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Practical TDS RETURN MASTER GUIDE



A Step-by-Step Guide to TDS Compliance and Return Filing with Confidence

- Updated for Latest TDS Provisions
- Step-by-Step Return Filing Process
- With Practical Examples & Screenshots
- Covers TDS Sections, Rates, Due Dates and Forms
- Tips to Avoid Common Mistakes

Deductors Coverage

TDS Sections & Rates

Due Dates & Compliance

Online Return Filing (TRACES)

Corrections, Defaults & Best Practices

Your Practical Guide to Easier TDS Compliance

By

CA Akshay Rao T

PRACTICAL

TDS RETURN FILING MASTER GUIDE

FOUNDATIONS, FILING WORKFLOWS AND PROFESSIONAL REVIEW

Practical coverage of salary, resident and non-resident statements
TCS, special transactions, corrections and the Excel toolkit
Historical compliance and the Income-tax Act, 2025 framework

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Turn Numbers Into Smarter Decisions

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This guide explains practical preparation and review methods. It is educational material, not a case-specific tax opinion, assurance report or representation before an authority. The deductor, authorised signatory, preparer and reviewer retain their respective responsibilities.

Use the law applicable to the transaction and period. The Income-tax Act, 1961 remains relevant to historical obligations and saved proceedings. The Income-tax Act, 2025 governs the new framework from its commencement, subject to specific effective dates and transition provisions. A filing made today can still concern an earlier period. [S1] [S23]

Rates, thresholds, reliefs, certificates, prescribed forms, deposit deadlines, statement deadlines and software requirements can change through legislation, Rules, notifications, circulars and judicial decisions. Check the current official text and the effective date before a live assignment. A familiar section number or software default is not sufficient evidence.

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Part I - Assignment Setup

1. The compliance workflow

A TDS assignment begins when a transaction becomes relevant for deduction, not when the quarterly return is due. The preparer should be able to trace the same transaction from the contract and accounting entry to the deduction register, government payment, statement and processing record.

The sequence below is a recommended office control. A small business may combine roles, but it should not omit the evidence.

Stage	Record to prepare	Check before proceeding
Define the assignment	TAN, period, form and scope	The entity and period are correct
Collect the data	Payroll, ledgers, invoices and payments	Credit entries and advances are included
Classify the transaction	Provision and rate working	Payer and payee conditions are satisfied
Determine deduction	Amount, trigger and deduction date	Threshold and exceptions are documented
Deposit the tax	Approved payment working and receipt	Act, period, heads and amounts agree
Prepare the statement	Challan and deductee mapping	Records reconcile without overbooking
Validate and submit	Validation report and acknowledgement	The reviewed file is the uploaded file
Follow up	Processing status and closure note	Rejections and defaults are resolved

Do not treat payment and reporting as interchangeable. A challan shows that money was deposited. A statement allocates and reports deductions. A receipt for one does not prove completion of the other.

For a new assignment, write a short status note: what has been received, what is missing, which deadlines apply and which decisions require a reviewer. This makes delays visible before filing day.

2. Scope and responsibilities

Before requesting passwords or opening software, establish what the client has authorised you to do. “TDS return filing” can mean statement preparation only, or it can include monthly deduction review, deposit preparation, correction statements and certificate support. Put these tasks in writing.

2.1 Minimum assignment information

Record the legal entity, TAN or applicable PAN-based route, relevant financial year or tax year, quarter, statement type, authorised contact and signatory. Identify whether the assignment concerns a regular statement, a correction or an existing default. Obtain prior acknowledgements where relevant.

Ask who will approve the deduction working, arrange the bank payment, verify the upload and receive government communications. A preparer should not assume authority to initiate a payment merely because a portal login has been shared.

2.2 Separate preparation from approval

The preparer collects evidence, identifies exceptions and produces the working. The reviewer checks the legal classification, completeness, calculations and disclosure. The deductor approves the underlying facts and remains responsible for compliance. The authorised signatory verifies the statement through the applicable mechanism.

A firm's staffing may require one person to perform several tasks. In that case, use a written self-review and obtain the client's confirmation of the source data. Do not manufacture a second review signature.

2.3 Matters requiring escalation

A non-resident payment, treaty claim or uncertainty about chargeability. • A transaction in kind, gross-up arrangement or linked reimbursement. • A disputed contract classification or overlapping deduction provisions. • A deduction omitted in an earlier period or an existing demand. • An invalid PAN, certificate mismatch or inaccessible historical record. • A proposed filing outside the permitted correction period. •

Example scope note. “Prepare the resident non-salary statement for the specified quarter from approved records; reconcile deductions and challans; obtain approval before upload; report unresolved mismatches. Monthly deduction advice, payment initiation and notice representation are separate unless agreed.” Adapt it to the engagement rather than copying it without review.

3. The deductor master

The deductor is the person responsible for deduction. Its legal identity must remain consistent across the books, tax account, challans and statements. A trading name, branch label or familiar abbreviation is not a substitute for the registered name and account details.

Create a master record once, then revalidate the changing fields at the start of each period. For regular TAN-based compliance, section 397 deals with allotment and quotation of TAN under the new Act, with specific exceptions. Do not apply the exceptions to all individual taxpayers.

[S6]

Field	Evidence and control
Legal name and status	Constitution documents and approved entity record
PAN and TAN	Allotment evidence and official verification
Address and contact	Current address, email and mobile approved by the client
Responsible person	Name, designation and authority to verify
Accounting period	Period being reported, not merely the current date
Form and statement type	Salary, non-salary, non-resident, TCS or special route
Earlier filings	Original and latest correction acknowledgements
Portal access	Authorised account, verification method and recovery contact

3.1 A practical setup procedure

1. Obtain the identity documents through the agreed secure channel.

2. Compare legal name, PAN and TAN with the prior accepted statement. Investigate differences rather than overwriting the old master immediately.
3. Confirm that the authorised person's contact and verification arrangements remain usable.
4. Record the selected Act, period, quarter and form in the assignment cover sheet.
5. Lock or separately archive the approved master. Keep a note of later changes and their supporting documents.

Never invent a TAN for a training case. Use a label such as “DEMO TAN” in a learning working paper and keep it outside any production utility that requires a valid identifier.

4. Tools and secure records

Different tools perform different jobs. A preparation program helps organise the records. A validation utility checks the file against technical rules. The e-Filing portal accepts the relevant submission or payment. TRACES supports processing follow-up, certificates and correction resources. [S18] [S20]

Tool or record	Its role	What it does not establish
Winman TDS	Preparation, calculations and supported imports	Correctness of unreviewed client data
Protean RPU	Preparation using the prescribed structure	A legal opinion on the payment
Protean FVU	Technical validation of an eligible file	Completeness of the accounting records
Income Tax portal	Applicable filing and payment services	Resolution of every later processing issue
TRACES	Status, downloads and correction support	Authority to alter unsupported facts
Working papers	Evidence of calculations and review	A substitute for statutory compliance

4.1 Recommended folder structure

Keep source documents, masters, workings, challans, validation output, uploaded files, acknowledgements and follow-up separately. Filenames should identify the deductor, Act, period, quarter and form, never a password.

Archive the submitted file separately from editable records. Changes after approval require fresh review and output; the latest working file may differ from the filed data.

4.2 Security controls

Restrict access, use encrypted transfer and storage, test backups and follow the firm's retention policy. Share only necessary records.

Use OTPs and DSC through the authorised signatory's process. Keep credentials outside working papers and remove access when agreed authority ends.

5. Source data intake

An expense ledger is a starting point. It may omit an advance recorded in a balance-sheet account, a year-end provision, a partner's capital credit or a payment booked under a generic expense description. Completeness requires more than checking the rows supplied by the client.

5.1 Records to request

Obtain the relevant general ledger, vendor and employee masters, contracts, invoices, payment register, journal entries and deduction ledger. Request salary computations for salary statements. Obtain bank challan receipts, any book-adjustment records, earlier statements, certificates and outstanding default information.

Ask the client to identify non-resident vendors, related parties, reimbursements, non-cash benefits, property and large goods purchases, and no-deduction positions. Review these categories without assuming that each creates a deduction obligation.

5.2 Build a transaction register

For each row, record a source document reference, payee identifier, residency classification, nature of payment, credit date, payment date, statutory trigger date, taxable or deductible base, provision, threshold working, applicable rate, actual deduction date and tax amount. Add deposit and statement references later.

Keep the invoice date separate from the credit date. The invoice may be dated before the expense was recorded. Conversely, a provision or advance may create an obligation before the final invoice arrives. Preserve enough evidence to explain the selected trigger.

5.3 Three completeness tests

1. Ledger to register. Reconcile relevant ledger totals to included rows and documented exclusions. Investigate entries recorded in other account heads.
2. Payments to register. Review advances and payments that precede ledger credit. Identify amounts excluded because the relevant trigger occurred earlier.
3. Deduction ledger to register. Match TDS actually booked with the independently computed amount and explain the difference.

List reconciling items, assign responsibility and record whether filing is blocked. Do not delete unexplained rows to force agreement with the ledger.

Part II - TDS Fundamentals and Reference Desk

1. Deduction mechanics

Tax deducted at source is collected through a person making a specified payment. The payer identifies the applicable obligation, withholds the tax and deposits it with the government. Reporting then links the deduction to the relevant recipient and transaction.

The following accounting example is deliberately simple. Assume a resident company provides eligible contract services for Rs 1,00,000, the payer is required to deduct, a 2% rate applies, PAN is valid, and there is no GST, certificate or other adjustment. These assumptions must be checked in a real case.

Entry	Debit	Credit
Record eligible service and deduction	Contract expense Rs 1,00,000	Vendor Rs 98,000; TDS payable Rs 2,000
Pay the vendor	Vendor Rs 98,000	Bank Rs 98,000
Deposit the deduction	TDS payable Rs 2,000	Bank Rs 2,000

The expense remains Rs 1,00,000. Withholding does not reduce the contractual expense to Rs 98,000. The deduction is a liability until it is deposited. In practice, an entity may use separate entries for the invoice and withholding; the combined effect should agree with the approved working.

1.1 What the statement needs to explain

The statement connects the payee, payment base, provision, deduction and deposit record. A correct bank payment with an incorrect payee PAN can still prevent the intended tax credit from appearing correctly. A correct payee entry with a wrong challan reference can also create a mismatch.

1.2 Distinguish TDS from TCS

TDS is generally deducted from a specified payment to a recipient. TCS is collected from a buyer or another specified person in the situations covered by its provision. They have different legal conditions even where a software product prepares both. The new framework consolidates TCS in section 394 and prescribes Form 143 for its quarterly statement. [S10]

For this example, retain the invoice, classification working, Rs 2,000 calculation, payment approval, challan reference and statement row reference. Those records allow the reviewer to follow the transaction without reopening every screen.

2. Payee classification

Classify the recipient before choosing the provision or statement. A name ending in “Ltd” helps identify a company but does not, by itself, prove residency or entitlement to a particular rate. An Indian bank account or Indian PAN also does not settle every residency question.

Classification	Evidence to obtain	Why it matters
Individual or HUF	PAN, identity and approved status	Some rates and payer conditions differ
Firm or LLP	Constitution and PAN record	Avoid treating the entity as an individual

Classification	Evidence to obtain	Why it matters
Company	Incorporation and PAN record	Deductee category and certain rates differ
Resident	Relevant facts and supported declaration	Resident provisions may be applicable
Non-resident or foreign company	Residency facts and payment analysis	Chargeability, treaty and reporting review
Special category	The particular legal condition	Bank, exchange or specified-person rules

2.1 Separate payer status from payee status

A corporate payer can pay an individual, a company or a non-resident. The payer's status determines some obligations; the recipient's status determines others. Do not choose the corporate deductee category because the deductor is a company.

The prescribed Form 144 category is more detailed than the label “payments abroad”. Rule 219 includes specified non-resident, foreign-company and resident-but-not-ordinarily-resident cases. The provision and the recipient category must both support the route. [S10]

2.2 Record an unresolved classification

If the source documents do not establish the required status, leave the decision open and request evidence. Record the amount at risk, deadline and reviewer. Do not silently choose a resident rate because it is easier to validate.

Working-paper wording. “Recipient status confirmed from the attached evidence for this transaction and period. The selected provision is based on the payer conditions, payee category and nature of the payment. Exceptions are recorded separately.” This statement should be signed only after the checks have actually been performed.

3. Selecting the provision

Read the contract and the nature of the service or payment. Ledger labels such as “consultancy”, “service charges” and “rent” can be incomplete. A single invoice may contain components that need separate analysis, and a description created for bookkeeping may not reflect the legal arrangement.

3.1 An eight question working

1. Who is responsible for paying, and does that person meet the payer condition?
2. Who receives the amount, and what recipient category is relevant?
3. What is the payment actually for, based on the agreement and supporting records?
4. Which Act applies to the statutory trigger or saved obligation?
5. Which provision covers that category, including its definitions and table notes?
6. Has the relevant threshold been crossed, and what amount forms the deduction base?
7. Does a valid exception, declaration, certificate or treaty position change the result?
8. What are the trigger, deduction rate, deposit route and reporting form?

Write the answer to each material question. The final working should allow another preparer to reach the same conclusion from the records supplied.

3.2 A classification example

A resident software supplier charges for a service. The accounting team calls it “technical service” and applies a lower rate without reading the agreement. That label is insufficient. The reviewer should establish what was supplied, whether the payment falls within the relevant statutory category, whether royalty or another provision is involved, and whether a special rule applies. Do not choose between provisions solely by comparing their rates.

3.3 A useful short conclusion

“Eligible resident contract payment; payer condition met; supported base Rs 1,00,000; threshold exceeded; company recipient; valid PAN; no lower certificate; 2% deduction under the applicable contract provision.” Attach the contract and threshold working.

Under the new Act, the conclusion also needs the complete reference, for example section 393(1), Table serial number 6(i). Section 393 contains several categories; recording only “393” loses important information. [S5]

Reviewer question. Would the same classification remain defensible if the rate changed next year? If the explanation is only “software selected it”, the working is incomplete.

4. Timing the deduction

Keep five dates separate: invoice date, accounting credit date, payment date, statutory trigger date and actual deduction date. The deduction register should show all dates needed to test compliance. Deposit and filing dates are separate again.

Payment category	Timing principle to check	Practical evidence
Ordinary salary	Deduction at payment	Payroll disbursement and bank evidence
Many resident non- salary sums	Earlier of credit or payment, subject to specific rules	Ledger, advance and bank entries
Special individual or HUF rent	Special last-month rule	Tenancy period and final-month records
Benefits or consideration in kind	Tax arrangement before release where required	Valuation and proof of tax provision
Other special categories	Read the category and notes	Transaction-specific working

Salary timing is supported by section 392(1). The general resident non-salary rule and its exceptions are set out in section 393. Do not apply one timing rule to every category. [S4] [S5]

4.1 Why invoice date is not enough

An invoice dated 28 March is recorded on 3 April with no earlier payment or identifiable credit. The preparer should investigate when the obligation actually arose and what was recorded. The invoice date alone should not be substituted for the statutory event. Conversely, an eligible advance paid in March cannot be ignored merely because the final invoice arrives in April.

4.2 Review year end provisions

Identify the recipient and the nature of the liability, inspect the journal narration and check whether a credit to a payable, suspense or similar account is treated as a relevant credit under the applicable provision. Generic provisions, disputed liabilities and entries without an identified recipient need a reasoned review rather than an automatic answer.

Record the statutory deduction date even where withholding happened later. Backdating the actual deduction conceals the delay and distorts the interest calculation. The transition cases show why both dates matter.

5. Rates and thresholds

A threshold answers whether the obligation applies under the relevant condition. It does not always mean that only the excess is subject to deduction. Read the provision to determine whether the base is the entire eligible amount or only the amount above a threshold.

For the resident contract category in section 393(1), Table 6(i), the referenced framework uses a Rs 30,000 single-sum threshold and a Rs 1,00,000 aggregate threshold, with a 1% rate for an individual or HUF contractor and 2% for another contractor. Check amendments, payer eligibility and exceptions before use. [S5]

5.1 Worked threshold comparison

Example A. An eligible contract payment of Rs 40,000 is credited to a resident company contractor. With valid PAN and no exception, the single-payment threshold is crossed. At the assumed 2% rate, TDS is Rs 800 on Rs 40,000, not Rs 200 on the Rs 10,000 excess.

Example B. Four eligible credits of Rs 28,000 each are made to the same resident company contractor during the year. Each credit is below Rs 30,000, but the aggregate reaches Rs 1,12,000. The cumulative tax at 2% is Rs 2,240. The working should show when the aggregate condition became relevant and what deduction or adjustment was required; do not evaluate each invoice in isolation.

Example C. The goods-purchase category has a different excess-based rule. Use its own payer conditions, aggregation and exclusions. A contract threshold method cannot be copied into a goods-purchase calculation.

5.2 Rate evidence to retain

Record the relevant Act, full provision, effective period, recipient status, normal rate, any higher-rate condition and the source of a lower-rate entitlement. Record whether surcharge, cess, gross-up or treaty considerations have been examined where relevant.

The examples above exclude GST, composite supplies, reimbursements and certificates to isolate the threshold calculation. In a real case, establish the correct base from the provision and applicable guidance. Do not assume that every invoice total or every separately described reimbursement is automatically the deduction base.

6. PAN and supporting certificates

PAN validation is an identity control as well as a rate control. Compare the PAN with the recipient's approved record, investigate mismatches and use the official facilities available for the assignment. Never change one character merely to make a file pass validation.

Under section 397(2), failure to furnish a valid PAN can result in a higher deduction rate. The provision contains different treatment for specified goods-purchase and e-commerce categories and prescribed non-resident exceptions. The simple instruction “use 20% for everyone” is unsafe. [S6]

6.1 Lower or nil deduction evidence

Obtain the complete certificate, not a rate quoted in an email. Review the recipient, covered payer or other scope conditions, relevant provision, permitted period, amount or limit, certificate number and remaining availability. Validate through the official process where required. Keep a record of amounts already applied against the certificate.

An approval for one period or payment category should not be extended to another without legal support. Transitional protection of old approvals also does not remove their expiry or limits. Where the certificate concerns a new period or is pending across commencement, read the applicable transition guidance and new provision. [S23]

6.2 Declarations are not universal exemptions

An individual saying “my income is below the tax limit” does not automatically remove a payer's obligation. A declaration is effective only for eligible persons and covered income, when all conditions and procedural requirements are met. Do not use an interest declaration to justify no deduction on salary, a contract or another uncovered payment.

6.3 Before approving a non standard rate

1. Confirm the normal provision and rate first.
2. Identify the exact legal basis for the different rate or no deduction.
3. Obtain the evidence and verify its period, scope and conditions.
4. Record any usage limit and the amount used in this transaction.
5. Obtain review approval and keep the proof with the calculation.

Escalate uncertainty. A foreign payment, treaty claim, inoperative PAN, certificate mismatch or gross-up arrangement should be reviewed before withholding and payment. A later correction may not repair every consequence of an unsupported decision.

7. Challans and payment evidence

A challan is the government payment record. Build the payment working from approved deductions; then compare the final receipt with that working. A payment instruction, generated reference or debit pending at the bank is not the same as a successful tax deposit.

Payment field	Control to perform
Act and period	Match the underlying obligation and correct period label
TAN or relevant PAN	Confirm the account to which payment is attributed
Deductee category	Distinguish company and non-company recipients
Payment head	Select the correct tax and payment purpose
Provision code	Match the full classification, not the invoice nickname
Tax, interest and fee	Reconcile each component separately

Payment field	Control to perform
Receipt details	Retain the identifying number, date and successful status
Amount available	Track usage and avoid allocating the same tax twice

For regular TAN-based payments, the current manual distinguishes the old ITNS 281 route from ITNS 281N under the new Act. It also distinguishes voluntary payments from demand payments and company from non-company deductee categories. Confirm the live screen and purpose before proceeding. [S17]

7.1 Suggested payment procedure

1. Prepare a payment summary by Act, period, deductee category and relevant code.
2. Compare the summary with the deduction register and obtain approval.
3. Enter the payment details in the applicable route. Preview them before authorising payment.
4. After success, download the receipt and compare the paid amount and identifiers with the approved summary.
5. Update the challan register. Record later matching status and any correction request separately.

Interest and fees do not increase the tax available for allocation to deductee rows. A receipt showing Rs 10,600 paid, comprising Rs 10,000 tax and Rs 600 interest, does not support Rs 10,600 of deductee tax credits. The register should preserve that distinction.

8. Deposit deadlines

Use a compliance calendar that separates deduction, deposit, statement and certificate tasks. Checking only the quarterly statement date can leave a monthly payment overdue even when the return is filed on time.

The following table describes the ordinary new-Act TDS deposit framework. Special cases, permissions and official extensions must be checked separately. [S9]

Category	Standard deposit deadline	Qualification
Non-government ordinary deduction outside March	Seven days from month end	Applicable ordinary TAN-based route
Non-government ordinary March deduction	30 April	Confirm the March condition under the Rule
Government payment without challan	Same day	Book-adjustment procedure also matters
Government payment with challan	Seven days from month end	Do not apply the non-government March rule
Covered Form 141 deduction	Thirty days from month end	Special challan-cum-statement route

8.1 Worked calendar

An ordinary eligible deduction is made by a non-government entity on 18 May. Its normal deposit deadline is 7 June. The quarter ends on 30 June, but the later statement deadline does not extend the deposit date.

For an ordinary eligible March deduction by the same entity, use the applicable March deadline. A covered PAN-based special statement has its own thirty-day rule. Do not apply the ordinary seventh-day rule simply because the payment is called TDS.

8.2 Controls for the calendar

For each deadline, record the Act, provision or Rule, relevant category, statutory date and any officially extended date. Add an internal approval date and the person responsible. Retain the extension itself if you rely on it.

Do not assume that a weekend, bank delay or a client's absence automatically extends a statutory date. Start payment approval early enough to verify success and correct an unsuccessful transaction. Where a due-date change is uncertain, escalate it instead of adopting a date from a social-media post.

The new Rules also reorganise TCS deadlines. Historical TCS procedures must be checked under their own Rules; a TDS deadline should never be copied to TCS solely because the same utility is used.

9. Statement deadlines and filing status

Under Rule 219, the new-Act quarterly statement schedule is as follows, subject to applicable extensions and special routes. [S10]

Quarter	Period covered	Standard due date
Q1	April to June	31 July of that year
Q2	July to September	31 October of that year
Q3	October to December	31 January following the quarter end
Q4	January to March	31 May of the following year

A covered Form 141 is a challan-cum-statement, not an ordinary quarterly statement. Its thirtyday rule must be tracked separately. For historical forms, confirm the old Rule and applicable notification rather than treating the table as a universal historical calendar.

9.1 Four different completion states

Prepared. The data and working exist, but no submission has occurred.

Validated. The file satisfies the relevant technical checks. Legal review and completeness checks remain necessary.

Submitted and verified. The applicable portal submission and verification are complete, with an acknowledgement saved. Record any later acceptance or rejection status.

Processed and reviewed. The processing outcome has been checked and any default or mismatch assigned for resolution. This is the appropriate basis for a final closure note.

9.2 Track the evidence for each state

Maintain the utility output, reviewed control totals, exact uploaded file, acknowledgement, verification record and processing evidence. Assign a follow-up date after submission. Do not close an assignment merely because the upload screen displayed a reference number.

If a statement is rejected, first identify the reason and verify whether a valid original statement already exists. Do not blindly upload a second regular statement. If the issue concerns an accepted statement, examine the proper correction route and latest processed data before changing it.

10. Interest and late filing fees

Three different failures should be assessed separately: deduction made late, deducted tax deposited late, and the statement furnished late. A case can involve more than one of them.

The new Act's section 398(3) provides 1% per month or part of a month for delayed deduction and 1.5% per month or part for delayed payment after deduction, over their respective statutory periods. Section 427 provides a Rs 200 daily fee for statement delay, capped at the tax deductible or collectible. These are separate from other potential consequences. [S7] [S8]

10.1 Worked delayed deposit

Assume Rs 20,000 is correctly deducted on 10 May and the ordinary deposit due date is 7 June. It is actually paid on 12 June, with no extension. Deduction itself was timely. The delayeddeposit interest period runs from the deduction date to actual payment; it is not just the five days after the due date.

For this simple example, May and June give two months or parts. Interest is Rs 20,000 × 1.5% × 2 = Rs 600. Retain the deduction and payment dates and compare the working with the current utility and processing calculation. Unusual dates, part payments and disputed defaults need separate review.

10.2 Worked statement fee

Assume a quarterly statement was due on 31 July and is furnished on 10 August, with no extension. Ten days of delay gives Rs 200 × 10 = Rs 2,000. If tax deductible for the statement is Rs 5,000, the cap does not reduce this result. If the relevant tax is only Rs 1,000, apply the cap and the fee is Rs 1,000.

10.3 Before paying a default

Read the demand or justification report. Compare its row, dates, rate and challan assumptions with the underlying records. A demand caused by wrong mapping may require a correction; a genuine unpaid liability may require payment. Record the decision and avoid paying the same demand twice. [S22]

Old-Act cases use their applicable provisions, including section 201(1A) and section 234E. A common rate does not make the governing provision or period interchangeable.

11. Reconciliation before statement preparation

Reconciliation should explain the difference between what was due, what was deducted, what was deposited and what is being reported. A single tick beside a challan total does not perform all four checks.

11.1 A small worked reconciliation

Assume an ordinary resident non-salary quarter has Rs 12,000 of approved TDS. The TDS ledger shows the same amount. Successful challans contain Rs 10,000 of tax and Rs 600 of interest. Deductee rows prepared for filing contain Rs 12,000 of tax.

Test	Result	Required action
Approved tax to ledger	Rs 12,000 equals Rs 12,000	Retain evidence of agreement

Test	Result	Required action
Ledger to deposited tax	Rs 2,000 short	Confirm and arrange the missing deposit
Deposited tax to rows	Rs 12,000 rows against Rs 10,000 tax	Do not overbook the challans
Interest to tax allocation	Rs 600 is interest	Keep it outside deductee tax allocation

Before filing, investigate the deposit gap and calculate any applicable interest. Do not reduce the reported deduction to Rs 10,000 merely to fit the available challan, and do not use the interest component as tax.

11.2 Allocation control

Track challan tax, tax already used in processed statements, tax proposed for the current statement and the remaining balance. Where a challan supports multiple records, allocate the reviewed amounts and recheck the sum. Distinguish a payment that exists but is incorrectly identified from a payment that was never made.

11.3 The review file

The file should contain ledger extracts, the transaction register, provision and rate decisions, deduction reconciliation, payment working, successful receipts, allocation working and unresolved exceptions. The reviewer should approve the control totals before a file is generated.

Never alter the source facts to make the software output agree. Correct the source or the mapping through the authorised process and preserve the explanation. Reconciliation is evidence of the difference and its resolution, not a cosmetic exercise.

12. Common-payment rate and threshold desk reference

Use this desk reference for tax year 2026-27, which supplements the legal selection process; it is not an exhaustive rate card. Unless a row states otherwise, the table concerns resident recipients, valid PAN, an eligible payer, no lower certificate and no special exemption. Read section 393 together with its exclusions and the definitions in section 402. Historical transactions retain their historical effective rates and thresholds. [S5] [S56]

CA REVIEW POINT: A threshold can apply per transaction, per month, per recipient over the tax year, or to an excess. Record the unit of aggregation before applying a rate. Exactly Rs 50 lakh is sufficient to trigger the resident-property provision if either the consideration or stamp-duty value reaches that figure.

Payment and new reference	Ordinary rate / threshold	Key condition
Contract work: 393(1), Table 6(i)	1%: individual/HUF contractor; 2%: other contractor. Rs 30,000 single sum or Rs 1,00,000 annual aggregate.	Apply the payer definition and exemptions. Once applicable, deduction is on the eligible whole sum, not only the excess.
Professional / technical fees: 393(1), Table 6(iii)	10% ordinarily; 2% for qualifying technical services, specified film royalty and qualifying call-centre payees. Rs 50,000 for the specified fee/royalty categories.	The director remuneration/fee/commission category outside salary has no threshold. Do not classify professional services as technical services only to use 2%.

Payment and new reference	Ordinary rate / threshold	Key condition
Ordinary rent: 393(1), Table 2(ii)	2%: plant, machinery or equipment. 10%: land, building, furniture or fittings. Threshold Rs 50,000 for a month or part of a month.	Confirm specified-payer status. A composite contract requires analysis; an equipment label does not settle a service-versus-rent question.
Special individual/HUF rent: 393(1), Table 2(i)	2%; rent exceeds Rs 50,000 for a month or part.	Eligible payer outside the ordinary specified-payer category; special last-month timing and Form 141 Schedule A.
Commission / brokerage: 393(1), Table 1(ii)	2%; Rs 20,000 annual threshold.	Insurance commission is a separate category.
Covered goods purchase: 393(1), Table 8(ii)	0.1% of the amount exceeding Rs 50 lakh from the relevant resident seller.	Buyer business turnover exceeds Rs 10 crore in the immediately preceding tax year; examine overlapping TDS/TCS provisions.

Payment and new reference	Ordinary rate / threshold	Key condition
Resident property: 393(1), Table 3(i)	1% of consideration or stamp-duty value, whichever is higher; trigger if either is Rs 50 lakh or more.	Aggregate all buyers/sellers for the property threshold. Review agricultural-land exclusion. Form 141 Schedule B.
Special individual/HUF contract, commission or professional payment: Table 6(ii)	2%; aggregate exceeds Rs 50 lakh.	Apply eligible-payer conditions. Whole eligible payment, not only the excess; Form 141 Schedule C.
Business benefit / perquisite: Table 8(iv)	10%; Rs 20,000 aggregate threshold.	Specified payer, valuation and tax arrangement before release. Cash and non-cash benefits require review.
E-commerce participant: Table 8(v)	0.1% of gross eligible amount.	No general threshold; specified individual/HUF participants can qualify for the Rs 5 lakh exclusion with PAN/Aadhaar and the other conditions.
VDA consideration: Table 8(vi)	1%; Rs 50,000 exclusion for specified persons; Rs 10,000 for other persons.	Consideration, not profit. Review exchange arrangements and tax funding where consideration is in kind.
Firm-to-partner covered sums: 393(3), Table 7	10%; aggregate exceeds Rs 20,000.	Salary, remuneration, commission, bonus and interest; credit to capital account is included. Do not use employee salary slabs.
Dividend: 393(1), Table 7	10%; no general threshold.	An individual shareholder paid other than in cash can qualify for the Rs 10,000 annual exclusion; other statutory exclusions also exist.

Interest and insurance commission are expressed as "rates in force" in the relevant new-Act rows. Keep the applicable Finance Act rate evidence with the working instead of treating the section table alone as a complete rate source. For covered bank/co-operative bank/notified post-office interest, the threshold is Rs 1,00,000 for a senior citizen and Rs 50,000 for another recipient. For the covered other-payer interest category, it is Rs 10,000. Interest on securities and insurance commission have their separate category rules. [S5]

12.1 Higher-rate and no-deduction controls

For failure to furnish valid PAN, section 397(2) compares the statutory rate, rates in force and 20%; the comparison uses 5% instead of 20% for the specified goods-purchase and e-commerce rows. TCS uses the higher of twice the specified rate and 5%, subject to its 20% ceiling. Special PAN exceptions and the cap for covered individual/HUF rent must be checked separately. An inoperative-PAN case also requires the applicable operational relief or notification, if any; record the evidence rather than assuming the PAN is usable. [S6]

A freight bill is not automatically exempt. The goods-carriage exclusion requires the statutory conditions, including the contractor owning ten or fewer goods carriages at any time during the tax year, the prescribed declaration with PAN, and the payer reporting the required particulars. Keep the signed declaration and ownership-period evidence. A goods-carriage exemption cannot be copied to passenger transport, equipment hire or an unsupported intermediary arrangement. [S5]

13. GST components, reimbursements and the deduction base

CBDT Circular 23/2017 permits exclusion of separately indicated GST on services from amounts payable to a resident where the agreement or contract supports that separation. Retain the agreement and invoice. The saving provision preserves earlier circulars to the extent they are consistent with the new Act; apply that continuity test and any later guidance before using the circular for a new-Act transaction. [S48] [S2] [S54]

Illustrative service invoice	Amount Rs	Treatment under stated assumptions
Approved service value	1,00,000	Assume eligible resident company contract services and 2% TDS.
Separately identified GST on services	18,000	Excluded from the deduction base under the supported circular conditions.
Invoice payable before TDS	1,18,000	Reconcile to the supplier invoice.
TDS	2,000	Rs 1,00,000 x 2%.
Net vendor payable	1,16,000	Rs 1,18,000 less Rs 2,000. GST credit eligibility is a separate review.

For goods purchases, Circular 13/2021 distinguishes deduction on credit where GST is separately indicated from an advance paid before credit, where the GST component may not be identifiable and deduction is on the whole payment. It also addresses adjustment for purchase returns against subsequent purchases from the same seller; replacement of goods requires separate treatment. Do not convert these limited rules into a general right to reverse any TDS through a negative row. [S49]

A reimbursement description does not prove exclusion. Identify who contracted with the third party, whose liability was discharged, whether the amount is part of the service consideration and whether supporting bills establish the claimed treatment. Obtain a reasoned conclusion for composite bills and pure-reimbursement claims. Keep GST TDS and income-tax TDS in separate ledgers and compliance records; one deposit does not discharge the other.

14. Declarations and lower-deduction certificates

Form 121 replaces Forms 15G/15H for the new tax-year framework. Eligibility depends on the person, covered income and estimated tax being nil. Except for the specified resident senior-citizen case, the aggregate covered income must also satisfy the statutory maximum-not-chargeable condition. A rebate that reduces final tax to nil does not, by itself, waive that separate condition. Salary, ordinary contract fees and professional fees are not made declaration-eligible merely because the recipient expects no final tax. [S5] [S46] [S47]

14.1 Payer procedure for Form 121

1. Obtain the declaration before the relevant deduction event and check tax year, identity, valid PAN, eligible person, covered income, estimated total income and prior declarations.
2. Record receipt and allot the prescribed unique identification number. A generic customer reference is not automatically the prescribed declaration identifier.
3. Complete the deductor particulars and furnish the declaration through the supported process. Section 393(7) and the departmental manual set the seventh day of the month following the quarter: ordinarily 7 July, 7 October, 7 January and 7 April. Check extensions separately. [S5] [S46]
4. Include the required declaration particulars and UIN in the quarterly TDS statement even if no tax was deducted in that quarter. Rule 211 separately requires this reporting; uploading the declaration and preparing the TDS statement are distinct controls. Keep the declaration available for the prescribed verification period, which can extend to seven years from the end of the receipt tax year. [S51, Rule 211]
5. Reassess changed facts and incorrect declarations promptly. Do not retrospectively substitute a declaration for tax already withheld without examining the lawful remedy.

UPDATE ALERT: The separate electronic declaration-to-depository provision shown in section 393(6)(b) has an effective date of 1 April 2027. Apply that route only from its statutory commencement date. [S5]

14.2 Applying an approved lower or nil rate

The ordinary application for a lower/nil TDS certificate or lower TCS certificate is Form 128 under Rule 213, corresponding to the historical Form 13 route. The application is not an approval. Check the issued certificate, covered provision, payer/payee, effective dates and monetary balance before applying its rate. Other specific statutory certificate routes may apply; use the relevant provision rather than treating Form 128 as universal. [S33] [S47] [S51]

Illustration. A certificate permits a 1% rate on Rs 5,00,000 of an otherwise eligible professional-fee category. Rs 3,00,000 has already been used. A further approved credit is Rs 2,50,000. If the certificate terms permit split application, remaining cover is Rs 2,00,000: TDS Rs 2,000 at 1%, plus Rs 5,000 on the uncovered Rs 50,000 at an assumed normal 10%; total Rs 7,000. Retain the utilisation bridge and current schema treatment. The result is conditional on the actual certificate terms.

15. Combined defaults: a complete date working

Assume Rs 20,000 should have been deducted on 10 May, was actually deducted on 20 June, and was paid on 12 July after the ordinary 7 July deposit deadline. With no extension, delayed-deduction interest is Rs 20,000 x 1% x two months or parts (May and June) = Rs 400. Delayed-deposit interest is Rs 20,000 x 1.5% x two months or parts (June and July) = Rs 600. The combined illustrative interest is Rs 1,000. Keep the two periods separate even though June appears in both. [S7]

If the deduction had instead been deposited by its lawful due date, do not automatically levy delayed-deposit interest just because deduction and deposit fall in different calendar months. First establish the default, then compute the statutory period. Split part-payments and different deduction dates into their own workings. Verify the processing result and investigate any difference.