

BANKING INDUSTRY – COMPLIANCE NOTE

(TDS / TCS / PAN Compliance – FY 2026-27)

A. REGULATORY FRAMEWORK OVERVIEW

Particulars	Details
Governing Law	Income-tax Act, 2025
Key Sections	Sec 392 (Salary), Sec 393 (Non-salary), Sec 394 (TCS), Sec 397 (PAN default)
Key Change	Consolidation of TDS/TCS into unified structure
Compliance Model	System-driven, automation-based

B. KEY BANKING AREAS – TDS APPLICABILITY

1. Interest Payments (Core Banking Area)

Particulars	Details
Section	393
Nature	Interest (FD, RD, Savings – where applicable)
TDS Rate	10%
Threshold	₹50,000 (General) / ₹1,00,000 (Senior Citizen)
Deduction Trigger	Earlier of Credit or Payment

2. MACT Interest (Motor Accident Claims Tribunal)

Particulars	Details
Individuals	✗ No TDS applicable
Non-Individuals	TDS only if > ₹50,000
Nature	Court-directed compensation (social welfare)

System Requirements

- Separate tagging of MACT accounts
- Disable TDS for individuals

- Apply threshold logic only for non-individuals

3. Cash Withdrawal TDS

Particulars	Details
Section	393(3)(5)
Rate	2%
Threshold	₹1 Cr / ₹3 Cr (as applicable)
Basis	Aggregate withdrawals during FY

System Requirements

- Account-wise yearly tracking
- Auto-trigger TDS on threshold breach
- Remove **non-filer validation layer**

C. PAN COMPLIANCE (RULE 159)

1. Key Changes

Particulars	Details
Old Rule	Rule 114B
New Rule	Rule 159
Declaration Form	Form 97 (replaces Form 60)
Compliance Model	Transaction + System-based

2. Banking-Specific Transactions

(i) Cash Deposits

Particulars	Requirement
Threshold	≥ ₹10,00,000 (aggregate in FY)
If PAN not available	Form 97 to be obtained

(ii) Cash Withdrawals

Particulars	Requirement
Threshold	≥ ₹10,00,000 (aggregate in FY)
Requirement	Reporting under Rule 159

D. SFT (STATEMENT OF FINANCIAL TRANSACTIONS)

Particulars	Details
Applicability	Banks, NBFCs, Financial Institutions
Purpose	Reporting high-value transactions
Penalty	₹200/day
Maximum Penalty	₹1,00,000

System Requirements

- PAN-based tracking
- Centralized data extraction
- Timely filing controls

E. TDS/TCS RETURN COMPLIANCE

Particulars	Details
Correction Timeline	Reduced to 2 years
Earlier Timeline	6 years
Critical Deadline	31 March 2026 (for past corrections)

Risks

- Permanent demand
- Loss of deductee credit
- Customer disputes

Immediate Actions

- PAN correction
- Challan reconciliation

F. TCS PROVISIONS

Particulars	Details
Section	394
Standard Rate	2% (most cases)
Applicability in Banks	LRS, overseas remittances

G. Form 121 replacing Form 15G / 15H – Key Update

The new Income-tax Rules (2026) have **replaced existing Forms 15G and 15H with a unified Form 121.**