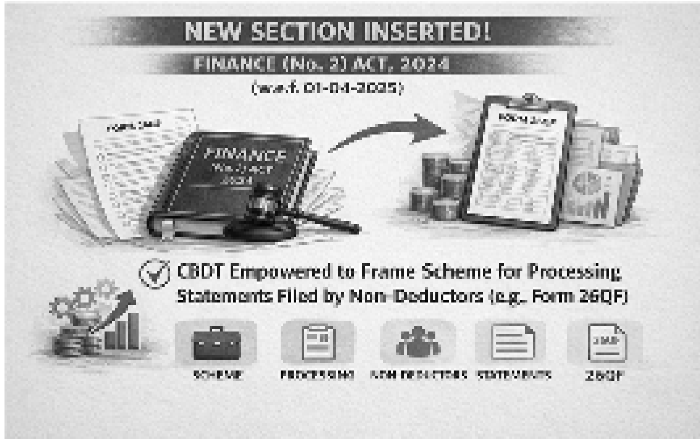
No scheme-notifying provision for non-deductor statements

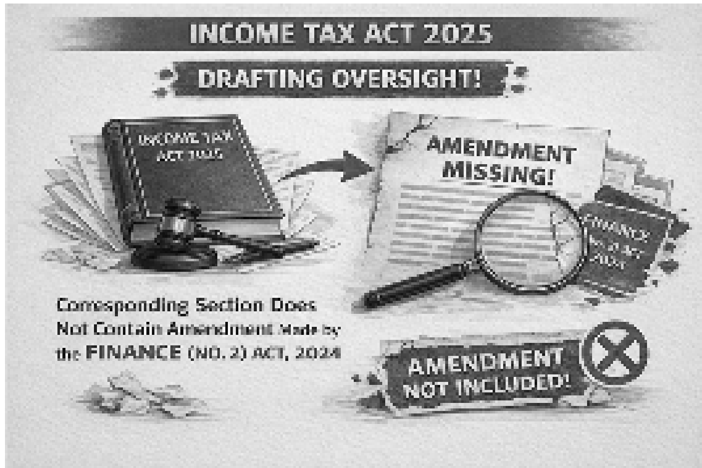
Old Law: [Section 200A(3)]

- Finance (No. 2) Act, 2024 inserted this sub section (w.e.f. 01-04-2025), empowering the **Board** to frame a scheme for **processing statements** filed by **non-deductors** (e.g., Form 26QF)

New Law: (Section 399)

- The corresponding Section **does not contain the amendment** made by the Finance (No. 2) Act, 2024, which appears to be a **drafting oversight**.





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Proposed Amendments by Finance Act 2026

No requirement of TAN for deducting TDS

- The Finance Act, 2026 **removes the need for TAN** when resident individuals or HUFs buy property **from NRIs**.
- Instead, tax deduction will be reported through **a PAN-based challan-cum-statement**.

This amendment is applicable w.e.f 1st October 2026

Proposed Amendments by Finance Act 2026

Filing of Declaration of Non-TDS with a depository

<u>Centralized Filing:</u> Instead of providing Form 15G/15H to every company or issuer, investors can file one declaration with their depository (e.g., NSDL, CDSL).

<u>Depository Responsibility:</u> The depository will then share this information with the relevant persons responsible for paying income (such as companies paying dividends) to ensure no tax is deducted.

This amendment is applicable w.e.f. 1st April, 2027

Amendments by Finance Act 2026

Removing ambiguity for TDS on supply of Manpower-Section 393(1) of the Income Tax Act 2025

The definition of "Work" in section 402(27) is amended to include supply of manpower to a person to work under his supervision, control or direction.

Accordingly TDS is to be deducted only as payment to contractors in such cases.

This amendment is applicable w.e.f. 1st April, 2026

Foreign Tax Credits (FTC) [Old Rule 128 → New Rule 76]

New Intimation Form for Disputed Taxes
Form No. 45

Provides a dedicated digital pathway to notify the department once a foreign tax dispute is settled

Ensuring the credit is not lost due to procedural ambiguity

Mandatory CA certification/ verification for FTC claims in Form No. 44 (earlier Form 67)

All Companies

Others: FTC ≥ **₹1,00,000**

Form No. 45 shall be certified as well if Form No. 44 is certified

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New Rule No 210 under Income Tax Rules 2026

Rule No.	Description
210	Condition for **no deduction of tax at source from income in respect of units of non-residents** referred to in **section 393(2)** (Table: Sl. No. 10) **r.w.s. 393(4)** (Table: Sl. No. 15) of the Income Tax Act, 2025

Who it applies to

NRIs & Non-resident HUFs holding units of the Unit Trust of India (UTI).

Main condition

No TDS on income from the units if the units were **bought** either from the UTI using. **funds from a non-resident (External) bank account in India or by remitting foreign currency.**

Legal requirement

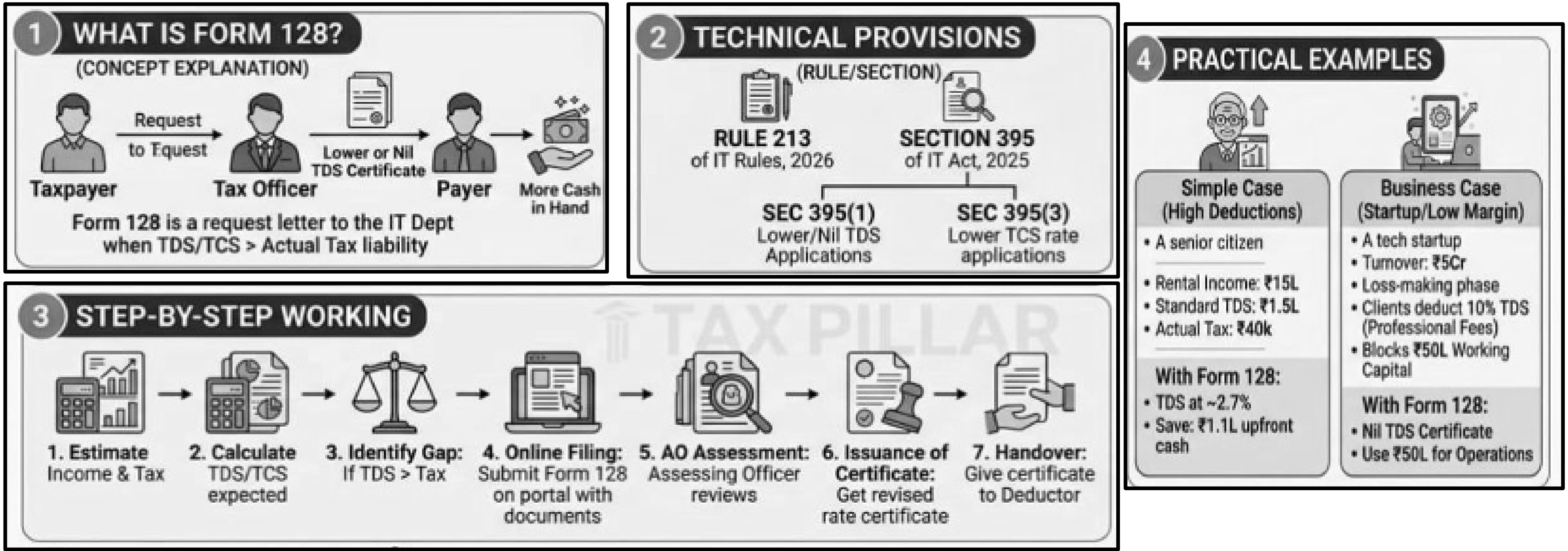
The purchase must **comply with** the Foreign Exchange Management Act **(FEMA), 1999 & its rules**.

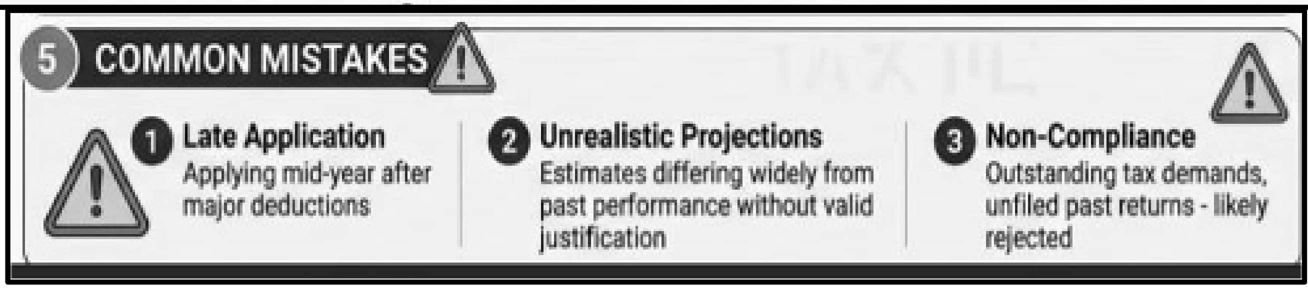
Major Renumbering of Important Forms under Income Tax Act 2025

Lower/ NIL TDS Certificate	**Form 13**	**Form 128**
Salary TDS Certificate	**Form 16**	**Form 130**
Salary TDS Return-Residents	**Form 24Q**	**Form 138**
Other than Salary TDS Return-Residents	**Form 26Q**	**Form 140**
Challan cum Statement for transfer of Immovable property, Rent, etc.	**Form 26QB, 26QC, 26QD, 26QE**	**Form 141**
TDS Return for transfer of VDA	**Form 26QF**	**Form 142**
TCS Return	**Form 27EQ**	**Form 143**
TDS Return-Non-Residents	**Form 27Q**	**Form 144**
TAN Application	**Form 49B(2)**	**Form 135**

★ **Declarant's PAN** to be stated explicitly in declaration body ★

Form 128 (ITA-2025)-Form 13 (ITA-1961)





Application can be made for all Sections

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List of Documents required for Form 128

Form 128 aims for a "paperless" experience, Income Proofs

Projections/Certified Data

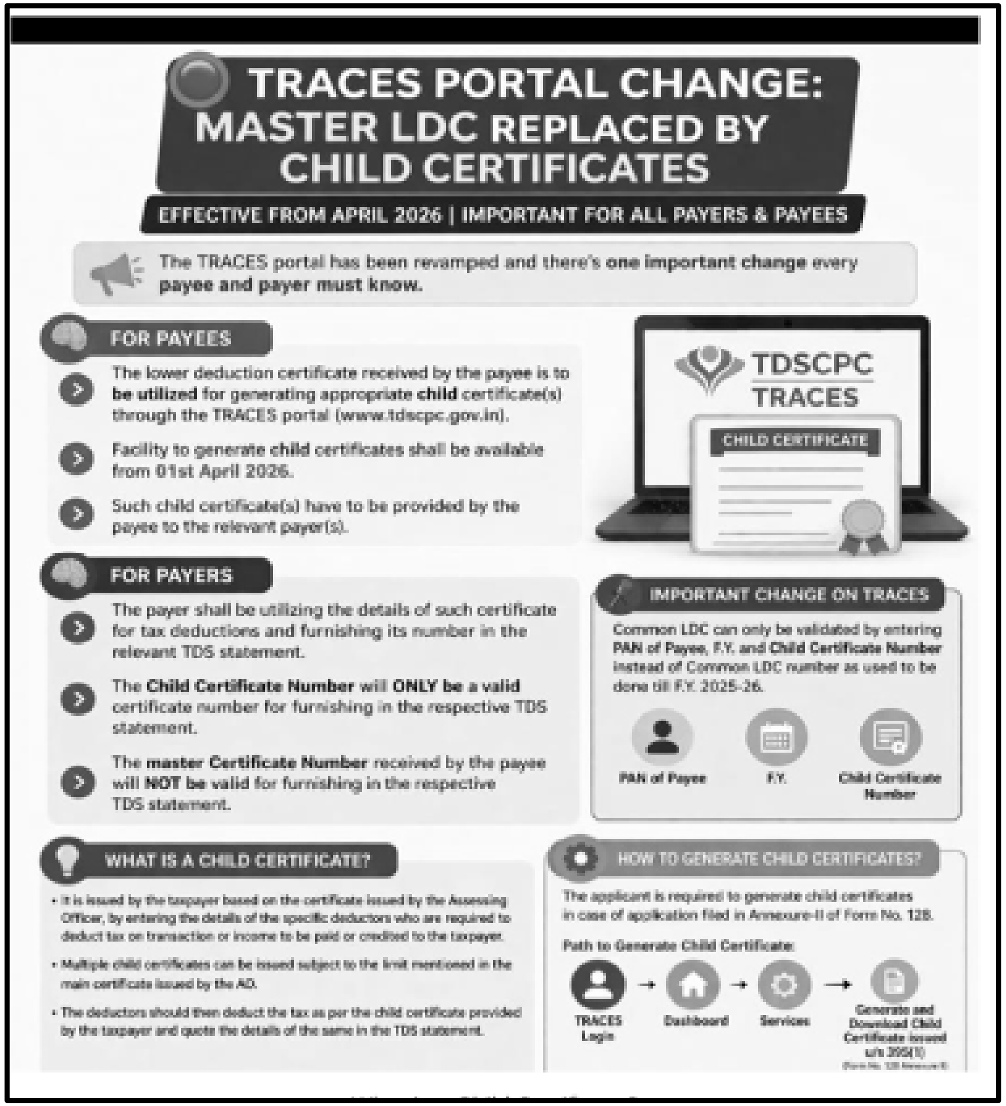
- Self-certified Computation of Estimated Income for the current financial year.
- Projected Financial Statements (Balance Sheet and P&L) if you have business income.
- Details of any Exempt Income not included in the main computation.
- Justify why nil/lower deduction is requested (e.g., exemptions, carried forward losses, deductions under Chapter VI-A).

Historical Data:

- ITR Acknowledgment numbers/Financials Data/Income Tax deducted & Deposited details for the preceding 4 years.
- Form 26AS and Annual Information Statement (AIS) to reconcile past TDS/TCS.

Transaction-Specific Documents

- For Property Sales: Draft Sale Agreement, Original Purchase Deed, and proof of "Cost of Improvement" (bills/agreements).
- For NRIs: Copy of Passport and Tax Residency Certificate (TRC), Others;
- Copy of PAN Card (linked with Aadhaar) of the Purchaser (if Applicable)
- Registration or Exemption certificates (for Trusts/NPOs under Section 11 or 12).



Child Certificate

It is issued by the taxpayer based on the certificate issued by the Assessing Officer, by entering the details of the specific Deductors who are required to deduct tax on transaction or income to be paid or credited to the taxpayer.

Multiple Child Certificate

Multiple child certificates can be issued subject to the limit mentioned in the main certificate issued by the AO.

Deductors should then deduct the tax as per the child certificate provided by the taxpayer and quote the details of the same in the TDS statement while reporting the transaction.

(Form No. 128 Annexure II) ⇒ Traces Login ⇒ Dash Board ⇒ Service Generate & Download Child Certificate

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Old Form 16 ➔ Form 130

Structural changes in Old Part B Annexure I ➔ New Part C Annexure I

As per **Old Form 16** — Exempt **Allowances** u/s 10:

- Travel concession/ LTA
- House Rent Allowance
- Other special allowances
- Any Other Allowances
- Gratuity
- Commuted Pension
- Workmen compensation
- VRS / termination payment
- Leave encashment

As per **New Form 130**:

- Travel concession/ LTA, House Rent Allowance, Other special allowances, Any Other Allowances → Exempt **Allowances** u/s 11
- Gratuity, Commuted Pension, Workmen compensation, VRS / termination payment, Leave encashment → **Deductions** u/s 19(1)

Old Form 24Q ➔ New Form 138 (Contd.)

ANNEXURE I: DEDUCTEE WISE BREAKUP OF TDS

Details of salary paid and tax deducted therefrom from the employees/specified senior citizen

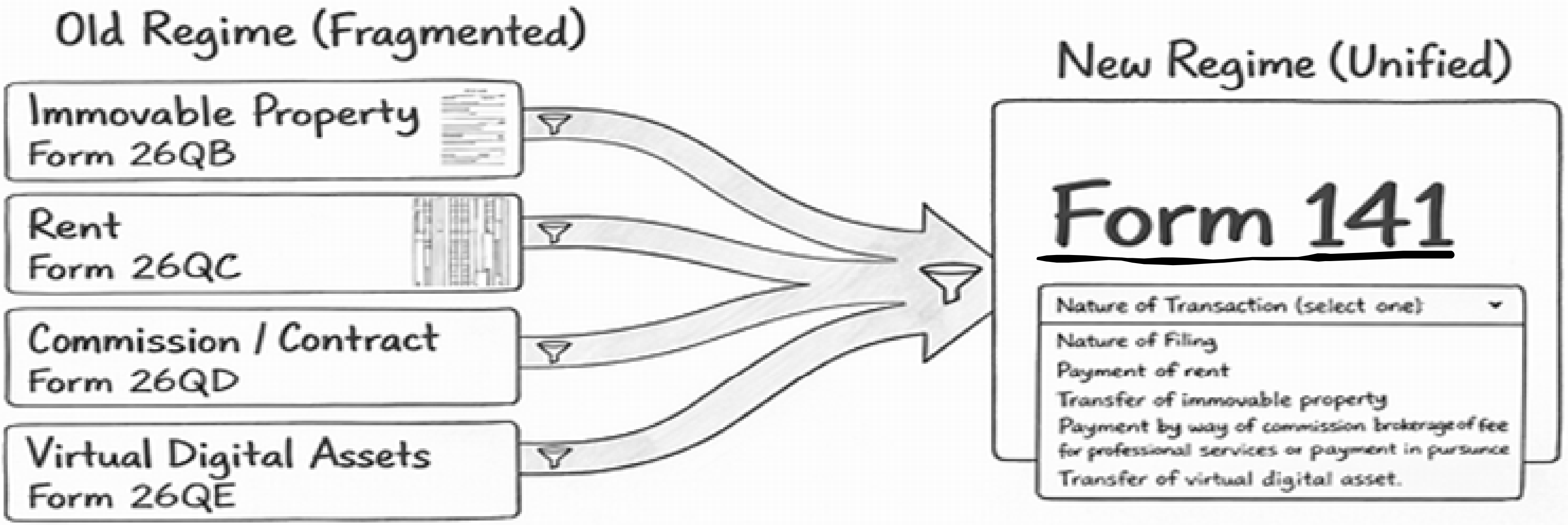
Sl. No.	Challan Reference No. (Sl. No. of Table (Sl. No. A) in Part B	Permanent Account Number of the employee/ specified senior citizen	Name of the employee/ specified senior citizen	Employee reference number provided by employer/ PPO number, if available	Section Code *(refer Note 1)*	Date of payment / credit (dd/mm/yyyy)	Date of deduction (dd/mm/yyyy)	Amount Paid or Credited
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)

	Total Tax Deducted *(refer Note 2)*	Total Tax deposited	Date of deposit *(dd/mm/yyyy)*	Reason for non-deduction / lower deduction/ higher deduction *(refer Notes 3 and 4)*	Certificate number of the certificate issued u/s 395(1) for non-deduction/lower deduction
	(J)	(K)	(L)	(M)	(N)

Tax + Surcharge + Cess

Section	Nature of Payment	Section Code
392	Payment to Govt. employees other than Union Govt. employees	1001
392	Payment to employees other than Govt. employees	1002
392	Payment to Indian Govt. employees	1003
393(1) [Table: Sl. No. 8(iii)]	Payment to Specified Senior Citizen	1032

Unified TDS Compliance: Retiring the Alphabet Soup



MODULAR SELECTION: Deductors now use a single portal access point. Instead of navigating discreete forms based on asset class, simply select the "Nature of Transaction" from a unified dropdown.

TIME LIMIT FOR ASSESSEE-IN-DEFAULT

Old Section 201(3)
New Section 397

No Order to NRI after the expiry of

7 years from end FY of TDS Payment

L A T E R

2 years from end of FY of Correction Statement delivered

Later

Old Section 206C
New Section 398

No Order after the expiry of

6 years from end FY of TCS was collectible

L A T E R

2 years from end of FY of Correction Statement delivered

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S. 398: INTEREST ON FAILURE TO COLLECT & PAY TAX

Old Section 201(1A)

Tax not collected

Till the date of collection

@1% per month or part thereof

Tax collected but not paid

Till the date of payment

@1.5% per month or part thereof

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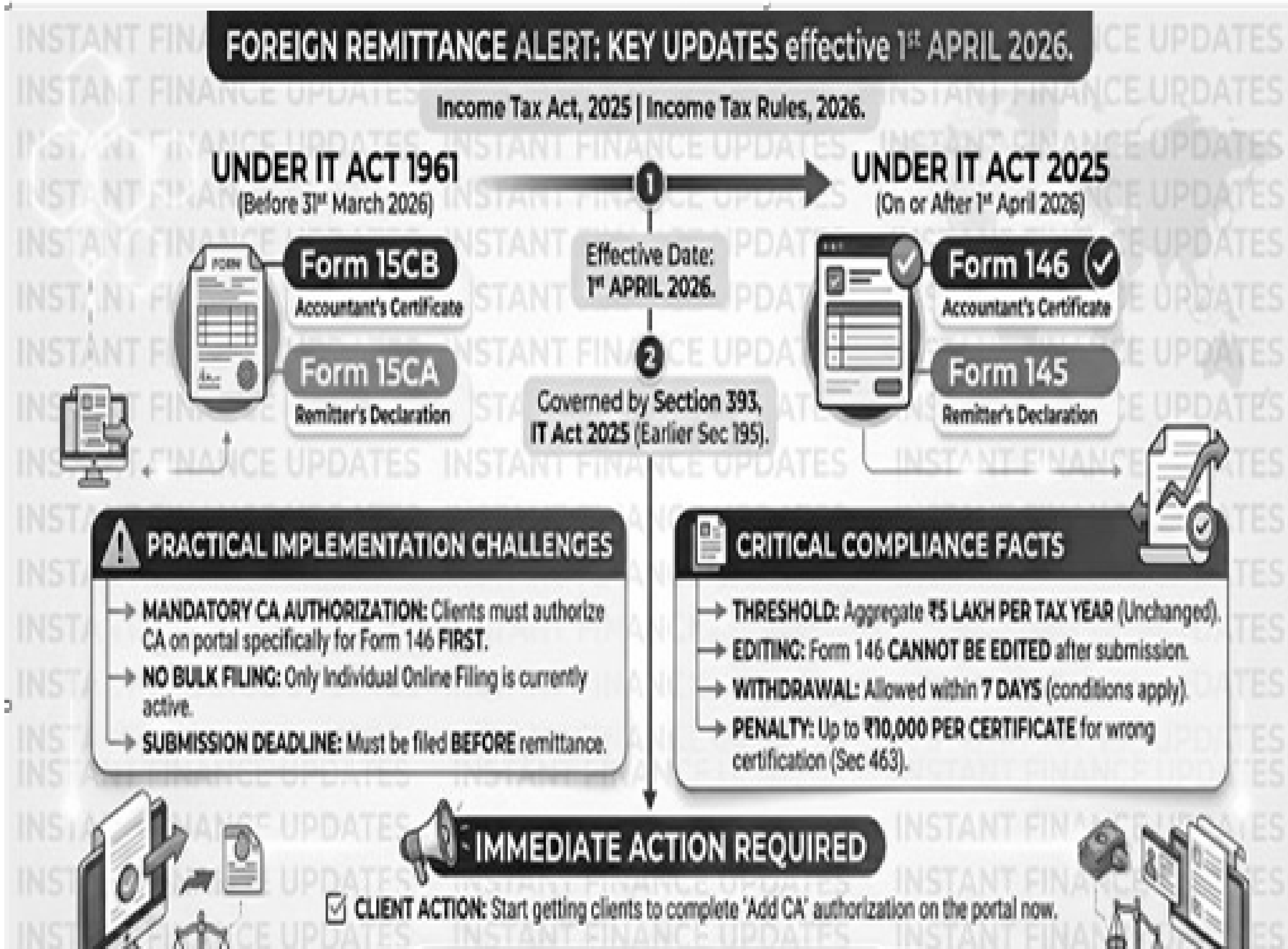


Recipient Information
Earlier

Mandatory TIN (Tax Identification Number) if the recipient lacks an Indian PAN

Classification: Filers to choose from **65 specific categories** for the payment, for easier tracking than earlier

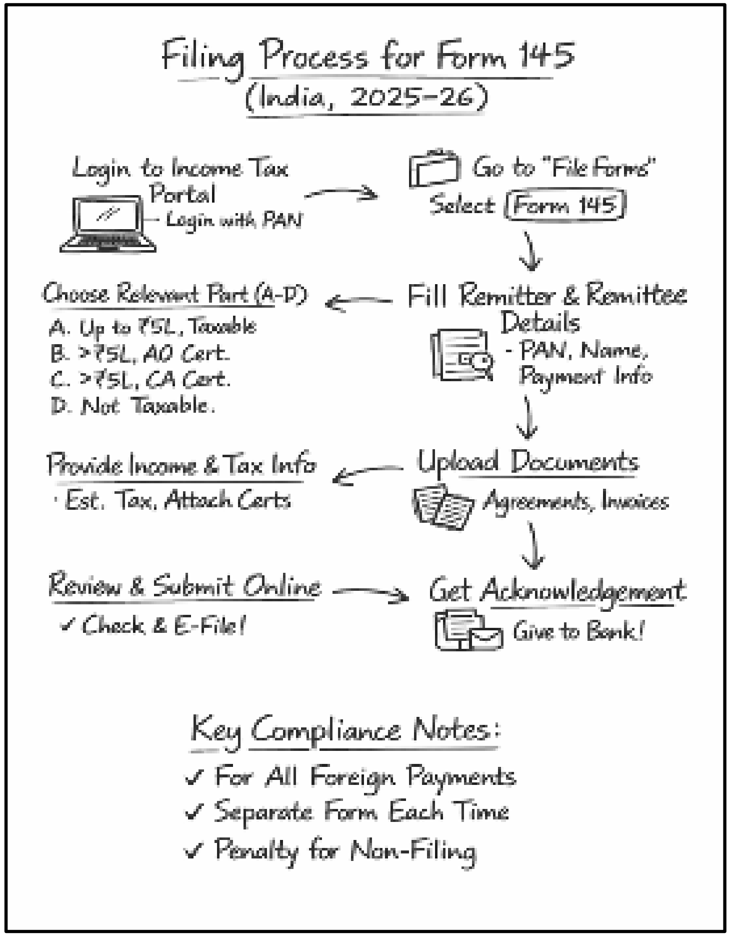
Digital Integration:
Form 146 made "system-friendly," Address and name fields separated into distinct boxes to facilitate easier automated processing.

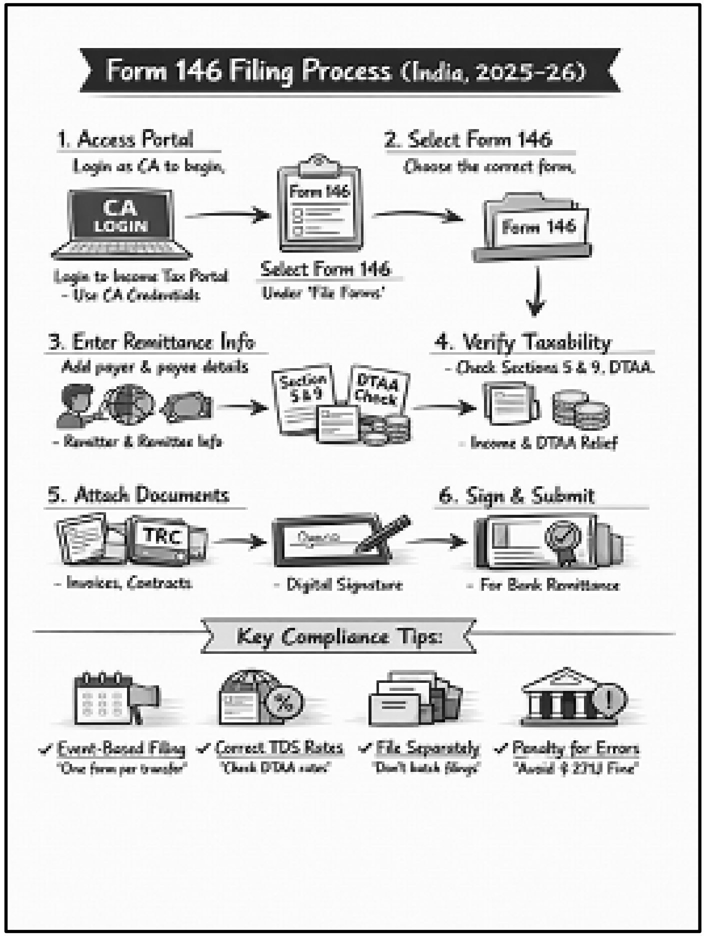
Consumption Rule
1 Form 145=1 Form 146

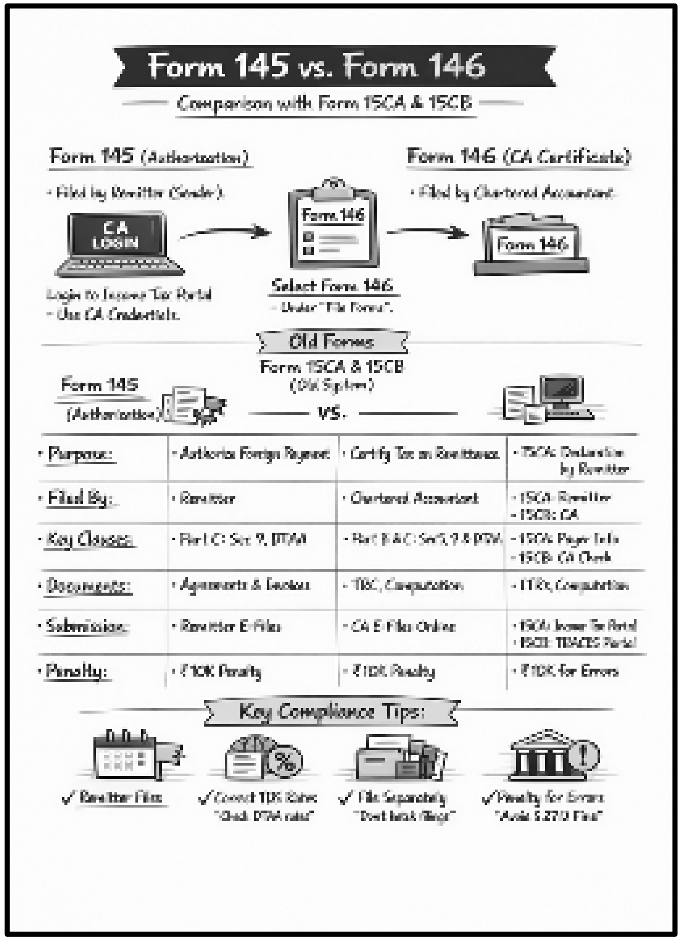
Additional Changes

FORM IDENTITY	FORM 15CA.	FORM 145.
Classification of Remittance	Relied primarily on broad RBI Purpose Codes, which often allowed for vague categorisation.	Introduces a mandatory drop-down list of 65 specific categories (e.g., Software Licenses, Cloud Charges, Crypto Winnings) to prevent misclassification.
Non-Resident (Remittee) ID	Often filed with minimal or generic identification data.	Mandatory fields for Foreign Tax Identification Number (TIN), country code with contact number, and email ID.
Banking Integration	AD Bank details were part of the general remittance section.	Includes a dedicated section for the Authorized Dealer (AD) Bank, including their ITDREIN (Reporting Entity ID Number) for tighter tax-bank integration.
Reporting Purpose	Primarily a self-declaration tool for remitters.	A core compliance measure for the IT Department to track potentially taxable overseas payments via structured data capture.

Form 145 & Form 146-Filing Procedure







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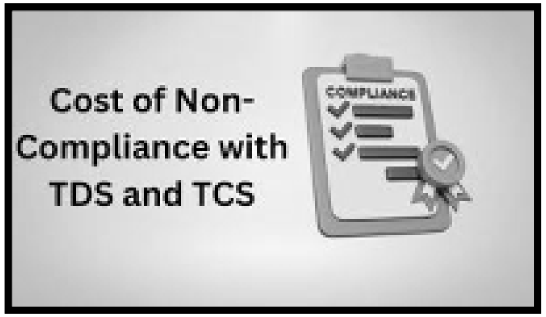
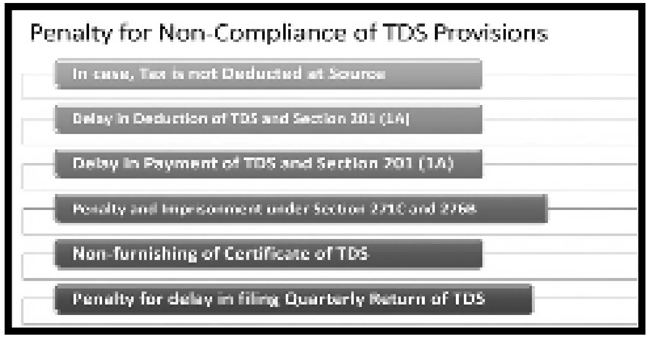
Consequences of Non-Compliance

Default	ITA 1961 Section	ITA 2025 Section	Consequence	Quantum
Failure to deduct/collect at rates prescribed	201(1)/206C(6)	398(1)	Demand	Amount of TDS/TCS
	201(1)(A)/ 206C(7)	398(3)	Interest	@1% per month or part thereof on TDS/TCS amount
	271C/271CA	448/449	Penalty	Equal to Amount of TDS/ TCS
Failure/Delay in depositing TDS/ TCS	201(1)	398(1)	Demand	Amount of TDS not deposited
	201(1)(A)/ 206C(7)	398(3)	Interest	@1.5% per month or part thereof on TDS/TCS amount
	276B/276BB	476/477	Prosecution	Rigorous imprisonment from 3 months to 7 years + Fine
Failure/Delay in furnishing TDS/ TCS statements	234E	427	Late Fees	₹200/- per day of delay capped at amount of TDS/TCS
	271H	461	Penalty	₹10,000/- to ₹1 lakh
	272A(2)	465(2)	Penalty	₹500/- per day of delay capped at amount of TDS/TCS

Consequences of Non-Compliance

Default	ITA 1961 Section	ITA 2025 Section	Consequence	Quantum
Failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc.	272A(1)	465(1)	Penalty	₹10,000/- per default
Failure to issue TDS/ TCS Certificates	272A(2)	465(2)	Penalty	₹500/- per day of delay capped at amount of TDS/ TCS
Failure to mention PAN of deductee in TDS Statements/ Certificates	272B	467	Penalty	₹10,000/-
Failure to apply for/ quote TAN	272BB	468	Penalty	₹10,000/-





Note: Apart from the above, the failure to deduct /pay also causes Disallowance of expenditure u/s 35(b)(i) [earlier 40(a)(ia)]

CHANGES RELATED TO TDS DEFAULTS

The Income-tax Act, 2025 reduces harsh punishments for TDS/TCS mistakes, focusing more on correction than prosecution.

In-Kind Payments

- No Imprisonment if TDS was not deducted on payments made only in kind (non-cash).

Digital Transactions (Sec. 476)

- Relief for online gaming winnings and Virtual Digital Assets given fully in kind.
- Protects taxpayers who dont have cash to pay tax immediately.

Small Defaults (< ₹10 Lakh)

- Only fines apply, no imprisonment.

Large Defaults (> ₹10 Lakh)

- Imprisonment term reduced: now simple imprisonment, max 2 years (earlier up to 7 years).

These reforms make the system more **business-friendly and fair**, ensuring minor or non-cash defaults don’t lead to severe punishment.

New Accountant Certificates → Non-Default

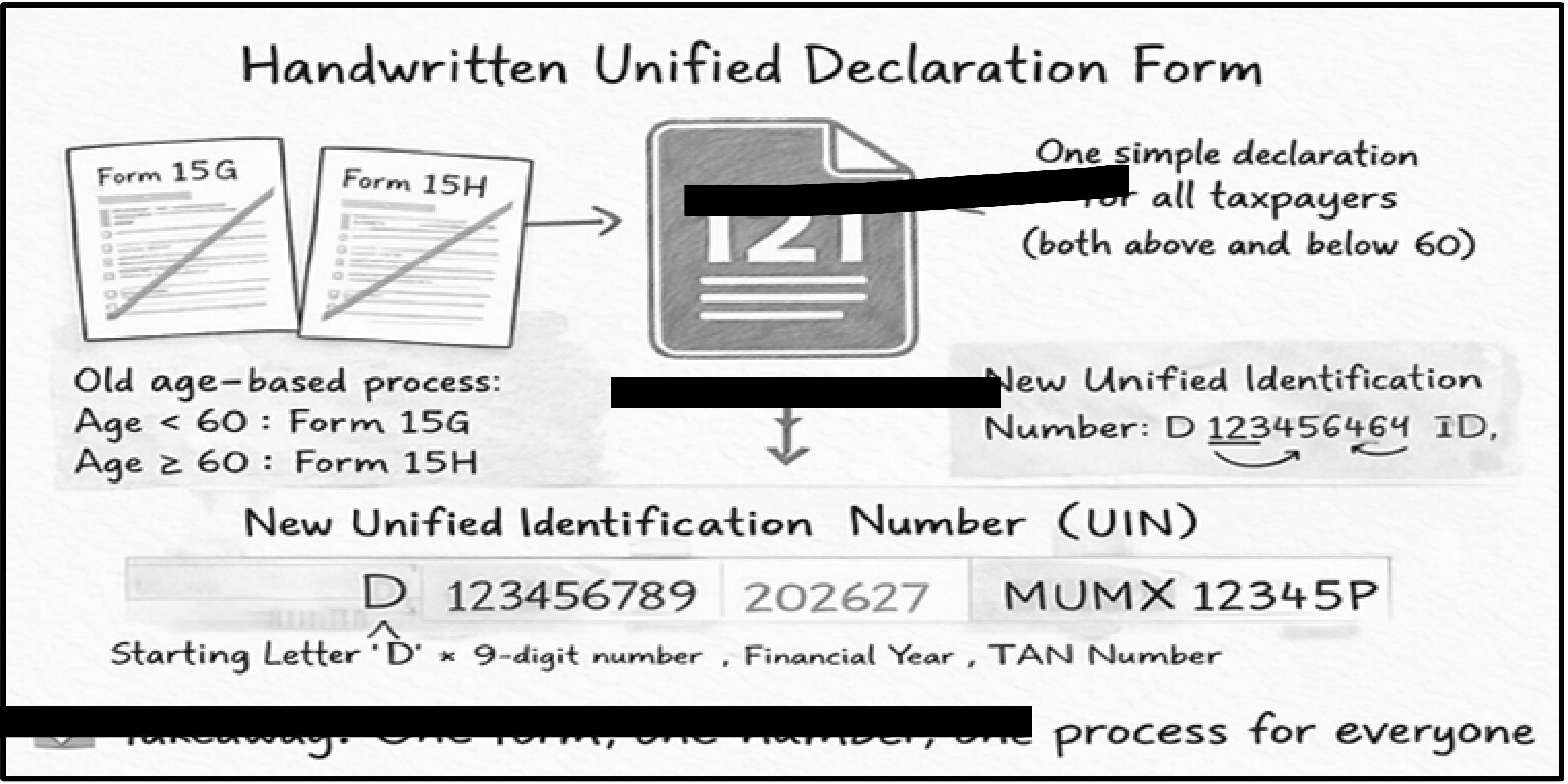
Income-tax Rules, 2026

New Form	Form 149
Replaces	Form 26A
Protects	Deductor
Key Change:	BIN + Interest info

New Form	Form 150
Replaces	Form 27BA
Protects	Collector
Key Change:	Tailored for TCS

Purpose: Confirm payee/buyer has paid tax

(Prevents Assessee-in-Default)



Handwritten Unified Declaration Form
Form 15G
Form 15H
One simple declaration
[redacted] all taxpayers
(both above and below 60)
Old age-based process:
Age < 60 : Form 15G
Age ≥ 60 : Form 15H
[redacted]ew Unified Identification
Number: D 123456464 ID,
New Unified Identification Number (UIN)
D 123456789 202627 MUMX 12345P
Starting Letter 'D' × 9-digit number , Financial Year , TAN Number
[redacted] process for everyone

GIST OF SOME IMPORTANT FAQ ON TRANSITION

Default	Quantum
Fundamental rule for determining which Act governs TDS obligations during the transition	If the earlier event occurs on or before 31st March, 2026, the ITA, 1961 will be applicable. The event occurs on or after 1st April, 2026, the provisions of the ITA, 2025 shall be applicable. Example: Advance payment made in March, 2026. However, it is credited in books in April, 2026. In this situation, provisions of the Income-tax Act, 1961 will be applicable and TDS must be deducted in March, 2026.
If a Deductor erroneously deducts TDS quoting the old Act section number for a payment made after 01.04.2026	Although the substantive provisions—such as the applicable rate and threshold—remain unchanged, citing the old section number (for example, Section 194C instead of Section 393(1) [Table: Sl. No. 6(i)]) may lead to processing errors at the time of filing the TDS return. In such cases, the deductor may be required to submit a correction statement to rectify the section reference.

GIST OF SOME IMPORTANT FAQ ON TRANSITION

Due dates for depositing TDS with the Government during the transition year under the Act

Period	Due Date of Deposit	Governed by Act
January 2026 to February 2026	7th of next month	IT Act, 1961 (Rule 30)
March 2026	30th April, 2026	IT Act, 1961 (Rule 30)
April 2026 onwards	7th of next month	IT Act, 2025 (Rule 218 of Income-tax Rules, 2026)

For Challan-cum-TDS statement (Form 26QB /26QC /26QD/ 26QE under the old Act), the due date of depositing TDS is 30 days from end of month in which TDS was made. These due dates for depositing TDS remain same in the new Act.

[redacted] continue to apply.

How Payments of Taxes to be made-Transition Year?

TDS timing rules for cross-year transactions

FY 2025-26	FY 2026-27	TDS to be deposited
Expense booked	Payment made	As per Income Tax Act 1961
Payment made	Expense booked	As per Income Tax Act 1961
Expense booked, Payment made	N/A	As per Income Tax Act 1961
N/A	Expense booked, Payment made	As per Income Tax Act 2025
Partial advance booked in 2025-26	Full invoice raised in FY 2026-27	TDS on advance in FY 2025-26 as per I-Tax Act 1961; TDS on balance in FY 2026-27 as per I-Tax Act, 2025

GIST OF SOME IMPORTANT FAQ ON TRANSITION

TDS RETURNS FILING IN FINANCIAL YEAR 2026-27

Quarter	Period of TDS	Governed By	Form	Due Date of filing	Issue of TDS Certificate
Q4 of FY 2025-26	Jan–Mar 2026	IT Act, 1961	24Q/26Q/27Q/27EQ	31st May, 2026	Form 16A/16B
Q1 of FY 2026-27	Apr–Jun 2026	IT Act, 2025	New Forms under IT Rules, 2026 Salary TDS Return in Form 138 (in place of Form 24Q under the old Act) Non-Salary TDS Return in Form 140 (in place of Form 26Q under the old Act)	31st July, 2026	Form 130 etc

e-TDS/TCS return preparation utility (RPU) will support both old and new formats

Note: The codes are to be selected for the payments of TDS to be made from April, 2026 onwards which are for the Tax Year (Financial Year 2026-27) onwards.

Code	Nature of Payment	Purpose (IT Dept.)	Basic Limit (Threshold)	Expense Type Covered	Comments
1001	Salary (Govt)	TDS on salaries	Slab-based (no fixed threshold)	Salary expense	Deduct monthly based on Form 121 declaration & PAN.
1002	Salary (Other)	TDS on salaries	Slab-based (no fixed threshold)	Salary expense	Deduct monthly based on Form 121 declaration & PAN.
1003	Salary (Union Govt.)	TDS on salaries	Slab-based (no fixed threshold)	Salary expense	Deduct monthly based on Form 121 declaration & PAN.
1004	EPF Withdrawal	TDS on premature PF withdrawal	Balance > ₹50,000 & service < 5 yrs	Employee PF withdrawal	No TDS if withdrawal due to illness, closure, or death.
1005	Insurance commission	TDS on agent commission	> ₹20,000	Commission expense	Applies to insurance agents only.
1006	Commission/Brokerage	TDS on brokerage/commission	> ₹20,000	Commission expense	Excludes insurance; covers brokers, agents, etc.
1007	Rent (Individual/HUF)	TDS on rent	> ₹50,000/month	Rent expense	Different rates: 2% (plant/machinery), 10% (land/building).
1008	Rent (Plant/Machinery)	TDS on rent	> ₹50,000/month	Rent expense	Different rates: 2% (plant/machinery), 10% (land/building).
1009	Rent (Land/Building/Hoardings/ Advertisements)	TDS on rent	> ₹50,000/month	Rent expense	Different rates: 2% (plant/machinery), 10% (land/building).
1010	Transfer of Immovable Property	TDS on property purchase	≥ ₹50 lakh	Capital asset purchase	Buyer deducts; must quote seller PAN.
1011	Joint Development Agreement	TDS on JDA consideration	No threshold	Real estate development	Deduct on cash/kind consideration to landowner.
1012	Compensation on compulsory acquisition	TDS on acquisition compensation	> ₹5 lakh	Compensation expense	Agricultural land exempt.
1013	Mutual Fund units	TDS on income from units	> ₹10,000	Investment income	Excludes capital gains.
1014	Business Trust (Interest)	TDS on distributed income	No threshold	REITs/InvITs distributions	Fixed 10% deduction.
1015	Business Trust (Dividend)	TDS on distributed income	No threshold	REITs/InvITs distributions	Fixed 10% deduction.
1016	Business Trust (Rent)	TDS on distributed income	No threshold	REITs/InvITs distributions	Fixed 10% deduction.
1017	AIF income	TDS on AIF distributions	No threshold	Fund distributions	Pass-through taxation.
1018	Securitisation Trust	TDS on distributed income	No threshold	Trust distributions	Higher rate (25%) for certain investors.
1019	Interest (Securities)	TDS on interest	>₹10,000	Interest expense	Deduct monthly/quarterly depending on payer.
1020	Interest (Securities – Post Office)	TDS on interest	> ₹50k (others), > ₹1L (senior citizens)	Interest expense	Deduct monthly/quarterly depending on payer.
1021	Interest (Securities – Other)	TDS on interest	> ₹50k (others), > ₹1L (senior citizens)	Interest expense	Deduct monthly/quarterly depending on payer.

TDS Payment Codes — Nature of Payment Reference					
Note: The codes are to be selected for the payments of TDS to be made from April, 2026 onwards which are for the Tax Year (Financial Year 2026-27) onwards.					
Code	**Nature of Payment**	**Purpose (IT Dept.)**	**Basic Limit (Threshold)**	**Expense Type Covered**	**Comments**
1023	Contractor payments	TDS on contractor bills	> ₹30k (single) or > ₹1 lakh (aggregate)	Contract expense	1% (individual/HUF)
1024	Contractor payments	TDS on contractor bills	> ₹30k (single) or > ₹1 lakh (aggregate)	Contract expense	2% (others).
1026	Technical fees	TDS on fees/remuneration	>₹50k	Professional/technical expense	
1027	Professional fees	TDS on fees/remuneration	>₹50k	Professional/technical expense	
1028	Director fees	TDS on fees/remuneration	No threshold	Professional/technical expense	Director remuneration (non-salary) always deductible.
1029	Dividend income	TDS on dividend payments	> ₹10,000	Dividend expense	Applies to resident shareholders.
1030	Life insurance proceeds	TDS on policy proceeds	> ₹1 lakh	Insurance payout	Exempt if received on death.
1031	Purchase of goods	TDS on purchase	> ₹50 lakh	Goods purchase	Deductor must track cumulative purchases per seller.
1032	Senior citizen specified payment	TDS by banks	Slab-based	Senior citizen deposits	Banks deduct based on slab; Form 121 declaration allowed.
1033	Business perquisite/benefit	TDS on business-related benefits	> ₹20,000	Business promotion expense	Applies even if benefit is in kind; gross-up required.
1035	E-commerce operator payments	TDS on platform payments	No threshold	E-commerce payouts	1% deduction; excludes small sellers (<₹5 lakh).
1037	Virtual digital asset transfer	TDS on crypto/NFT transfers	No threshold	Digital asset expense	Deductor must ensure compliance even for P2P trades.
1058	Winnings – lottery/crossword	TDS on winnings	> ₹10,000	Prize expense	Flat 30% deduction.
1060	Winnings – online games	TDS on online gaming winnings	Any amount	Gaming expense	Flat 30% deduction; applies to every withdrawal.
1062	Winnings – horse race	TDS on winnings	> ₹10,000	Prize expense	Flat 30% deduction.

TCS Changes from 1st April 2026

All new section and payament code references under the Income-tax Act 2025 apply from 1st April 2026

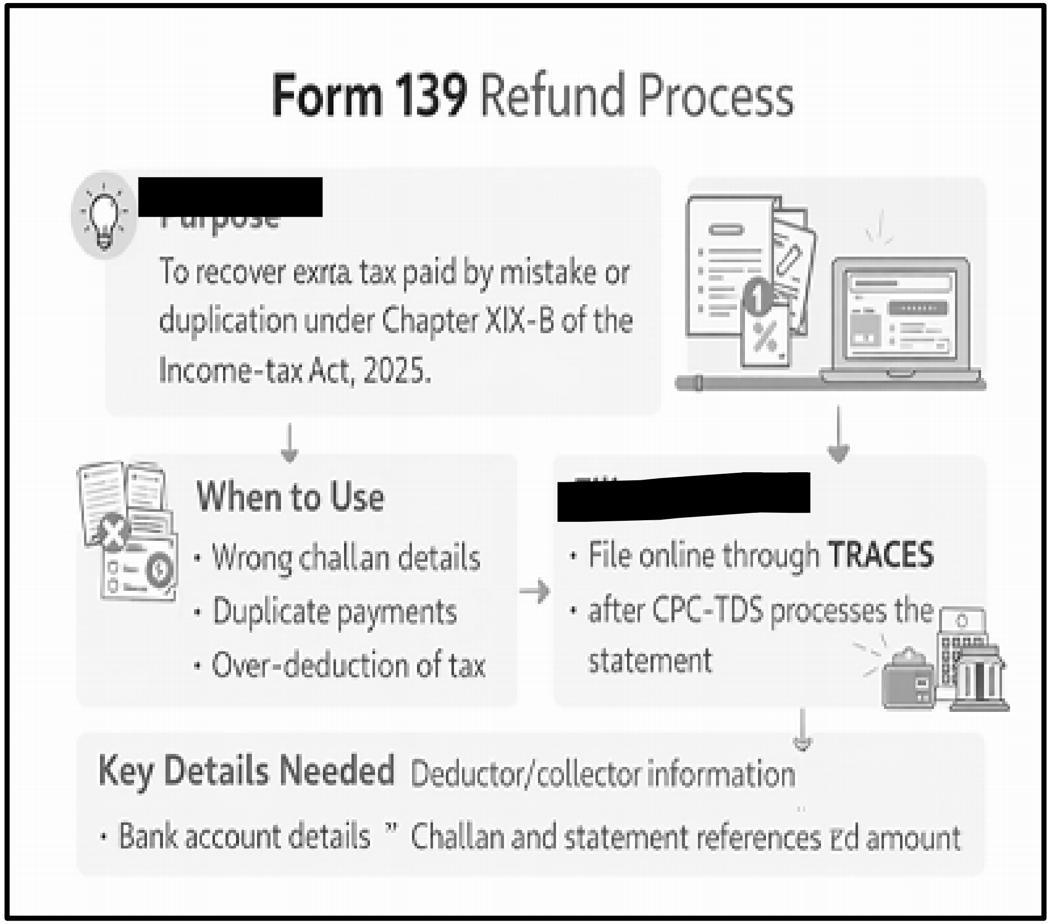
Sr.no	Nature of Transactions	SECTIONS		Code	Rate		Threshold(Form 1st April)	Comment
		ITA 1956	ITA 2025		Old	New		
1	Sale of Alcoholic liqure for human consumptions	206c(1)	394(1)	1068	1%	2%	No limit	No TCS if the buyer declares the goods are for manufacturing,processing or producing rather than trading
2	Sale of Tendu Leaves	206c(1)	394(1)	1069	5%	2%	No limit	
3	Sale of Timber obtained under forest Lease	206c(1)	394(1)	1070	2.5%	2%	No limit	
4	Sale of Timber obtained by any mode other then forest lease	206c(1)	394(1)	1071	2.5%	2%	No limit	
5	Sale of any other forest produce (not timber or tendu leaves)-under a forest lease	206c(1)	394(1)	1072	2.5%	2%	No limit	
6	Sale of Scrap	206c(1)	394(1)	1073	1%	2%	No limit	
7	Sale of Mineral-Coal,lignite,or iron ore	206c(1)	394(1)	1074	1%	2%	No limit	
8	Sale of motor vehicle	206C(1F)	394(1)	1075	1%	1%	₹10,00,000 PER TRANSACTIONS	
9	Sale of Wrist Watch	206C(1F)	394(1)	1076	0%	1%		
10	Sale of Art Piece(Antiques,Paintings,Sculpture)	206C(1F)	394(1)	1077	0%	1%		
11	Sale of Collectibles(Coins,Stamp)	206C(1F)	394(1)	1078	0%	1%		
12	Sale of Yacht,Rowling Boat,Canoe or helicpter	206C(1F)	394(1)	1079	0%	1%		
13	Sale of Pair of sunglasses	206C(1F)	394(1)	1080	0%	1%		
14	Sale of Bag(handbag,purse)	206C(1F)	394(1)	1081	0%	1%		
15	Sale of Pair of Shoes	206C(1F)	394(1)	1082	0%	1%		
16	Sale of Sports wear & Equipments(golf,kit,ski-wear)	206C(1F)	394(1)	1083	0%	1%		
17	Sale of home theatre System	206C(1F)	394(1)	1084	0%	1%		
18	Sale of horse for horse racing in race clubs,or horse for polo	206C(1F)	394(1)	1085	0%	1%		

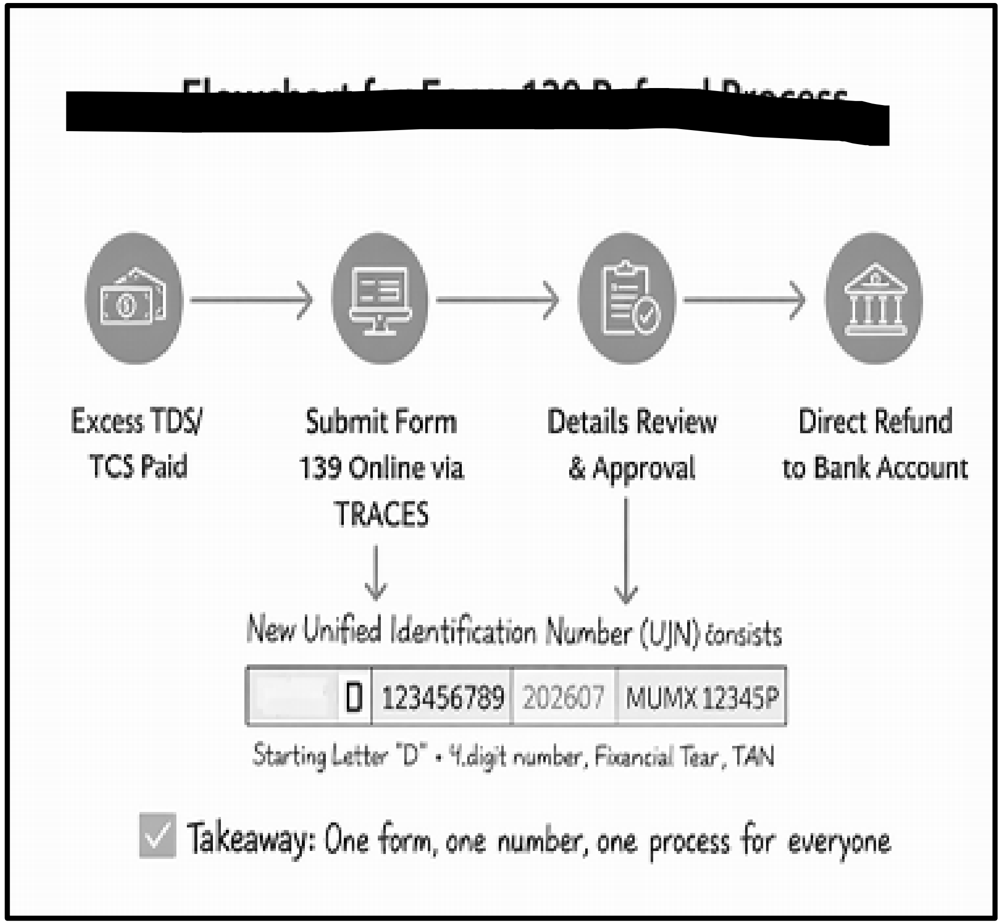
TCS Changes from 1st April 2026

All new section and payament code references under the Income-tax Act 2025 apply from 1st April 2026

Sr.no	Nature of Transactions	SECTIONS		Code	Rate		Threshold(Form 1st April)
		ITA 1956	ITA 2025		Old	New	
19	[redacted]	[redacted]	[redacted]	[redacted]	5% if amount [redacted] exceeds 7,00,000	[redacted]	[redacted]
20	LRS Remittances-for the purpose Other than education or medical treatment	206C(1G)	394(1)	[redacted]	20% if amount exceeds 7,00,000	20%	>₹10,00,000
21	Sale of Overseas tour program package-amount upto prescribed threshold limit	206C(1G)	394(1)	1088	5% till 7,00,000	5%	[redacted]
22	[redacted]	206C(1G)	394(1)	[redacted]	20% after 7,00,000	20%	>₹10,00,000
23	Use of parking lot for business purposes(excluding mineral oil/petroleum/gas minning)	206c(1)	394(1)	1090	[redacted]	2%	No limit
24	[redacted]	206c(1)	394(1)	[redacted]	2%	2%	No limit
25	[redacted]	206c(1)	394(1)	1092	[redacted]	2%	No limit

Form 139- Refund of Excess TDS/TCS





Restriction : *No refund if the Deductee has already claimed credit for the same tax.*

INDIA

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