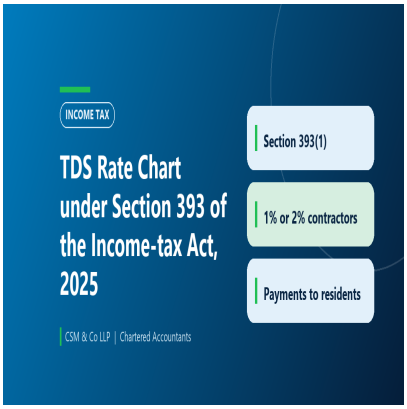


TDS Rate Chart under Section 393 of the Income-tax Act, 2025: Rates and Thresholds for Payments to Residents (Tax Year 2026-27)

Description

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Quick summary

- From 01/04/2026 all tax deduction at source on payments to residents is in the table in section 393(1) of the Income-tax Act, 2025: 1% or 2% for contractors, 2% or 10% for rent, 1% on property of ?50 lakh or more, 10% for professional fees and 2% for technical services, 10% on dividend, 0.1% on goods bought above ?50 lakh, 1% on virtual digital assets and 10% on benefits or perquisites above ?20,000.
- Where the table says “rates in force” (interest, lottery and game winnings, insurance commission, interest on securities), the rate comes from Part II of the First Schedule to the Finance Act 2026: 10% for interest, 30% for winnings, and 2% for insurance commission.
- Salary is covered separately in section 392 at the average rate on estimated income; the old section letters (194C, 194J and so on) no longer exist in the Act.
- The payer must deduct at the earlier of credit and payment, and tax is deducted on the whole amount once the threshold is crossed (section 393(1)(a) to (c)).

Tax Deducted at Source (TDS) is tax that the payer deducts when paying certain income. In the Income-tax Act, 2025 (from 01/04/2026), the sections 192 to 206AA of the old Act are gathered in **Chapter XIX-B**. **Section 392** covers salary, and **section 393(1)** has one table for payments to **residents**. This post gives that table, with the old section numbers for reference.

How deduction works (section 393(1))

- The payer deducts tax **on the entire amount** once the amount (or the total of amounts) exceeds the **threshold** in column D, at the rate in column D (section 393(1)(a) and (b)).
- Tax is deducted at the **earlier of the credit** of the sum to the payee’s account **and payment** by cash, cheque, draft or any other mode (section 393(1)(c)).
- The table is subject to the no-deduction rules, declarations and other provisions in sub-sections (4), (5), (6), (8) and (9).
- A **“specified person”** is any person other than an individual or HUF, or an individual or HUF whose

turnover exceeded ?1 crore in business or ?50 lakh in profession in the preceding tax year (section 2(37)).

The table for payments to residents

Table item	Payment	Old section	Rate	Threshold
1(i)	Insurance commission	194D	Rates in force (2% for a resident other than a company, per the Finance Act)	?20,000
1(ii)	Commission or brokerage (other than insurance) by a specified person	194H	2%	?20,000
2(i)	Rent by a person who is not a specified person	194-IB	2%	?50,000 for a month or part of a month
2(ii)	Rent by a specified person	194-I	2% for machinery, plant or equipment; 10% for land, building, furniture or fittings	?50,000 for a month or part of a month
3(i)	Consideration for transfer of immovable property (other than agricultural land)	194-IA	1% of the higher of consideration or stamp duty value	?50 lakh (on consideration or stamp duty value)
3(ii)	Consideration (not in kind) under a joint development agreement under section 67(14)	194-IC	10%	Nil
3(iii)	Compensation or consideration for compulsory acquisition of immovable property (other than agricultural land)	194LA	10%	?5,00,000
4(i)	Income in respect of units of specified mutual funds and the specified undertaking or company	194K	10%	?10,000

Table item	Payment	Old section	Rate	Threshold
4(ii) to (iv)	Business trust, investment fund and securitisation trust income to unitholders and investors	194LBA, 194LBB, 194LBC	10%	Nil
5(i)	Interest on securities	193	Rates in force (10%)	?10,000
5(ii)	Interest (other than on securities) by a bank, co-operative bank or post office	194A	Rates in force (10%)	?1,00,000 for a senior citizen; ?50,000 for others
5(iii)	Interest (other than on securities) by other specified persons	194A	Rates in force (10%)	?10,000
6(i)	Contract work, including supply of labour, by a designated person	194C	1% (individual or HUF contractor); 2% (others)	?30,000 per sum; ?1,00,000 in aggregate
6(ii)	Contract work, professional fees, commission or brokerage by an individual or HUF who is not a specified person	194M	2%	?50 lakh
6(iii)	Fees for professional services, technical services, director's remuneration not taxed as salary, royalty and certain other sums by a specified person	194J	10%; 2% for technical services (not professional), film royalty and call centres	?50,000 (nil for director fees)
7	Dividend declared by a domestic company	194	10%	Nil
8(i)	Sum under a life insurance policy (including bonus) not exempt	194DA	2% of the income in the sum	?1,00,000
8(ii)	Purchase of goods by a buyer, on the sum exceeding ?50 lakh	194Q	0.1%	As per Note 1 (?50 lakh)

Table item	Payment	Old section	Rate	Threshold
8(iii)	Total income of a specified senior citizen (75 or morewith pension and interestfrom the same bank) by aspecified bank	194P	Rates in force	As applicable
8(iv)	Benefit or perquisite from business or profession of a resident, by a specified person	194R	10% of the value	?20,000
8(v)	Sale of goods or services by an e-commerce participant, by an e-commerce operator	194O	0.1% of the gross amount	Nil
8(vi)	Consideration for transfer of a virtual digital asset	194S	1%	Nil

Other payments to any person (section 393(3))

Table item	Payment	Old section	Rate	Threshold
1	Winnings from a lottery, crossword puzzle, card game, gambling or betting	194B	Rates in force (30%)	?10,000 in a single transaction
2	Net winnings from an online game	194BA	Rates in force (30%)	As per Note 1 (net winnings in the user account)
3	Winnings from a horse race by a bookmaker or licence holder	194BB	Rates in force (30%)	?10,000 in a single transaction
4	Commission, remuneration or prize on lottery tickets	194G	2%	?20,000
5	Cash withdrawal from accounts by a banking company, co-operative bank or post office	194N	2%	?1 crore (?3 crore for a co-operative society recipient)
6	Amount under the scheme for deposit-linked section 80CCA(2)(a)	194EE	10%	?2,500

Table item	Payment	Old section	Rate	Threshold
7	Salary, remuneration,commission, bonus or interestpaid to a partner by a firm	194T	10%	?20,000

Salary and provident fund (section 392)

- **Salary:** the payer deducts tax at the **average rate** on the estimated income under the head salaries for the year, taking into account other income and losses the employee declares (section 392(1) and (4)).
- **Provident fund:** the Employees' Provident Fund Scheme trustees deduct **10%** where an accumulated balance of ?50,000 or more is taxable (section 392(7)).

Rates fixed by the Finance Act (where the table says "rates in force")

Part II of the First Schedule to the Finance Act 2026 gives, for a person other than a company who is resident in India: **10%** on interest other than interest on securities, **30%** on winnings from lotteries, puzzles, card games and other games (other than online games), horse races and net winnings from online games, **2%** on insurance commission, **10%** on interest on listed debentures, local authority and government securities, and **10%** on any other income. For a domestic company, the rate is 10% on interest and on any other income, and 30% on winnings.

Practical points

1. **Check "specified person" first.** It decides whether rent is at 2% flat or at 2% and 10%, and whether the professional fee threshold or the ?50 lakh rule applies.
2. **Property purchase:** the buyer deducts 1% on the higher of the price and the stamp duty value when either is ?50 lakh or more.
3. **Thresholds are annual** (aggregate of the year) unless the table says a single payment or a month.
4. **Deposit on time** and file the quarterly statement (Forms 138, 140, 144) with the due dates in the Rules.
5. Check the **no-deduction cases** in section 393(4), the declaration in section 393(6) and the lower deduction certificate (Form 128).

How CSM & Co LLP can help

We handle TDS compliance for businesses and employers, including rate checks, deposit, statements, certificates and notices. Please reach out to our team and we will be happy to assist.

Frequently asked questions

Where are the TDS provisions in the 2025 Act?

In Chapter XIX-B. Section 392 deals with salary, section 393(1) with payments to residents (the table in this post), section 393(2) with payments to non-residents, section 393(3) with payments to any person (winnings, cash withdrawals, payments to partners and similar), section 393(4) to (9) with no-deduction

cases, declarations and lower deduction, and sections 394 and 395 and later with collection, certificates and statements.

Is the rate for interest 10%?

Section 393(1) Table Sl. No. 5 says the rate for interest is “rates in force”. For the tax year 2026-27 Part II of the First Schedule to the Finance Act 2026 fixes it at 10% for a resident other than a company (interest other than interest on securities and interest on listed debentures, local authority securities and government securities, which are also 10%) and 10% for a domestic company.

Who is a “specified person” for TDS?

Any person other than an individual or HUF, and an individual or HUF whose total sales, gross receipts or turnover from business exceed ?1 crore (or ?50 lakh for profession) in the preceding tax year (section 2(37)). An individual or HUF below those limits is not a “specified person”.

What are the thresholds for contractors and professionals?

Contractors: ?30,000 for a single payment or ?1,00,000 in aggregate, at 1% (individual or HUF contractor) or 2% (others), when a designated person pays (Sl. No. 6(i)). Fees for professional services, technical services, royalty and director fees by a specified person: ?50,000 (nil for director fees), at 10%, or 2% for technical services that are not professional services, certain film royalty and call centres (Sl. No. 6(iii)). An individual or HUF who is not a specified person pays 2% on contract work, professional fees and commission only when the sum exceeds ?50 lakh in the year (Sl. No. 6(ii)).

Are the old section letters such as 194C and 194J still used?

Not in the Income-tax Act, 2025, which has table items instead (for example section 393(1), Table Sl. No. 6(i) for contract payments). The old letters are still widely used in practice and in older documents, so this post shows them as a reference..

Is there a penalty for not deducting?

Yes. Failure to deduct or pay attracts a penalty equal to the tax (section 448), and the payer can be treated as an assessee in default (section 391(3)); consult the interest, fee and disallowance provisions for the other consequences.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 391 to 393, 2(37))
- Finance Act 2026, First Schedule Part II (rates for deduction of tax at source)

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