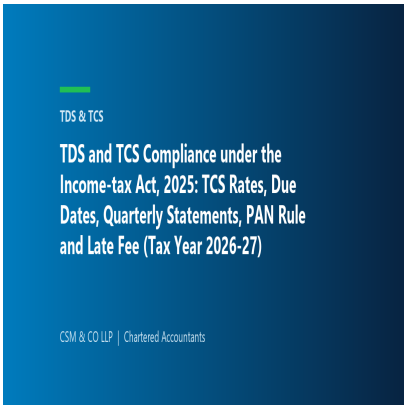


# TDS and TCS Compliance under the Income-tax Act, 2025: TCS Rates, Due Dates, Quarterly Statements, PAN Rule and Late Fee (Tax Year 2026-27)

## Description

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**Quick summary**

- Tax collected at source (TCS) is in section 394: 2% on liquor, tendu leaves, timber and forest produce, scrap, coal, lignite and iron ore, overseas tour packages and parking lots, toll plazas and mines, 1% on motor vehicles above ?10 lakh, and on Liberalised Remittance Scheme remittances above ?10 lakh 2% for education or medical treatment and 20% for other purposes (Finance Act 2026 cut several rates).
- TDS and TCS must be deposited by the 7th of the next month (30th April for March, 30 days for property, rent of a non-specified person, contract and professional payments by individuals and VDA purchases through Form 141); quarterly statements go in Forms 138, 140, 143 and 144 by 31 July, 31 October, 31 January and 31 May.
- A payee who does not give a valid PAN suffers deduction at the higher of the normal rate, rates in force, 5% (for goods and e-commerce) or 20%, and TCS at twice the rate or 5%, up to 20% (section 397(2)).
- A late statement costs ?200 a day, up to the tax deductible, payable before filing (section 427); certificates are issued under section 395(4) and lower-deduction certificates under section 395(1) on Form 128.

This post covers the other half of Chapter XIX-B: tax collected at source (TCS) in **section 394**, and the compliance for both TDS and TCS in **sections 395 to 397**, with the Rules that fix the due dates.

## TCS rates (section 394(1))

| Item | Receipt | Collected by | Rate |
|---|---|---|---|
| 1 | Sale of alcoholic liquor for human consumption | Seller | 2% (was 1%) |

| Item | Receipt | Collected by | Rate |
|---|---|---|---|
| 2 | Sale of tendu leaves | Seller | 2% (was 5%) |
| 3 | Sale of timber, or forest produce (other than tendu leaves) obtained under a forest lease | Seller | 2% |
| 4 | Sale of scrap | Seller | 2% (was 1%) |
| 5 | Sale of coal, lignite or iron ore | Seller | 2% (was 1%) |
| 6 | Sale consideration above ?10 lakh for a motor vehicle or other goods notified by the Central Government | Seller | 1% |
| 7 | Liberalised Remittance Scheme remittance of ?10 lakh or more in aggregate | Authorised dealer | 2% for education or medical treatment (was 5%); 20% for other purposes |
| 8 | Sale of an overseas tour programme package (including travel, hotel and related expenses) | Seller | 2% (earlier 5% up to ?10 lakh and 20% above) |
| 9 | Use of a parking lot, toll plaza, mine or quarry for business (not mineral oil) | Licensor or lessor | 2% |

The “was” figures are from the footnotes to section 394 as substituted by Finance Act 2026 from 01/04/2026.

**Time and exceptions.** TCS is collected at the earlier of debit to the buyer’s account and receipt of the amount (section 394(1)(c)). A resident buyer who declares that goods under items 1 to 5 are for manufacturing, processing, producing articles or generating power, and not for trading, is not charged TCS, and the seller sends a copy of the declaration to the Commissioner by the 7th of the following month (section 394(2) and (3)). The authorised dealer does not collect TCS on LRS where the overseas tour package TCS was collected by the seller, or the remittance is an education loan from a notified financial institution, or the buyer has already had tax deducted at source (section 394(4) and (5)).

## Payment to the government (Rule 218)

| Case | Due date |
|---|---|
| Government office, without a challan | Same day |
| Government office, with a challan | Within seven days from the end of the month |

| Case | Due date |
|---|---|
| Other deductors and collectors, tax deducted or collected in March | 30th April |
| Other deductors and collectors, any other month | 7th of the next month |
| Rent under Table Sl. No. 2(i), property transfer (3(i)), contract, professional fees and commission by an individual or HUF not a specified person (6(ii)), virtual digital asset purchases (8(vi)) | Within thirty days from the end of the month, with the challan-cum-statement in **Form 141** |
| Quarterly payment in special cases approved by the Assessing Officer | 7 July, 7 October, 7 January, 30 April |

(Rule 218(1) to (4).)

## Quarterly statements (section 397(3)(b), Rule 219)

| Form | Used for |
|---|---|
| **138** | Salary under section 392 (other than section 392(7)), and income of a specified senior citizen under Table Sl. No. 8(iii) |
| **140** | Section 392(7), section 393(1) (other than 8(iii)) and 393(3), for deductees other than those in Form 144 |
| **144** | Sections 392(7), 393(2) and 393(3) for a deductee who is a non-resident (not being a company or foreign company) or a resident but not ordinarily resident |
| **143** | Section 394(1) (TCS) |
| **142** | Exchange's statement on virtual digital asset transactions, where it pays the tax instead of the buyer |

Due dates (Rule 219(4)): 31 July (quarter ending 30 June), 31 October (30 September), 31 January (31 December) and **31 May** of the following financial year (31 March). A refund claim by the deductor is made in Form 139 (Rule 219(6)).

## TAN and PAN rules (section 397(1) and (2))

- Every deductor and collector must apply for a **TAN** (Forms 134 and 135) unless exempt, and quote it in challans, statements and certificates. TAN is not required for rent under Table Sl. No. 2(i), property transfer under 3(i), the ?50 lakh individual and HUF payments under 6(ii), and certain other cases (section 397(1)(c)).
- The payee must furnish a **valid PAN**. If not, tax is deducted at the **higher of** the rate in the provision, the rate in force, or **5%** (goods purchase and e-commerce operator) or **20%** (any other case); TCS is

collected at the higher of **twice the rate** or **5%**, not exceeding **20%** (section 397(2)(b)).
- A declaration under section 393(6) or 394(2) without a valid PAN is **invalid**, and a certificate application without PAN is refused (section 397(2)(f)).
- The 20% rule does not apply to a non-resident (not a company) for interest on long-term bonds in section 393(2) Table Sl. Nos. 2 to 4, and TCS at the higher rate does not apply to a non-resident without a permanent establishment in India (section 397(2)(c) and (d)).

## Certificates and lower deduction (section 395)

- **TDS and TCS certificates** (section 395(4), Rule 215): Form 130 for salary, Forms 131 and 132 for other deduction, Form 133 for TCS.
- **Lower or nil deduction:** the payee applies in **Form 128** (Rule 213); the Assessing Officer or the prescribed authority issues a certificate valid for the period shown, and the payer then deducts at the rate in the certificate or not at all (section 395(1) and (6)).
- **Lower collection:** a buyer, licensee or lessee can apply for a certificate for TCS at a lower rate (section 395(3)).
- **Non-resident payments:** the payer can apply to the Assessing Officer to decide the proportion of the sum chargeable to tax under section 393(2) Table Sl. No. 17 (section 395(2), Form 129 under Rule 214).

## Late fee and other consequences

- **Fee for a late statement:** ?200 for every day of delay, **not more than the tax deductible or collectible** , paid before the statement is delivered (section 427(1) and (2)). It replaces section 234E.
- **Correction statement:** within two years from the end of the tax year in which the statement is required to be furnished (section 397(3)(f)).
- **Penalty:** failure to deduct or pay: equal to the tax (section 448); failure to collect: equal to the tax (section 449). The deductor can be treated as an assessee in default (section 391(3)).
- **Credit to the payee:** tax deducted is treated as income received by the payee, and credit follows the deductor’s statement (sections 390(5) and 396).

## How CSM & Co LLP can help

We prepare TDS and TCS returns, deposits, certificates and corrections, and handle notices on defaults. Please reach out to our team and we will be happy to assist.

## Frequently asked questions

### What are the TCS rates for 2026-27?

Under section 394(1): 2% on sale of alcoholic liquor for human consumption, tendu leaves, timber and forest produce, scrap, coal, lignite or iron ore, overseas tour programme packages, and use of parking lot, toll plaza, mine or quarry; 1% on sale of a motor vehicle or other notified goods for more than ?10 lakh; and on Liberalised Remittance Scheme remittances above ?10 lakh through an authorised dealer, 2% for education or medical treatment and 20% for other purposes. Finance Act 2026 reduced liquor, tendu leaves, scrap, coal and ore (earlier 1% or 5%), the LRS education or medical rate (earlier 5%) and the overseas tour package rate (earlier 5% up to ?10 lakh and 20% above).

### When must TDS and TCS be deposited?

By the 7th of the month following the month of deduction or collection; for amounts deducted or collected in March, by 30th April (Rule 218(2)). For rent under Table Sl. No. 2(i), property transfer, contract and professional payments by an individual or HUF who is not a specified person, and virtual digital asset purchases, within thirty days from the end of the month, with the challan-cum-statement in Form 141 (Rule 218(3)). Government offices deposit on the same day without a challan or by the 7th with a challan (Rule 218(1)).

### What are the due dates for the quarterly statements?

For the quarters ending 30 June, 30 September and 31 December, by 31 July, 31 October and 31 January; for the quarter ending 31 March, by 31 May of the following financial year (Rule 219(4)). Form 138 is for salary and senior citizen tax, Form 140 for payments other than salary to residents (and certain others), Form 144 for non-residents (other than companies) and residents not ordinarily resident, and Form 143 for TCS (Rule 219(1)).

### What if the payee does not give a PAN?

Tax is deducted at the higher of the rate in the relevant provision, the rate in force, or 5% (goods purchase and e-commerce) or 20% in any other case; TCS is collected at the higher of twice the rate or 5%, not exceeding 20% (section 397(2)(b)). A declaration without a valid PAN becomes invalid (section 397(2)(f)). Non-resident exceptions are in section 397(2)(c) and (d).

### What is the fee for a late TDS statement?

?200 for every day of delay, not exceeding the tax deductible or collectible, and it must be paid before the statement is delivered (section 427(1) and (2)). A correction statement can be filed within two years from the end of the tax year in which the original statement was due (section 397(3)(f)).

### Who issues TDS certificates and when can the rate be lowered?

Every deductor and collector issues a certificate of the tax deducted or collected, rate and other particulars, within the prescribed period (section 395(4)); the forms are 130 to 133 (Rule 215). A payee can apply for a lower or nil deduction certificate in Form 128 (section 395(1) and Rule 213), and a buyer can apply for lower TCS (section 395(3)).

## Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 394 to 397, 427)
- Income Tax Department: Income-tax Rules, 2026 (Rules 213, 215, 218, 219)

# Disclaimer

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