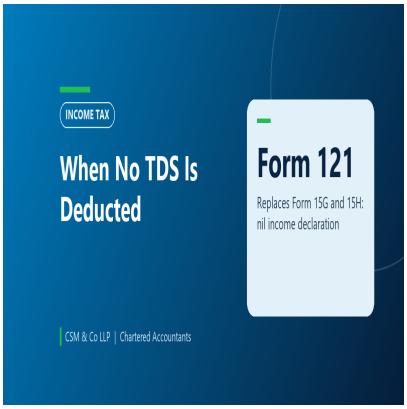

When No TDS Is Deducted: Form 121 (Old Form 15G and 15H), Exempt Payees and Personal-Purpose Payments under Section 393 (Tax Year 2026-27)

Description

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Quick summary

- A resident whose estimated total income for the year will be nil can give the payer a declaration in Form 121 under section 393(6) so that no tax is deducted on interest, dividend, units, rent, insurance commission, life insurance receipts and an accumulated provident fund balance; it replaces Forms 15G and 15H.
- The declaration does not work for a person other than a resident individual aged 60 or more if the total of the income exceeds the maximum amount not chargeable to tax in the year (note to section 393(6)), and it is invalid without a valid PAN (section 397(2)(f)).
- The payer gives each declaration a unique identification number, reports it in the quarterly statement whether or not tax was deducted, and must keep the declaration for seven years (Rule 211).
- Other cases of no deduction include payments to the Government, RBI and certain corporations and mutual funds (section 393(5)), payments by individuals and HUFs for personal purposes to contractors and professionals, dividends of ?10,000 or less paid to an individual by a non-cash mode, and e-commerce payments of up to ?5 lakh to individuals and HUFs with a PAN or Aadhaar.

Tax is not deducted at source in every case. Section 393 of the Income-tax Act, 2025 (from 01/04/2026) lists payments and payees where there is **no deduction**, and lets a person claim receipt without deduction by giving a **declaration** to the payer. This post explains the declaration in **Form 121** and the main no-deduction cases.

The declaration: section 393(6) and Rule 211

A person can receive certain incomes without deduction of tax if he gives the payer a **written declaration in duplicate** (in the prescribed form) that the tax on his **estimated total income** of the year in which the income is to be included will be **nil**.

Who can give it and for which income (section 393(6), Table)

Person	Incomes covered
An individual who is a **resident**	Accumulated balance due under section 392(7) (provident fund); insurance commission (Table Sl. No. 1(i)); rent (Table Sl. No. 2(ii)); income from units (4(i)); interest (5(i), (ii) and (iii)); sums under a life insurance policy (8(i)); dividend (7)
Any person who is **not a company, a firm or the individual above**	The same incomes except provident fund balance and dividend: insurance commission, rent, units, interest, life insurance sums

Condition for people other than senior resident individuals

The declaration **does not apply** to a person (other than a resident individual who is 60 years or more at any time in the tax year) if the aggregate of the incomes of that kind credited, paid or likely to be credited or paid during the year **exceeds the maximum amount not chargeable to tax** (note to section 393(6)).

How the form works (Rule 211)

1. The declaration is made in **Form 121**, electronically (after verification) or in paper form.
2. The payer gives each declaration a **unique identification number** for the quarter.
3. The payer reports the declarations in the **quarterly statement** (Rule 219) with the number, **even if no tax was deducted** that quarter.
4. The authority can ask for the declaration up to **seven years** from the end of the tax year in which it was received.
5. The payer delivers the declarations to the prescribed authority by the **7th of the month after the end of each quarter** (section 393(7), as substituted by Finance Act 2026). From 01/04/2027 the declaration for units, interest on securities and dividend can also be filed electronically with a depository holding the securities (new clause 393(6)(b)).

PAN is compulsory

A declaration without a valid PAN is **invalid**, and the payer must deduct tax as if no declaration was given, at the higher rate under section 397(2) (section 397(2)(f) and (g)).

Payments where no tax is deducted (section 393(4) and (5))

Payment	No deduction where
Contract payments (Table Sl. No. 6(i))	A goods carriage operator with ten or fewer carriages gives a declaration with PAN and the payer furnishes the particulars; or an individual or HUF pays exclusively for personal purposes
Professional and technical fees (6(iii))	Paid by an individual or HUF exclusively for personal purposes

Payment	No deduction where
Dividend (7)	To LIC, GIC and its subsidiaries, other insurers, a business trust by an SPV, other notified persons; or to an individual by a mode other than cash if the total is ?10,000 or less in the year
E-commerce payments (8(v))	To an individual or HUF e-commerce participant, if gross sales or services are up to ?5 lakh in the year and the participant has given PAN or Aadhaar
Virtual digital asset (8(vi))	Consideration up to ?50,000 in the year when paid by an individual or HUF with turnover up to ?1 crore (business) or ?50 lakh (profession) and no business income; ?10,000 in other cases
Interest (5(ii), (iii))	Interest credited to banks and certain financial institutions; interest by co-operative societies to members or other societies; interest on deposits (other than time deposits made on or after 01/07/1995) with a banking company; deposits with primary agricultural credit societies; interest on Motor Accidents Claims Tribunal compensation; interest on zero coupon bonds of specified issuers; interest paid by a firm to a partner
Cash payments (393(3) Sl. No. 5)	Payments to the Government, banks, post offices, business correspondents and white label ATM operators

No deduction at all from payments to the Government, the Reserve Bank of India, a corporation established by a Central Act that is exempt from income-tax, and a specified mutual fund (interest, dividend and other income), under section 393(5). Tax is also not deducted from interest paid by an Offshore Banking Unit to a non-resident (section 393(8)) or on payments to the NPS Trust (section 393(9)).

Other rules in section 393

- **Tax borne by the payer** (section 393(10)): if the payer agrees to bear the tax, the income is grossed up so that the payee receives the net amount agreed.
- **Credit to a suspense account** (section 393(11)): treated as credit to the payee, so the TDS duty arises.

Practical points

1. **Get Form 121 early** in the year, and renew it each year.
2. **A senior citizen** below the exemption limit can use it; other persons must check the maximum amount not chargeable to tax.
3. **Do not give a declaration** if your total income will be taxable: the declaration is for nil tax only.
4. **Payers** should keep the declaration and its number, and report it every quarter.

How CSM & Co LLP can help

We prepare declarations, review TDS exemptions for employers and payers, and file the TDS statements. Please reach out to our team and we will be happy to assist.

Frequently asked questions

What replaces Form 15G and Form 15H?

Form 121 under Rule 211 of the Income-tax Rules, 2026: the declaration under section 393(6) for receiving certain incomes without deduction of tax. Section 393(6) gives one declaration for the persons listed in the Table, instead of separate Forms 15G and 15H.

Who can give the declaration?

A resident individual, for an accumulated provident fund balance under section 392(7), insurance commission, rent under Table Sl. No. 2(ii), units, interest, life insurance receipts and dividend; and any person who is not a company, a firm or the individual above, for the income in clauses (a) to (f) of the first entry (section 393(6), Table). The declaration states that the tax on the person's estimated total income of the year will be nil.

When does the declaration not work?

For a person other than a resident individual aged 60 or more at any time during the tax year, the declaration is not available if the aggregate of the income of that kind credited or paid or likely to be credited or paid in the year exceeds the maximum amount not chargeable to tax (note to section 393(6)). A declaration without a valid PAN is invalid, and the payer must then deduct tax under section 397(2) (section 397(2)(f) and (g)).

What must the payer do with the declaration?

Allot a unique identification number to each declaration received in a quarter, report the declarations in the quarterly TDS statement of that quarter (even if no tax was deducted), and keep the declaration so that it can be produced for verification for seven years from the end of the tax year in which it was received (Rule 211(3) to (5)). Section 393(7), as substituted by Finance Act 2026, requires the declarations to be delivered to the prescribed authority by the 7th of the month after the end of each quarter.

Is TDS deducted when an individual pays a contractor or professional for personal use?

No. No tax is deducted on payments to contractors (Table Sl. No. 6(i)) or fees for professional or technical services (Table Sl. No. 6(iii)) when credited or paid by an individual or HUF exclusively for personal purposes of the individual or a member of the HUF (section 393(4), Table Sl. Nos. 8(b) and 9).

Are there other no-deduction cases?

Yes: payments to the Government, the Reserve Bank, a corporation exempt under its Act, and specified mutual funds (section 393(5)); interest on deposits with a banking company other than time deposits made

on or after 01/07/1995; interest on deposits with primary agricultural credit societies; interest on a Motor Accidents Claims Tribunal compensation to an individual (or up to ?50,000 in the year to others); dividend of ?10,000 or less to an individual paid by a mode other than cash; e-commerce payments to an individual or HUF up to ?5 lakh of gross sales with PAN or Aadhaar; and VDA consideration up to ?50,000 (or ?10,000 in other cases) in the year (section 393(4)).

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 393(4) to (7), 397(2))
- Income Tax Department: Income-tax Rules, 2026 (Rule 211, Form 121)

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