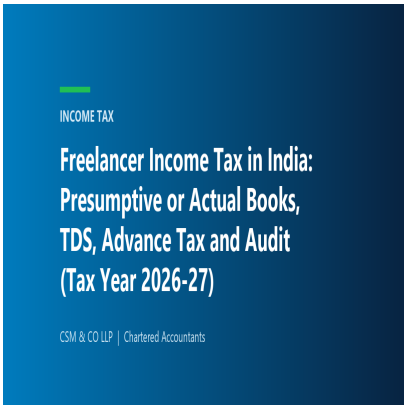

Freelancer Income Tax in India: Presumptive or Actual Books, TDS, Advance Tax and Audit (Tax Year 2026-27)

Description

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Quick summary

- A freelancer's fees are income from business or profession. For a specified profession (which now lists information technology) the Income-tax Act, 2025 lets a resident individual declare 50% of gross receipts up to ?50 lakh (?75 lakh if cash receipts are at most 5%) under section 58, with no books or audit.
- The alternative is actual books: income is receipts less allowable expenses and depreciation, and an audit is needed once gross receipts in a profession exceed ?50 lakh (section 63).
- Clients deduct tax at source from professional fees at 10% (technical services at 2%) when the payment crosses ?50,000 (section 393(1) Table Sl. No. 6); this is credited against your tax.
- A presumptive taxpayer pays the whole advance tax by 15 March (section 408(2)); everyone else pays in four instalments.

A freelancer (a software developer, designer, consultant, writer, chartered accountant or similar) earns **income from business or profession**. This post explains the choices open to a resident individual freelancer under the Income-tax Act, 2025, which applies from 01/04/2026: whether to use the presumptive scheme or actual books, what tax clients deduct, when advance tax is due and when an audit is needed.

Step 1: Two ways to compute the income

Point	Presumptive (section 58)	Actual books (section 62)
Who	Resident individual, HUF or firm other than an LLP, in a specified profession	Anyone
Receipts limit	?50 lakh; ?75 lakh if cash receipts are 5% or less of the total	No limit, but an audit applies above ?50 lakh

Point	Presumptive (section 58)	Actual books (section 62)
Income	50% of gross receipts (or more, if the actual profit is higher)	Receipts less allowable expenses and depreciation
Expenses	None to prove; all are taken as covered by the 50%	Must be actually incurred for the work and supported by bills
Books	Not required	Required in the form prescribed (Rule 46)
Audit	None (section 63(2))	Needed if gross receipts exceed ?50 lakh
Advance tax	Whole amount by 15 March	Four instalments

Who is a “specified profession”?

Section 62(4) lists legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, **information technology** and company secretary, plus any other profession the Board notifies. A freelance developer or IT consultant is therefore covered. For another kind of freelance work, check whether it fits the list or can be treated as a business under the business scheme in section 58 (6% or 8% of receipts, up to ?2 crore).

Books requirement

A person in a specified profession must always keep books (section 62(1)(a)). For other professions and business, books are required if income exceeds ?1,20,000 or receipts exceed ?10 lakh in any of the three preceding years (or likely in the current year if newly started). For an individual or HUF the figures are ?2,50,000 of income and ?25 lakh of receipts (section 62(2)). Rule 46 lists what a professional must keep.

Step 2: Worked example

Asha is a resident freelance software consultant (a specified profession). In the tax year 2026-27 she receives ?30,00,000 from clients, all through the bank. She has no other income. She is in the new tax regime. Her actual expenses are ?12,00,000.

Particulars	Presumptive (section 58)	Actual books
Gross receipts	?30,00,000	?30,00,000
Income	?15,00,000 (50%)	?18,00,000 (receipts less ?12,00,000)
Tax on slabs (section 202(1))	?1,05,000	?1,60,000

Slab calculation, presumptive: nil up to ?4,00,000; 5% on the next ?4,00,000 is ?20,000; 10% on the next

?4,00,000 is ?40,000; 15% on the next ?3,00,000 is ?45,000; total ?1,05,000. For actual books the same slabs give ?20,000 plus ?40,000 plus ?60,000 (15% on ?4,00,000) plus ?40,000 (20% on ?2,00,000) which is ?1,60,000. The rebate under section 156(2) does not help at these incomes: it gives full relief only up to a total income of ?12 lakh, and above ?12 lakh it applies only if the tax is more than the income above ?12 lakh (here ?1,05,000 is less than ?3,00,000, and ?1,60,000 is less than ?6,00,000). Health and education cess applies on top.

The presumptive route gives the lower tax here because her expenses (40% of receipts) are less than half of her receipts. If her expenses were 70% of receipts, actual books would show income of ?9,00,000, less than the presumptive ?15,00,000. Declaring that lower figure means keeping books under section 62 and getting an audit under section 63 (Table Sl. No. 2). Compare both every year.

Step 3: TDS from clients

Companies and many other clients deduct tax at source from your fees (section 393(1), Table Sl. No. 6(iii)):

Nature of payment	Rate	Threshold
Fees for professional services	10%	?50,000
Fees for technical services that are not professional services	2%	?50,000
Payee engaged only in the business of a call centre	2%	?50,000

“Professional services” are services in legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, advertising or other notified professions (definition in section 393). An individual or HUF who pays a freelancer and is not otherwise required to deduct tax is liable only when the payment exceeds ?50 lakh in a year, at 2% (Table Sl. No. 6(ii)). Check the “TDS” credit in your tax statement before filing; it reduces your tax, and a refund arises if the TDS is more than the tax.

Step 4: Advance tax

- If you declare income under **section 58(2)** (business or specified profession), the **whole advance tax** is due on or before **15 March** of the financial year (section 408(2)).
- Otherwise, advance tax is paid in four instalments: 15% by 15 June, 45% by 15 September, 75% by 15 December and 100% by 15 March (section 408(1)). Any amount paid by 31 March counts for the year (section 408(3)).
- Interest is charged for a shortfall or delay under the interest provisions of the Act, which were not examined for this post.

Step 5: Audit and return

- **No audit** if you declare the section 58 income (section 63(2)).
- **Audit** if you keep actual books and gross receipts in the profession exceed ?50 lakh (section 63, Table Sl. No. 1(c)), or if you claim a lower profit than the presumptive figure (Table Sl. No. 2). The audit report is in Form 26.
- **Return:** a freelancer files the return of income each year. The ITR form depends on the Rule 164 conditions; the presumptive income is normally reported in the form for presumptive business income,

and a freelancer with actual books and other heads uses the general business form.
- **Due date:** 31 August for a person whose accounts are not required to be audited (section 263(1)(c) Table Sl. No. 3 as substituted by Finance Act 2026), and 31 October if the accounts are audited.

Common mistakes

1. Treating foreign client receipts as not taxable: a resident is taxed on income from all sources; export of services is a separate topic (including the GST side) that this post does not cover.
2. Forgetting the 15 March advance tax under presumptive taxation, and then paying interest.
3. Claiming lower profit than 50% without books or an audit.
4. Mixing personal and business payments, which makes actual-book claims difficult to support.
5. Taking cash receipts above 5% and assuming the ?75 lakh limit still applies.

How CSM & Co LLP can help

We help freelancers choose between presumptive and actual taxation, maintain books, file returns, plan advance tax and handle tax audits. Please reach out to our team and we will be happy to assist.

Frequently asked questions

Is a freelancer’s income salary or business income?

Fees from clients are income from business or profession, not salary, even if all the work is for one client. If you keep actual books, the expenses of earning it are deductible; a freelancer who also has a job reports the salary separately.

Can a freelancer use presumptive taxation?

Yes, if the freelancer is a resident individual, HUF or firm other than an LLP and the profession is a “specified profession”: legal, medical, engineering, architectural, accountancy, technical consultancy, interior decoration, information technology, company secretary, or any other profession the Board notifies (section 62(4)). Income is taken as 50% of gross receipts, up to ?50 lakh of receipts, or ?75 lakh if cash receipts are at most 5% of the total (section 58). Other freelancers, such as writers or designers, should check whether their work falls in the list or can use the business scheme.

When is advance tax due?

A freelancer who declares income under section 58(2) (business or specified profession) pays the whole advance tax on or before 15 March of the financial year (section 408(2)). Everyone else pays 15% by 15 June, 45% by 15 September, 75% by 15 December and the full amount by 15 March (section 408(1)).

How much TDS will clients deduct?

10% of fees for professional services, 2% for fees for technical services that are not professional services,

and 2% for a call centre, in each case once a payment crosses ?50,000 (section 393(1), Table Sl. No. 6(iii)). An individual or HUF client who is not otherwise required to deduct tax is liable only above ?50 lakh in a year, at 2% (Table Sl. No. 6(ii)). The TDS appears in Form 26AS and the annual tax statement and is credited against your tax.

Is an audit needed?

Not if you declare the section 58 presumptive income (section 63(2)). Otherwise a person carrying on profession must get accounts audited if gross receipts exceed ?50 lakh in the tax year (section 63, Table Sl. No. 1(c)); if you declare less than the presumptive profit, books under section 62 and an audit under section 63, Table Sl. No. 2, can also apply.

Does GST apply to freelancers?

GST is under a separate law with its own registration threshold and rules, and was not examined for this post. Check the current position at gst.gov.in before you cross the registration limit, or when you serve clients outside India.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 58, 62, 63, 156, 202, 393, 408)
- Income Tax Department: Income-tax Rules, 2026 (Rule 46 and Rule 164)

Related reading

- Which ITR Form to File: ITR-1 to ITR-7 and ITR-UN Under Rule 164 (Tax Year 2026-27)

Disclaimer

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