



## The 2025 TDS Master Blueprint

Transitioning from Six Decades of Tax Evolution to the **Unified Income Tax Act** (Effective FY 2026-27).

A verified, quick-reference matrix mapping the legacy Sec 192/194/195 regimes to the simplified Sec 392/393 framework.

Udhesh V & Associates Chartered Accountant – CA Udhesh Verenker

# The Paradigm Shift: Structural Architecture

## Legacy 1961 Act



## New 2025 Act



The 2025 Act replaces the highly fragmented 190-series with a simplified, standardized tabular framework, shifting compliance from memorizing disconnected sections to navigating two master pillars.

Simplified terminology.  
Tabular format.  
Consolidated provisions.

# SECTION 392: TDS ON SALARY (OLD SEC 192/192A)

## ITA 1961 (FY 2025-26)

Section 192 required employers to estimate the employee's total income for the financial year and deduct tax on a monthly basis at the average rate of income-tax.

## ITA 2025 (FY 2026-27)



Section 392 consolidates provisions for TDS on salary, continuing the principle of deducting tax based on the employee's estimated total income and average rate, but within a simplified, standardized framework.

# Section 392: The Salary & EPF Matrix

NEW

## Salary Income (Sec 392: 1-6)

Old Section: 192

Rate	As per slab / average rate
Threshold	Nil



**Operational Rule:** Deduct monthly based on estimated annual income. Account for house property loss and other employer incomes.

## EPF / Recognised PF Withdrawal (Sec 392: 7)

Old Section: 192A

Rate	10%
Threshold	₹50,000



**Key Change:** Merged directly into Sec 392. Mandatory 10% TDS if the withdrawal is taxable and the aggregate amount hits ₹50,000+.

# Section 392: Mechanics & Adjustments



## **Multi-Employer Flexibility [Sec 392(4)]**

Employees can furnish details of income from other employers to adjust their overall TDS deduction seamlessly.



## **Set-Off Limitations**

Tax deductible from salary cannot be reduced by other losses, EXCEPT for loss under 'Income from house property'.



## **Start-up Deferment [Sec 392(3)]**

Eligible start-ups (under Sec 140) benefit from deferred TDS obligations on sweat equity and ESOPs (Section 17(1)(d)).



## **Non-Monetary Perquisites**

Employers retain the option to pay tax on non-monetary perquisites directly without deducting it from the employee's payout.

# Section 393: The Tabular Revolution



## Quadrant 1: Payments to Resident

The bulk of domestic transactions including Rent, Professionals, and Contractors.



## Quadrant 2: Payments to Non-Resident

Handles DTAA considerations and payments to Foreign companies.



## Quadrant 3: Payments to Any Person

Universal provisions covering Lottery, Cash withdrawals, and Gaming.



## Quadrant 4: No-Deduction at Source

The master list of safe harbors and statutory exemptions.

## Section 393(1) — Resident Payments: Services & Real Estate

Payment Nature	Old Sec	Rate	Threshold
 Rent: Machinery, Plant, Equipment	194-I	2%	₹50,000 / month
 Rent: Land, Building, Furniture	194-I	10%	₹50,000 / month
 Fees for Technical Services	194J	2%	₹50,000
 Fees for Professional Services	194J	10%	₹50,000
 Royalty	194J	10%	₹50,000
 Director Fees / Remuneration	194J	10%	Nil

# Section 393(1) — Resident Payments: Contracts, Goods & Financials

Payment Nature	Old Sec	Rate	Threshold
 Commission or Brokerage	194H	2%	₹20,000
 Contractor Payments	194C	1% (Ind/HUF) or 2% (Others)	₹30,000 (single) / ₹1,00,000 (aggregate)
 Dividend (Domestic Co)	194	10%	Nil
 Purchase of Goods (Buyer)	194Q	0.1%	>₹50,00,000
 Life Insurance Payout (Taxable)	194DA	2% (on income)	₹1,00,000



## TDS ON RENT: SECTION 393 VS 194-I / 194-IB

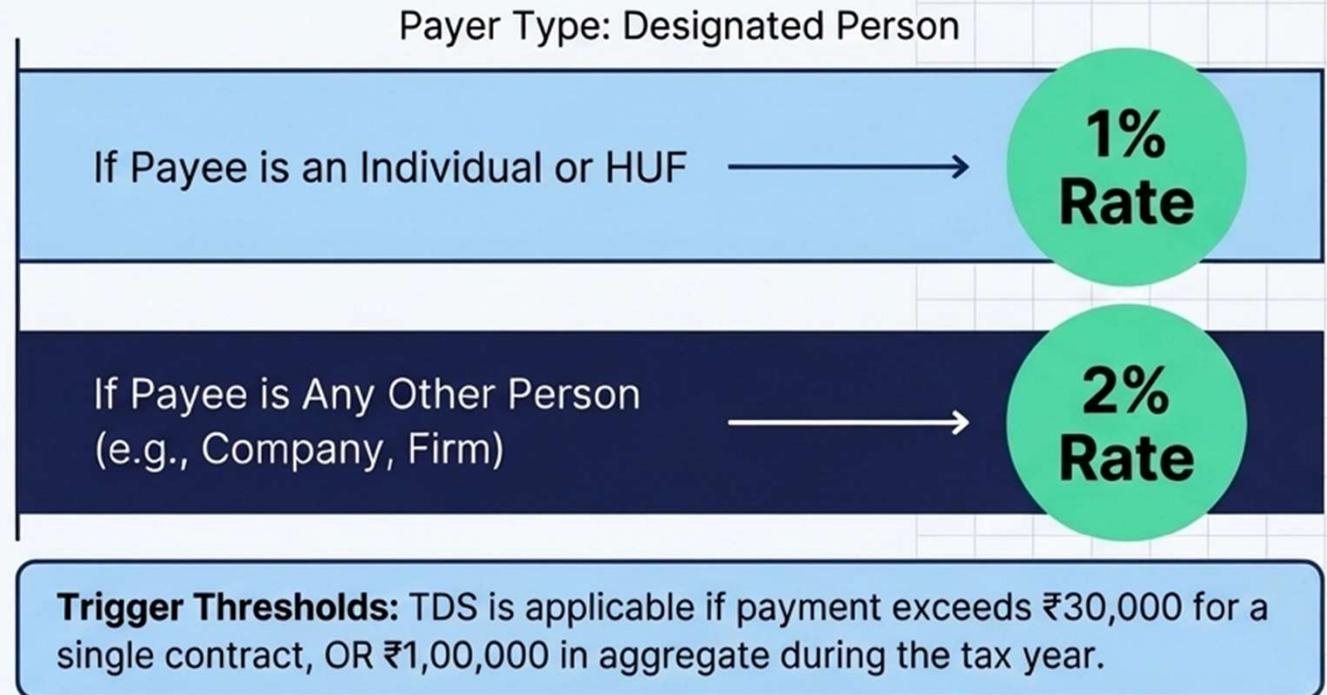
ITA 1961 - FY 2025-26	ITA 2025 - SECTION 393 (TABLE SL. NO. 2)
<p><b>Sec 194-I:</b></p> <ul style="list-style-type: none"><li>• 2% on Plant &amp; Machinery</li><li>• 10% on Land &amp; Building</li></ul> <p><b>Sec 194-IB:</b></p> <ul style="list-style-type: none"><li>• Applied to Individuals/HUF paying rent &gt;₹50,000 per month.</li></ul>	<p><b>Category 1 (Other than Specified Person)</b></p> <ul style="list-style-type: none"><li>• Flat Rate: 2%</li><li>• Threshold Limit: ₹3,00,000</li></ul>
	<p><b>Category 2 (Specified Person)</b></p> <ul style="list-style-type: none"><li>• Rate: 10% for Land/Building/Furniture</li><li>• Rate: 2% for Plant/Machinery/Equipment</li><li>• Threshold Limit: ₹3,00,000</li></ul>

# TDS ON PROFESSIONAL & TECHNICAL FEES: SECTION 393 VS 194J / 194M

ITA 1961	ITA 2025 – SECTION 393 (TABLE SL. NO. 6(iii)) Payer: Specified Person
Handled through Section 194J (Professional & Technical Services) and Section 194M (Individual/HUF contractors and professionals).	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>A 2% Rate Tier</b></p> <ul style="list-style-type: none"> <li>• Technical services (non-professional)</li> <li>• Royalty for sale/exhibition of cinematographic films</li> <li>• Call center operations</li> </ul> </div> <div style="width: 45%;"> <p><b>B 10% Rate Tier</b></p> <ul style="list-style-type: none"> <li>• Professional services</li> <li>• Royalty (other than films)</li> <li>• Director's fees</li> </ul> </div> </div> <p><b>Threshold Limits:</b> ₹50,000 universally across categories, <b>EXCEPT Director's Fees</b> which have a Nil threshold.</p>

# TDS ON CONTRACTOR PAYMENTS: SECTION 393 VS 194C

Replacing the old Section 194C, the 2025 Act maintains the dual-rate structure under Section 393 (Table Sl. No. 6(i)), with the primary differentiator being the legal status of the payee.



## TDS ON COMMISSION OR BROKERAGE: SECTION 393 VS 194H / 194D

### ITA 1961

Previously governed by Section 194D for Insurance commission and Section 194H for General commission and brokerage.

### ITA 2025 - SECTION 393 (TABLE SL. NO. 1)

Insurance Commission (Sl. No. 1(i))	Payer = Any person	Rate = Rates in force	Threshold = ₹20,000
Other Commission / Brokerage (Sl. No. 1(ii))	Payer = Specified Person	Rate = 2%	Threshold = ₹20,000



### Virtual Digital Assets (VDA)

- TDS is applicable on payment for transfer of a Virtual Digital Asset (VDA).
- **Rate:** 1% of the consideration.
- **Threshold (Specified Person):** Payment exceeds ₹50,000 in aggregate during the financial year.
- **Threshold (Other Person):** Payment exceeds ₹10,000 in aggregate during the financial year.



### E-Commerce Operators

- TDS is applicable on payments made by an e-commerce operator to an e-commerce participant.
- Applies to sale of goods or provision of services facilitated through its digital platform.
- **Rate:** 1% of the gross amount of sales or services.
- **Exemption:** Not applicable for individual/HUF participants if gross amount is  $\leq$  ₹5,00,000 and PAN/Aadhaar is furnished.



### Purchase of Goods

- TDS is applicable on purchase of goods by a buyer with turnover  $>$  ₹10 crores in the preceding FY.
- Applies when purchasing goods from a resident seller.
- **Threshold:** Aggregate value of purchases exceeds ₹50,00,000 in the previous year.
- **Rate:** 0.1% of the amount exceeding ₹50,00,000.



# SECTION 393: THE EXEMPTIONS FRAMEWORK (NO TDS REQUIRED)

Key safe harbors mapping to Quadrant 4 where NO deduction is required:

- **Personal Use:** Professional fees or rent paid by an Individual/HUF exclusively for personal purposes.
- **Institutional Dividend:** Dividends paid to LIC, GIC, Insurers, or Business Trust SPVs.
- **Retail Dividend:** Dividends paid to Individuals  $\leq$  ₹10,000 (if paid via non-cash modes).
- **Telecom:** Commission paid by BSNL/MTNL to public call office franchisees.
- **Banking/State:** Cash withdrawals by the Government, Banks, Business Correspondents, and White Label ATM Operators.

# Section 393(2) — The Non-Resident Matrix

Tax to be deducted before making any distribution or payment.



Payment Nature	Old Sec	Rate	Threshold
Sportsman / Sports Association	194E	20%	Nil
Interest on Infrastructure/Rupee Bonds	194LC	5%	Nil
Royalty / Technical Services (Foreign)	195	20% or DTAA	Nil
Dividend to Non-Resident	195	20% or DTAA	Nil
Other Income (Residual)	195	30% or DTAA	Nil

DTAA = Double Taxation Avoidance Agreement (apply whichever is more beneficial).

# Section 393(3) – Payments to "Any Person"



## Lottery / Crossword / Card Games

Rates in force.

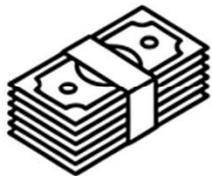
Threshold: ₹10,000 (single transaction).



## Online Gaming

Rates in force.

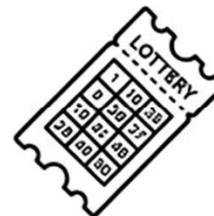
Threshold: Calculated on Net Winnings at end of year or upon withdrawal.



## Cash Withdrawal

2%

Threshold: ₹1 Crore / ₹3 Crore (varies by bank/co-op rules).



## Lottery Commission

2%

Threshold: ₹20,000.

# Operational Rules & Threshold Tiers

## Accounting Golden Rules



### The Timing Rule

Deduct at the time of credit to the payee's account OR actual payment (cash/cheque), whichever is earlier.

**(Note: Suspense account credits trigger TDS).**



### The Grossing Up Rule

If the payer agrees to bear the tax burden, the income amount must be mathematically increased (grossed up) before calculating the TDS.

## Thresholds to Memorize (FY 2026-27)



## THE MASTER COMPLIANCE CROSSWALK (PART 1)

Nature of Payment	Old Sec (1961)	New Sec (2025)	Rate	Threshold limit
Salary	192	392(1-6)	Average Rate	Nil
EPF Withdrawal	192A	392(7)	10%	₹50,000
Rent (Plant & Machinery)	194-I	393(1) Sl.2(i)	2%	₹3,00,000
Rent (Land & Building, etc.)	194-I	393(1) Sl.2(ii)	10%	₹3,00,000
Contractor (Ind/HUF)	194C	393(1) Sl.6(i)	1%	₹30,000 / ₹1L
Contractor (Others)	194C	393(1) Sl.6(i)	2%	₹30,000 / ₹1L
Technical Fees	194J	393(1) Sl.6(iii)	2%	₹50,000
Professional Fees	194J	393(1) Sl.6(iii)	10%	₹50,000

# THE MASTER COMPLIANCE CROSSWALK (PART 2)

Nature of Payment	Old Sec (1961)	New Sec (2025)	Rate	Threshold limit
Dividend (Domestic)	194	393(1) Sl.7	10%	₹10,000 (via non-cash)
General Commission	194H	393(1) Sl.1(ii)	2%	₹15,000
Purchase of Goods	194Q	393(1) Sl.8(ii)	0.1%	₹50 Lakhs
Virtual Digital Assets	194S	393(1) Sl.8(vi)	1%	₹10,000 / ₹50,000
Lottery / Gaming	194B/BA	393(3) Sl.1/2	Rates in Force	₹10,000 (Lottery) / Nil (Net Winnings - Online Gaming)
Cash Withdrawal	194N	393(3) Sl.5	2% (5% in some cases)	₹1Cr / ₹3Cr
Non-Resident Royalty/FTS	195	393(2) Sl.17	20% or DTAA	Nil

# The Critical Compliance Translator

Essential Form Mapping for Daily Finance Operations

## Old 1962 Rules

## New 2026 Rules

Salary TDS Certificate: Form 16	→	<b>Form 130</b>
Non-Salary TDS Certificate: Form 16A	→	<b>Form 131</b>
Quarterly TDS (Salary): Form 24Q	→	<b>Form 138</b>
Quarterly TDS (Non-Salary): Form 26Q	→	<b>Form 140</b>
Quarterly TDS (Non-Resident): Form 27Q	→	<b>Form 144</b>
Annual Info Statement: Form 26AS	→	<b>Form 168</b>
Nil Deduction Declaration: Form 15G / 15H	→	<b>Form 121 (Merged)</b>
Tax Audit Reports: Form 3CA / 3CB / 3CD	→	<b>Form 26 (Consolidated)</b>

# NAVIGATING THE NEW ERA OF TAX COMPLIANCE

The Income Tax Act 2025 fundamentally simplifies TDS architecture, shifting from scattered provisions to the unified pillars of Sections 392 and 393. Strategic adaptation of your financial systems is required to align with these new tabular frameworks and the updated 'Specified Person' criteria.

---

For strategic advisory, system transition planning, and comprehensive compliance reviews:  
Udhesh V & Associated Chartered Accountant - CA Udhesh Verenker

**Udhesh V & Associates Chartered Accountant - CA Udhesh Verenker**