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CMRS INSIGHTS

DECODING TDS & TCS



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A unified, table-driven withholding regime replaces the scattered provisions of the 1961 Act.

This edition of the newsletter covers what it means in practice for the TY 2026-27: the substantive changes to rates and thresholds, the revised form numbers and nature of payment codes, key compliance dates, and a step-by-step accounting guide with worked journal entries.

Direct
Taxation

EFFECTIVE

Tax Year 2026-27

CORE SECTIONS

392 · 393 · 394

ISSUED BY

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AT A GLANCE *Five things every practitioner must know*

- | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01 | Three sections replace everything: Sections 392, 393 and 394 absorb the entire TDS/TCS framework - Salary, Non-salary and Collection - into one coherent structure. |
| 02 | Rates and thresholds unchanged: The 2025 Act is a restructuring, not a rate revision. Every deduction rate and monetary threshold from the 1961 Act carries forward exactly subject to changes in the Union Budget 2026. |
| 03 | Payment codes replace section numbers: Challans, returns, and ERP masters must reference numeric codes (1001 onwards) and not section numbers from the first filing of TY 2026-27. <i>(Refer Page 8 of this document)</i> |
| 04 | New form suite: 8 forms to learn- Forms 121, 128, 130, 131, 138, 140, 141 and 143 replace the familiar 15G/15H, Form 13, Form 16, 24Q/26Q/27Q, and the 26QB/QC/QD/QE family. |
| 05 | 206AB/206CCA provisions withdrawn: Higher TDS/TCS for non-filers is removed, and the correction-statement window is cut from six years to two years from the end of relevant Tax Year. |

Unified Legal Architecture

The Income Tax Act, 2025 reworks the withholding-tax regime around a simplified, unified framework. The fragmented structure of the 1961 Act - governed by a long list of provisions such as Sections 192, 194A, 194C, 194H, 194J, 194Q, 194R, 194S and many others - frequently led to classification disputes and interpretational difficulty.

That structure now collapses into three core sections:

Section 392	Section 393	Section 394
TDS on Salary	TDS on Non-Salary	Tax Collection at Source

The result is a consolidated, table-driven approach that delivers a uniform compliance mechanism and removes much of the old ambiguity around applicability.

Which Law Applies During the Transition

Applicability through the changeover turns on the timing of the triggering event:

For TDS	Earlier of credit or payment is the trigger date.
For TCS	Earlier of debit or receipt is the trigger date.
On or before 31st March, 2026	→ Income-tax Act, 1961 applies.
On or after 1st April, 2026	→ Income Tax Act, 2025 applies.

Key Changes at a Glance

(a) No change in rates or thresholds	Rates and monetary thresholds remain exactly as prescribed under the 1961 Act subject to changes in the Union Budget 2026. The consolidation under Section 393 is a presentation change for ease of compliance - not a shift in tax rates or policy.
(b) Uniform timing principles	Timing rules are now aligned with accounting systems to ensure consistency, ERP compatibility, and timely collection.
(c) New payment-code structure	Challans and returns will use a numeric payment code system (Code 1001 onwards) in place of section numbers, applied across e-payment, challan generation, and return reporting. ERP and accounting software must map existing section references to the new codes before the first filing of TY 2026-27.
(d) Higher TDS/TCS for non-filers removed	The provisions for higher deduction/collection from non-filers (Sections 206AB/206CCA) are withdrawn, easing a long-standing practical burden.
(e) Wider lower / nil deduction certificate mechanism	The benefit of a lower or nil deduction certificate is extended to all TDS provisions, giving uniform relief.
(f) Shorter window for correction statements	The time limit to file TDS/TCS correction statements is cut from six years to two years from the end of the relevant Tax Year, pushing faster reconciliation of tax credits.

Due Dates - Deposit of TDS/TCS (TY 2026-27)

Deposit due dates are substantially unchanged across both Acts:

Period	Due Date
April 2026 to February 2027	7th of the subsequent month
March 2027	30th April 2027

i Government deductors: without challan, deposit on the same day; with challan, by the 7th of the subsequent month.

Due Dates & Forms - TDS/TCS Returns (TY 2026-27)

TDS RETURNS

Quarter	Period	Forms	Due Date
Q4 (FY 2025-26)	Jan - Mar 2026	24Q, 26Q, 27Q	31 May 2026
Q1 (TY 2026-27)	Apr - Jun 2026	138, 140, 144	31 Jul 2026
Q2 (TY 2026-27)	Jul - Sep 2026	138, 140, 144	31 Oct 2026
Q3 (TY 2026-27)	Oct - Dec 2026	138, 140, 144	31 Jan 2027
Q4 (TY 2026-27)	Jan - Mar 2027	138, 140, 144	31 May 2027

TCS RETURNS

Quarter	Period	Form	Due Date
Q4 (FY 2025-26)	Jan - Mar 2026	27EQ	15 May 2026
Q1 (TY 2026-27)	Apr - Jun 2026	143	15 Jul 2026
Q2 (TY 2026-27)	Jul - Sep 2026	143	15 Oct 2026
Q3 (TY 2026-27)	Oct - Dec 2026	143	15 Jan 2027
Q4 (TY 2026-27)	Jan - Mar 2027	143	15 May 2027

New Forms & Mechanisms

Form 141: Challan-cum-TDS Statement

For transactions on or after 1 April 2026, a single **Form 141** serves as the challan-cum-TDS statement, replacing Forms 26QB, 26QC, 26QD and 26QE. It covers immovable property purchases, rent by individuals/HUF, payments to contractors/professionals by individuals/HUF, and transfer of virtual digital assets.

Form 121 & the UIN Mechanism: Replacing 15G/15H

Form 121 replaces Forms 15G/15H for non-deduction declarations. The payer must allot a **Unique Identification Number (UIN)** a 26-character alphanumeric code built from the sequence number, tax year and TAN of the payer - to each declaration received, and report these via Part B of Form 121 within the prescribed timelines on the income-tax portal.

Form 128: Lower/Nil Deduction & Collection Certificate (Replacing Form 13)

Form 128 replaces Form 13 for a certificate authorising deduction or collection at a lower or nil rate under **Section 395(1)** (TDS) and **Section 395(3)** (TCS). Key features:

- 📄 Filed electronically through the TRACES portal **before** the transaction occurs.
- 📄 No statutory cap on the number of applications in a tax year.
- 📄 Where deductors are numerous or unidentifiable, the Assessing Officer (AO) issues a master "Parent" certificate in the name of the applicant under Form 128 (Annexure-II). This acts as a blanket limit and approves the lower TDS rate. As and when the taxpayer identifies the specific payers, they generate localized "Child Certificates" via the TRACES portal for each specific deductor.

Issuance of TDS Certificates

Description	Period	Form	Due Date
TDS on Salary	FY 2025-26	Form 16 (Old)	15 Jun 2026
TDS on other payments	Jan - Mar 2026	Form 16A (Old)	15 Jun 2026
TDS on Salary	TY 2026-27	Form 130 (New)	15 Jun 2027
TDS on other payments	Q1 (Apr - Jun 2026)	Form 131 (New)	15 Aug 2026
TDS on other payments	Q2 (Jul - Sep 2026)	Form 131 (New)	15 Nov 2026
TDS on other payments	Q3 (Oct - Dec 2026)	Form 131 (New)	15 Feb 2027
TDS on other payments	Q4 (Jan - Mar 2027)	Form 131 (New)	15 Jun 2027

Consequences of Failure - Section 398 (erstwhile 201)

A person who fails to deduct, collect or deposit tax is deemed an **assessee in default**. Relief is available where the payee has filed a return, included the income in computation, and paid the tax due on it.

Computation of Interest Liability:

1% per month	From the date tax was deductible/collectible to the date of actual deduction/collection.
1.5% per month	From the date of deduction/collection to the date of payment to the Central Government.

Time Limit for the Order:

An assessee-in-default order cannot be passed after the later of: **six years** from the end of the tax year in which tax was deductible/collectible; or **two years** from the end of the tax year in which the correction statement is filed.

Relief- Section 398(2) & Accountant Certificates:

Where the deductee has paid the tax due, the deductor is not treated as an assessee in default, subject to an accountant's certificate:

- Form 149: non-deduction or short deduction of tax.
- Form 150: non-collection or short collection of tax.

Even with relief, the deductor/collector remains **liable for interest** for the period of delay.

Accounting for TDS & TCS: Worked Examples

The accounting treatment does not change under the 2025 Act; what changes is the **section reference becomes a payment code**, and the **return form is renumbered**. The golden rule stands: deduct on the **earlier of credit or payment** (TDS), or the **earlier of debit or receipt** (TCS).

Let's understand the concept with the help of the illustrations as given under:

Section 393 · Code 1027 Professional Fees Paid to a CA / Consultant

Your company books a consultant's invoice for professional services. TDS applies at **10%** above the **Rs. 50,000** threshold (Form 140).

Invoice Rs. 1,00,000 | TDS @10% Rs. 10,000 | Net payable Rs. 90,000 | Trigger: on invoice booking

ON BOOKING THE INVOICE (CREDIT)

Particulars	Debit (Rs.)	Credit (Rs.)
Professional Fees A/c	1,00,000	—
To Consultant (Vendor) A/c	—	90,000
To TDS Payable A/c (Code 1027)	—	10,000

Being professional fees booked and tax deducted at source @10%.

ON DEPOSIT OF TDS (BY 7TH OF NEXT MONTH)

Particulars	Debit (Rs.)	Credit (Rs.)
TDS Payable A/c (Code 1027)	10,000	–
To Bank A/c	–	10,000

Being TDS deposited via challan under payment code 1027.

Compliance tag: Quote **Code 1027** on the challan and report in **Form 140** (Q-return). Issue **Form 131** certificate to the consultant.

Section 393 · Code 1031 Purchase of Goods (TDS u/s 194Q Equivalent)

A buyer with turnover above the limit purchases goods exceeding the **Rs. 50 lakh** threshold in the year. TDS @ **0.10%** applies on the value above Rs. 50 lakh.

Purchase this bill Rs. 20,00,000 | Already crossed Rs. 50L: Yes | TDS @0.10% Rs. 2,000

ON BOOKING THE PURCHASE

Particulars	Debit (Rs.)	Credit (Rs.)
Purchases A/c	20,00,000	–
To Supplier A/c	–	19,98,000
To TDS Payable A/c (Code 1031)	–	2,000

Being purchase booked, TDS @0.10% deducted on value above Rs. 50 lakh.

Note: TDS is on the amount **exceeding Rs. 50 lakh** in the year, not the full bill. Tag **Code 1031**, report in **Form 140**.

Section 392 · Code 1002 TDS on Salary

Monthly salary processed for a non-government employee. TDS is computed on estimated annual income at slab rates and deducted proportionately each month.

Gross salary Rs. 1,50,000 | Monthly TDS Rs. 12,000 | Net pay Rs. 1,38,000

ON ACCRUAL / PAYMENT OF SALARY

Particulars	Debit (Rs.)	Credit (Rs.)
Salary A/c	1,50,000	–
To Salary Payable A/c	–	1,38,000
To TDS Payable A/c (Code 1002)	–	12,000

Being salary accrued and TDS deducted at applicable slab rate.

☑ **Compliance tag:** Code 1002, return in **Form 138**, annual certificate in **Form 130** (replaces Form 16) by 15 June following the tax year.

Section 394 · Code 1073 TCS on Sale of Scrap

A seller of scrap collects tax at source @ **2%** from the buyer over and above the sale value - the trigger is the **earlier of debit or receipt**.

Sale value Rs. 5,00,000 | TCS @2% Rs. 10,000 | Receivable Rs. 5,10,000

ON SALE INVOICE

Particulars	Debit (Rs.)	Credit (Rs.)
Buyer A/c	5,10,000	–
To Sales A/c	–	5,00,000
To TCS Payable A/c (Code 1073)	–	10,000
<i>Being scrap sold and tax collected at source @2% from buyer.</i>		

☑ **Compliance tag:** TCS is **added to** the invoice (collected from buyer), unlike TDS. Tag **Code 1073**, report in **Form 143** (replaces 27EQ).

Form 141 · Individual / HUF · Rent Paid by an Individual: Challan-cum-Statement

An individual (not subject to tax audit) pays rent above the threshold. Instead of a quarterly return, the deduction is reported through the single **Form 141** challan-cum-statement.

Rent Rs. 1,20,000 | TDS @ applicable rate Rs. 2,400 | Net paid Rs. 1,17,600

ON PAYMENT OF RENT

Particulars	Debit (Rs.)	Credit (Rs.)
Rent A/c	1,20,000	–
To Landlord A/c	–	1,17,600
To TDS Payable A/c	–	2,400
<i>Being rent booked and tax deducted; to be deposited via Form 141.</i>		

☑ **Key change:** Form 141 replaces 26QB / 26QC / 26QD / 26QE - one common form for property purchase, rent, contractor/professional payments by individuals/HUF, and virtual digital asset transfers, for transactions on or after 1 April 2026.

★ **Practitioner tip:** Before your first TY 2026-27 filing, update the TDS/TCS ledger masters in your accounting software to carry the **new payment code** against each nature of payment. Map the old section to the new code once, centrally - it prevents mismatches at challan and return stage.

ANNEXURE
Section-wise Mapping: TDS/TCS Challan Payments

Old section vs. new section- with payment codes, forms, rates and thresholds.

1961 Act	2025 Act	Nature of Payment	Code	Old Form	New Form	Rate	Threshold
192	392	Payment to Govt. employees	1001	24Q	138	Slab	Basic exemption
192	392	Payment to employees (Non-Govt.)	1002	24Q	138	Slab	Basic exemption
192	392	Payment to Union Govt. employees	1003	24Q	138	Slab	Basic exemption
194D	393(1)	Insurance commission	1005	26Q	140	2% / 10%	Rs. 20,000
194H	393(1)	Commission or brokerage	1006	26Q	140	2%	Rs. 20,000
194I(a)	393(1)	Rent on machinery etc.	1008	26Q	140	2%	Rs. 50,000/month
194I(b)	393(1)	Rent other than machinery	1009	26Q	140	10%	Rs. 50,000/month
194K	393(1)	Income in respect of units	1013	26Q	140	10%	Rs. 10,000
193	393(1)	Interest on securities	1019	26Q	140	10%	Rs. 10,000
194A	393(1)	Interest - bank (senior citizen)	1020	26Q	140	10%	Rs. 1,00,000
194A	393(1)	Interest - bank (others)	1021	26Q	140	10%	Rs. 50,000
194A	393(1)	Interest - others	1022	26Q	140	10%	Rs. 10,000
194C	393(1)	Contractors (Ind/HUF)	1023	26Q	140	1%	Rs. 30,000 / Rs. 1L
194C	393(1)	Contractors (others)	1024	26Q	140	2%	Rs. 30,000 / Rs. 1L
194J(a)	393(1)	Technical fees / call centre / film royalty	1026	26Q	140	2%	Rs. 50,000
194J(b)	393(1)	Professional services	1027	26Q	140	10%	Rs. 50,000
194	393(1)	Dividends	1029	26Q	140	10%	Rs. 10,000
194DA	393(1)	Life insurance policy payment	1030	26Q	140	2%	Rs. 1,00,000
194Q	393(1)	Purchase of goods	1031	26Q	140	0.10%	Rs. 50,00,000
194R	393(1)	Benefit / perquisite	1033	26Q	140	10%	Rs. 20,000
1940	393(1)	E-commerce operator payments	1035	26Q	140	0.10%	Nil
194N	393(3)	Cash payments (co-op society)	1064	26Q	140	2%	Rs. 3,00,00,000
194N	393(3)	Cash payments (others)	1065	26Q	140	2%	Rs. 1,00,00,000
194T	393(3)	Payment to partner	1067	26Q	140	10%	Rs. 20,000
206CA	394(1)	Sale of alcoholic liquor	1068	27EQ	143	2%	–
206C	394(1)	Sale of tendu leaves	1069	27EQ	143	2%	–
206CB	394(1)	Sale of timber (forest lease)	1070	27EQ	143	2%	–
206CD	394(1)	Forest lease (not timber/tendu)	1072	27EQ	143	2%	–
206CE	394(1)	Sale of scrap	1073	27EQ	143	2%	–
206C	394(1)	Sale of minerals	1074	27EQ	143	2%	–
206C(1F)	394(1)	Sale of motor vehicle > Rs. 10L	1075	27EQ	143	1%	–
206C(1G)	394(1)	LRS (educational / medical)	1086	27EQ	143	2%	–
206C(1G)	394(1)	LRS (others)	1087	27EQ	143	20%	–
206C(1G)	394(1)	LRS (overseas tour)	1089	27EQ	143	2%	–

WHAT THIS MEANS FOR YOU?

- ▣ Structural consolidation into three sections (392, 393, 394) materially simplifies compliance.
- ▣ No change in rates or thresholds means continuity for taxpayers.
- ▣ New forms (121, 128, 130, 131, 138, 140, 141, 143) and numeric payment codes require timely ERP and software updates.
- ▣ Transition rules based on triggering events must be applied carefully to choose the right Act.
- ▣ Removal of higher TDS/TCS for non-filers (206AB/206CCA) cuts compliance burden.

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