

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

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 glimpse of the law and its compliance thereof.

Applicability:

TDS is applicable to withheld on payments exceeding Rs. 50,000 per month or part of the month paid/payable to a resident payable by any Individual or HUF whose receipts from business/profession do not exceed Rs. 1 crore [Sections 194-IA & 44AB]

Rent means payment made by payee under tenancy, lease, sub-lease etc for the **use of any land or building** or both.

Rate of withholding:

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

- Credit/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: **5%**. However, if PAN of the landlord is not available then TDS is 20% [Section 206AA]

Compliance:

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 (Form 16C)** to the landlord within 15 Days.

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 of default [Section 272A]
Penalty cannot exceed the basic value of TDS.
- TDS not deducted OR deducted but not deposited (can be levied by Income Tax officer): 100% of TDS amount [Section 271C]

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April 2024

**This document is prepared for general information.
Appropriate professional advice should be obtained before taking any decision**