



ACCOUNTING TREATMENT OF TCS U/S 206C (1H) OF INCOME TAX ACT ON SALE OF GOODS

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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).

These provisions are applicable only in respect of transaction of sale of goods and do not apply to sale of services.

Sub-section (1H) of section 206C has been made effective from 1st October 2020 and state that:

- A Seller of Goods is liable to collect TCS from Buyer on Sale of any goods
- Seller means a person whose total sales, gross receipts or turnover from the business carried on by him exceed Rs.10 Crores during the previous year ended on 31st March.
- TCS to be collected if the Value/Aggregate Value received for Goods from a buyer is more than ₹ 50 Lakhs in a financial year.
- TCS to be collected on [Total Sale Value received – ₹ 50 Lakhs.
- Rate of TCS is 0.075% from 01.10.2020 to 31.03.2021 and thereafter the rate will be 0.1%.
- If the buyer does not provide PAN/Aadhar number then the TCS shall be collected at 1%, instead of 0.1%. In such situation, Covid-19 related concession is also not available.
- TCS would be charged on total invoice value inclusive of GST.

TCS is not applicable when the buyer is from the following category:-

- Central Government
- State Government
- Embassy
- Commission/High Commission
- Legation
- Consulate
- Trade Representation of Foreign state
- Local Authority

Some of the basic compliances that a business entity i.e. vendor selling the:-

- TAN number – Vendor needs to have Tax Deduction and Collection Account Number (“TAN”).
- Collecting the tax – Tax to be collected at the time of receipt of sale consideration.
- Issuance of certificate (Form no 27D) within 15 days from the due date for filing of filing of TCS Return.

Accounting entry for TCS on Sale (In the Books of sealer)

(i) **At the time of issuance of invoice:**

Particulars	Debit	Credit
Trade Receivables	23623.6	
To Sale		20000.00
To Goods and Service Tax (GST)		3600.00
To Tax Collected at Source		23.6

(ii) **At the time of receipt of sale consideration along with TCS:**

Particulars	Debit	Credit
Bank	23623.6	
Trade Receivables		23623.6
Tax Collected at Source	23.6	
To Tax Collected at Source		23.6

Note: TCS is to be deposited only on receipt of sale consideration along with TCS.

(iii) **At the time of payment of TCS Liability:**

Particulars	Debit	Credit
Tax Collected at Source	23.6	
To Bank		23.6

Accounting entry for TCS paid/payable on Purchase

At the time of booking of invoice

Particulars	Debit	Credit
Purchase A/c	200000.00	
GST Input Tax Credit A/c	3600.00	
Tax Collected at Source by Others	23.60	
To Account Payable		23623.60