

CHAPTER-2**Tax Deducted at Source [TDS] & Tax collected at Source [TCS]****May 25**

1) Examine the applicability of tax deducted at source/tax collected at source and calculate the amount of TDS/TCS in the following independent cases as per the provisions applicable for **Tax Year 2026-27**:

(a) Ubclick Inc., a non-resident company (incorporated in Country Y) is engaged in the manufacturing of paints and has factories across the world including India. The factory in India produces paints and sells in the Indian market as well as worldwide since past 10 years. Its turnover for the last 3 years in India was F.Y. 2022-23 ₹ 200 crores, F.Y. 2023-24 ₹ 490 crores and F.Y. **2025-26** ₹ 540 crores. On **1.5.2026**, it bought raw materials from Colours Private Ltd., a domestic company for ₹ 1 crore. Colours Private Ltd.'s turnover for the F.Y. 2022-23 was ₹ 5 crores, F.Y. 2023-24 was ₹ 8 crores and F.Y. **2025-26** was ₹ 9 crores. India does not have a DTAA with Country Y. Discuss the TDS/ TCS implications of this transaction. (2 Marks)

Ubclick Inc., a non-resident company has to deduct tax at source under **Sec 393(1) Sl.8(ii)** (Sec 194Q) @ 0.1% on ₹ 50 lakhs being the sum exceeding ₹ 50 lakhs on purchase of raw material of ₹ 1 crore from Colours Private Ltd. since its turnover exceeds ₹ 10 crores during the P.Y. **2025-26** and purchase of raw material from Colours Private Ltd. is effectively connected with its factory, being a permanent establishment in India. Tax to be deducted = ₹ 50,00,000 x 0.1% = ₹ 5,000

(b) M/s Seal India Pvt. Ltd., a domestic company, engaged in business of manufacturing and selling of washing powder and bars. For the purpose of promoting and to boost sales of its products it hires agents, to whom incentives and commission is paid on the basis of percentage of sales made through them. During the **Tax Year 2026-27**, Mr. Prakash, a resident individual, is working as an agent for the company. The company paid him following commissions and incentives on the basis of target achieved by him:

Date of payment/ credit	Particulars	Amount (₹)
13-07-2026	Commission for achieving sales target of Quarter 1	1,75,000
10-01-2027	Commission for achieving sales target of Quarter 3	1,60,000
15-01-2027	Other Incentives	1,60,000

The figure of other incentives includes reimbursement of expenses of ₹ 1,00,000 incurred on booking of air tickets for an event in Singapore for Mr. Prakash and his family members who accompany him. The company has also given Mr. Prakash laptop worth ₹ 60,000 for achieving sales target for the month of September, 2025 in **October, 2026**. (4 Marks)

M/s Seal India Pvt. Ltd. is required to deduct tax at source on commission paid to Mr. Prakash under **Sec 393(1) Sl.1(ii)** (Sec 194H) @2% being sum exceeding ₹ 20,000.

Reimbursement of expenses of ₹ 1 lakh for booking air tickets for Mr. Prakash and his family other incentive of ₹ 60,000 and laptop of ₹ 60,000 for achieving sale target is benefit or perquisite arising to Mr. Prakash from his business or the exercise of his profession, being sum exceeding ₹ 20,000. Accordingly, M/s Seal India Pvt. Ltd. is required to deduct tax at source under **Sec 393(1) Sl.8(iv)** (Sec 194R) @10%.

Tax to be deducted under **Sec 393(1) Sl.1(ii)** = 2% on ₹ 3,35,000 = ₹ 6,700

Tax to be deducted under **Sec 393(1) Sl.8(iv)** = 10% on ₹ 1,00,000 (Air tickets) + ₹ 60,000 (other incentive) + ₹ 60,000 (laptop) = ₹ 22,000

(c) **AntiqueMasters.com** is an online portal that provides e-auction for antique items like coins, artifacts etc. and operates only in India. The owners list their items on the portal and interested buyers place bids for them on the portal itself. The portal provides the details of the buyers who make the top 3 bids. The seller chooses the buyer and intimates the portal. The portal takes money from the buyer and transfers the amount to the seller's bank account after deducting the agreed commission. The seller then delivers the item directly to the buyer's address. What will be the TDS obligations on the portal with respect to a sale amounting to ₹ 11 lakhs made by Mr. Sonu, an Indian resident, on the portal on 28th February 2026? (2 Marks)

As per **Sec 393(1) Sl.7** (Sec 194)-O, AntiqueMasters.com, an e-commerce operator, is required to deduct tax at source @0.1% on ₹ 11,00,000, being the gross amount of sale of products of Mr. Sonu, an e-commerce participant, since such sale of goods is facilitated by AntiqueMasters.com through its digital facility.

Thus, AntiqueMasters.com is required to deduct tax of ₹ 1,100, being 0.1% of ₹ 11,00,000.

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2) Examine the applicability of Tax Deducted at source/Tax Collected at source & calculate the amount of TDS/TCS in the following independent cases as per the provisions applicable for **Tax Year 2026-27**:

(i) **Raj Keshri Hotels and Resorts Limited** is engaged in business of owning, operating and managing hotels during the **Tax Year 2026-27**. The tips are paid by the guests by way of charge to the Credit Cards, UPI or Net Banking in the bills. The company disburse the same to the employees at periodic intervals. Explain with reason whether the company is responsible for deducting tax at

source from disbursement of tips to its employees. (3 Marks)

In respect of tips collected by the company from the guests and distributed to the employees, the person responsible for paying the employee was not the employer at all, but a third person, namely the guest. The payments of collected tips included and paid by way of a credit cards, UPI or Net Banking in the bills by guest, would not be payments made "by or on behalf of" an employer.

The contract of employment not being the proximate cause for the receipt of tips by the employee from a guest, such payments would be outside the scope of sections 15 and 17. There is no employer-employee relationship between customers and the employees of Raj Keshri Hotels and Resorts Ltd. and therefore such payments do not fall in the nature of salary.

On account of such tips being received from guests and not from the employer, **Sec 392** (Sec 192) would not get attracted at all in the hands of Raj Keshri Hotels and Resorts Ltd. Thus, the company is not responsible for deducting tax at source from disbursement of tips to its employees.

- (ii) **Lalit, an individual whose total sales in business during the year ended 31.3.2026 was ₹ 1.50 crores, opted to compute income under Sec 58, 58(2), 61 (Sec 44AD) for A.Y. 2026-27. He paid ₹ 5,00,000 by cheque on 01.02.2027 to a contractor (an individual), for construction of his factory building. No amount was credited earlier to the account of the contractor in the books of Lalit. The turnover of Mr. Lalit for Tax Year 2026-27 is ₹ 95 Lacs.**

He also pays a monthly rent starting from 1st April, 2025 to 31st March, 2026 of ₹ 56,000 p.m. for the office premises to Mr. Hemant, the owner of building. Besides, he also pays service charges of ₹ 5,500 per month to Mr. Hemant towards the use of furniture, fixtures and vacant land appurtenant to office. Examine the obligation of the tax deducted at source for Tax Year 2026-27. (3 Marks)

Lalit is required to deduct TDS under **Sec 393(1) Sl.6(i)** (Sec 194C) for contract payments and under **Sec 393(1) Sl.2(ii)** (Sec 194-I) for rent paid for office premises during the **Tax Year 2026-27** since Lalit's turnover for the previous year **2025-26** exceeded ₹ 1 crore.

Thus, tax deduction under **Sec 393(1) Sl.6(i)** would be ₹ 5,000, being 1% of ₹ 5 lakhs.

Mr. Lalit is also required to deduct tax at source @10% u/s 194-I on the rent paid for office premises and for furniture, fixtures and vacant land appurtenant to office to Mr. Hemant, since aggregate of rent i.e., (₹56,000 + ₹ 5,500) × 12] paid during the **Tax Year 2026-27** exceeds the threshold limit of ₹ 50,000 p.m.

The tax deduction under **Sec 393(1) Sl.2(ii)** would be 61,500 × 10% = 6,150 p.m..

- (iii) **XY and Co., a partnership firm selling its product 'R' through the digital facility provided by ABC Limited (an E-commerce Operator). On 28th February,**

2026, ABC Limited credited in its books of account, the account of XY and Co. with a sum of ₹ 4,90,000 for the online sale of products 'R' made during the month of February-2026.

The company released a payment of ₹ 4,30,000 on 6th March 2026 to XY and Co. out of above sales made during February. Mr. Rai, who purchases products 'R' through the digital facility of ABC Limited made payment of ₹ 60,000 directly to XY and Co. on 15th March, 2026. (2 Marks)

As per **Sec 393(1) Sl.7** (Sec 194)-O, ABC Limited, an e-commerce operator is required to deduct tax at source @0.1% on ₹ 4,90,000, being the gross amount of sale of products 'R' of XY and Co., a partnership firm, an e-commerce participant, since such sale of goods is facilitated by ABC Limited through its digital facility.

ABC Ltd. is also required to deduct tax @0.1% on the payment of ₹ 60,000 directly made to XY and Co., since such amount is deemed to be amount credited or paid by ABC Ltd. to XY and Co.

Thus, ABC Ltd. is required to deduct tax of ₹ 550, being 0.1% of ₹ 5,50,000.

Note – Alternatively, it is possible to assume that the gross amount of sales is ₹ 4,90,000 of which ₹ 4,30,000 was paid to e-commerce operator and the balance of ₹ 60,000 is directly paid to the XY and Co., a partnership firm by one of the buyers (Mr. Rai). In such case, ABC Ltd. is required to deduct tax@0.1% on the entire amount of ₹ 4,90,000. Thus, ABC Ltd. is required to deduct tax of ₹ 490, being 0.1% of ₹ 4,90,000.

RTP Nov 24

3) ABC Telecom Ltd. has entered into agreements with various distributors to sell its prepaid products. According to the agreement, the distributors purchase prepaid products at a discounted price from ABC Telecom Ltd. and are free to sell these products at any price below the printed price. The distributors make a profit based on the margin between their purchase price and the sale price to retailers or consumers. The distributors pay for the products in advance, irrespective of when they sell them. ABC Telecom Ltd. does not credit or pay any income to the distributors and is not involved in the transactions between the distributors and third-party buyers.

Examine whether ABC Telecom Ltd. is obligated to deduct tax at source on the income/profit component earned by the distributors.

The same issue came up before the Supreme Court in the case of Bharti Cellular Ltd. vs. ACIT [2024] 462 ITR 247, wherein the Apex Court noted that the obligation to deduct tax at source in terms of **Sec 393(1) Sl.1(ii)** (Sec 194H) arises when the legal relationship of principal and agent is established. Agency is a triangular relationship between the principal, agent and the third party. The legal position of a distributor is generally regarded

as different from that of an agent. Based on perusal of agreement between assessee and distributors / franchisee, the franchisee/distributor paid the discounted price regardless of, and even before, the pre-paid products being sold and transferred to the retailers or the actual consumer. The franchisee/distributor was free to sell the prepaid products at any price below the price printed on the pack. The franchisee/distributor determined his profits/income.

Sec 393(1) Sl.1(ii) fixes the liability to deduct tax at source on the 'person responsible to pay' and the liability to deduct tax at source arises when the income is credited or paid by the person responsible for paying. The expression "direct or indirect" used in Explanation (i) to **Sec 393(1) Sl.1(ii)** is meant to ensure that "the person responsible for paying" does not dodge the obligation to deduct tax at source, even when the payment is indirectly made by the principal-payer to the agent-payee. However, deduction of tax at source in terms of **Sec 393(1) Sl.1(ii)** is not to be extended and widened in ambit to apply to true/genuine business transactions, where the assessee is not the person responsible for paying or crediting income. In the present case, the ABC Telecom Ltd., being an assessee neither pays nor credit any income to the person with whom he has contracted.

ABC Telecom Ltd. is not privy to the transactions between distributors/franchisees and third parties. It is, therefore, impossible for ABC Telecom Ltd. to deduct tax at source and comply with **Sec 393(1) Sl.1(ii)**, on the difference between the total/sum consideration received by the distributors/franchisees from third parties and the amount paid by the distributors/franchisees to them. In the present case, the contractual obligations of the franchises or distributors did not reflect a fiduciary character of the relationship, or the business being done on the principal's account.

Applying the rationale of the Apex Court ruling in the case on hand, **Sec 393(1) Sl.1(ii)** is not applicable in the hands of ABC Telecom Ltd. and it would not be under a legal obligation to deduct tax at source on the income/ profit component in the payments received by the distributors/ franchisees from the third parties/ customers.

RTP Nov. 2023

4) Examine the applicability of provisions relating to deduction/collection of tax at source in the following cases for the financial year ended 31st March 2026 as per provisions contained in the **Income-tax Act, 2025**:

(i) Delta Ltd., an Indian company, which was incorporated on **1.4.2026** purchases coal from Phi Ltd., another Indian company, for Rs 75 lakhs during the **Tax Year 2026-27**, to manufacture steel. Delta Ltd. furnishes a declaration that such coal is used to manufacture steel and not for trading. What are the TCS/TDS implications on such a transaction, if Delta Ltd.'s turnover was Rs 12 crores in the **Tax Year 2026-27**; and Phi Ltd.'s annual turnover ranges between Rs 16 crores and Rs 18 crores in the last few years?

Would your answer change if Delta Ltd. was incorporated on 1.4.2024 and its turnover in the P.Y. 2025-26 is Rs 10 crores?

As per **Sec 394(2)** (Sec 206C(1A)), since Delta Ltd., a resident buyer, has furnished a declaration that coal is used for manufacturing steel and not for trading, Phi Ltd. is not required to collect tax at source under **Sec 394(1)** (Sec 206C(1)). In case of goods covered under **Sec 394(1)** but exempted under **Sec 394(2)**, the tax would not be collectible under [OMITTED by FA 2025] (Sec 206C(1H)). However, **Sec 393(1) Sl.8(ii)** (Sec 194Q) will apply in such cases covered under **Sec 394(2)** and the buyer would be liable to deduct tax under **Sec 393(1) Sl.8(ii)** if the conditions specified therein are fulfilled.

However, for the provisions of **Sec 393(1) Sl.8(ii)** to be attracted, a buyer is required to have total sales or gross receipts or turnover from the business carried on by it exceeding Rs 10 crores during the financial year immediately preceding the financial year in which the purchase of goods is carried out. The CBDT has, vide Circular No. 13/2021, dated 30.6.2021, and clarified that since this condition would not be satisfied in the year of incorporation, the provisions of **Sec 393(1) Sl.8(ii)** shall not apply in the year of incorporation. Since Delta Ltd. is incorporated in the **Tax Year 2026-27**, it would not qualify as a "buyer" for **Sec 393(1) Sl.8(ii)** for the said **Tax Year**, despite its turnover exceeding Rs 10 crores in the current **Tax Year**.

Thus, the transaction would neither attract TDS u/s 194Q nor TCS u/s 206C.

The answer would not change even if Delta Ltd. was incorporated on 1.4.2024 and its turnover in the P.Y. 2025-26 is Rs 10 crores, since the said turnover does not exceed Rs 10 crores.

(ii) Sigma Ltd., a car manufacturer, sold the following cars to the car dealers, Epsilon Ltd. and Omega Ltd., in the Tax Year 2026-27-

Dealer	Particulars of cars sold	Value
Epsilon Ltd.	10 cars of the value Rs 12 lakhs each	Rs 120 lakhs
Omega Ltd.	8 cars of the value of Rs 10 lakhs each	Rs 80 lakhs

The turnover in the **Tax Year 2026-27** of Sigma Ltd. is Rs 12 crores, Epsilon Ltd. is Rs 14 crores and Omega Ltd. is Rs 9 crores.

The first step is to examine the applicability of **Sec 394(1) Sl.6** (Sec 206C(1F)). **Sec 394(1) Sl.6** requiring collection of tax at source@1% by the seller of motor car of value exceeding Rs 10 lakhs does not, however, apply in case of sale by manufacturer to a dealer. Hence, the provisions of **Sec 394(1) Sl.6** are not attracted in case of sale of cars by Sigma Ltd., a car manufacturer, to its dealers Epsilon Ltd. and Omega Ltd.

The second step is to examine whether the provisions of **Sec 393(1) Sl.8(ii)** would be attracted in the hands of the dealers, namely, Epsilon Ltd. and Omega Ltd. Since the turnover of Epsilon Ltd. in the P.Y. 2025-26 exceeds Rs 10 crore and the value of cars purchased from Sigma Ltd. in the **Tax Year 2026-27** exceeds Rs 50 lakhs, Epsilon Ltd. has to deduct tax@0.1% of Rs 70 lakhs (i.e., Rs 120 lakhs – Rs 50 lakhs), at the time of

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credit to the account of Sigma Ltd. or at the time of payment, whichever is earlier. However, Omega Ltd. is not required to deduct tax at source under **Sec 393(1) Sl.8(ii)**, since its turnover in the P.Y. **2025-26** does not exceed Rs 10 crores.

[OMITTED by FA 2025] has been omitted from **Tax Year 2026-27** thus there is no liability to TCS

RTP May 2023

5) Mr. Aadesh, a resident Indian, purchased an apartment in Ashiana Gardens, a gated housing complex, from M/s. Ashiana Constructions Ltd., an Indian company, for Rs 48 lakhs. In addition, he paid Rs 1 lakh for club membership fees and Rs 1 lakh for car parking fee. The stamp duty value of the apartment on the date of transfer was Rs 49.80 lakhs. Is Mr. Aadesh liable to deduct tax at source in respect of this transaction? If so, how much?

(a) No, Aadesh is not liable to deduct tax at source, as both the consideration and the stamp duty value do not exceed Rs 50 lakh.

(b) No, Aadesh is not liable to deduct tax at source, as the lower of stamp duty value and the consideration, is less than Rs 50 lakh.

(c) Yes, Aadesh is liable to deduct tax of Rs 49,800

(d) Yes, Aadesh is liable to deduct tax of Rs 50,000

(d)

May 2023

6) Answer the following questions

(i) During the **Tax Year 2026-27**, Mr. A purchased scrap of Rs 55 lakhs from Mr. B for the purpose of his manufacturing unit. Mr. A also furnished a certificate to Mr. B that the scrap shall be utilized for the manufacturing process carried on by Mr. A and shall not be used for trading purposes. Mr. A made the payment of Rs 45 lakhs during F.Y **2026-27** to Mr. B. Assume the turnover of both Mr. A and Mr. B from the business carried on by them exceeds Rs 10 crores in the financial year **2025-26**. Comment upon TDS/ TCS implication in the above case. (3 Marks)

By virtue of **Sec 394(2)** (Sec 206C(1A)), Mr. B is not required to collect tax at source under **Sec 394(1)** (Sec 206C(1)), since Mr. A has furnished a certificate to Mr. B that the scrap purchased from him is for manufacturing process carried on by him and not for trading purposes.

However, as clarified vide Circular no. 13/2021 dated 30.6.2021 and Circular No. 20/2021 dated 25.11.2021, TDS under **Sec 393(1) Sl.8(ii)** (Sec 194Q) will be attracted in the hands of the buyer in such cases covered under **Sec 394(2)**, if the conditions specified under **Sec 393(1) Sl.8(ii)** are fulfilled.

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In this case, tax is required to be deducted at source under **Sec 393(1) Sl.8(ii)** by the buyer, Mr. A, since his turnover in the immediately preceding financial year i.e., F.Y. **2025-26** exceeds Rs 10 crores and he has purchased goods of the value or aggregate of such value exceeding Rs 50 lakhs in the F.Y. **2026-27**. TDS u/s 194Q would be 0.1% of the sum exceeding Rs 50 lakhs and the same has to be deducted at the time of payment or credit of such sum to the account of the resident seller, whichever is earlier.

Therefore, in the present case, Mr. A is required to deduct tax at source @ 0.1% of Rs 5,00,000, being the amount exceeding Rs 50 lakhs (Rs 45,00,000, being the payment made plus Rs 10 lakhs, being the amount credited to the account of Mr. B).

Note: It may be noted that **[OMITTED by FA 2025] (Sec 206C(1H))** has been removed w.e.f **01/04/2026**

(ii) Mr. P provides technical consultancy, not being professional service, to its various clients who deduct tax u/s 194-J of the Act. Mr. P applies for lower tax deduction certificate u/s 197 from the TDS officer in respect of his receipts from consultancy. During the **Tax Year 2026-27**, Mr. P was issued the lower tax deduction certificate allowing him to receive the consultancy payments after deduction of tax @1%. Mr. P forwarded this certificate to his client Mr. Q asking him to deduct tax@1% on the payments of Rs 15 lakhs to be made to Mr. P. Mr. Q has approached you to advise on the amount of tax to be deducted from the payment to be made to Mr. P. You gathered the information that Mr. P is not filing his ITRs for the last two Assessment years and TDS credit in his 26AS is more than Rs 1 lakh in each last two years i.e. A.Y. **2025-26** and **2026-27**. What would be your advice to Mr. Q? (3 Marks)

As per **Sec 393(1) Sl.6(iii)** (Sec 194J), Mr. Q is required to deduct tax at source @2% on Rs 15 lakhs in respect of payment for technical consultancy to Mr. P. However, since Mr. P has furnished a lower tax deduction certificate issued under **Sec 395** (Sec 197) specifying a lower rate of 1% to Mr. Q, the tax would be deducted at such a lower rate of 1%.

Also **[REMOVED by FA 2025]** (Sec 206AB) has been removed from PY 2025-206 onwards

Accordingly, Mr. Q is required to deduct tax at source @1% on Rs 15 lakhs, being the amount paid as technical consultancy fees.

(iii) Ms. Roshni sold her house property at Delhi to Ms. Shalini for a consideration of Rs 60 lakhs on **1.8.2026**. She has purchased the house property on 1.4.2018 for Rs 36 lakhs.

The Stamp duty value of the property on the date of sale i.e., **1.8.2026** is Rs 82 lakhs. Determine the TDS implications in the hands of Ms. Shalini as per the **Income-tax Act, 2025**, assuming both Roshni and Shalini are resident individuals. (2 Marks)

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In the case of transfer of any immovable property and the transferor is a resident, where the consideration or the stamp duty value, whichever is higher, exceeds Rs 50 lakhs, tax is deductible at source @1%.

As per **Sec 393(1) Sl.3(i)** (Sec 194-IA), Ms. Shalini, being a resident transferee paying Rs 60 lakhs to Ms. Roshni, a resident transferor, as consideration for transfer of house property at Delhi, is required to deduct tax at source @1% on Rs 82 lakhs, being the higher of Stamp duty value of Rs 82 lakhs or consideration of Rs 60 lakhs.

Therefore, tax to be deducted = Rs 82,00,000 x 1% = Rs 82,000.

Nov. 2022

7) In respect of the following independent case scenarios, you are required to discuss the provisions related to tax deducted at source for the year ended 31st March, 2026:

(i) Tam Electronics Ltd., an Indian company, imports certain computer software from Jam Electronics Inc., a non-resident company based in USA for reselling it to the end users in India. During the F.Y. 2026-27, Tam Electronics Ltd. paid a sum of Rs 85 crores to Jam Electronics Inc.

For the payment in question, since the payment has been made to a non-resident, applicability of TDS will have to be considered as per the provisions of **Sec 393(2)** (Sec 195). The obligation to deduct tax at source u/s 195 arises only in respect of any sum chargeable to tax in India.

As per Explanation 4 to **Sec 9(6)** (Sec 9(1)(vi)) of the **Income-tax Act, 2025**, "royalty" includes transfer of all or any right for use or right to use a computer software. Hence, royalty payable by a resident in India to a non-resident company based in USA for the purposes of importing computer software for reselling to end users in India would be deemed to accrue or arise in India in the hands of the non-resident company, and hence, would be chargeable to tax in India in its hands. There being income chargeable to tax in India, TEL is required to deduct tax at source under **Sec 393(2)** at the rates in force as per the provisions of the **Income-tax Act, 2025**

However, as per India-USA DTAA, since Tam Electronics Ltd. (TEL) resells the computer software purchased from Jam Electronics Inc. to resident Indian end- users without modification, the amount paid by Tam Electronics Ltd. to Jam Electronics Inc. for purchase of computer software is not royalty, due to absence of provision akin to Explanation 4 to **Sec 9(6)** in the DTAA including such payment within the definition of royalty. It was so held by the Supreme Court in Engineering Analysis Centre of Excellence P. Ltd v. CIT and Another (2021) ITR 471.

As per section 90(2), where India has entered into a DTAA with a country outside India, the provisions of the **Income-tax Act, 2025** will apply only to the extent they are more beneficial to the assessee. In this case, since the DTAA provisions are more beneficial to TEL, the same will prevail over the provisions of the **Income-tax Act, 2025**. Accordingly,

there being no income chargeable to tax in India, TEL is not required to deduct tax at source.

(ii) DEHP Ltd., a public sector bank in India, paid Rs 20 crores to M/s NFGS Ltd., an organization that provides ATM networks to the banks as commission for facilitating ATM credit/debit cards. NGFS Ltd. also facilitates online convenience banking. It links together the country's ATM in a single network.

The relationship between the DEHP Ltd., a public sector bank, and M/s NFGS Ltd., is not of an agency but that of two independent parties on principal-to-principal basis. Therefore, TDS provisions under **Sec 393(1) Sl.1(ii)** (Sec 194H) would not be attracted on commission payment made by DEHP Ltd., a public sector bank to M/s NFGS Ltd. for ATM network services provided by it. It was so held in CIT and another vs. Corporation Bank (2021) 431 ITR 554 (Kar).

Also, **Sec 393(1) Sl.6(iii)** will not apply in case of provision of ATM network services. since the same takes place without manual or human intervention.

(iii) Mr. A received an order from PQR Ltd. to stitch T-shirts. To complete such order, he purchased cloth of Rs 35 lakhs from Fashion Ltd. on 24th May 2026. He stitched T-shirts as per given specifications and supplied to PQR Ltd. He raised a consolidated invoice in the following manner:

Sale of 8000 T-shirts @ Rs 500 each = Rs 40,00,000

Fashion Ltd. is closely related to PQR Ltd. as specified under section 40A(2)(b)

Tax is required to be deducted under **Sec 393(1) Sl.6(i)** (Sec 194C) by PQR Ltd. on payment for stitching of T-shirts to Mr. A,

- since the supply of t-shirts is as per the specification of PQR Ltd. and the cloth is purchased from Fashion Ltd., which is an associate of PQR Ltd, specified under section 40A(2), and
- Since a consolidated invoice has been raised, tax would be deducted on the entire amount, including the cost of purchases.

Tax rate would be deducted @1 % under **Sec 393(1) Sl.6(i)** since the contractor is an individual. Therefore, tax to be deducted = Rs 40,00,000 x 1% = Rs 40,000.

(iv) Mr. David, a Canadian citizen and a non-resident sportsman, received the following sums during the F.Y. 2026-27 from India:

a) Income from participation in matches Rs 4,58,000

b) Honorarium from writing an article related to sports for a sports magazine Rs 1,25,000

Tax is to be deducted under **Sec 393(2) Sl.1** (Sec 194E) at 20% on the amount payable to a non-resident sportsman who is not a citizen of India for participation in matches and honorarium for writing an article related to sport for a sports magazine.