

CHAPTER – 4B

Tax Deducted at Source (TDS)

Chapter XIX Part B ITA 2025 (Secs 390–402) | IT Rules 2026 | Finance Act 2026 | Tax Year 2026-27

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4B. 1: OVERVIEW — STRUCTURE OF TDS UNDER ITA 2025 [Secs 390–402, ITA 2025]

[ITA 1961: Chapter XVII-B [Secs 192–206CCA] → ITA 2025: Chapter XIX, Part B [Secs 392–402] — All TDS provisions consolidated into table-based structure; ‘Assessment Year’ replaced by ‘Tax Year’ throughout]

Tax Deducted at Source (TDS) is a mechanism of collecting tax at the point of payment : the payer deducts tax from the gross amount and deposits it with the Government. The net amount (Gross – TDS) is paid to the payee. TDS is a prepayment of tax; the payee gets credit for TDS deducted against final tax liability.

ITA 2025 Structural Change: ITA 2025 consolidates all TDS provisions (formerly Secs 192–206CCA of ITA 1961) into a TABLE-BASED structure under Secs 392–402. Instead of each payment having a separate section, ITA 2025 has Sec 393 with three tables — Table 1 (residents), Table 2 (non-residents), Table 3 (all persons).

SEC 393 TABLE	NATURE	PAYMENTS COVERED	ITA 1961 EQUIVALENT
Sec 390	General	<ul style="list-style-type: none"> Section 390 provides that income-tax is payable during the year through TDS/TCS, advance tax, or payment under section 392(2)(a), even though the assessment may be made in a later tax year. These provisions do not affect the charge of tax under section 4(1) and operate in addition to other recovery mechanisms. Tax deducted, collected, or paid and deposited with the Central Government is treated as tax paid on behalf of the concerned person, and the Board may prescribe rules for granting credit of such tax and the year in which such credit is to be allowed. 	Sec 190

SEC 393 TABLE	NATURE	PAYMENTS COVERED	ITA 1961 EQUIVALENT
Sec 391	Direct payment	<ul style="list-style-type: none"> Section 391 provides that where no provision exists for deduction of tax at source on an income, or where tax required to be deducted has not been deducted, the assessee is liable to pay the income-tax directly. In the case of specified securities or sweat equity shares allotted or transferred by an eligible start-up to its employees, tax is payable in accordance with section 289(3). Further, where a person required to deduct tax, or an employer referred to in section 392(2)(a), fails to deduct or pay such tax and the assessee also fails to pay the tax directly, such person shall be deemed to be an assessee in default under section 398(1), apart from any other consequences under the Act. 	Sec 191
Sec 393(1)	Table 1	TDS on payments to RESIDENT payees (interest, rent, commission, professional fees, dividends, contractor payments, goods, immovable property etc.)	Secs 193, 194, 194A, 194C, 194D, 194DA, 194G, 194H, 194-I, 194-IA, 194-IB, 194-IC, 194J, 194K, 194LA, 194M, 194O, 194P, 194Q, 194R, 194S
Sec 393(2)	Table 2	TDS on payments to NON-RESIDENT payees (entertainers, sportsmen, interest on foreign currency bonds, payments to FIIs, any other NR payments)	Secs 194E, 194LB, 194LC, 194LBA, 194LBB, 194LBC, 195, 196A–196D
Sec 393(3)	Table 3	TDS irrespective of residential status (winnings from lotteries/games/horse races, online gaming, cash withdrawals, NSS payments, lottery commission, firm to partner)	Secs 194B, 194BA, 194BB, 194EE, 194G, 194N, 194T
Sec 392	Salary	TDS on SALARY and accumulated EPF balance at average rate on estimated income	Secs 192, 192A

4B. 2: RULES OF TDS Chapter XIX [Secs 392–402, ITA 2025]

Chapter XIX (*Chapter XVII-B*) of the Income Tax Act lays down the provisions for the levy and collection of TDS. *Certain payments (not all)* are subject to deduction of tax at source.

RULE 1 : General Rules		
On what is TDS deductible?	Payments liable to TDS	Rates of TDS
<p><u>TDS is deductible on amount of the payment</u> and not on the amount of <u>Income.</u></p> <p>If X Ltd makes a payment of Rs 10 lacs as professional fees to its CA. It will need to deduct TDS on the amount of payment of 10 lacs u/s 393(1) Sl.6(iii) (194J) @ 10%.</p> <p>The CA will take 10 lacs as receipt of profession and claim expenses allowable under Sec 26 to 36 (Sec 30 to 37 ITA 1961) while computing his professional income at the time of filing the return.</p>	<p>TDS is to be deducted <u>only on certain payments</u> specified in Chapter XIX (<i>Chapter XVII B</i>) and not on all payments.</p>	<p>are the <u>rates prescribed under the various sections</u> of Chapter XIX (<i>Chapter XVII B</i>). Such rates are NOT the rates of Income Tax as applicable to the respective assessee.</p> <p>i.e where payment is made for interest earned by a company u/s 393(1) Sl.5(ii)/(iii) (194A) the rate will be 10% as given u/s 393(1) Sl.5(ii)/(iii) (194A) and not 25 or 30 % at which the company will be liable to pay tax.</p>

RULE 2: Payer and Payee			
<p>a. Payer</p>	<p>What are the responsibilities of a Payer? Certain payers (those making payments covered under Chapter XIX (<i>Chapter XVII-B</i>)) and <i>specified as liable to deduct TDS</i> in the respective sections are required to deduct</p> <p>a. The payer must <i>deduct</i> TDS as per Chapter XIX (<i>Chapter XVII B</i>)</p> <p>b. The payer must <i>deposit</i> TDS as per due date u/s 397 (<i>200(1)</i>).</p> <p>TDS can be deposited from any office of the assessee: The regional office of the assessee company at Kolkata deposited TDS for payments made in Balasore (project site) at Income Tax office (TDS) Kolkata. L&T Ltd v ITO [2005] (HC)</p> <p>c. The Payer must <i>file TDS returns</i> of TDS giving details of the payee.</p> <p>d. The payer must apply for a <i>Tax deduction account number</i>[TAN]</p> <p>e. The payer must <i>give certificate of TDS to the payee</i></p>		
	<p>What are the consequences of non deduction of TDS?</p> <p>Interest / Penalty / Fee : If the payer fails to deduct or after deducting fails to deposit he will be treated as an assessee <i>in default</i> and liable to interest / fee / penalty and/or prosecution and is also liable to proceedings for recovery from the department of Income Tax, to recover such TDS amount.</p> <p>Failure to deduct TDS can also lead to at times disallowance of Expenditure. This will need to be checked under each head of income.</p> <ul style="list-style-type: none"> • Sec 22(6) (<i>Sec 25 ITA 1961</i>) under the head house property • Sec Sec 35(b)(i) (<i>Sec 40a(i) ITA 1961</i>) and under the head business. • Sec 94 (<i>Sec 58</i>) under the head Other Sources 		
<p>b. Payee</p>	<p>The recipient receives the amount of payment less the amount of tax required to be deducted at source. Such amount of TDS which has been paid to the account of the central government on behalf of the payee shall always be treated as deemed receipt u/s 7.</p> <p>Income in the hands of the recipient = Amount received (+) Deemed receipt (TDS amount)</p> <p>If the CA receives 9 lacs after deduction of TDS of 1 lacs u/s 393(1) Sl. 6(iii) (<i>194J</i>). While computing his business receipt we will take 10 lacs.</p>		
Relevant Dates for TDS			
Otr ending	Quarterly deposit of TDS [Rule 218(4) IT Rules 2026 (Rule 30(3) IT Rules 1962)] - special quarterly option for TDS u/s Sec 392 [Sec 192 ITA 1961]	Returns of TDS [Rule 219 IT Rules 2026 (Rule 31A IT Rules 1962)]	Issue of TDS certificate [Rule 215 IT Rules 2026 [Rule 31 IT Rules 1962]]
1. 30 th June	7/7	31/7	15/8
2. 30 th Sept	7/10	31/10	15/11
3. 31 st Dec	7/1	31/1	15/2
4. 31 st March	30/4	31/5	15/6
Note:			
<p>(i) u/s Sec 392(1) [<i>Sec 192 ITA 1961</i>] or Sec 393(1) [Table: Sl. Nos. 1(i) [<i>Sec 194D ITA 1961</i>] and 1(ii) [<i>Sec 194H ITA 1961</i>], and 5(ii) and 5(iii) [<i>Sec 194A ITA 1961</i>]] TDS can be deposited quarterly</p> <p>(ii) u/s 393(1) Sl.6(ii) (<i>194M</i>), Sec 393(1) Sl.3(i) (<i>194IA</i>) and Sec 393(1) Sl.2(i) (<i>194IB</i>) – TDS is to be deposited within 30 days from the end of the month in which it was deductible, in a single return cum challan form Form No. 141 (<i>26QB</i>)/Form No. 141 (<i>26QC</i>)/Form No. 141 (<i>26QD</i>)</p>			

(iii) Issue of TDS certificate in Form 130 [earlier Form 16] for Sec 392 (Sec 192) and Sec 393(1) Sl.8(iii) (194P) – by the 15th of June of the immediately following financial year. For other Sections in form Form No. 131 (Form 16A) as per above chart

RULE 3: Exempted incomes / not assessable receipts are not subject to TDS

Incomes exempt or not liable to tax in India are not subject to TDS

<p>Exemption from TDS (Sec 393(4)(5) (Sec 196)) : No TDs is deductible for any sum paid by way of interest or dividend or other sums payable to the Government, RBI or certain corporations (whose income under the Act is exempt from tax) or Mutual Funds mentioned u/s Schedule VII(20) (Sec 10(23D) ITA 1961)</p> <p>As per Sec 393(4) (Sec 196) notwithstanding anything contained in the foregoing provisions of any sums payable to—</p>	<p>(i) the Government, or</p> <p>(ii) the Reserve Bank of India, or (the income of RBI is exempt from Income Tax under the RBI Act.)</p> <p>(iii) a corporation established by or under a Central Act which is, under any law for the time being in force, exempt from income-tax on its income, or</p> <p>(iv) a Mutual Fund exempt u/s Schedule VII(20) (Sec 10(23D) ITA 1961): A mutual fund is a pool of money managed by a professional Fund Manager. It is a trust that collects money from a number of investors who share a common investment objective and invests the same in equities, bonds, money market instruments and/or other securities. And the income/gains generated from this collective investment is distributed proportionately amongst the investors after deducting applicable expenses. Taxability: Mutual funds enjoy the pass through status. Incomes earned by the Mutual fund are not chargeable to tax in their hands. But the dividend declared by the Mutual funds will be taxable in the hands of the unit holders</p> <p>(v) New Pension trust: NPS is a market-linked voluntary contribution scheme that helps you save for your retirement. The scheme is simple, systematic, portable and flexible and is one of the most efficient ways of boosting your retirement income. Taxability: Income of NPS is exempt from Tax. Individuals contributing to the NPS can claim a deduction u/s Sec 124 (Sec 80CCD ITA 1961) (if opting for old scheme). Pension received from such NPS is fully taxable.</p>
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RULE 4: When is TDS deductible?

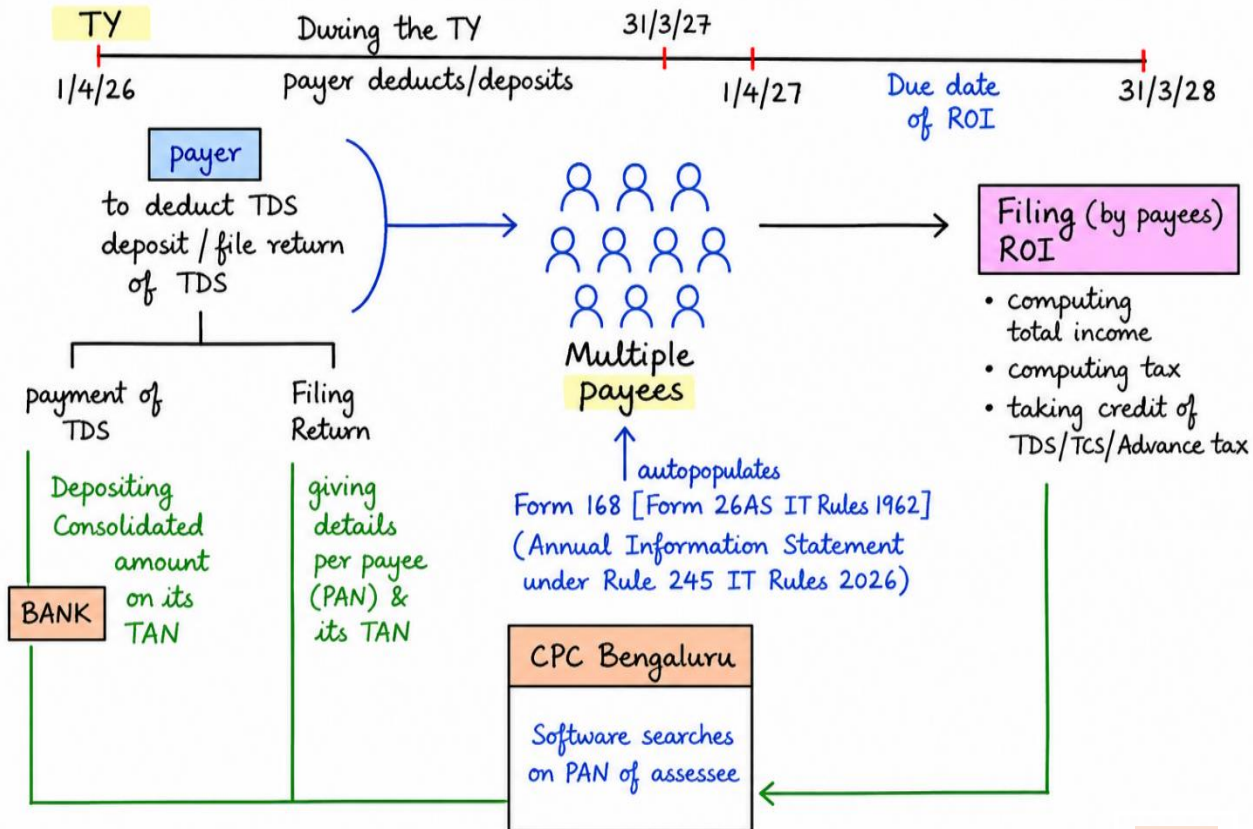
<p>Sec 392 (Sec 192) – Salary, Sec 393(1) Sl.7 (194), Sec 393(3) Sl.1 (194B), Sec 393(3) Sl.3 (194BB), Sec 393(1) Sl.8(i) (194DA), Sec 393(1) Sl.3(iii) (194LA), Sec 393(3) Sl.5 (194N)(194P), Sec 393(3) Sl.4 (194G), Sec 393(3) Sl.7 (194T)</p>	<p>Other Sections, Sec 393(1) Sl.8(iii) (194P), Sec 393(1) Sl.8(iv) (194R) [Sec 393(1) Sl.5(i) (193), Sec 393(1) Sl.5(ii)/(iii) (194A), Sec 393(1) Sl.6(i) (194C), Sec 393(1) Sl.1(i) (194D), Sec 393(1) Sl.1(ii) (194H), Sec 393(1) Sl.2(ii) (194I), Sec 393(1) Sl.3(i) (194IA), Sec 393(1) Sl.2(i) (194IB), Sec 393(1) Sl.4(i) (194K), Sec 393(1) Sl.6(ii) (194M), Sec 393(1) Sl.8(ii) (194Q)</p>
<p>At the time it is <u>paid</u>.</p> <p>NOTE: TDS on salary is deductible only when paid</p>	<ul style="list-style-type: none"> ▪ credit to the account of the recipient (entry) or ▪ at the time of payment <p>...whichever is earlier.</p>

Ex. 1: X Ltd makes a payment of interest to Mr Y (Rs 10,00,000) on 13th June 2026. This interest was due on 1st of May 26. It also pays a salary (Rs 100,000) to Mr J for the month of May 26 in June 26. When is it liable to deduct TDS?

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RULE 5: When is TDS to be deposited?	
Where TDS is deducted by a person not being an office of the Government	Where TDS is deducted by a person <u>not</u> being an office of the Government and quarterly payment is permitted u/s 392 (Sec 192), Sec 393(1) Sl.5(ii)/(iii) (194A), Sec 393(1) Sl.1(i) (194D) & Sec 393(1) Sl.1(ii) (194H)
1. 7 th of the month following the month in which TDS was deductible and where the amount relates to the month of March then by 30 th of April	Quarterly payment is permitted in certain cases with the permission of the AO (with approval of Jt. Commissioner) Qtr 30 th June - July 7 th , Qtr 30 th Sept - Oct 7 th , Qtr 31 st Dec - Jan 7 th , Qtr 31 st March - April 30 th

SUMMARY CHART



4B.11

CBDT CIRCULAR 23/2017

The GST component comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XIX (Chapter XVII-B) of the Act on the amount paid/payable without including such tax component.

Example: An amount of Rs 100,000 is payable to Mr Jain, as rent on 01/04/2026. TDS is deductible @ 10%. He contends that the amount of GST should be on the payment received after deduction of TDS i.e 90,000 x 18%. Discuss

Ans: the amount of GST will be calculated as follows

- Bill Raised = Rs 100,000
- CGST @9% = Rs 9,000
- SGST @9% = Rs 9,000
- Total Bill = Rs 118,000
- TDS @ 10% = Rs 10,000

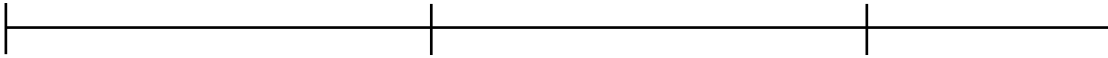
4B.3: Some frequently used sections - a quick summary																			
Payment	Salary	Interest on securities	Dividend	Interest on securities other than lottery etc.	Winnings from lottery etc.	Winnings from Online gaming	Winnings from horse races	Insurance agents' Commission	Lottery agents' commission	Other commission	Rent for L/B/F&M/F&F whether separately or together	Rent for L & B	Prof fees/FTS/Royalty/NCF & Directors' fees	Transfer of L& B other than agricultural land	Compulsory Acquisition of L& B other than agricultural land	Works Contract	To NR Non Citizen sports persons/ entertainers ¹	Other payments to NR	
Section	Sec 392 (192)	Sec 393(1) Sl. 5(i) (193)	Sec 393(1) Sl. 7 (194)	Sec 393(1) Sl. 5(ii)/(iii) (194A)	Sec 393(3) Sl. 1 (194B)	Sec 393(3) Sl. 2 (194B-4)	Sec 393(3) Sl. 3 (194B-5)	Sec 393(1) Sl. 1(i) (194D)	Sec 393(3) Sl. 4 (194E)	Sec 393(1) Sl. 1(ii) (194F)	Sec 393(1) Sl. 2(i) (194)	Sec 393(1) Sl. 2(ii) (194B)	Sec 393(1) Sl. 6(iii) (194)	Sec 393(1) Sl. 3(iii) (194A)	Sec 393(1) Sl. 6(i) (194A)	Sec 393(2) Sl. 1 (194B)	Sec 393(2) Sl. 1 (195)	Sec 393(2) Sl. 1 (195)	
PAYER Refer note 1	Ind/HUF - always	Co./Govt.	Company	Rule 1	Ind/HUF - always	Ind/HUF - always	Ind/HUF - always	Rule 1	Rule 1	Rule 1	Rule 1	Ind/HUF - always	Rule 1	Govt. or person authorised by the Govt	Rule 1	Ind/HUF - always	Ind/HUF - always	Ind/HUF - always	
PAYEE Refer note 2	R NR	R	R	R	R NR	R NR	R NR	R	R	R	R	R	R	R	R	R	R	R	NR
Minimum Amount	Slab	> 10,000 p.a. ² p.p	> 10,000 p.a. p.p	> 10,000 p.a. p.p	> 10,000 Per transaction	No minimum amount. TDS is on Net winnings	> 10,000 Per transaction	> 20,000 p.a. p.p	> 20,000 p.a. p.p	> 20,000 p.p.	> 50,000 p.m. or part p.p.	> 50,000 p.p.	> 50,000 p.a. p.p. p.s	> 50,000 p.a. p.p.	> 5 Lacs	> 30,000 per contract or > 1 lacs for agg of contracts p.a.p.p.	No Limit	No Limit	No Limit
RATE Refer note 3	Slab Surcharge and cess added for R and NR	10%	10%	10%	30% Surcharge and cess added only for NR	30% Surcharge and cess added only for NR	30% Surcharge and cess added only for NR	2% w.e.f 01/04/2025	2%	2%	P&M – 2% else 10%	2%	10% 2% for FTS, Royalty of films, call centre	1%	10%	To Ind/HUF – 1% To Others – 2%	20% + S+ C	MMR ³ On Dividend/ Interest/ FTS/Royalty – 20% + S + C	

1 For playing sports/advertisement or articles.
 2 p.a. = per annum, p.p = per payee.
 3 The detailed chart for rates u/s 393(3) [Sec 195 ITA 1961] will have to be referred to.

RULES

1. **PAYER:** A payer is always any person except that individual or HUF will be required to deduct TDS only if the turnover in the immediate preceding tax year is more than 100 lacs or in case of professional, receipts are more than 50 lacs.

Ex. 2: Mr X has a business turnover in the immediately preceding TY of 90 lacs and a turnover of 120 lacs in the TY 2026-27. Is he required to deduct TDS in the TY 2026-27. What is the due date for filing the return of income from the TY 2026-27?



However

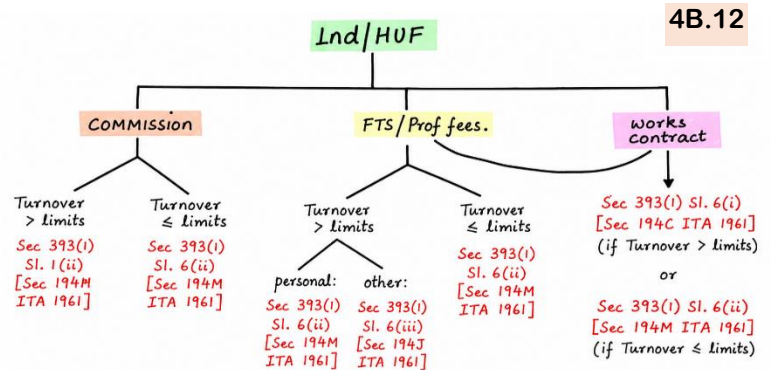
a) Sec 392 (192)	Individual / HUF will always be required to deduct TDS in these sections whether into business or profession or not and whether turnover is > limits or not.
b) Sec 393(1) Sl.3(i), 393(2) Sl.1 & Sl.17 (194IA, 194E & 195)	
c) Sec 393(3) Sl.1, 2 & 3 (194B, 194BA, 194BB)	
d) Sec 393(1) Sl.2(i) (194IB)	Individual & HUF will only be required to deduct TDS if turnover does not exceed limits
e) Sec 393(1) Sl.6(ii) (194M)	Where Individual or HUF is not required to deduct TDS u/s <ul style="list-style-type: none"> • Sec 393(1) Sl.1(ii) [194HJ] - i.e. where $T \leq$ limits • Sec 393(1) Sl.6(i) & 6(iii) [194C & 194JJ] i.e. where $T \leq$ limits or where $T >$ limits and payment is a personal payment

NOTE:

i) A Company and a firm (and everyone else other than an Individual or HUF) is always required to deduct TDS irrespective of turnover.

ii) **Personal payments:** Where individual of HUF are required to deduct TDS they will be required to so deduct whether payment is made for a **personal expenditure** or for an expenditure incurred for business or profession.

However for payments made under Sec 393(1) Sl.6(iii) & 6(i) [194J & 194C] even if Individual/HUF have turnover > limits, they will not be required to deduct TDS if payment is made for personal expenditure (subject to Sec 393(1) Sl.6(ii) (194M)).



2. PAYEE :

Payments to Non-residents	<p>a) Every payer whether Individual or HUF (turnover whether more than or not more than 100/50 lacs) will always be required to deduct TDS</p> <p>b) Before deducting TDS we need to confirm whether the receipt is assessable in India in the hands of the NR as per provisions of Sec 5 & 9</p> <p>c) For payment to NR the following sections must be kept in mind</p> <ol style="list-style-type: none"> i) Salary - Sec 392 (192) ii) Winnings from lottery etc. – Sec 393(3) Sl.1 (194B) iii) Winning from online gaming – Sec 393(3) Sl.2 (194BA) iv) Winnings from horse races - Sec 393(3) Sl.3 (194BB)
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	v) Entertainers / Sports persons - Sec 393(2) Sl.1 (194E) vi) Other payments – Sec 393(2) Sl.17 (195) d) Rates of TDS will include surcharge (as applicable) & cess
Payment to Residents	Refer to Chart

3. RATES of TDS:

- a) Rates of TDS will be as prescribed under relevant sections
- b) Rates of TDS will not include surcharge or cess when the payment is made to a R payee except for payment of Salary u/s Sec 392 [192]
- c) Rates of TDS will include surcharge (as applicable) or cess when the payment is made to a NR payee.

Note: for TDS the surcharge rates will be with relevance to **payment** amount and not total income

4. Sec 397(2) [Sec 206AA]

Sec 397(2) [Sec 206AA]:

Sec 397 (2)

(a) Irrespective of anything contained in any other provision of this Act, every person, entitled to receive any amount on which tax is deductible or, paying any amount on which tax is collectible, shall furnish his valid Permanent Account Number to the person responsible for deducting or collecting tax;

(b) in case of failure to comply with provisions of clause (a)—

(i) tax shall be deducted at the higher of the following rates:—

(A) at the rate specified in the relevant provision of this Act; or

(B) at the rate or rates in force; or

(C) at the rate of 5% where tax is required to be deducted under section 393(1) [Table: Sl. No. 8(ii) or 8(v)]; or 20% in any other case;

Where the payee does not give a PAN number (AADHAR if linked to PAN) then the Payer will deduct TDS @

- (i) 20% or
 - (ii) rate as per section
- w.e. is higher

However u/s Sec 393(1) Sl.8(v) & 8(ii) [194O & 194Q] it will be 5% or rate w.e. is higher.

Ex. 3: Discuss the rate of TDS applicable in the following cases

- a. Mr X is to receive fees under Sec 393(1) Sl.6(iii) [194J] where TDS is deductible @ 10%. He does not provide his PAN no nor has he filed his returns of the earlier tax years.

- b. Mr X is to receive fees under Sec 393(1) Sl.6(i) [194C] for works Contract where TDS is deductible @ 1%. He does not provide his PAN no nor has he filed his returns of the earlier tax years.

Illustrations**Ex. 4: Discuss the liability to TDS applicable in the following cases**

1) The following payments are made by X Ltd in TY 2026-27. The turnover of X Ltd in the TY 2025-26 was 70 lacs	
a) Godown rent in India - 60,000 p.m.	
b) To a Lawyer for services used for its Delhi office. The lawyer is in USA - 1,00,000	
c) Rs 3,000 as Directors' sitting fees each to 10 directors	
d) Payment of Rs 2,00,000 to an agent (R) in India	
e) Payment of 5,000 to an agent (NR) providing services in USA	
f) Rs 7 lacs salary to Mr. Y (NR) rendering services in USA	
g) Rs 50,000 to Steve Smith for Advertisement in India.	
h) Payment for CA fees Rs 40,000	
i) Rent of 10,00,000 in USA	
j) Rent of generator Rs 3,00,000	

2) The following payments are made by X (proprietor of XY & Associates) in TY 2026-27. The turnover of the proprietary concern in the TY 2025-26 was 70 lacs	
(i) Godown rent in India - 60,000 p.m.	
(ii) To a Lawyer for services used for its Delhi office. The lawyer is in USA - 1,00,000	
(iii) Rs 3,000 as Directors' sitting fees each to 10 directors	
(iv) Payment of Rs 2,00,000 to an agent (R) in India	
(v) Payment of 5,000 to an agent (NR) providing services in USA	
(vi) Rs 7 lacs salary to Mr. Y (NR) rendering services in USA paid in India.	
(vii) Rs 50,000 to Steve Smith for Advertisement in India.	
(viii) Payment for CA fees Rs 40,000	
(ix) Rent of 10,00,000 in USA	
k) Rent of generator Rs 3,00,000	

3) The following payments are made by X (proprietor of XY & Associates) in TY 2026-27. The turnover of the proprietary concern in the TY 2025-26 was 270 lacs	
a) Godown rent in India - 60,000 p.m.	
b) To a Lawyer for services used for its Delhi office. The lawyer is in USA - 1,00,000	
c) Rs 3,000 as Directors' sitting fees each to 10 directors	
d) Payment of Rs 2,00,000 to an agent (R) in India	
e) Payment of 5,000 to an agent (NR) providing services in USA	
f) Rs 7 lacs salary to Mr. Y (NR) rendering services in USA paid in India.	
g) Rs 50,000 to Steve Smith for Advertisement in India.	
h) Payment for CA fees Rs 40,000	
i) Rent of 10,00,000 in USA	
j) Rent of generator Rs 3,00,000	