

Professional Guide to TDS (India – 2025)

1. Introduction

Tax Deducted at Source (TDS) is a mechanism under the Income-tax Act, 1961, whereby a person (the deductor) responsible for making certain payments must deduct tax at the prescribed rate before making the payment and deposit it with the government. The recipient (deductee) receives the payment net of tax and can claim the deducted amount as credit while filing the income tax return.

2. Applicability of TDS

TDS applies to various payments such as salaries, interest, rent, professional fees, contract payments, commission, and dividends. It ensures timely tax collection and reduces tax evasion by collecting tax at the source of income.

3. Common TDS Sections and Rates (FY 2024–25)

Section	Nature of Payment	Threshold (₹)	TDS Rate
192	Salary	As per income slab	Slab-wise
194A	Interest other than securities	5,000 (40,000 for banks)	10%
194C	Payment to contractors	30,000 (single)/1,00,000 (annual)	1% (individual)/2% (others)
194H	Commission or brokerage	15,000	5%
194I	Rent (land/building/equipment)	2,40,000	10% (land/building), 2% (equipment)
194J	Professional/technical fees	30,000	10%
194Q	Purchase of goods	50,00,000	0.1%
195	Payment to non-resident	Any amount	Rates as per DTAA

4. Deduction, Payment, and Return Filing

- Deduct tax at the time of credit or payment, whichever is earlier.
- Deposit TDS to the government by the 7th of the following month (30th April for March).
- File quarterly TDS returns using Form 24Q (Salary), 26Q (Non-salary), 27Q (Non-resident payments), or 27EQ (TCS).
- TDS certificates (Form 16/16A) must be issued to deductees within prescribed timelines.

5. Penalties and Interest

- **Late deduction or payment:** 1%–1.5% per month interest under Sections 201(1A).
- **Late filing of returns:** ₹200 per day under Section 234E (maximum up to TDS amount).
- **Failure to file:** Penalty between ₹10,000–₹1,00,000 under Section 271H.
- **Disallowance of expense:** Non-deduction can lead to disallowance of the related expenditure (Section 40(a)(ia)).

6. Compliance and Best Practices

- Validate PAN details before deducting TDS (otherwise 20% rate applies).
- Match challans and deductee details through the **TRACES portal**.
- Maintain Form 26AS and AIS for reconciliation.
- Ensure TAN registration and quote TAN in all TDS filings.
- File correction statements promptly if errors are found in filed returns.

7. Key Resources & References

- Income Tax Department: <https://www.incometax.gov.in>
- TRACES Portal (TDS Reconciliation): <https://www.tdscpc.gov.in>
- NSDL TIN Portal: <https://www.tin-nsdl.com>
- Circulars & Notifications: <https://incometaxindia.gov.in>
- Helpline: 1800-103-0344 (TDS CPC)