



## **CERTIFICATE COURSE ON TDS**

*Today's Content – All relevant section associated with Section 206 of the Act*

### **1. Introduction to Section 206**

Section 206 of the Income Tax Act, 1961, governs the duty of persons deducting tax at source (TDS) or collecting tax at source (TCS) to furnish statements to the Income Tax Department. It mandates:

- Preparation,
- Submission, and
- Reporting compliance  
of tax deducted/collected at source.

It is part of **Chapter XVII**, which deals with **Collection and Recovery of Tax**.

The goal of Section 206 is to ensure proper flow of information between deductors /collectors and the Income Tax Department for effective tax administration.

### **2. Scope of Section 206**

Applicable to:

- All persons responsible for deducting TDS
- All persons responsible for collecting TCS
- Collectees (in certain clauses) — specifically regarding PAN

Types of transactions:

- Salaries
- Interest
- Commission
- Rent
- Sale of goods
- Scrap sales, etc.

Applicable Forms:

- TDS: 24Q (salary), 26Q (domestic non-salary), 27Q (non-resident)
- TCS: 27EQ

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### 3. Detailed Explanation of Sub-Sections

#### ◆ Section 206(1): Obligation to Furnish TDS/TCS Statements

**Who:** Deductors/Collectors

**What:** File quarterly TDS/TCS statements

**When:** After depositing tax to the government

**Form:** 24Q / 26Q / 27Q / 27EQ

#### Due Dates for Filing Quarterly TDS Returns:

- Q1: 31st July
- Q2: 31st October
- Q3: 31st January
- Q4: 31st May

Purpose:

- Enables cross-verification of taxes paid
- Ensures compliance with TDS/TCS provisions

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#### ◆ Section 206(1A): Electronic Filing of Statements

**Empowers CBDT** to prescribe rules for electronic filing of TDS/TCS statements.

Mandatory e-filing applies to:

- Companies
- Government deductors
- Entities required to audit under Section 44AB

✓ **Benefit:**

Streamlines filing, enhances transparency, and improves processing speed.

◆ **Section 206(2): Consequences of Non-Filing**

Failure to furnish TDS/TCS statement within time attracts:

- Late fee of ₹200 per day of default (under Section 234E)
- Maximum fee capped at total tax deductible/collectible.

✓ **Important:**

- This is **fee**, not **penalty**.
- Penalty under Section 271H can also apply separately.

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◆ **Section 206(3): PAN Requirement in TCS Transactions**

Person receiving amount liable for TCS must provide PAN to the collector.

Non-furnishing of PAN attracts:

- Higher TCS rate under Section 206CC:
  - Higher of twice the rate prescribed or 5%.

✓ **Example:** If Mr. A purchases scrap but does not furnish PAN, the collector applies a higher TCS rate under Section 206CC.

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◆ **Section 206(4): Reporting Obligation on Collector (PAN Absence)**

If the collectee does not provide PAN:

- Collector must mention this fact in the quarterly TCS statement (Form 27EQ).

✓ **Purpose:** Ensure that tax authorities are aware of collectees without PAN for better compliance monitoring.

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### ◆ Section 206(5): CBDT Rule-Making Power

CBDT may prescribe:

- Formats of TDS/TCS statements
- Particulars to be furnished
- Manner of furnishing (electronic/manual)
- Verification procedures

✓ **Current Practice:** CBDT notifies rules under:

- Rule 31A (for TDS)
  - Rule 31AA (for TCS)
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## 4. Penalties, Late Fees, and Consequences

Nature of Default	Section Involved	Consequence
Late filing of statement	Sec. 206(2), Sec. 234E	₹200/day (max up to TDS amount)
Non-filing / incorrect filing	Sec. 271H	₹10,000 to ₹1 lakh
Non-deposit of TDS	Sec. 201(1A)	Interest @ 1% or 1.5% p.m.
No PAN furnished	Sec. 206CC	Higher TCS rate (twice the rate or 5%)

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## 5. Practical Illustration

### Example 1:

XYZ Ltd. deducts TDS on rent in April but fails to file TDS return for Q1.

Consequences:

- Late fee @ ₹200/day under Sec. 234E
- Possible penalty under Sec. 271H
- Interest under Sec. 201(1A) if payment delayed

### Example 2:

Mr. A buys goods from ABC Ltd. but does not furnish PAN.

Consequences:

- ABC Ltd. must apply higher TCS rate (Sec. 206CC)
- Must mention non-furnishing of PAN in Form 27EQ

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## 6. Related Forms and Rules

Form No.	Purpose	Rule
24Q	TDS Return for salary	Rule 31A
26Q	TDS Return for other than salary	Rule 31A
27Q	TDS Return for non-residents	Rule 31A
27EQ	TCS Return	Rule 31AA

Filing is done through:

- TRACES Portal
- Income Tax e-Filing Portal

Verification:

- Digital Signature Certificate (DSC) for companies
- Electronic Verification Code (EVC) for others

## 7. Conclusion

Section 206 serves as a compliance backbone for TDS/TCS procedures:

- Ensuring proper reporting
- Mandating disclosure of PAN
- Empowering CBDT to create effective frameworks
- Imposing consequences for defaults

## Overview of Section 206A

Section 206A of the Income Tax Act mandates **certain entities** (mainly banks, co-operative societies, and public companies) to **furnish statements of interest paid**, even if **no TDS** was deducted on such interest.

### ✓ **Purpose:**

- To track interest income of taxpayers where no TDS is deducted.
- Ensure transparency and prevent tax evasion.

### ✓ **Scope:**

Applies to **interest payments** made to residents where:

- **No tax was deducted** due to exemption under the Act (like Section 197A - where form 15G/15H is submitted).

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## Applicability of Section 206A

### **Who needs to file?**

1. **Banking Companies**
2. **Co-operative societies** engaged in banking
3. **Public companies** issuing debentures to the public

### **For what?**

- Interest payments **without TDS deduction** due to exemption (e.g., submission of Form 15G / 15H).

### **Examples:**

- Senior citizens submitting Form 15H for non-deduction of TDS on interest.
- Depositors submitting Form 15G to avoid TDS on FD interest.

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## 🔍 Detailed Clause-by-Clause Explanation

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### ◆ **1. Statement Requirement**

The entities mentioned **must furnish a statement** containing details of:

- Interest payments made without TDS.
- Recipient details (name, address, PAN, etc.)
- Amount of interest paid.

**Why?** Even if no tax is deducted, the Income Tax Department needs to know about these payments for information reporting.

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## ◆ 2. Timeline for Filing

The statement must be filed **quarterly**, like TDS returns.

Quarter	Due Date
Apr–Jun	31st July
Jul–Sep	31st Oct
Oct–Dec	31st Jan
Jan–Mar	31st May

✓ These timelines align with TDS return filing timelines.

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## ◆ 3. Form for Filing

The prescribed form is **Form 26Q**, along with **Annexure** for interest payments without deduction of tax. In some cases, **Form 26Q-A** is used (where specifically applicable).

## ◆ 4. Mode of Filing

- **Mandatory electronic filing** if:
    - Deductor is a company
    - Or covered under tax audit (Section 44AB)
  - Optional manual filing for others, but practically, almost all entities e-file.
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## ◆ 5. Penalties and Consequences for Non-Compliance

Nature of Default	Consequence
Non-filing or late filing	Fee of ₹200/day u/s 234E (not exceeding the TDS amount)
Incorrect or false filing	Penalty of ₹10,000 to ₹1,00,000 u/s 271H
Persistent default	Possible prosecution in extreme cases

## ◆ 6. Practical Use of Information

The data filed under Section 206A:

- Helps match with **recipient's tax returns**.
- Ensures that those claiming no TDS are reporting correct income.
- Used in **Annual Information Statements (AIS)** of taxpayers.

### Quick Recap Table

Particulars	Details
Applicable to	Banks, Co-op banks, Public companies issuing debentures
Nature of Payment	Interest without TDS (e.g., Form 15G/15H cases)
Filing Timeline	Quarterly (same as TDS return due dates)
Form	Form 26Q with Annexure or specific form prescribed
Penalty for Delay	₹200 per day u/s 234E
Penalty for Incorrect Info	₹10,000 to ₹1,00,000 u/s 271H
Mode of Filing	Electronic (mandatory for companies & tax audit cases)

### Practical Example

→ ☐ **ABC Bank Ltd.** pays ₹30,000 interest on fixed deposits to Mr. Sharma (senior citizen). Mr. Sharma submitted **Form 15H** claiming exemption from TDS.  
ABC Bank:

- Will not deduct TDS on the payment.
- But will **report this payment under Section 206A** in their quarterly filing.



This ensures Mr. Sharma's interest income is tracked by the Income Tax Department.

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#### Related Sections to Know

Section	Relevance
Section 197A	Submission of Form 15G/15H for non-deduction of TDS
Section 234E	Late filing fee for TDS/TCS statements
Section 271H	Penalty for incorrect filing of returns
Section 206	Filing of TDS/TCS returns generally

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#### ✔ Conclusion

Section 206A strengthens the reporting system under the Income Tax Act by ensuring that even interest payments not subjected to TDS are reported properly. This ensures transparency and helps in preventing tax leakage.

## Overview of Section 206AA

**Section 206AA** was introduced to strengthen compliance and ensure accurate reporting of income.

It mandates that **any person entitled to receive any income, on which TDS is applicable, must furnish their PAN to the deductor.**

✓ **If PAN is not furnished**, TDS is deducted at **higher rates**.

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### Applicability of Section 206AA

#### **Applies to:**

- All payments **where TDS is applicable** under Income Tax Act.
- **Both residents and non-residents** (to some extent, explained later).

#### **Deductees:**

- Individuals
- Companies
- LLPs
- Firms
- Trusts
- Any person entitled to receive income.

#### **Deductors:**

- Any person responsible for deducting tax (banks, companies, employers, etc.)

#### **Important:**

Even if the recipient claims exemption by submitting Form 15G/15H or lower deduction certificate u/s 197 — **PAN is mandatory.**

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### TDS Rates under Section 206AA

Scenario	TDS Rate under 206AA
PAN Furnished	Normal rates as per Income Tax Act
PAN Not Furnished	Higher of the following:
	(i) Rate specified in the Act

Scenario	TDS Rate under 206AA
	(ii) Rate in force (Finance Act)
	(iii) <b>20%</b> (commonly applicable)

✓ **Note:** For certain sections like 194-O (e-commerce) or 194Q (TDS on purchase of goods), the rate under 206AA is **5%**.

#### 🔍 Section-Wise Impact of 206AA

Section	Nature of Payment	Normal Rate	206AA Rate
192	Salary	Slab rates	Slab rates (PAN mandatory for Form 16)
194A	Interest (other than securities)	10%	20%
194C	Contractor payment	1% / 2%	20%
194J	Professional Fees	10%	20%
194O	E-commerce operator	1%	5%
194Q	Purchase of goods	0.1%	5%

#### Special Points

- ✓ **Form 15G / 15H without PAN is invalid.**
  - If Form 15G/15H is submitted without PAN, it is **deemed invalid** and TDS will be deducted at **20%**.
- ✓ **Applicability to Non-residents:**
  - Section 206AA **applies** to non-residents as well.
  - However, there is a **relaxation**:
    - If non-resident receives **interest on long-term bonds u/s 194LC**, 206AA does **not apply** (CBDT Circular No. 03/2015).
    - Also, under some tax treaties (DTAA), lower rates can apply even if PAN is not furnished, subject to certain conditions.
- ✓ **Section 206AA overrides other provisions:**
  - Even if Section 197 certificate of lower deduction is obtained, if PAN is not furnished, higher rates under 206AA apply.

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## Practical Example

### → □ Example 1:

Mr. Raj is a consultant and receives ₹50,000 as professional fees.

- Normal TDS u/s 194J = 10%
- Mr. Raj does not furnish PAN.
- **TDS under 206AA = 20%**, i.e., ₹10,000 will be deducted instead of ₹5,000.

### → □ Example 2:

XYZ Pvt. Ltd. pays interest of ₹1,00,000 to Mr. Sharma.

- Normal TDS u/s 194A = 10%
- Mr. Sharma submits Form 15H but does **not provide PAN**.
- Form 15H becomes invalid without PAN.
- **TDS @ 20% under 206AA**, i.e., ₹20,000 will be deducted.

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## 🏛️ □ Judicial Precedents & Circulars

### 1. **CBDT Circular No. 03/2015:**

- Clarified non-applicability of Section 206AA for interest on foreign currency bonds u/s 194LC.

### 2. **Engineering Analysis Centre of Excellence Pvt Ltd v. CIT (SC Judgment):**

- DTAA's override provisions of the Act if more beneficial. Non-residents may avail treaty benefit even if PAN is not furnished (subject to conditions).

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## ■ Penalties and Consequences

Issue	Consequence
PAN not furnished by deductee	Higher TDS deduction (usually 20%)
PAN not furnished in Form 15G/15H	Form invalid; TDS at 20%
PAN invalid or incorrect	Treated as PAN not furnished
Deductor fails to deduct as per 206AA	Treated as assessee in default; liable for interest and penalty

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## ✓ Conclusion

Section 206AA is a strict compliance provision that ensures the availability of PAN for tax deduction processes. It promotes transparency, facilitates effective tracking of transactions, and deters non-compliance by penalizing the recipient through higher TDS rates.

## Overview of Section 206C

### 1. Introduction

Section 206C deals with the provisions related to **Tax Collected at Source (TCS)**.

- While **TDS** is tax deducted **while making payment**,
- **TCS** is tax collected **by the seller at the time of receiving the amount from the buyer**.

#### ✓ **Objective:**

To ensure tax is collected at the very first point of transaction (like sale of goods), to improve tax compliance.

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### 2. Applicability of Section 206C

#### **Who Collects TCS?**

- **Seller** of specified goods
- "Seller" means:
  - Central/State Government
  - Local Authority
  - Corporation/Company
  - Partnership Firm
  - Cooperative Society
  - Individual/HUF (if turnover exceeds ₹1 crore for business or ₹50 lakh for profession in preceding FY)

#### **Who Pays TCS?**

- **Buyer** of goods (except public sector companies, central/state government, embassy, consulates, etc.)

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### 3. Specified Transactions under Section 206C

Sr. No.	Nature of Goods/Transactions	Rate of TCS
1	Alcoholic liquor for human consumption	1%
2	Tendu leaves	5%

Sr. No.	Nature of Goods/Transactions	Rate of TCS
3	Timber obtained under a forest lease	2.5%
4	Timber by any mode other than forest lease	2.5%
5	Any other forest produce (excluding timber & tendu leaves)	2.5%
6	Scrap	1%
7	Minerals, being coal, lignite, iron ore	1%
8	Motor vehicle > ₹10 lakh	1% of sale consideration
9	Sale of goods (w.e.f. 1st July 2021) — if sale exceeds ₹50 lakh (Section 206C(1H))	0.1% of amount exceeding ₹50 lakh
10	Overseas tour packages (Section 206C(1G))	5%
11	Remittance under LRS exceeding ₹10 lakh (Section 206C(1G))	5%

## 4. Detailed Sub-Sections of Section 206C

### Section 206C (1) – Tax Collected at Source (TCS) on Specified Goods

Every person, being a seller, shall, at the time of debiting the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the buyer in cash, cheque, draft, or by any other mode, whichever is earlier, collect from the buyer of the specified goods, a sum equal to the percentage specified, of such amount as income-tax.

#### 1. Meaning of Important Terms

##### (a) Seller [Explanation (c) to Section 206C]

A “seller” means:

- Central Government, State Government,
- Local Authority, Corporation, Authority,
- Company, Firm, Co-operative Society,
- Individual/HUF having turnover > ₹1 crore (for business) or ₹50 lakh (for profession) in the preceding year.

##### (b) Buyer [Explanation (a) to Section 206C]

“Buyer” means a person who obtains the specified goods in any sale, but **does not include**:

- Public sector companies,
- Central/State Government,
- Embassy, High Commission, Consulate, Trade Representation of a foreign State,
- A club (in certain cases).

#### 2. Goods Covered under Section 206C(1)

TCS applies to the following goods when sold:

Goods	Rate of TCS
Alcoholic liquor for human consumption	1%
Tendu leaves	5%



<b>Goods</b>	<b>Rate of TCS</b>
Timber obtained under a forest lease	2.5%
Timber obtained by any mode other than lease	2.5%
Any other forest produce (other than timber and tendu leaves)	2.5%
Scrap	1%
Minerals (coal, lignite, iron ore)	1%

### 3. Time of Collection

TCS is to be collected **at the time of:**

- Debiting the buyer's account (in seller's books), **OR**
- Receipt of payment (by cash, cheque, draft, electronic means), whichever is earlier.

### 4. Exemptions

TCS is **not required to be collected** in the following cases:

1. If the buyer is **Government, embassy, consulate, or local authority.**
2. If the goods are purchased for **personal consumption** (not for trading/manufacturing).
3. Certain notified cases (e.g., buyers who furnish declaration in **Form 27C** stating that goods are to be used for manufacturing, processing, or producing articles and not for trading).

### 5. Deposit of TCS

- TCS collected should be deposited to the credit of the Central Government **within 7 days from the end of the month** in which tax is collected.
- Quarterly **TCS return (Form 27EQ)** has to be filed.
- TCS certificate (**Form 27D**) is to be issued to the buyer.

## 6. Consequences of Non-Collection / Non-Payment

- **Disallowance under Section 40(a)(ia):** Expense may be disallowed for seller.
- **Interest u/s 206C(7):** 1% per month or part of month from the date tax was collectible till the date actually paid.
- **Penalty:** Equal to the amount of TCS not collected/paid.

## 7. Example

☞ Suppose Mr. A (seller) sells scrap worth ₹10,00,000 to Mr. B (buyer).

- Rate of TCS = 1%
- TCS = ₹10,000
- Mr. B pays ₹10,10,000 (₹10 lakh + ₹10,000 TCS) to Mr. A.
- Mr. A deposits ₹10,000 with the government as TCS.
- Mr. B can claim credit of ₹10,000 while filing his income tax return.

✓ **In essence:** Section 206C(1) makes the **seller responsible** to collect tax from the buyer on the sale of specific goods like liquor, tendu leaves, timber, scrap, and certain minerals. This ensures upfront tax collection and tracking of transactions involving such goods.

## Section 206C(1C) – Tax Collected at Source (TCS) on Certain Business/Service Contracts

Every person, who grants a lease, license, or contract, either by auction, tender, or otherwise, in respect of—

- parking lot,
  - toll plaza,
  - mining or quarrying,
- shall, at the time of debiting the amount payable by the licensee/lessee to his account or at the time of receiving such amount, whichever is earlier, **collect a sum at the prescribed rate as income-tax.**
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### 2. Parties Involved

#### (a) Collector (Person liable to collect TCS)

- The **owner** or **authority** granting the lease, license, or contract.
- Examples:
  - NHAI (granting toll collection rights),
  - Municipal body (granting parking lot contracts),
  - Mining Department (granting mining rights).

#### (b) Collectee (Buyer / Licensee / Lessee)

- The person to whom the lease, license, or contract is granted (e.g., toll contractor, mining contractor, parking contractor).
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### 3. Activities Covered under 206C(1C)

TCS applies where consideration is received for granting of rights/contracts in respect of:

1. **Parking Lot** → Right to collect parking fees.
2. **Toll Plaza** → Right to collect tolls from vehicles.
3. **Mining & Quarrying** → Right to extract minerals, stone, sand, iron ore, etc.

#### 💡 Key Note:

This section **does not cover the sale of goods** (that is covered in 206C(1)); instead, it covers **grant of rights/leases/licenses** to operate certain businesses.

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#### 4. Rate of TCS (as per current law)

Nature of Activity	Rate of TCS
Parking Lot	2%
Toll Plaza	2%
Mining / Quarrying	2%

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#### 5. Timing of Collection

TCS is collected:

- At the time of **debiting the amount payable** by the licensee/lessee in the books of the grantor, **or**
- At the time of **receipt of payment**, whichever is earlier.

#### 6. Exemptions

TCS under 206C(1C) is **not applicable** where:

1. **Buyer/Lessee/Licensee is –**
  - Central Government
  - State Government
  - Local Authority
  - Public Sector Company
  - Embassy, High Commission, Consulate, Trade Representation of a foreign State
2. If the contract is granted for **personal purposes** (not for business or trading).

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#### 7. Compliance Requirements

1. **Deposit of TCS** → Within **7 days from the end of the month** in which TCS is collected.
2. **Quarterly TCS Return** → To be filed in **Form 27EQ**.
3. **Issue of TCS Certificate** → Collector has to issue **Form 27D** to the buyer/licensee/lessee.
4. **PAN Requirement** → If buyer does not provide PAN/Aadhaar, higher TCS @ **5%** may apply (u/s 206CC).

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## 8. Illustration (Example)

### ◆ Case 1 – Parking Lot Contract

- A municipal corporation grants a **parking lot contract** to Mr. X for ₹50,00,000.
- Applicable TCS rate = 2%
- TCS = ₹1,00,000
- Mr. X pays ₹51,00,000 (₹50,00,000 + ₹1,00,000 TCS).
- Corporation deposits ₹1,00,000 with the government.
- Mr. X claims TCS credit in his ITR.

### ◆ Case 2 – Mining Contract

- A mining department grants mining rights to ABC Ltd. for ₹2 crore.
- Applicable TCS rate = 2%
- TCS = ₹4,00,000
- Total payable = ₹2,04,00,000.
- Department deposits ₹4,00,000 as TCS.
- ABC Ltd. can claim this as credit in its return.

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## 9. Consequences of Non-Collection/Non-Payment

1. **Interest (u/s 206C(7))** → 1% per month or part thereof from the date TCS was collectible till payment.
2. **Penalty (u/s 271CA)** → Equal to the amount of TCS not collected/paid.
3. **Prosecution (u/s 276BB)** → May be initiated for failure to pay TCS to the government.

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## 10. Key Difference (206C(1) vs 206C(1C))

Particulars	206C(1)	206C(1C)
<b>Type of Transaction</b>	Sale of specified goods (alcohol, timber, scrap, minerals, etc.)	Grant of lease, license, or contract for business rights
<b>Who collects?</b>	Seller of goods	Grantor of license/contract
<b>Goods/Services Covered</b>	Liquor, timber, tendu leaves, scrap, coal, lignite, iron ore	Parking lots, toll plazas, mining/quarrying
<b>Rate of TCS</b>	1% – 5% depending on goods	2% (fixed)

Particulars	206C(1)	206C(1C)
<b>Form for Declaration</b>	Form 27C (if goods used for manufacturing, not trading)	Not relevant

✓**Essence:**

Section **206C(1C)** ensures tax is collected **at the source of granting rights** in high-cash transactions like **toll plazas, mining, quarrying, and parking lots**. It makes the grantor responsible to collect TCS from the contractor/lessee upfront.

## Section 206C(1F) – TCS on Sale of Motor Vehicle

Every seller who receives any amount as consideration for sale of a motor vehicle of the value exceeding **ten lakh rupees**, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to **\*\*one per cent** of the sale consideration as income-tax.

### 2. Who is a Seller?

- **Seller** means any person (company, firm, individual, dealer, distributor, etc.) who is engaged in the business of selling motor vehicles.
  - This includes:
    - Car dealerships
    - Vehicle showrooms
    - Companies selling vehicles directly to customers
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### 3. Who is a Buyer?

- **Buyer** means a person who obtains goods (motor vehicle in this case) by purchase.
  - **Exclusions** (no TCS to be collected if motor vehicle is sold to):
    - Central Government
    - State Government
    - Embassies, High Commissions, Consulates, Legations
    - Trade representations of a foreign State
    - Local Authorities
    - Public sector companies engaged in passenger transport (notified)
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### 4. When is TCS Collected?

- **At the time of receipt of consideration** (not at the time of sale/booking).
  - Even if part payment is received (say, advance), TCS is collected at that stage.
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### 5. Rate of TCS

- **1% of Sale Consideration** (exclusive of GST).
    - CBDT clarified that TCS is not levied on GST component, only on the sale price of the vehicle.
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## 6. Threshold Limit

- Applies **only if the sale consideration of a single motor vehicle exceeds ₹10 lakh.**
  - **Per Transaction Basis:** Threshold checked for each vehicle, not aggregate sales.
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## 7. Illustrations

1. **Case 1 – Single High-Value Car**
  - Car Price = ₹15,00,000
  - TCS @ 1% = ₹15,000
  - Buyer pays = ₹15,15,000
2. **Case 2 – Multiple Cars, Each Below Threshold**
  - Buyer purchases **2 cars of ₹9,50,000 each** = Total ₹19,00,000
  - Since each car < ₹10 lakh → **206C(1F) not applicable**
  - If aggregate sales > ₹50 lakh in FY, then **206C(1H)** may apply.
3. **Case 3 – Luxury Car + TCS**
  - Car Price = ₹25,00,000
  - TCS @ 1% = ₹25,000
  - Total Invoice = ₹25,25,000

## 9. CBDT Clarifications (Circular No. 22/2016 dated 08.06.2016)

- **Retail sales:** TCS applicable if a single motor vehicle exceeds ₹10 lakh.
  - **Bulk sales to corporate buyers:** TCS still applies on each vehicle > ₹10 lakh.
  - **If multiple cars sold, each < ₹10 lakh,** TCS u/s 206C(1F) not applicable. However, if total sale exceeds ₹50 lakh, then Section 206C(1H) applies.
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## 10. Compliance by Seller

- Collect TCS at the time of receiving consideration.
  - Deposit TCS to government by **7th of next month.**
  - File quarterly TCS return in **Form 27EQ.**
  - Issue TCS Certificate in **Form 27D** to buyer.
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## 11. Practical Issues

- **Advance booking:** TCS collected on every installment received (since it's linked to receipt).



- **Exchange of old car:** If buyer gives old car + cash, TCS applies on the **sale price of new car**, not net amount.
  - **GST Impact:** TCS is calculated on the value of the vehicle excluding GST.
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**Summary:**

Section **206C(1F)** makes it mandatory for dealers/sellers to collect **1% TCS on the sale of a motor vehicle if the value exceeds ₹10 lakh (per vehicle)**. It is a **transaction-based levy** and is distinct from the **aggregate-based levy u/s 206C(1H)**.

## Section 206C(1G) – Liberalized Remittance Scheme (LRS) & Tour packages

Section 206C(G) of Income tax act, 1961 mandates overseas tour package operators to collect TCS from the individuals travelling abroad. As announced in budget 2025, the threshold limit of remittances (under LRS) made to overseas tour package sellers has increased to Rs. 10 lakh from 7 lakh.

### Applicability of TCS on Overseas Tour Package Program

- TCS is collected for every foreign remittance (except education and medical) in excess of Rs. 10,00,000
- Regardless of turnover made in the previous year, every tour package operator is required to collect TCS and deposit it to the government within the deadline.
- Every travel operator is mandated to register for the TAN (Tax Deduction and Collection Account number)
- TCS is applicable on money transfers or purchases through Debit, Forex cards or international cards.

### TCS Rates on Overseas Tour Packages

Under Finance Act 2025, the applicable TCS rates are 5% and 20%.

Type of remittance	Threshold limit	TCS rates
Overseas tour package	Rs. 10 lakh	5%
Overseas tour package	Exceeds Rs. 10 lakh	20%
Other foreign remittance	Rs. 10 lakh	nil

Other foreign remittance	Exceeds Rs. 10 lakh	20%
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### How to Pay TCS for Foreign Travel?

When resident individuals (buyers) buy overseas tour packages, TCS gets collected by the foreign tour package operators (sellers) at a prescribed rate. The seller deposits TCS to the government within the specified dates. Payment in Indian rupees on booking with domestic online travel portals like MakeMyTrip, Yatra.com also qualifies for TCS collection.

### Due Dates to Pay TCS on Overseas Tour Package

- The seller needs to pay TCS to the government on or before 7 days from the month's end when TCS is collected
- Failing to collect TCS or submit it to the government within the due dates, the seller has to pay an interest of 1% per month or part of the month

### TCS Return Due Dates

Seller has to submit quarterly TCS returns, Form 27EQ to the government within the due dates.

Quarter	Due Dates
April- June (1st Quarter)	15th July
July- September (2nd Quarter)	15th October
October- December (3rd Quarter)	15th January

January-March (4th Quarter)	15th May
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### How Can the Buyer Claim for the TCS Refund Credit?

- On filling the TCS return, the seller has to issue a TCS certificate, Form 27D within 15 days from the date of filing TCS returns.
- When the seller has filed a TCS return, the TCS amount gets reflected in the form 26AS of the buyer.
- The buyer can deduct the TCS amount from the net tax payable. If the TCS amount is greater than the net tax payable, the buyer can claim the tax refunds on filing an Income Tax Return

### Exemptions of TCS for Foreign Travel

The following are the TCS exempted buyers:

- Central Government
- State Government
- High Commission
- Embassy
- Legation

**Note:** No TCS if buyer has deducted TDS under any section.

### Conclusion

TCS on overseas Tour Package is a regulatory measure to ensure transparency on Foreign travel remittances. Both the buyer and seller need to know about the recent TCS rates so that they can know about the amount of taxes that need to be paid and collected. The seller

of the tour package program should file for TCS returns within the due dates. The buyer can also claim for the TCS refund on filing his income tax returns.

## **Overview of Section 206CB**

### 1. Introduction

- Section 206CB relates to the **processing of TCS returns** (i.e., statements furnished under Section 206C).
- Think of this section like **Section 143(1)**, which is about processing ITRs, but this is specific to **TCS statements** filed by the collector.
- **Objective:**
  - Automated and systematic processing of TCS returns to reduce errors and ensure faster matching of tax credits.

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### 2. Applicability

- Applies to **statements of tax collected at source** furnished under **Section 206C(3)**.
- TCS statement is filed in **Form 27EQ**.

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### 3. Step-by-Step Process of Section 206CB

When you file a TCS statement, the Income Tax Department processes it as follows:

#### **Step 1: Computation of Arithmetical Accuracy**

- Verify **arithmetical accuracy** of TCS collected, deposited, and reported.

#### **Step 2: Verification of Tax Payment**

- Confirm whether TCS reported in the statement matches the **amount deposited to the credit of the Central Government**.

#### **Step 3: Interest Computation**

- If there is any delay in:

- Collection of tax
- Payment of TCS to the government
- **Interest is calculated as per Section 206C(7).**

#### □ **Step 4: Fee Computation**

- Check if any **fee under Section 234E** is payable for late filing of the TCS statement.
  - ₹200 per day of default (subject to TCS amount).

#### □ **Step 5: Sum Payable or Refund Due**

- After adjustments, the system determines:
  - Any **amount payable** by the collector, or
  - **Refund due** to the collector.

#### □ **Step 6: Intimation to Collector**

- The department **issues intimation** of the outcome of the processing:
  - Amount payable/refundable
  - Computation details
- Timeline: **Within 1 year** from the end of the financial year in which the statement is filed.

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#### 4. Key Provisions Summary

Particulars	Details
Applicable to	Processing of TCS statements under Section 206C(3)
Form	Form 27EQ
System checks	Arithmetical accuracy, tax payment, interest, late fee
Interest	u/s 206C(7)
Late fee	u/s 234E
Intimation timeline	Within 1 year from end of FY in which the statement is filed
Adjustment	Amount payable or refund due
Nature of processing	Computerised/systematic

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## 💡 5. Practical Example

Let's say Pragun Traders collected TCS of ₹50,000 in Q1 and filed **Form 27EQ**, but there was a **delay of 2 months** in depositing TCS.

### During processing:

- System checks arithmetic accuracy.
- System detects delay → **Interest @ 1% per month** under **Section 206C(7)**.
- Delay in filing? ₹200/day under **Section 234E**.
- Intimation issued showing:
  - TCS deposited: ₹50,000
  - Interest: ₹1,000
  - Late filing fee: ₹2,000
- Collector needs to pay ₹3,000 extra.

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## 🔗 6. Legal Language Simplified

The section authorizes the Central Government to:

- Process TCS statements like an automated summary assessment.
- Adjust payments, compute interest/fees, and issue intimation to the collector.
- Ensure that the final liability or refund is communicated quickly.

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## ✈ 7. Due Dates & Timeline

Action	Timeline
Filing of TCS Statement	Quarterly: 15th July / 15th Oct / 15th Jan / 15th May
Intimation of Processing	Within 1 year from end of FY of filing
Payment of Interest / Fee Along with intimation	

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## 🔴 8. Penalties & Consequences

Non-Compliance	Consequences
Late filing of TCS statement	₹200/day (Section 234E)
Delay in TCS deposit	Interest @ 1% p.m. (Section 206C(7))
Non-compliance with intimation	Demand and recovery proceedings initiated

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## 9. Quick Revision Table

Feature	Details
Section	206CB
Applies to	Processing of TCS Statements (Form 27EQ)
Checks	Arithmetic accuracy, tax deposit verification, interest, late fee
Intimation Time	Within 1 year from end of FY
Interest Section	206C(7)
Late Fee Section	234E
Outcome	Amount payable/refundable intimation to collector

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### ✓ Conclusion

Section 206CB ensures **speedy, automated, and error-free processing** of TCS returns. It benefits both:

- The tax department (by quicker reconciliation).
- The collector (by faster resolution and intimation).



## Overview of Section 206CC

### 1. Introduction

- Section 206CC was introduced to **ensure better compliance** in TCS provisions.
- If the collectee (buyer) **fails to provide PAN or Aadhaar**, the person collecting TCS must **collect tax at a higher rate**.
- **Objective:**
  - To enforce compliance with PAN/Aadhaar quoting in TCS transactions and curb tax evasion.

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### 🏠 2. Applicability

Particulars	Details
Applicable on	All transactions where TCS is collectible under Section 206C
Applies to	Buyer / Collectee (who is liable to provide PAN/Aadhaar)
Trigger Point	Non-furnishing of PAN or Aadhaar by the collectee
Responsibility	Person collecting tax (Collector) must ensure higher TCS rate if PAN/Aadhaar is not furnished

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### 💡 3. Provisions Explained

#### ✔ Situation: PAN/Aadhaar not furnished

- If the collectee **does not provide PAN/Aadhaar**, then:

TCS shall be collected at **higher of** the following rates:

1. **Twice the specified rate in relevant section (206C)**

**OR**

2. **5%**

#### ✔ Special Case: Section 206C(1H)

- If transaction falls under **Section 206C(1H)** (sale of goods exceeding ₹50 lakh), and PAN/Aadhaar is not provided:
  - TCS rate = **1%** (not 5%)

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#### 4. Summary Table

Particulars	Rate of TCS
Normal Rate (PAN/Aadhaar provided)	As per Section 206C (varies based on goods)
If PAN/Aadhaar not provided	Higher of: <ul style="list-style-type: none"> <li>• 2 × normal rate</li> <li>• 5%</li> </ul>
For Section 206C(1H) transactions (sale of goods > ₹50L)	1% if no PAN/Aadhaar

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#### ★ 5. Important Points to Remember

- **Declaration of PAN/Aadhaar is mandatory** — this section penalises non-compliance by the collectee.
  - **Higher rate is applicable on entire amount** liable for TCS.
  - **Collectee has no right to claim refund from the collector** — must claim credit in return.
  - Once PAN/Aadhaar is provided, future transactions will revert to the normal TCS rate.
  - Even if PAN is invalid (not genuine), this section applies — invalid PAN = no PAN.
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#### 6. Legal Language Simplified

"If the collectee fails to furnish PAN or Aadhaar to the collector, then the collector shall collect tax at source at a higher of:

- Twice the rate specified in the relevant provision of this Act,
  - Or 5%,
  - Or 1% in the case of transactions covered under Section 206C(1H)."
- 

#### 7. Practical Example

##### Example 1:

- ✓ Normal TCS rate under Section 206C for scrap = **1%**.
- ✗ Collectee does **not** provide PAN/Aadhaar.
- Applicable TCS rate:
  - Twice the rate =  $2 \times 1\% = 2\%$
  - 5%
  - **Higher of the two = 5%**
- ✓ Final TCS rate = **5%**

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## 8. Timeline & Compliance

Action	Timeline
Collect PAN/Aadhaar from collectee	Before collection of tax
If not provided, collect at higher rate	At the time of transaction
Deposit TCS with government	By the 7th of next month
File TCS return	Quarterly (Form 27EQ)

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## 9. Consequences of Non-Compliance

Non-Compliance	Impact
Collector collects at lower rate despite no PAN/Aadhaar	Penalty + Interest + Demand from department
Non-furnishing of PAN/Aadhaar by collectee	Higher outflow due to higher TCS rate

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## 10. Quick Revision Points

- ✓ Section: 206CC
  - ✓ Trigger: Non-furnishing of PAN/Aadhaar by collectee
  - ✓ Higher Rate: Higher of  $2 \times$  specified rate or 5% (1% in case of 206C(1H))
  - ✓ Applies to: Collector of tax
  - ✓ Timeline: At the time of collection
  - ✓ Impact: Higher TCS rate, no refund by collector
  - ✓ Aim: Better tax compliance and traceability
-

## ✓ Conclusion

Section 206CC works as a **compliance booster**.

It ensures that buyers/collectees furnish PAN/Aadhaar, or else face **higher TCS deduction**, making tax tracing easier for the authorities and ensuring accountability.

Discussion on any questions



