STATUTORY COMPARISON / MAP-F4BCFEBDF878

Contract payments: section 194C to section 393(1), Table, serial number 6(i), read with section 402

MERGED | SPLIT | SUBSTANTIVELY CHANGED

1961 ACT / 194C - PAYMENTS TO CONTRACTORS

Section 194C requires a specified payer to deduct from payments to a resident contractor for contractual work, including labour supply, at the earlier of credit or payment. Rates are 1% for an individual/HUF contractor and 2% for others. A payment exceeding Rs 30,000 or annual aggregate exceeding Rs 1,00,000 triggers deduction. Subsections (3)-(7) address customer-material manufacturing invoices, personal expenditure and qualifying goods-carriage contractors; the Explanation supplies the operative definitions.

2025 ACT / 393 - TAX TO BE DEDUCTED AT SOURCE

Section 393(1), resident-payments Table, serial number 6(i), reproduces the contractor rates, thresholds and earlier-of-credit/payment rule. The payer is now a designated person under 402(11); contract, goods carriage and work are in 402(10), (18) and (47). The note to Table, serial number 6 preserves the special manufacturing invoice base. Section 393(4), Table, serial number 8 contains the transporter and personal-purpose exclusions; 393(11) contains the suspense-credit rule.

READING CHRONOLOGY

01 Operative provisions / 02 Change analysis / 03 Transition / 04 Compliance / 05 Disputes / 06 Expert Commentary

02 PRECISE CHANGE ANALYSIS

Merged describes integration of the operative deduction rule into section 393; split describes relocation of definitions to section 402. Rates and monetary limits are retained. The new terminology 'designated person' must not be confused with 'specified person' in section 402(37), which serves other rows.

Section 402(47)(f), inserted by Act No. 4 of 2026 with effect from 1 April 2026, expressly includes manpower supplied to work under the recipient's supervision, control or direction. This is a post-enactment textual addition, not a change attributable solely to the 2025 consolidation. The exclusion for sums within the professional/technical-services row remains in 402(47)(B); the corresponding exclusion had already entered 194C through Act No. 15 of 2024 from 1 October 2024.

The old transporter exemption in 194C(6) and separate reporting obligation in 194C(7) are combined in 393(4), Table, serial number 8(a)(i)-(iv). Reporting now appears expressly in the table of conditions for no deduction. This drafting position matters when assessing consequences of failure to report, even though the underlying reporting duty is not new.

03 TRANSITION AND EFFECTIVE DATES

For obligations arising before 1 April 2026, repeal does not erase accrued liabilities: section 536(2)(a)-(c) preserves the previous operation, accrued obligations and proceedings for earlier tax years. Establish the first credit/payment event, including a relevant suspense credit, rather than using the later cash settlement date alone to choose the Act. The express manpower limb takes effect on 1 April 2026; it should not automatically be treated as retrospectively determining an earlier contract.

04 COMPLIANCE IMPACT

Maintain distinct tests for payer eligibility under 402(11), contractor legal status, the single-payment limit and annual aggregate. For customer-material manufacture, separately identified material value remains decisive to the statutory deduction base. For transporters, retain PAN and the fleet declaration and also evidence of timely prescribed reporting, because Table, serial number 8(a)(iv) now sits within the exemption conditions.

05 ASSESSMENT AND LITIGATION IMPACT

Contractual nomenclature cannot resolve the boundary between work and professional/technical fees. Record who controls supplied manpower, what obligation the supplier assumes and whether the consideration independently falls in Table, serial number 6(iii). In a transporter dispute distinguish absence of the declaration/PAN, ineligibility by fleet size and failure of reporting; the consolidated text does not justify treating those fact patterns as interchangeable.

06 AKHB EXPERT COMMENTARY

The most consequential feature is the relationship between the affirmative manpower limb and the retained exclusion for professional or technical payments. A supplier placing personnel under the customer's operational direction now has a direct textual foothold within 'work'. That does not establish that every arrangement involving skilled personnel is a contractor payment. Where the supplier undertakes responsibility for an independently delivered technical or professional service, the payment must still be tested against Table, serial number 6(iii), and the express exclusion from work must be given effect. The relevant enquiry concerns the obligation purchased and the actual allocation of control, not the description 'outsourcing' on the invoice.

The transporter provision also illustrates why a concordance cannot stop at matching rates. Under the former text the reporting duty occupied its own subsection; the new table places it among the conditions for non-deduction. A payer should therefore avoid relying solely on historical treatment of a reporting failure as collateral to the exemption. The defensible position is to establish each condition independently and, if reporting is defective, address the precise consequence under the applicable year's text rather than infer that recodification either extinguishes the exemption or automatically cures the failure.

STATUTORY SOURCES AND PINPOINTS

Income-tax Act, 1961, section 194C - 194C(1)-(7), Explanation (i)-(iv); amendment footnote 34

Income-tax Act, 2025, section 393 - 393(1), Table, serial number 6(i) and Note; 393(4), Table, serial number 8; 393(11)

Income-tax Act, 2025, section 402 - 402(10), (11), (18), (47), especially (47)(f) and amendment footnote 96

Income-tax Act, 2025, repeal and savings - 536(2)(a)-(c), (j)

SOURCE AND ANALYTICAL SCOPE

Full official consolidated statutory snapshots retrieved 5 October 2026, with live official section 393 and 402 pages opened 18 October 2026. Analysis distinguishes the 2026 amendment from 2025 recodification. Not a certification of every subordinate rule or prescribed reporting form. This note analyses only the identified 194C or 194J branch of sections 393 and 402; it does not complete analysis of those consolidated sections as a whole.

Status labels describe the analysed provision and may coexist: a provision can be renumbered and substantively changed. Retained does not certify every surrounding rule or notification. Commentary is separate from the legislation.

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