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INDIA ESSENTIALS
DEEP DIVE

ESSENTIALS DEEP-DIVE · RENTING

Rent & the *TDS Rule*

If your rent is high, Indian law makes YOU, the tenant, deduct and deposit tax on the landlord's behalf. This is a plain-English explanation of that legal duty. It is not tax advice; we connect you to an advisor.

₹50,000/mo the trigger

2% on a resident landlord

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Prepared for assignees relocating to India.

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Here is something almost no newcomer expects: when your rent in India is high enough, the law doesn't ask the **landlord** to pay tax on that rent the usual way, it asks **you, the tenant**, to hold back a slice of the rent and deposit it with the government yourself. It's called **TDS** (tax deducted at source), and on a personal home lease it is the tenant's legal duty, not the landlord's. It sounds alarming, but it is mechanical and entirely doable: a threshold, a rate, one online form, and a certificate you hand your landlord. This guide walks through exactly who owes what, when, and how, in plain English, so you're never caught out. Your IKAN consultant sets it up with you and connects you to a tax advisor for your specific numbers.

₹50,000 / mo	2%	26QC	~31.2%
RENT ABOVE THIS TRIGGERS THE DUTY	RATE, RESIDENT LANDLORD (FROM 1 OCT 2024)	THE FORM YOU FILE & PAY THROUGH	IF YOUR LANDLORD IS AN NRI (MONTHLY)

DO THIS FIRST

Before you sign anything, ask your landlord **two questions**: “What is your **PAN**?” and “Are you an **Indian resident or an NRI**?” Those two answers decide your **entire** obligation, the rate, the form, whether you need a TAN, and how often you pay. If the rent is over **₹50,000 a month**, you have a deduction duty; get the PAN and residency in writing in the lease, and tell your IKAN consultant so we line up the right advisor before your first rent payment.

A quick, honest note. IKAN is not a tax advisor; this explains a legal duty so you're not caught out, and we'll connect you to an advisor. Think of this as the “what and why” in plain words, your advisor handles the exact figures and filing for your situation.

PART A · THE RULE IN PLAIN WORDS

WHY THIS LANDS ON YOU

The tenant is the tax collector

Under **Section 194-IB** of the Income-tax Act, an **individual** tenant who pays a **resident** landlord more than **₹50,000 in monthly rent** must deduct tax from that rent and deposit it with the government. Historically, company leases always withheld this tax, but personal leases usually didn't, so the rule was created to close that gap. The key thing to absorb: the government collects its slice **from you, at the source**, rather than trusting the landlord to declare it later. You are, in effect, a one-person tax collector for one transaction a year.

The good news is how **light** the resident version is. You don't deduct every month. You deduct **once**, in the **last month of the year**, at **move-out**, or when the tenancy ends, whichever comes first, and the rate is just **2%** (revised down from 5% on 1 October 2024). One deduction, one form, one certificate. The heavier rules only apply if your landlord is an **NRI**, which we cover in Part C.

A little history, in case the rule feels new: company leases have long withheld this tax, historically at **10%** for a resident landlord, while personal leases usually didn't. The tenant-side route you're reading about came in through the **Finance Act 2017**, when Section 194-IB took effect on **1 June 2017** and put the duty squarely on the individual tenant.

> **What counts as "rent" here.** The law reads it broadly: rent is **any payment, by whatever name called, under any lease, sub-lease, tenancy or other agreement or arrangement for the use of land or building (or both)**. So whatever your contract calls the money you pay for the home, if it's for the use of the property, it's rent for this rule.

KNOW YOUR NUMBERS

The four things that decide everything

THE QUESTION	WHY IT CHANGES YOUR DUTY
Is the rent over ₹50,000/month?	This is the **trigger**. At or below it, Section 194-IB does not apply and you pay full rent. Above it, the deduction duty kicks in.
Is the landlord a resident or an NRI?	Resident → Section 194-IB, **2%**, once a year, no TAN. NRI → Section 195, **~31.2% (30% + 4% cess), and higher with surcharge on large rents (up to ~35.88%)**, every month, TAN required.
Does the landlord have a PAN?	No PAN means a much **higher rate** (20%, capped at the last month's rent). Always collect and verify the PAN first.
When does the year or tenancy end?	For a resident, you deduct in the **last month of the financial year** (ends 31 March) or at **move-out**, whichever is earlier.

PART B · RESIDENT LANDLORD, THE SIMPLE PATH

STEP BY STEP

Deduct & deposit under 194-IB

If your landlord is an **Indian resident** and your rent is over **₹50,000/month**, this is your whole job, done once, on the income-tax portal, in **Form 26QC**.

1. **Collect & verify the landlord's PAN**

   Get a copy of the **PAN card** and check it against the original. You will quote both your PAN and the landlord's PAN when you pay, so a wrong digit here causes real trouble later.

2. **Wait for the right moment to deduct**

   You deduct **once a year**, in the **last month of the financial year** (the year ends 31 March), or at **move-out** / the last month of the tenancy, whichever comes first. You are **not** deducting from every monthly payment.

3. **Calculate 2% of the rent**

   Hold back **2%** of the rent (the rate from 1 October 2024, down from 5%). Pay the landlord the rent **minus** that 2%, and keep the 2% aside to deposit with the government.

4. **Log in to the income-tax portal**

   Go to **eportal.incometax.gov.in** and sign in with your **PAN as the username** and your password. As an individual tenant, you do **not** need a TAN for the resident case.

5. **Open Form 26QC under e-Pay Tax**

   Under **"e-File"** choose **"e-Pay Tax"**, click **"New Payment"**, then select **26QC** and proceed. This single "challan-cum-statement" both reports and pays in one go.

6. **Fill in tenant, landlord & rent details**

   Enter your details, then the landlord's details (PAN, address), then the rent and the tax amounts on the payment page. Quote the **PANs carefully**, a mistake here must be fixed through the Income Tax Department, not a quick edit.

7. **Pay through your Indian bank**

   At the payment gateway, pick the **Indian bank** you'll pay from and complete the payment using **net banking**. The 2% you set aside is now deposited with the government.

8. **Download the challan & issue Form 16C**

   Save the **Form 26QC** challan for your records and share a copy with the landlord. Then issue the landlord a **Form 16C** certificate, their proof that you deposited the tax. (For 194-IB the certificate is **Form 16C**, not Form 16.)

WHAT YOU OWE AT A GLANCE, RESIDENT LANDLORD

ITEM	DETAIL	VALUE
Trigger	Monthly rent to a resident landlord above this	**₹50,000**
Rate	Of the rent, from 1 Oct 2024 (was 5%)	**2%**
How often	Last month of the year, or at move-out	**Once a year**
Pay & report via	Challan-cum-statement on the portal	**Form 26QC**
Give the landlord	Certificate that the tax was deposited	**Form 16C**
If landlord has no PAN	Higher rate, capped at the last month's rent	**20%**

⚠ **No PAN from the landlord means a much bigger bite.** If your landlord can't or won't give a PAN, the rate jumps to **20%** (capped at the last month's rent) instead of 2%. That's ten times the deduction, so insist on the PAN, in writing in the lease, before you ever pay rent.

ⓘ **It's "Form 16C", not "Form 16".** Older checklists sometimes say to hand the landlord a "Form 16", for a personal rent deduction under 194-IB the correct certificate is **Form 16C**, generated after you file Form 26QC. (Form 16 is a salary document; don't confuse the two.)

PART C · NRI LANDLORD, THE HEAVIER PATH

A DIFFERENT SECTION ENTIRELY

If your landlord is an NRI (Section 195)

If your landlord lives abroad and is a **non-resident (NRI)**, the simple 194-IB route does **not** apply. Instead the rent falls under **Section 195**, and the obligations are heavier: a much higher rate, **every month**, plus a **TAN** and quarterly returns. This is exactly the case where you should **not** go it alone, have a tax advisor run it. Here is the shape of it so you know what you're asking your advisor to set up.

1. **Get a TAN first**

   For the NRI case you need a **TAN** (Tax Deduction Account Number), separate from your PAN. Apply for it through the **NSDL / Protean** route before your first deduction.

2. **Deduct ~31.2% every month**

   Deduct tax at roughly **31.2% (30% + 4% cess)** from **each month's** rent, not once a year, and **higher with surcharge on large rents (up to ~35.88%)**. (If the landlord obtains a lower-deduction certificate under Section 197, that reduced rate applies instead.)

3. **Deposit by the 7th of the next month**

   Pay the deducted tax to the government via challan (**ITNS 281**) by the **7th of the following month**, every month. Late deposits attract interest, so diarise it.

4. **File a quarterly return, Form 27Q**

   Report the deductions each quarter on **Form 27Q** (the return for payments to non-residents), rather than the one-off 26QC used for residents.

5. **Issue Form 16A via TRACES**

   After each quarter, download and give the landlord a **Form 16A** certificate from the **TRACES** website (typically within 15 days of filing) as proof of the tax deposited.

RESIDENT VS NRI LANDLORD, SIDE BY SIDE

WHAT CHANGES	RESIDENT LANDLORD	NRI LANDLORD
Legal section	Section 194-IB	Section 195
Rate	**2%**	**~31.2% (30% + 4% cess), up to ~35.88% with surcharge**
How often	Once a year	Every month
TAN needed?	No	Yes
Pay / report via	Form 26QC	Challan 281 + Form 27Q
Certificate to landlord	Form 16C	Form 16A (TRACES)

⚠ **An NRI landlord is the moment to call an advisor.** Monthly deductions of ~31.2% (30% + 4% cess), and higher with surcharge on large rents (up to ~35.88%), a TAN, monthly deposits by the 7th, and quarterly Form 27Q filings are easy to slip on, and the interest and penalties for missing them fall on **you**, the tenant. Don't improvise this; we'll connect you to a tax advisor before your first payment.

The landlord's side, what they should do for you. This isn't all on you. Your landlord should **give you a copy of their PAN** for your records and the online form, and **declare their residence status** in writing, resident or NRI, since that one answer sets your rate. They can **check the tax you've deposited in their Form 26AS** (their Annual Tax Statement, where your deduction shows up against their PAN). And they should expect to **receive your certificate as proof**, Form 16C if they're a resident landlord, Form 16A if they're an NRI.

GOOD TO KNOW

A few things that save you grief

PAN goes in the lease

Put the landlord's PAN and residency status directly into the rent agreement. It's the cleanest way to have proof on hand when you file.

The year ends 31 March

India's financial year runs 1 April to 31 March. The resident deduction lands in the last month of that year, or earlier if you move out.

One form does both

Form 26QC is a "challan-cum-statement", it reports the deduction and pays it in the same step. No separate return to chase.

Made a typo? Fix it early

A wrong PAN or detail on the online form is corrected through the Income Tax Department, not a quick re-edit, so check carefully before you submit.

The section numbers are being renumbered, the duty stands. The new Income-tax Act, 2025 renumbers many sections from **1 April 2026**, so you may see different numbers than 194-IB or 195 in newer documents. The **obligation itself is unchanged**, same trigger, same rates, same forms and portal steps. If a number looks different, that's the renumbering, not a new rule.

OFFICIAL RESOURCES

Income Tax e-Filing Portal	Log in, e-Pay Tax, Form 26QC
Income Tax Department	Rules, PAN verification & help
TRACES	Form 16C / Form 16A certificates
Protean (NSDL)	TAN application, NRI landlord case

YOUR SUPPORT

How IKAN helps

- ✓ We help you get the landlord's **PAN and residency status into the lease**, so your obligation is clear before you ever pay rent
- ✓ We **flag whether you fall under 194-IB or 195** and walk you through Form 26QC on the income-tax portal step by step
- ✓ For an **NRI landlord**, we connect you to a tax advisor for the TAN, monthly deposits and quarterly Form 27Q, before the first payment is due
- ✓ We remind you **when the deduction is due** and make sure the landlord gets their **Form 16C** certificate, so nothing lapses

Rent TDS · quick checklist

- [ ] Confirm the rent is over **₹50,000/month** (the trigger)
- [ ] Collect & verify the landlord's **PAN**; put it in the lease
- [ ] Confirm the landlord is **resident or NRI**, it changes everything
- [ ] Resident: deduct **2% once a year** via **Form 26QC**
- [ ] Give the landlord a **Form 16C** certificate afterwards
- [ ] NRI landlord: get a **TAN**, deduct **monthly**, file **Form 27Q**, with an advisor
- [ ] Ask IKAN to **connect you to a tax advisor** for your exact numbers

This duty surprises almost everyone, but it's a threshold, a rate and one form, and we'll make sure you and your landlord both come out clean. We'll connect you to the right advisor for the figures.

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