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TDS & COMPLIANCE GUIDE

Lower TDS Certificates under Section 197 for Consultants

When a consultant's final tax liability is far below the 10% withheld under 194J, a Section 197 certificate lets the hospital deduct at a lower or nil rate.

What Section 197 is

Standard TDS on professional fees is 10% under Section 194J. For some consultants, that withholding is far more than their actual tax liability will ever be, leaving large sums locked up until they file and claim a refund.

Section 197 lets a taxpayer apply to the Assessing Officer for a certificate authorising tax to be deducted at a rate lower than the standard one, where their estimated final liability justifies it. For a consultant, this means the hospital can withhold less than 10%, improving the consultant's cash flow without anyone breaking the law.

When a consultant should apply

A 197 certificate makes sense when the consultant expects their actual tax liability to be well below the TDS that would otherwise be withheld. The consultant applies to the income-tax department, not to the hospital; the hospital only ever acts on a certificate the consultant produces.

- Estimated annual tax liability is significantly below 10% of gross professional fees.
- The consultant would otherwise wait months for a large refund.
- The consultant can substantiate the estimate to the Assessing Officer.

10%
STANDARD 194J RATE

197
SECTION FOR LOWER/NIL DEDUCTION

Time-bound
VALID FOR A DEFINED PERIOD

How the hospital applies the lower rate

The hospital does not decide the rate; it applies the rate stated on a valid certificate. On receiving the certificate, the hospital deducts at the specified lower (or nil) rate for payments to that consultant, but only within the certificate's validity period and only up to any amount limit it specifies.

Validity, limits and tracking

A 197 certificate is not open-ended. It is tied to a financial year, often to a specific deductor, and frequently to a maximum amount. Once the limit is reached or the period ends, the standard 10% resumes automatically.

> **CONSULTANT-SPECIFIC AND DEDUCTOR-SPECIFIC**
> Never apply one consultant's certificate to another, and never assume it carries into the next financial year; both are short routes to a TDS notice.

Recording it in Form 26Q

When you deduct at a reduced rate, the 26Q return must reflect that the lower deduction was made under a valid 197 certificate, referencing the certificate number. This is what tells the department the lower withholding was authorised rather than a shortfall.

> *A lower-TDS certificate is a gift to the consultant's cash flow, but only the hospital that tracks its limits and validity can apply it safely.*
>
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Your Section 197 checklist

- [ ] Collect the original certificate and verify the consultant's PAN matches.
- [ ] Record the certificate number, rate, validity period, and amount limit.
- [ ] Apply the reduced rate only within validity and up to the amount cap.
- [ ] Reference the certificate number on every 26Q where the lower rate is used.
- [ ] Revert to the standard 10% automatically once the limit or period ends.

Track every 197 certificate automatically

ConsultPro stores each certificate's rate, validity, and cap against the consultant, applies it within bounds, and reverts to 10% on expiry. Start your free 14-day trial at **consultpro.in.net**.

This guide is general information and is not tax or legal advice. Confirm current provisions with a qualified tax professional before filing.