



TCS PROVISIONS ON SALE OF GOODS UNDER SECTION 206C(1H) OF INCOME TAX ACT, 1961

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From October 1, 2020, our Government has introduced a new provision for collecting TCS for the sale of goods and depositing the same to the Government. These provisions are given in Section 206C (1H) of the Income Tax Act.

Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax:

Provided that if the buyer has not provided the Permanent Account Number or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of section 206CC shall be read as if for the words “.1 per cent”, the words “one per cent” had been substituted:

Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

Explanation.—For the purposes of this sub-section,—

(a) “**buyer**” means a person who purchases any goods, but does not include,—

(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or

(B) a local authority as defined in the Explanation to clause (20) of section 10; or

(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;

(b) “**seller**” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

In this regard the CBDT has also issued a [circular No. 17](#) on 29 September 2020, which will also help in understanding this provision practically. Subsequently a press release dated 30 September 2020 also came from CBDT which also help us in understanding this provision which is mentioned in section 206C(1H) of Income Tax Act, 1961.

Summary of provision As Mentioned In Section 206C(1H) as below.

- 1) TCS have come into force with effect from 1 October 2020.

- 2) Turnover is more than 10 crores in the previous financial year i.e. the year ended 31 March 2020.
- 3) This year you will have to collect and deposit TCS on your receipts from sale of goods from such buyers from whom you received more than Rs. 50 Lakhs as sale consideration during the current Financial year.
- 4) The TCS is payable on the amount of receipt which is greater than 50 Lakhs and received after 1st. Oct. 2020.
- 5) The rate of TCS is 0.1% and Presently due to corona Pandemic 25% discount has been given in this tax rate till 31 March 2021 and its effective rate is 0.075%.

The following goods are excluded from the provisions of Section 206C (1H) of the Act:-

1. Value of consideration received for goods exported out of India;
2. Goods covered in sub-section (1) [such as Alcoholic liquor for human consumption, tendu leaves, timber obtained under forest lease / other than forest lease, scrap, minerals being coal, ignite or iron ore etc] or sub-section (1F) [motor vehicle] or sub-section (1G) of Section 206C of the Act (as those goods are already subject to provisions of TCS).

Value for TCS

Value of sale consideration of goods exceeding fifty (50) lakh rupees. (Including GST)

Time of collection of TCS

At the time of receipt of sale consideration from buyer.

However, in order to remove complexities, in our views, it would be advisable to collect the TCS on the invoice issued for sale of goods by separately indicating the TCS amount in such invoices.

Rate of TCS,

1/10/2020 to 31/03/2021	- PAN/Adhaar Available	-	.075 %
1/10/2020 to 31/03/2021	- PAN/Adhaar Not Available	-	1 %
From 01/04/2021	- PAN / Aadhaar Available	-	.1%
From 01/04/2021	- PAN / Aadhaar Not Available	-	1%

Matters clarified by Central Board of Direct Taxes (CBDT) vide Press Release dated 30/09/ 2020

1. TCS is applicable on the amount received on or after 01/10/2020. In other words, TCS provisions would not apply to any amounts received before 01/10/2020.
2. For the purpose of computation of threshold of 50 lakh rupees referred above, the receipts from the beginning of the FY i.e., 01/04/2020 shall be taken into account.
3. However, TCS shall be applicable on amount exceeding 50 lakh rupees and received on or after 01/10/2020.
4. The seller shall collect the tax or TCS from the buyer only if he receives consideration of more than 50 lakh rupees in a FY in aggregate from the buyer towards the sale of any goods. This shall apply per buyer basis.

Due date of deposit of TCS

1. Shall be deposited within 7 days from of the next month in which TCS is collected (Section 206(3) read with Rule 37CA).

Furnishing of TCS Statements – Due Date / Periodicity etc.

1. Quarterly statement of TCS shall be furnished by the seller in Form 27EQ
2. The due dates for furnishing TCS statements is Just like regular TDS/ TCS Certificates.