



UNION BUDGET 2025-26

Budget 2025 Highlights What's New in TDS and TCS provisions

Budget 2025 has focused on rationalization of TDS and TCS provisions. The new norms are directed towards easing compliance provisions for businesses and also aim at easing the procedure of tax payments by the taxpayers.



1. Enhancement of threshold for tax deduction:

TDS provisions basically provide for a rate of tax withholding if the transaction exceeds a particular threshold. Certain thresholds for TDS applicability have been increased while TDS rates remain unchanged.

The proposed change in the thresholds of TDS are tabulated below. These will be effective 1 April 2025:

Section	Current threshold	Proposed threshold
Section 193 - Interest on securities	Nil	INR 10,000
Section 194 - Dividend for an individual shareholder	INR 5,000	INR 10,000
Section 194A - Interest other than Interest on securities	(i) Senior Citizen: INR 50,000 (ii) Others (payer is bank, cooperative society, and post office) – INR 40,000 (iii) In all other cases – INR 5,000	(i) Senior Citizen: INR 100,000 (ii) Others (payer is bank, cooperative society, and post office) – INR 50,000 (iii) In all other cases – INR 10,000
Section 194B - Winnings from lottery, crossword, puzzle	Aggregate of amounts exceeding INR 10,000 during financial year	INR 10,000 in respect of a single transaction
Section 194BB - Winnings from horse race	Aggregate of amounts exceeding INR 10,000 during financial year	INR 10,000 in respect of a single transaction
Section 194D - Insurance Commission	INR 15,000	INR 20,000
Section 194G - Income by way of commission, prize, etc on lottery tickets	INR 15,000	INR 20,000
Section 194H - Commission of Brokerage	INR 15,000	INR 20,000
Section 194I – Rent	INR 240,000 during Financial Year	INR 50,000 per month or part of the month
Section 194J - Fees for Professional or Technical services, Royalty or any sum referred in Section 28(va)	INR 30,000	INR 50,000
Section 194K - Income in respect of units	INR 5,000	INR 10,000
Section 194LA - Income by way of enhanced compensation	INR 250,000	INR 500,000

2 TDS rate reduction for Section 194LBC

Under Section 194LBC, tax is required to be deducted at the rate of 25%/30% when a payment is made by a securitization trust to a resident investor in respect of their investment in the trust. As this sector is now sufficiently organized and regulated, the TDS rates under this section have been reduced substantially:

Payee	Existing Rate	Proposed Rate
Individual/ HUF	25%	10%
Other than Individual/HUF	30%	

This amendment is applicable from 1 April, 2025.

3. Reduction in compliance burden by omission of TCS on sale of specified goods:

Section 194Q casts an obligation on the buyer to deduct tax at the rate of 0.1% on payments made to a resident seller for the purchase of goods, if the value or aggregate value exceeds INR 50,00,000 in any previous year.

Section 206C(1H) required TCS by the seller if the value or aggregate sale value exceeds INR 50,00,000 in any previous year. However, the TCS under Section 206C(1H) is not applicable if the buyer has already deducted taxes under Section 194Q.

The cross linking of these two provisions posed practical difficulty for assessee's to track the transactions where TDS has been deducted by the buyer. If the buyer failed to deduct TDS, TCS had to be collected by the seller and due to the delay had to be paid along with interest. Thus, to facilitate ease of doing business and reduce compliance burden on the taxpayer, TCS on goods is deleted from 1 April, 2025 and now sellers are not required to collect on sale of goods.

4. Change in the TCS provision under section 206C(1)

The term "forest produce" is proposed to be defined as the meaning provided in any State Act for the time being in force, or in the Indian Forest Act, 1927 under Section 206C(1). Further, only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under the purview of TCS.

Further, the TCS rate on Timber or any other forest produce (not being tendu leaves) obtained under a forest lease as well as Timber obtained by any mode other than under a forest lease is proposed to be reduced to 2% from the existing rate of 2.5%.

5. Enhanced limit for collecting TCS in case of remittance under Liberalized Remittance Scheme (LRS) and overseas tour program package

The government has rationalized the threshold of requirement to collect TCS to INR 1,000,000 from existing threshold of INR 700,000 under this section.

Further it is proposed that no tax will be collected at source if the amount being remitted for education is out of a loan obtained from any financial institution.

6. Removal of higher TDS/TCS for non-filers of return of income- Omission of Section 206AB

Under Section 206AB and 206CCA, a higher TDS and TCS is applicable if the payee has not filed an income tax return and if TDS/TCS of INR 50,000 or more has been deducted/collected.

Various concerns were raised with the government, stating that it is difficult for the deductor/collector to verify, at the time of deduction/collection, whether the payee has filed their returns. In response to these concerns, Section 206AB and 206CCA have been removed with effect from 1 April 2025.

Concluding Remarks

While in last few budgets, the Government has extended TDS provisions to almost all transactions, Budget 2025 has been a relief for the taxpayers where the focus is on improving the ease of doing business and reducing the compliance burden on the taxpayers.

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