"What's New?"

"Seller of goods? – Take care of new Tax Collection at Source (TCS) requirement"

The Finance Act, 2020 had inserted a new sub-section (1H) to section 206C of the Income-tax Act, 1961 **with effect from October 1, 2020**. As per section 206C(1H) scope of TCS provisions has been extended to sale of goods as well. These provisions apply to all goods other than goods mentioned in sub-section 1 to section 206C (like alcoholic liquor, tendu leaves, timber, scrap and certain minerals) and motor cars. TCS is fully creditable in the hands of buyer.

In this Alert we have discussed this new TCS requirement and recent clarifications in this regard.

Source: Circular No. 17 of 2020 of September 29, 2020 and Press Release of September 30, 2020

www.gsapadvisors.com   info@gsapadvisors.com

TCS on sale of goods

Applicability of section 206C(1H)

- TCS applies on receipt of sale consideration and it has been clarified by CBDT that no adjustment on account of sale return or discount or indirect taxes including GST is required to be made for this provision.

- TCS applies even on advance payment received.

- It is applicable on sellers whose gross turnover is more than INR 100 million in the preceding financial year.

- TCS would be collected from a buyer to whom sale exceeding INR 5 million is made in the relevant year.

- TCS shall be applicable only on amount of sales collected from such buyer on or after October 1, 2020 even if sales were made before this date.

Rate of TCS

Rate of TCS as prescribed by section 206C(1H) is 0.1%. However, till March 31, 2021 this rate has been reduced to 0.075% by Press Release dated May 14, 2020. If the buyer does not provide PAN or Aadhar card, rate of TCS will increase to 1%.

Exemptions from applicability of TCS provisions of section 206(1H)

- If tax is already deducted by buyer on the same transaction.

- If the same transaction is already being covered under any other TCS provisions.

- Import and export transactions.

- If the buyer is Central government, State government, local authorities, Embassy, etc.

Contact us

GSAP

🌐 H-59AB, Lower Ground Floor
Kalkaji, New Delhi 110019
India

✉️ info@gsapadvisors.com

📞 +91 (11) 4056 0819
+91 (11) 4154 4443