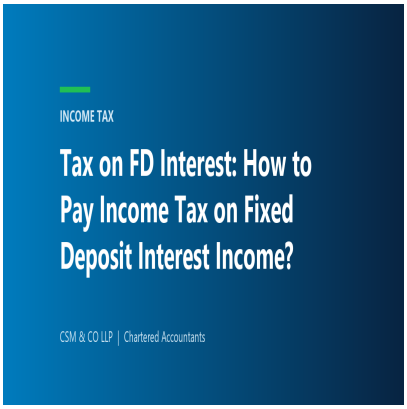

Tax on FD Interest: How to Pay Income Tax on Fixed Deposit Interest Income?

Description

Last updated: 16 September 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- FD interest is added to your income and taxed at your slab rate, under Income from Other Sources.
- Banks deduct 10% TDS once interest crosses ?50,000 a year (?1,00,000 for senior citizens) for FY 2025-26; the TDS may be less than the tax you owe.
- Senior citizens in the old regime can claim up to ?50,000 under section 80TTB; tax-saver FD principal qualifies under section 80C in the old regime.
- Check Form 26AS, AIS and TIS before filing, and use Form 15G or 15H to avoid TDS if your income is below the taxable limit.

How to report FD interest in your return

1. Check FD interest in your bank statements, Form 26AS, AIS and TIS

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2. Add all FD interest to Income from Other Sources

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3. Claim section 80TTB (senior citizens, old regime) or section 80C (tax-saver FD, old regime) if eligible

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4. Compute tax on the total income at your slab rates

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5. Reduce the TDS already deducted by the bank

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6. Pay the balance as self-assessment tax, or claim a refund if TDS is more

Interest on a fixed deposit (FD) is added to your income and taxed at your normal slab rate. It is shown under “Income from Other Sources” in the return. The bank deducts TDS on the interest above a limit, but that TDS may be less than the tax you actually owe, so you may have to pay the balance yourself. Resident senior citizens in the old regime can claim a deduction of up to ?50,000 on interest from savings accounts and deposits under section 80TTB.

Where can I check my FD interest?

Bank interest is easy to miss because it looks small, but under-reporting can lead to notices. You can check FD interest in:

- your bank statements and interest certificates,
- Form 26AS,
- the Annual Information Statement (AIS), and
- the Taxpayer Information Summary (TIS).

How to calculate tax on FD interest

1. Add up the interest (earned or accrued in the year) from all FDs and banks for the year. Interest on a cumulative FD, where the interest is paid only at maturity, should be offered to tax every year as it accrues. Banks deduct TDS and report the interest in Form 26AS and the AIS on the same yearly basis, so offering it year by year keeps your return matching these records. Some individuals who follow the cash system of accounting offer it only on receipt. If you want to do that, speak to your professional first, because a mismatch with Form 26AS and the AIS can lead to a notice.
2. Add it to your other income. Show it under Income from Other Sources.
3. Claim the deductions that apply to you (see below).
4. Tax is charged at your slab rates. The rate depends on your regime, age and residential status.
5. Reduce the TDS shown in Form 26AS from your total tax. Pay the balance as self-assessment tax, or claim a refund if the TDS is more.

Deduction under section 80TTB (senior citizens)

- Available to resident senior citizens (age 60 or more) in the old regime.
- Covers interest on savings accounts, fixed deposits and recurring deposits with banks, post offices and co-operative banks.
- The maximum deduction is ?50,000, and it cannot exceed the interest earned.
- Non-senior individuals can claim section 80TTA (up to ?10,000), but only for savings account interest. It does not cover FD interest.

Deduction under section 80C (tax-saver FD)

In the old regime, the principal invested in a 5-year tax-saver FD qualifies under section 80C, within the overall limit of ?1.5 lakh. The interest on such an FD is still taxable.

TDS on FD interest

- Banks deduct TDS under section 194A at 10% when the interest in a year crosses the threshold. For FY 2025-26 the threshold is ?50,000 for most depositors and ?1,00,000 for senior citizens, applied bank by bank (branch by branch for banks with core banking).
- If you have not given your PAN, TDS is deducted at a higher rate of 20%.
- If your total income is below the taxable limit, you can submit Form 15G (below age 60) or Form 15H (senior citizens) to the bank so that no TDS is deducted. TDS being nil does not make the interest tax-free: it must still be reported in your return.
- Under the Income-tax Act, 2025 the TDS provisions have new section numbers, but the rates and thresholds are carried forward unless the Finance Act changes them.

Final Word

FD interest is a regular part of most returns. Report all of it, check your 26AS and AIS before filing, and use the deductions that apply to you. Tax-saving FDs and senior citizen benefits help only in the old regime, so compare the two regimes before you choose.

Frequently asked questions

Is FD interest taxable?

Yes. FD interest is added to your income and taxed at your slab rate, whether or not TDS is deducted.

What is the TDS rate on FD interest?

Banks deduct TDS at 10% under section 194A once interest crosses the threshold, and at 20% if PAN is not provided.

What is the TDS threshold on FD interest?

For FY 2025-26 it is ?50,000 a year for most depositors and ?1,00,000 for senior citizens, applied bank by bank.

Can I claim a deduction on FD interest?

Resident senior citizens in the old regime can claim up to ?50,000 under section 80TTB. Others cannot claim a deduction on FD interest; section 80TTA covers only savings account interest.

Official sources

- Income Tax Department: e-Filing portal
- Union Budget: official website
- e-Gazette: Income-tax Act, 2025 (Act 30 of 2025)

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27

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meetsoni