

CLIENT ADVISORY NOTE

TDS / TCS Compliance Guide for Tax Year 2026-27

Under the Income Tax Act, 2025 (Effective 1 April 2026)

Dear Sir / Mam,

- The Income Tax Act, 2025 replaces the Income Tax Act, 1961 with effect from 1 April 2026. All TDS deductions and TCS collections for Tax Year 2026-27 (i.e. transactions on or after 1 April 2026) must now be made under the new law.
- The rates and thresholds are broadly unchanged; however, section numbers, challan payment codes, and return forms are entirely new. We have provided a list of applicable sections and codes for FY 2026-27 below. We have highlighted the most common used sections for ease of reference.
- Failure to update your systems and cite the correct new references will result in validation errors in TDS/TCS returns.

Key transition:

- New Act replaces section number-based challan references (like 94C, 94J etc) with a standardised numeric payment code system running from 1001 to 1092. **UPDATE YOUR ACCOUNTING SOFTWARE IMMEDIATELY AND CREATE NEW LEDGERS USING THESE REVISED NUMERIC CODES.**

• Which Act to govern TDS / TCS?

Credit Date	Payment Date	Earlier Event	Governing Act	Section to Quote
Mar 2026	Mar 2026	Mar 2026 (Both credit & payment)	ITA 1961	Old sections
Mar 2026	Apr 2026	Mar 2026 (Credit is earlier)	ITA 1961	Old sections
Apr 2026	Mar 2026	Mar 2026 (Payment is earlier)	ITA 1961	Old sections
Apr 2026	Apr 2026	Apr 2026 (Both credit & payment)	ITA 2025	New sections

• Quarterly TDS / TCS Return Forms

Purpose	Old Form (ITA 1961)	New Form (ITA 2025)
Salary TDS return	24Q	Form 138
Non-salary TDS return (residents)	26Q	Form 140
TDS return (non-residents)	27Q	Form 144
TCS return	27EQ	Form 143

• TDS Certificates

Purpose	Old Form (ITA 1961)	New Form (ITA 2025)
Annual TDS certificate – salary	Form 16	Form 130
TDS certificate – non-salary	Form 16A	Form 131
TCS certificate	Form 27D	Form 133

PART A: TDS on Salary Payments

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Payment to employees other than Govt. employees	Employer	192	392	1002	Slab rates	As per regime opted
Payment to Govt. employees – other than Union Govt.	Employer	192	392	1001	Slab rates	As per regime opted
Payment to Union Govt. employees	Employer	192	392	1003	Slab rates	As per regime opted
EPF accumulated balance due to employee	Trustees of EPF / auth. person	192A	392(7)	1004	10% (resident) 20% (non-resident)	₹50,000 or more

PART B: TDS on Non-Salary Payments to Residents

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Commission / brokerage – insurance	Any person	194D	393(1) [Sl.1(i)]	1005	2% for non-company; 10% for company	₹20,000
Commission / brokerage – others	Specified person	194H	393(1) [Sl.1(ii)]	1006	2%	₹20,000
Rent by non-specified person	Person other than specified	194-IB	393(1) [Sl.2(i)]	1007	2%	₹50,000/month
Rent on machinery / plant / equipment	Specified person	194-I(a)	393(1) [Sl.2(ii).D(a)]	1008	2%	₹50,000/month
Rent on land / building / furniture / fittings	Specified person	194-I(b)	393(1) [Sl.2(ii).D(b)]	1009	10%	₹50,000/month
Transfer of immovable property (other than agricultural land)	Any transferee/buyer	194-IA	393(1) [Sl.3(i)]	1010	1% of consideration or SDV (higher)	₹50,00,000 (aggregate)
Consideration – joint development agreement	Any person	194-IC	393(1) [Sl.3(ii)]	1011	10%	Nil
Compensation on compulsory acquisition against immovable property	Any person	194LA	393(1) [Sl.3(iii)]	1012	10%	₹5,00,000
Income from Mutual Fund units	Any person	194K	393(1) [Sl.4(i)]	1013	10%	₹10,000
Interest from units of a business trust	Business Trust	194LBA	393(1) [Sl.4(ii)]	1014	10%	Nil
Dividend from units of a business trust	Business Trust	194LBA	393(1) [Sl.4(ii)]	1015	10%	Nil

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Renting income from REIT units	Business Trust	194LBA	393(1) [Sl.4(ii)]	1016	10%	Nil
Income from investment fund units (Sec. 224)	Investment Fund	194LBB	393(1) [Sl.4(iii)]	1017	10%	Nil
Income from securitisation trust (Sec. 221)	Securitisation Trust	194LBC	393(1) [Sl.4(iv)]	1018	10%	Nil
Interest on securities	Any person	193	393(1) [Sl.5(i)]	1019	10%	₹10,000
Interest to senior citizen by bank / co-op society / post office	Bank/Coop/Post Office	194A	393(1) [Sl.5(ii).D(a)]	1020	10%	₹1,00,000
Interest to non-senior citizen by bank / co-op society / post office	Bank/Coop/Post Office	194A	393(1) [Sl.5(ii).D(b)]	1021	10%	₹50,000
Interest other than by bank / co-op society / post office	Specified person	194A	393(1) [Sl.5(iii)]	1022	10%	₹10,000
Contract work – To individual / HUF contractor	Designated person	194C	393(1) [Sl.6(i).D(a)]	1023	1%	₹30,000/single bill; ₹1,00,000 aggregate.
Contract work – To other contractor	Designated person	194C	393(1) [Sl.6(i).D(b)]	1024	2%	₹30,000/single bill; ₹1,00,000 aggregate.
Contract/ professional fee/ commission – Individual /HUF (non-designated)	Individual/HUF	194M	393(1) [Sl.6(ii)]	1025	2%	₹50,00,000
Fees for technical services / royalty on cinematographic films / call centre	Specified person	194J	393(1) [Sl.6(iii).D(a)]	1026	2%	₹50,000
Fees for professional services / royalty (other than films)	Specified person	194J	393(1) [Sl.6(iii).D(b)]	1027	10%	₹50,000
Remuneration/fees/commission to director of a company	Specified person	194J	393(1) [Sl.6(iii).D(b)]	1028	10%	Nil
Dividends (including preference shares)	Domestic company	194	393(1) [Sl.7]	1029	10%	Nil
Sum under life insurance policy incl. bonus	Any person	194DA	393(1) [Sl.8(i)]	1030	2% on income in sum	₹1,00,000
Purchase of goods	Any person (buyer)	194Q	393(1) [Sl.8(ii)]	1031	0.1%	₹50,00,000
Payment to specified senior citizen – total income	Specified bank	194P	393(1) [Sl.8(iii)]	1032	Slab rates	As per regime opted
Benefit/perquisite (non-cash) – business/profession	Specified person	194R	393(1) [Sl.8(iv)]	1033	10%	₹20,000
Benefit/perquisite (cash or kind) – business/profession	Specified person	194R	393(1) [Sl.8(iv) Note 6]	1034	10%	₹20,000
E-commerce – sale by participant via operator	E-commerce operator	194-O	393(1) [Sl.8(v)]	1035	0.1% of gross amount	Nil
Transfer of virtual digital asset (non-Indiv./HUF)	Any person	194S	393(1) [Sl.8(vi)]	1037	1%	Nil

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Transfer of virtual digital asset (cash or kind)	Any person	194S	393(1) [Sl.8(vi) Note 6]	1038	1%	Nil
Winnings – lottery/ crossword/ gambling	Any person	194B	393(3) [Sl.1]	1058	30%	₹10,000/transaction
Winnings (in kind/insufficient cash) – lottery / gambling	Any person	194B	393(3) [Sl.1 Note 2]	1059	30%	₹10,000/transaction
Winnings from online game	Any person	194BA	393(3) [Sl.2]	1060	30%	Net winnings in user a/c
Winnings from online game (in kind / insufficient cash)	Any person	194BA	393(3) [Sl.2 Note 2]	1061	30%	Net winnings
Winnings from horse race	Bookmaker / licensed person	194BB	393(3) [Sl.3]	1062	30%	₹10,000/transaction
Commission / prize on lottery tickets	Any person	194G	393(3) [Sl.4]	1063	2%	₹20,000
Cash withdrawal – co-operative society	Bank / Co-op Society / Post Office	194N	393(3) [Sl.5.D(a)]	1064	2%	₹3,00,00,000
Cash withdrawal – other than co-operative society	Bank / Co-op Society / Post Office	194N	393(3) [Sl.5.D(b)]	1065	2%	₹1,00,00,000
Amount under Sec. 80CCA(2)(a)	Any person	194EE	393(3) [Sl.6]	1066	10%	₹2,500
Salary / remuneration / commission to partner of firm	Any firm	194T	393(3) [Sl.7]	1067	10%	₹20,000

PART C: TDS on Payments to Non-Residents

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate
Income – non-resident sportsman/entertainer/sports association	Any person	194E	393(2) [Sl.1]	1039	20%
Interest on foreign currency borrowing (Jul 2012 – Jul 2023)	Indian co./business trust	194LC	393(2) [Sl.2]	1040	5%
Interest on rupee denominated bond (before 1 Jul 2023)	Indian co./business trust	194LC	393(2) [Sl.3]	1041	5%
Interest on LT bond / rupee bond at IFSC (Apr 2020 – Jul 2023)	Indian co./business trust	194LC	393(2) [Sl.4.E(a)]	1042	4%
Interest on LT bond / rupee bond at IFSC (on or after Jul 2023)	Indian co./business trust	194LC	393(2) [Sl.4.E(b)]	1043	9%
Interest – infrastructure debt fund (Schedule VII)	Infrastructure debt fund	194LB	393(2) [Sl.5]	1044	5%
Distributed income – business trust – Sch. V [Sl.3.B(a)]	Business Trust	194LBA	393(2) [Sl.6.E(a)]	1045	5%

Nature of Payment	Deductor	Old Sec (1961)	New Sec (2025)	Code	Rate
Distributed income – business trust – Sch. V [Sl.3.B(b)]	Business Trust	194LBA	393(2) [Sl.6.E(b)]	1046	10%
Distributed income – business trust – Sch. V [Sl.4]	Business Trust	194LBA	393(2) [Sl.7]	1047	30% (NRI individual) / 40% (foreign co.)
Income from investment fund units (Sec. 224)	Investment Fund	194LBB	393(2) [Sl.8]	1048	30% (NRI individual) / 40% (foreign co.)
Income from securitisation trust (Sec. 221) – non-resident	Securitisation Trust	194LBC	393(2) [Sl.9]	1049	30% (NRI individual) / 40% (foreign co.)
Income from MF units / specified co. – non-resident	Any person	196B	393(2) [Sl.10]	1050	20%
Income from units – Offshore fund (Sec. 208)	Any person	196C	393(2) [Sl.11]	1051	10%
LTCG on units – Offshore fund (Sec. 208)	Any person	196C	393(2) [Sl.12]	1052	12.5%
Interest/dividends – bonds / GDRs (Sec. 209)	Any person	196C	393(2) [Sl.13]	1053	10%
LTCG on bonds / GDRs (Sec. 209)	Any person	196C	393(2) [Sl.14]	1054	12.5%
Income on securities (Sec. 210(1)) – FII	Any person	196D	393(2) [Sl.15]	1055	20%
Income on securities (Sec. 210(1)) – specified fund (Sch. VI)	Any person	196D	393(2) [Sl.16]	1056	10%
Interest or other sum chargeable under Act (not salary/covered above)	Any person	195	393(2) [Sl.17]	1057	20% (interest) / 30% (others) / 40% (foreign co.)

PART D: Tax Collected at Source (TCS)

Nature of Transaction	Collector	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Sale of alcoholic liquor for human consumption	Seller	206C(1)(a)	394(1) [Sl.1]	1068	2%	Nil
Sale of tendu leaves	Seller	206C(1)(b)	394(1) [Sl.2]	1069	2%	Nil
Sale of timber (forest lease)	Seller	206C(1)(c)	394(1) [Sl.3]	1070	2%	Nil
Sale of timber (other modes)	Seller	206C(1)(c)	394(1) [Sl.3]	1071	2%	Nil
Sale of other forest produce (non-timber/tendu, forest lease)	Seller	206C(1)(c)	394(1) [Sl.3]	1072	2%	Nil
Sale of scrap	Seller	206C(1)(d)	394(1) [Sl.4]	1073	2%	Nil
Sale of minerals – coal, lignite or iron ore	Seller	206C(1C)	394(1) [Sl.5]	1074	2%	Nil
Sale of motor vehicle	Seller	206C(1F)	394(1) [Sl.6.D(a)]	1075	1%	₹10,00,000
Sale of wrist watch	Seller	206C(1F)	394(1) [Sl.6.D(b)]	1076	1%	₹2,00,000
Sale of art piece (antiques/painting/sculpture)	Seller	206C(1F)	394(1) [Sl.6.D(b)]	1077	1%	₹2,00,000
Sale of collectibles (coin/stamp)	Seller	206C(1F)	394(1) [Sl.6.D(b)]	1078	1%	₹2,00,000
Sale of yacht/rowing boat/canoe/helicopter	Seller	206C(1F)	394(1) [Sl.6.D(b)]	1079	1%	₹2,00,000

Nature of Transaction	Collector	Old Sec (1961)	New Sec (2025)	Code	Rate	Threshold
Sale of pair of sunglasses	Seller	206C(1F)	394(1) [SI.6.D(b)]	1080	1%	₹2,00,000
Sale of handbag or purse	Seller	206C(1F)	394(1) [SI.6.D(b)]	1081	1%	₹2,00,000
Sale of pair of shoes	Seller	206C(1F)	394(1) [SI.6.D(b)]	1082	1%	₹2,00,000
Sale of sportswear and equipment (golf kit/ski-wear)	Seller	206C(1F)	394(1) [SI.6.D(b)]	1083	1%	₹2,00,000
Sale of home theatre system	Seller	206C(1F)	394(1) [SI.6.D(b)]	1084	1%	₹2,00,000
Sale of horse for horse racing/polo	Seller	206C(1F)	394(1) [SI.6.D(b)]	1085	1%	₹2,00,000
LRS remittance – education or medical treatment	Authorised dealer	206C(1G)(a)	394(1) [SI.7.D(a)]	1086	2%	₹10,00,000
LRS remittance – other purposes	Authorised dealer	206C(1G)(b)	394(1) [SI.7.D(b)]	1087	20%	₹10,00,000
Sale of overseas tour programme package (any amount)	Seller	206C(1G)	394(1) [SI.8]	1088	2%	Nil
Sale of overseas tour programme package	Seller	206C(1G)	394(1) [SI.8]	1089	2%	Nil
Use of parking lot for business (excl. mineral oil mining)	Seller/Licensors	206C(1C)	394(1) [SI.9]	1090	2%	Nil
Use of toll plaza for business (excl. mineral oil mining)	Seller/Licensors	206C(1C)	394(1) [SI.9]	1091	2%	Nil
Use of mine or quarry for business (excl. mineral oil mining)	Seller/Licensors	206C(1C)	394(1) [SI.9]	1092	2%	Nil

Disclaimer: This advisory note is prepared for general guidance purposes only and is based on the Income Tax Act, 2025 as notified and the Income Tax Rules, 2026. It does not constitute legal or tax advice. It is advisable to consult us for query specific to their circumstances. Rates indicated are base rates; surcharge and health & education cess may apply as applicable.