

# TDS on Purchase of Immovable Property: Simplified Guide to Sections 194-IA and 195 (FY 2025-26)

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## Introduction

In India, buying property involves not only legal and financial due diligence but also compliance with tax laws, especially TDS (Tax Deducted at Source). Two key sections of the Income Tax Act, 1961 deal with this:

- Section 194-IA - Applicable when buying property from a resident seller (TDS @ 1%).
- Section 195 - Applicable when buying property from a non-resident seller (TDS @ applicable income tax rate on capital gains).

TDS must be deducted by the buyer and paid to the government.

## 1. Buying from a Resident - Section 194-IA

### **When applicable:**

- Sale consideration or stamp duty value is Rs. 50 lakh or more.
- TDS is deducted on higher of the two values.

### **Key Compliance Points:**

Action	Description
<b>TDS Rate</b>	✓ <input type="checkbox"/> 1% of the consideration
<b>✗ 20% if:</b>	
	– PAN <b>not provided</b> , or
	– PAN is <b>inoperative due to non-linking with Aadhaar</b>
<b>Time of Deduction</b>	At time of payment or credit to seller
<b>PAN-Aadhaar Linking</b>	Ensure <b>seller's PAN is valid and Aadhaar-linked</b> . If PAN is not linked, it becomes inoperative and attracts <b>higher TDS @ 20%</b> under Section 206AA and Rule 114AAA.

Action	Description
<b>Deposit Mode</b>	File <b>Form 26QB</b> within 30 days
<b>TDS Certificate</b>	Generate <b>Form 16B</b> and issue to seller within 15 days
<b>TAN Requirement</b>	✗ Not required (only PANs of buyer and seller needed)

## 2. Buying from an NRI - Section 195

### When applicable:

- No minimum threshold.
- TDS is to be deducted on the entire consideration unless a lower/nil deduction certificate is obtained from the Income Tax Department under Section 195(2) or Section 197.
- TDS Rates:
  - Long Term Capital Gain : 20% + surcharge and cess
  - Short Term Capital Gain : 30% + surcharge and cess

### Lower/Nil Deduction Certificates - Section 195(2) and 197

- Section 195(2) - Buyer applies to Income tax Officer in International Taxation Division for determination of capital gains portion.
- Section 197 - Seller applies to Income tax Officer in International Taxation Division for nil/lower deduction certificate.

**Note: Certificates are transaction-specific and must be obtained before making payment or registration.**

## 3. Snapshot Comparison

Feature	Section 194-IA	Section 195
Seller Type	Resident	Non-Resident (NRI)
Threshold	₹50 lakh	No threshold
TDS Base	Sale value or SDV	Full sale value (default)
TDS Rate	1%	20% / 30% + SC +

Feature	Section 194-IA	Section 195
		Cess
PAN Required	Yes	Yes
TAN Required	✗ No	✓ Yes
Return Form	26QB	27Q
Certificate	16B	16A
Form 15CA/CB	✗ No	✓ Yes
AO Certificate Option	Rare	Frequently used

#### 4. Practical Tips for Buyers

- Always check the **seller's residency status**.
- Verify whether the **PAN is operative and Aadhaar-linked**.
- Obtain **TAN** for NRI transactions.
- Plan for **TDS certificate** in advance to avoid over-deduction.
- Use **Form 15CA/CB** for overseas remittance after NRI property purchase.

#### 5. Conclusion

TDS is a legal duty of the buyer. Deduct 1% under Section 194-IA or higher TDS under Section 195 if buying from NRI.

Always verify TDS compliance just like verifying title deeds and paying stamp duty.