

## Withholding Tax on Rent: INDIA [Section 194-IB]

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Tenants paying rent for accommodation to Indian Tax residents are required to withhold taxes (Tax Deduction at Source), commonly known as “TDS” in India. This note provides a bird’s eye view of the related provisions in the Income Tax Act, 1961 and compliance thereof.

### Applicability:

TDS is applicable on payments exceeding Rs. 50,000 per month or part of the month paid/payable to a tax resident of India by any person, being Individual or HUF (other than those referred u/s 194-I#).

This section applies even if the tenant is resident or non-resident.

Rent means payment made to the landlord under tenancy, lease, sub-lease etc for the *use of any land or building* or both. Thus, this section has exclusive applicability to rent related to land or building or both.

#(Section 194-I of the Income Tax Act, 1961 applies to any person not being individual or HUF who pays or liable to pay rent exceeding Rs. 2,40,000 in a financial year. Provided that an individual or a HUF, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the financial year immediately preceding the financial year in which such income by way of rent is credited or paid, shall be liable to deduct income-tax under this section.

### Rate of withholding:

TDS must be deducted *earlier* on either of the following events:

- Credit in the book of accounts to the landlord/payment for last month of the financial year (but if the premises are vacated during the financial year, then the last month of tenancy);  
**or**
- At the time of payment (via cash or cheque or draft or any other mode)

TDS Rate till 1.10.2024: 5%.

TDS Rate from 1.10.2024: 2%.

But, in case if PAN of the landlord is not available then TDS rate is 20% [Section 206AA]

However, the tax deducted shall not exceed amount of rent payable for last month of previous year or tenancy.

### Compliance:

In view of the simplicity involved, TAN is not necessary if TDS is deducted under this section.

Due date to e-file challan cum return: Tenant to fill Form 26QC within 30 days from end of month of deduction & issue TDS certificate in Form 16C to the landlord within 15 Days.

For e.g.: In case the tenant has deducted TDS on rent in February, 2025; he is required to e-file Form 26QC on before 30<sup>th</sup> March, 2025.

**Interest:**

Non-Compliance	Interest computation	For the period
Non deduction	1% per month or part there-of	From the due date of deduction till the date of deduction
Non payment	1.5% per month of part there-of	From due date of payment till the date of payment

**Penalty:**

- Fees for failure to submit Form 26QC = Rs. 200 per day of default [Section 234E]
- If the delay is more than 1-year then the fees = Rs. 10,000 – Rs.1,00,000 [Section 271H]
- Failure to provide Form 16C = Rs. 100 per each day of default [Section 272A]
- TDS not deducted OR deducted but not deposited= 100% of TDS amount [Section 271C]  
*Penalty cannot exceed the amount of TDS.*