

## Summary note TDS and TCS rates for Tax year 2026-27

### New Tax Law Implementation

The Income Tax Act, 2025 replaces the existing Income-tax Act, 1961 with effect from 1 April 2026. Accordingly, from the tax year 2026-27 onwards, all tax provisions will be governed by the new Act for transactions from 01<sup>st</sup> April 2026. In this regard, the Income-tax Rules, 2026, along with the relevant forms, have also been framed and notified.

### TDS (Tax Deducted at Source) Changes Applicable FY 2026-27 → AY 2027-28

There are no major changes in TDS rates compared to Income-tax Act, 1961. The following are the clarifications/ changes made in Budget 2026:

#### ✓ Supply of manpower services:

TDS applicable on supply of manpower services under section akin to old Sec 194C (at 1%-2%).

#### ✓ Relaxation for property TDS:

Resident buyers can deposit TDS using PAN-based challans (no need for TAN) **with effect from 01<sup>st</sup> October 2026** when purchasing from non-resident individuals or foreign companies.

#### ✓ Automated lower TDS certificates:

A rule-based automated process will allow obtaining a lower or nil TDS deduction certificate without approaching the assessing officer manually.

SI no.	Nature of Payment	Current Rate	Proposed Rate
1	TDS – Supply of Manpower Services	Ambiguous treatment, often taxed under high/varied heads	Classified as payment to contractor; TDS at 1% (Ind/HUF), 2% (others)
2	TDS - Property Purchase from NRI Seller	Buyer had to use TAN for deduction	No TAN required; PAN-based challan allowed
3	TDS - Co-operative Society Interest	TDS applicable on interest	No TDS on interest paid by banking co-ops/land mortgage banks
4	TDS - Lower/Nil Deduction Certificate	Manual application to AO	100% online + automated provisional grant

### TCS (Tax Collected at Source) Changes Applicable from FY 2026-27

Budget 2026 rationalised several TCS rates and thresholds to ease tax collection and reduce upfront burden:

#### Key TCS Changes

- Overseas tour packages: TCS reduced to 2% (flat), replacing higher earlier slabs.
- LRS remittances (Foreign travel/education/medical):
  - TCS on education/medical travel remittances reduced to 2%.
  - No TCS when remittances under LRS are ≤ ₹10 lakh in a financial year.
- Sale of scrap, minerals, tendu leaves, and liquor: TCS at 2% compared to old rates (varied before).

SI no.	Nature of Receipt	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption.	1%	2%
2	Sale of tendu leaves.	5%	2%
3	Sale of scrap.	1%	2%
4	Sale of minerals, being coal or lignite or iron ore.	1%	2%
5	Remittance under LRS of an amount or aggregate of the amounts exceeding INR 10 lacs	(a) 5% for purposes of education or medical treatment;	(a) 2% for purposes of education or medical treatment;
		(b) 20% for purposes other than education or medical treatment.	(b) 20% for purposes other than education or medical treatment.
6	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(a) 5% of amount or aggregate of amounts up to ten lakh rupees;	2%
		(b) 20% of amount or aggregate of amounts exceeding ten lakh rupees.	

**Also please find the attached detailed note** on TDS and TCS related provisions under the Income-tax Act, 2025, as implemented from 01<sup>st</sup> April 2026, for your reference.

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Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
192A	392(7)	1004	Any payment of accumulated balance due to an employee	₹ 50,000	10%	No TDS if 5 years continuous service completed.
194D	393(1) [Table: Sl. No. 1 (i)]	1005	Commission or brokerage - insurance	₹ 20,000	2% in case of Individual/ HUF deductees; 10% in case of others	-
194H	393(1) [Table: Sl. No. 1 (ii)]	1006	Commission or brokerage - others	₹ 20,000	2%	
194IB	393(1) [Table: Sl. No. 2 (i)]	Form 141	Any income by way of rent.	₹ 50,000 for a month or part of a month.	2%	For Individuals - Non-audit cases
194I	393(1) [Table: Sl. No. 2 (ii),D(a)]	1008	Rent on machinery etc.- specified person	₹ 50,000 for a month or part of a month.	2%, for the use of any machinery or plant or equipment	-
194I	393(1) [Table: Sl. No. 2 (ii),D(b)]	1009	Rent other than machinery etc.- specified person	₹ 50,000 for a month or part of a month.	10%, for the use of any land, or building (including factory building), or land appurtenant to a building (including factory building), or furniture, or fittings	-
194IA	393(1) [Table: Sl. No. 3(i)]	Form 141	Any consideration for transfer of any immovable property (other than agricultural land).	Fifty lakh rupees and as per Note 3 of 393(1)	Rate: 1% of- (a) consideration for transfer of the immovable property; or (b) stamp duty value of such property, whichever is higher.	-
194IC	393(1) [Table: Sl. No. 3(ii)]	1011	Payment on any consideration, not being consideration in kind, under the agreement referred to in section 67(14).	Nil	10%	-
194LA	393(1) [Table: Sl. No. 3 (iii)]	1012	Payment of compensation on acquisition of certain immovable property	₹ 5,00,000	10%	-

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
194C	393(1) [Table: Sl. No. 6 (i).D(a)]	1023	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a designated person — if contractor is individual or Hindu undivided family	(a) ₹ 30,000; for any such sum; and (b) ₹ 1,00,000 in case of aggregate of such sums.	(a) 1%, if contractor is individual or Hindu undivided family	-
	393(1) [Table: Sl. No. 6 (i).D(b)]	1024	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a designated person — if contractor is a person other than individual or Hindu undivided family	(a) ₹ 30,000; for any such sum; and (b) ₹ 1,00,000 in case of aggregate of such sums.	2%, if contractor is a person other than the person mentioned in (a)	-
194M	393(1) [Table: Sl. No. 6 (ii)]	Form 141	Any sum- (a) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract; or (b) by way of fees for professional services; or (c) by way of commission [not being insurance commission referred to in serial number 1(j)] or brokerage.	₹ 50,00,000	2%	For Individuals - Non-audit cases
194J	393(1) [Table: Sl. No. 6 (iii).D(a)]	1026	Any sum by way of— (a) fees for technical services (not being a professional services); or	₹ 50,000	2%	-
			(b) royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films; or (c) payee, engaged only in the business of operation of call centre	₹ 50,000	2%	
	393(1) [Table: Sl. No. 6 (iii).D(b)]	1027	Any sum by way of— (a) fees for professional services	₹ 50,000	10%	
			(d) royalty*	₹ 50,000	10%	
			*section code is yet to be notified or (e) any sum referred to in section 26(2)(h)	₹ 50,000	10%	
393(1) [Table: Sl. No. 6 (iii).B(c)]	1028	Any sum by way of remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 392, to a director of a company	Nil	10%		

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
194	393(1) [Table: Sl. No. 7]	1029	Any dividends (including on preference shares) declared.	₹ 10,000 for Individual deductees; Others - Nil	10%	Exempt: Dividend to LIC, GIC, any other Insurer or Business trust
194DA	393(1) [Table: Sl. No. 8 (i)]	1030	Any sum under a life insurance policy, including the sum allocated as bonus on such policy, other than the amount not includible in the total income under Schedule II [Table: Sl. No. 2]	₹ 1,00,000	2% on income comprised in such sum.	Maturity/surrender value or any reward linked to insurance.
194Q	393(1) [Table: Sl. No. 8 (ii)]	1031	Any sum for purchase of any goods	sum of amount exceeding 50 Lakhs	0.10%	Applicable where buyerturnover > 10 Cr in preceding FY, TDS will be deducted on amount exceeding 50 Lakhs
194R	393(1) [Table: Sl. No. 8 (iv)]	1033	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession of any resident.	₹ 20,000	10% of value or aggregate of values of such benefit or perquisite.	-
	393(1) [Table: Sl. No. 8 (iv) Note 6]	1034	Any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind, whether convertible into money or not, arising from business or the exercise of a profession of any resident.	₹ 20,000	10% of value or aggregate of values of such benefit or perquisite.	-
194-O	393(1) [Table: Sl. No. 8 (v)]	1035	Sale of goods or provision of services by an e-commerce participant, facilitated by an e-commerce operator through its digital or electronic facility or platform. - any e-commerce operator	₹ 5,00,000 for Individual/HUF deductees; Others - Nil	0.1% of gross amount of such sale or services or both.	Applied on gross amount of sale. Ind/ HUF require to furnish PAN/ Aadhaar
194S	393(1) [Table: Sl. No. 8 (vi)]	1037	Any sum by way of consideration for transfer of a virtual digital asset by other than Individual or Hindu Undivided Family.	₹ 50,000 for Individual/HUF deductees; ₹ 10,000- Others	1%	-
	393(1) [Table: Sl. No. 8 (vi) Note 6]	1038	Any sum by way of consideration, whether in cash or in kind or partly in cash and partly in kind, for transfer of a virtual digital asset.	₹ 10,000	1%	-

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
194E	393(2) [Table: Sl. No.1]	1039	Any Income referred to in Section 211 such as participation in India in any game, advertisement, contribution of articles relating to any game or sport in India in newspapers, magazines or journals	Nil	20%	Deductees: (a) A nonresident sportsman (including an athlete) or an entertainer, who is not a citizen of India; or (b) a nonresident sports association or institution
194LC	393(2) [Table: Sl. No.2]	1040	Any income by way of interest payable in respect of monies borrowed in foreign currency from a source outside India,— (a) under a loan agreement or issue of long term infrastructure bond on or after the 1st July, 2012 but before the 1st July, 2023; or (b) by way of issue of any long-term bond on or after the 1st October, 2014 but before the 1st July, 2023, which is approved by the Central Government in this behalf.	Nil	5%	Deductees: Any nonresident (not being a company) or a foreign company
194LC	393(2) [Table: Sl. No.3]	1041	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of rupee denominated bond before the 1st July, 2023.	Nil	5%	Deductees: Any nonresident (not being a company) or a foreign company
194LC	393(2) [Table: Sl. No.4.E(a)]	1042	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond, which is listed only on a recognised stock exchange located in any International Financial Services Centre. - Issued on or after the 1st April, 2020 but before the 1st July, 2023	Nil	4%, where such bonds are issued on or after the 1st April, 2020 but before the 1st July, 2023	Deductees: Any nonresident (not being a company) or a foreign company

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
194LC	393(2) [Table: Sl. No.4.E(b)]	1043	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond, which is listed only on a recognised stock exchange located in any International Financial Services Centre - Issued on or after the 1st July, 2023.	Nil	9%, where such bonds are issued on or after the 1st July, 2023	Deductees: Any nonresident (not being a company) or a foreign company
195	393(2) [Table: Sl. No. 17]	1057	Any interest (not being interest referred to against serial numbers 2, 3, 4 and 5) or any other sum chargeable under the provisions of this Act, not being income chargeable under the head "Salaries".	Nil	Rates in force.	-
194B	393(3) [Table: Sl. No. 1]	1058	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from— (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever	₹ 10,000 in case of a single transaction	30%	-
	393(3) [Table: Sl. No. 1 Note 2]	1059	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from— (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever where consideration, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	₹ 10,000 in case of a single transaction	30%	Applicable on net winnings
194BA	393(3) [Table: Sl. No. 2]	1060	Any income by way of winnings from online game.	-	30%	Applicable on net winnings
	393(3) [Table: Sl. No. 2 Note 2]	1061	Any income by way of winnings from online games, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	As per Note:1 in 393(3)	30%	

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code while making the payment	Nature of Payment	Threshold limit	Rate	Remarks
194BB	393(3) [Table: Sl. No. 3]	1062	Any income by way of winnings from any horse race.	₹ 10,000 in case of a single transaction	30%	Aggregate winnings during a financial year not single transaction
194G	393(3) [Table: Sl. No. 4]	1063	Any income, credited or paid to a person, who is or has been stocking, distributing, purchasing or selling lottery tickets, by way of commission, remuneration or prize (by whatever name called) on such tickets	₹ 20,000	2%	-
194T	393(3) [Table: Sl. No. 7]	1067	Any sum in the nature of salary, remuneration, commission, bonus or interest paid to a partner of the firm or credited to his account (including capital account).	₹ 20,000	10%	Includes salary, remuneration, commission, bonus, interest.

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code	Nature of Receipt	Threshold limit	Rate	Remarks
206C(1)	394(1) [Table: Sl. No. 1]	1068	Sale of alcoholic liquor for human consumption.	-	2%	-
	394(1) [Table: Sl. No. 2]	1069	Sale of tendu leaves	-	2%	-
	394(1) [Table: Sl. No. 3]	1070	Sale of timber obtained under a forest lease	-	2%	-
		1071	Sale of timber obtained by any mode other than a forest lease			-
		1072	Sale of any other forest produce (not being timber or tendu leaves) obtained under a forest lease.			-
	394(1) [Table: Sl. No. 4]	1073	Sale of scrap.	-	2%	-
	394(1) [Table: Sl. No. 5]	1074	Sale of minerals, being coal or lignite or iron ore.	-	2%	-
206C(1F)	394(1) [Table: Sl.No.6(a)]	1075	Sale consideration exceeding threshold limit in case of sale of motor vehicle	Sale consideration exceeding 10 lakh rupees	2%	Value exceeding ₹10 Lakh per transaction
206C(1F)	394(1) [Table: Sl. No. 6(b)]	1076	Sale consideration exceeding threshold limit in case of sale of wrist watch	Sale consideration exceeding 10 lakh rupees	2%	-
		1077	Sale consideration exceeding threshold limit in case of sale of art piece such as antiques, painting, sculpture			
		1078	Sale consideration exceeding threshold limit in case of sale of collectibles such as coin, stamp			
		1079	Sale consideration exceeding threshold limit in case of sale of yacht, rowing boat, canoe, helicopter			
		1080	Sale consideration exceeding threshold limit in case of sale of pair of sunglasses			
		1081	Sale consideration exceeding threshold limit in case of sale of bag such as handbag, purse			
		1082	Sale consideration exceeding threshold limit in case of sale of pair of shoes			
		1083	Sale consideration exceeding threshold limit in case of sale of sportswear and equipment such as golf kit, ski-wear			
		1084	Sale consideration exceeding threshold limit in case of sale of home theatre system			
		1085	Sale consideration exceeding threshold limit in case of sale of horse for horse racing in race clubs and horse for polo			
206C(1G)(a)	394(1) [Table: Sl. No. 7.D(a)]	1086	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding threshold limit for purposes of education or medical treatment	₹ 10,00,000	2%	
	394(1) [Table: Sl. No. 7.D(b)]	1087	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding threshold limit for purposes other than education or medical treatment	₹ 10,00,000	20%	

Section as per IT Act, 1961	Section as per IT Act, 2025	Section Code	Nature of Receipt	Threshold limit	Rate	Remarks
206C(1G)(b)	394(1) [Table: Sl. No.8 (a)]	1088	Sale of —overseas tour programme packagell including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure with amount or aggregate of amounts up to threshold limit.	Aggregate of amounts up to ten lakh rupees	2%	Flat 2% irrespective of amount.
	394(1) [Table: Sl. No.8 (b)]	1089	Sale of —overseas tour programme packagell including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure with amount or aggregate of amounts above threshold limit.	Aggregate of amounts more than ten lakh rupees	2%	Flat 2% irrespective of amount
206C(1C)	394(1) [Table: Sl. No. 9]	1090	Use of parking lot for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).	Licensor or Lessor.	2%	-
		1091	Use of toll plaza for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).			
		1092	Use of mine or quarry for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).			