

TDS quick-pick: 194C, 194J and the **new** sections

Which rate to deduct on payments to freelancers, consultants and agencies, under the Income-tax Act, 2025 (in force from 1 April 2026).

PAYMENT	OLD SECTION	NEW ENTRY	RATE	WHEN TDS STARTS
Contract work, individual or HUF	194C	393(1), table 6(i)	1%	Over ₹30,000 in one payment, or over ₹1,00,000 in the year
Contract work, company, firm or LLP	194C	393(1), table 6(i)	2%	Same limits
Professional fees	194J(b)	393(1), table 6(iii)	10%	Over ₹50,000 in the year
Technical services and royalty	194J(a)	393(1), table 6(iii)	2%	Over ₹50,000 in the year
Director's fees (not salary)	194J	393(1), table 6(iii)	10%	From the first rupee
Commission or brokerage	194H	393(1), table 1(ii)	2%	Over ₹20,000 in the year
Rent of office or furniture	194I(b)	393(1), table 2(ii)	10%	Over ₹50,000 a month

Limits are per vendor, per year. No PAN means 20%.

Contract or fee? Ask one question

Am I paying for a job to be carried out, or for someone's skill and judgement?

TYPE	EXAMPLES
Contract (old 194C)	Printing, catering, event production, housekeeping, supplying labour, making goods to your design, transport, producing or running advertising
Professional fee (old 194J, 10%)	Legal, accountancy, medical, engineering, architecture, interior decoration, advertising as a profession, technical consultancy, information technology, company secretaries
Technical services (2%)	Managerial, technical or consultancy services that aren't a listed profession. The grey zone: agree the treatment with your CA

Rules that save trouble

- Deduct on the value before GST, if GST is shown separately. ₹1,00,000 fee + ₹18,000 GST: TDS ₹10,000
- Track totals by vendor: limits are for the year, not per invoice
- Collect PAN before the first payment
- Deduct at payment or credit, whichever is first

Deposit and file

WHAT	WHEN
Deposit	7th of the next month (March: 30 April)
Quarterly return (Form 140, was 26Q)	31 July, 31 October, 31 January, 31 May
Certificate to vendor	Form 131 (was 16A)
Late return	₹200 a day