



**CA AJITH SIVADAS**

**B.Com, ACMA, ACA, Ad Dip MA CIMA(UK)**

# Section 206C

Every seller shall collect tax from the buyer of any specified goods at the time of **receiving the payment or debiting the buyer account** whichever is earlier

**Section 206C** of the Income Tax Act governs the goods on which the seller has to collect tax from the purchaser.

# WHO IS A BUYER ?

A person who obtains in any sale by way of auction tender or any other mode, specified goods or right to receive any such goods.

## EXCLUDES

- ❖ PUBLIC SECTOR COMPANY
- ❖ CENTRAL GOVERNMENT
- ❖ STATE GOVERNMENT
- ❖ EMBASSY / HIGH COMMISSION
- ❖ CLUBS ( Sports / Social)
- ❖ A BUYER who purchases goods for **PERSONAL CONSUMPTION**

## RATES OF TCS APPLICABLE FOR FINANCIAL YEAR 2021-22 OR ASSESSMENT YEAR 2022-23

<b>SECTION 206C (1)</b>		
<b>TCS Deposit Challan Code</b>	<b>Goods &amp; Services liable to TCS</b>	<b>TCS Rate (%)</b>
6CA	Alcoholic liquor for human consumption	1
6CB	Timber obtained under Forest lease	2.5
6CC	Timber obtained by any mode other than under a forest lease	2.5
6CD	Any other forest produce not being timber or tendu leaves	2.5
6CE	Scrap	1
6C1	Tendu Leaves	5
6CJ	Minerals, being coal or lignite or iron ore	1
<b>SECTION 206C (1C)</b>		
6CF	Parking Lot	2
6CG	Toll Plaza	2
6CH	Mining & Quarrying	2

**SECTION 206C (IF)**

6CL	Motor Vehicle (any mode of payment) <i>(Seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding 10 lakh Rupees)</i>	1
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**SECTION 206C (IG)**

6C0	Overseas Tour Program Package <i>(Every person being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package)</i>	5 <i>(TCS in case of Non-Furnishing of PAN/Aadhar 10%)</i>
P	Remittance under LRS for education loan taken from financial institution mentioned under section 80E <i>(Amount or aggregate of the amounts in excess of 7 lakh rupees remitted by the buyer in a financial year, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education)</i>	0.50
6CQ	Remittance under LRS (for purpose other than for purchase of overseas tour package or for education loan taken from financial institution mentioned under <b>section 80E</b> ) <i>(Person, being an authorised dealer, who receives an <b>amount/aggregate</b> of amounts exceeding 7 Lakh, for remittance out of India from a buyer, being a person remitting such amount out of India under the Liberalised Remittance Scheme of the Reserve Bank of India)</i>	5 <i>(TCS in case of Non-Furnishing of PAN/Aadhar 10%)</i>

**SECTION 206C (111)**

6CR

**Sale of Goods**

*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 50 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)*

**Budget Update**

*In case of transaction on which TDS u/s.194Q is applicable w.e.f 01/07/2021, then TCS u/s.206C(1H) not applicable*

0.1

*(TCS in case of Non-Furnishing of PAN/Aadhar 1%)*

**SECTION 206CCA****Higher Rate of TCS for Non Filer of ITR**

*Proposed section 206CCA of the Act would apply on any sum or amount received by a person (herein referred to as collectee) from a specified person. The proposed TCS rate in this section is higher of the following rates –*

- > twice the rate specified in the relevant provision of the Act; or*
- > the rate of 5%*



# Sale of Certain Goods

Under Section 206C(1), sellers of certain goods are required to collect tax from the buyers at the specified rates.

	Nature of Goods	Percentage
(a)	Alcoholic liquor for human consumption	1%
(b)	Tendu leaves	5%
(c)	Timber obtained under a forest lease	2.5%
(d)	Timber obtained by any mode other than (c)	2.5%
(e)	Any other forest produce not being timber or tendu leaves	2.5%
(f)	Scrap	1%
(g)	Minerals, being coal or lignite or iron ore	1%

# SCRAP – Definition

The two important conditions for an item to be considered as SCRAP are:

1. The scrap should arise from manufacture or mechanical working of materials, and
2. It should not be usable as such

If any of the above 2 conditions is not satisfied, then the item will not be treated as Scrap, and thus **No TCS u/s. 206C.**



- The definition of Scrap does not suggest that the scrap should be generated by the seller himself. Thus, the provisions of section 206C of the Act are applicable to a trader dealing in the scrap.

***Chandmal Sancheti vs ITO (Jaipur ITAT)***

- The scrap sold should arise out of manufacturing or mechanical working of material. In absence of which, no requirement to collect tax at source.

***Navine Fluorine International Ltd. vs. ACIT  
(Ahmedabad ITAT)***

- Provisions of TCS not applicable to dealer of scrap.

***Lala Bharat Lal & Sons vs. ITO (Lucknow ITAT)***

The Tribunal in this case held, that trading in the scrap cannot be deemed to have any nexus with manufacturing and hence a trader cannot be subjected to collection of TCS on the ground that he has dealt in scrap which has been manufactured by another assessee.

- Where products obtained in course of ship breaking activity are usable as such, they do not fall within definition of scrap. Hence, not liable for TCS.

***CIT vs. Priya Blue Industries Pvt. Ltd. (Gujarat HC)***

- Sale of railway scrap by dealer being certainly not usable due to its breakage or wear and tear, same would be subjected to TCS during resale.

**Pramod Kumar Jain vs. ITO**

Whether Sale of Scrap where Form 27C has been submitted by buyer is liable to TCS u/s.206C(1H)?

Since sale of scrap is covered u/s. 206C(1), the provisions of Section 206C (1H) shall not apply.

Where the assessee has received declaration in **Form No. 27C** from the buyer that the goods shall be used in manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes, TCS shall not be required to be collected. [**Neither u/s. 206C(1) nor u/s. 206C(1H)**]

# Lease or a License of Parking Lot, Toll Plaza or Mine or a Quarry

Section 206(1C) provides for collection of tax by every person who grants a lease, license or enters into a contract or rights in any

- Parking lot
- Toll plaza
- A mine or quarry

To another person for the purpose of business.

**RATE : 2%**

- The provisions of this section shall not apply to mining and quarrying of mineral oil, petroleum and natural gas.
- The provisions of this section shall not apply if the licensee or lessee is a public sector company.
- Individual / HUF even if his turnover does not exceed Rs.1 Crore or Rs. 50 Lakhs, as the case may be are also liable to collect tax u/s. 206C(1C).

# **Sale of Motor Vehicle of Value exceeding ₹ 10 Lakhs**

Section 206C(1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 Lakhs, shall collect tax from buyer @ 1% of the sale consideration.

**RATE : 1%**



- TCS on motor vehicle to be collected at the time of (receipt of) Retail Sale and not on sale of motor vehicle by manufacturers to dealers / distributors

– CBDT Circular No. 22/2016 dtd. 08.06.2016

- Receipt of Sale consideration from a dealer would be subjected to TCS under sub-section (1H) of the Act, if such sales are not subjected to TCS under sub-section (1F) of section 206C of the Act.

-- CBDT circular 17/2020

- Receipt of sale consideration by a dealer is liable for TCS u/s. 206C(1H).

Thus, earlier exemption given on sale of motor vehicles by manufacturers to dealers/distributors vide CBDT Circular No. 22/2016 dtd. 08.06.2016 is not relevant now since the same have been specifically included vide above Guidelines vide CBDT circular 17/2020.

# FAQ on Section 206(1F)

**Question 1:** Whether tax collection at source ('TCS') at the rate of 1 % is on sale of Motor Vehicle at retail level or also on sale of motor vehicles by manufacturers to dealers/distributors?

**Answer:** To bring high value transactions within the tax net, section 206C of the Act has been amended to provide that the seller shall collect the tax at the rate of one per cent from the purchaser on sale of motor vehicle of the value exceeding ten lakh rupees, This is brought to cover all transactions of **retail sales** and accordingly it will not apply on sale of motor vehicles by manufacturers to dealers / distributors,

**Question 2:** Whether TCS at the rate of 1 % is on sale of Motor Vehicle is applicable only to Luxury Cars?

**Answer:** No, As per sub section (1F) of Section 206C of the Act the seller shall collect the tax at the rate of one per cent from the purchaser on sale of any motor vehicle of the value exceeding ten lakh rupees,

**Question 3: Whether TCS at the rate of 1 % is applicable in the case of sale to Government Departments, Embassies, Consulates and United Nation Institutions for sale of motor vehicle or any other goods or provision of services?**

**Answer:** Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission and trade representation of a foreign State and shall not be liable to levy of TCS at the rate of 1 % under sub-section (1F) of section 206 C of the Act.

**Question 4: Whether TCS is applicable on each sale of motor vehicle or on aggregate value of sale during the year?**

**Answer:** Tax is to be collected at source at the rate of 1 % on sale consideration of a motor vehicle exceeding ten lakh rupees. It is applicable to each sale and not to aggregate value of sale made during the year.

**Question 5: whether TCS at the rate of 1 % on sale of motor vehicle is applicable in case of an individual?**

**Answer:** The definition of "Seller" as given in clause (c) of the Explanation below subsection Accordingly, an individual who is liable to audit as per the provisions of section 44AB of the Act during the financial year immediately preceding the financial year in which the motor vehicle is sold shall be liable for collection of tax at source on sale of motor vehicle by him.

**Question 6:** How would the provisions of TCS on sale of motor vehicle be applicable in a case where part of the payment is made in cash and part is made by cheque?

**Answer:** The provisions of TCS on sale of motor vehicle exceeding ten lakh rupees is not dependent on mode of payment. Any sale of Motor Vehicle exceeding ten lakh would attract TCS at the rate of 1%

# Overseas remittance or an overseas tour package

Section 206C(1G) provides for collection of tax by every person,

- being **an authorized dealer** - who receives amount, under the Liberalised Remittance Scheme of the RBI
- being **a seller of an overseas tour programme package** - who receives any amount from the buyer who purchases the package

**RATE : 5%**

### Rate of TCS in case of collection by an authorized dealer

S. No.	Amount and purpose of remittance	Rate of TCS
(i)	(a) Where the amount is remitted for a purpose other than purchase of overseas tour programme package; <b>and</b> (b) the amount or aggregate of the amounts being remitted by a buyer is less than ₹ 7 lakhs in a financial year	Nil (No tax to be collected at source)
(ii)	(a) where the amount is remitted for a purpose other than purchase of overseas tour programme package; <b>and</b> (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	5% of the amt or agg. of amts in excess of ₹ 7 lakh
(iii)	(a) where the amount being remitted out is a loan obtained from any financial institution, for the purpose of pursuing any education; <b>and</b> (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	0.5% of the amt or agg. of amts in excess of ₹ 7 lakh



### **Cases where no tax is to be collected**

(i)	No TCS by the authorized dealer on an amount in respect of which the sum has been collected by the seller
(ii)	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax
(iii)	No TCS, if the buyer is the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local
	authority <sup>12</sup> or any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder

## Consequences of failure to collect tax at source

If any person fails to deduct the TCS in full or in part or deducted the TCS and not deposited or not filed during specified time interval, as in the case may be, not prejudicing to any consequences against him, he shall be deemed to be “**Assessee in Default**”

Provided further that no penalty shall be charged under **section 221** from such person unless the Assessing Officer is satisfied that the person has **without good and sufficient reasons failed to collect and pay the tax.**

## Section 206CCA – Special provision for collection of tax at source for non-filers of ITR

- The person from whom tax is required to be collected has not filed ITRs for the assessment year relevant to the previous year immediately prior to the previous year in which tax is required to be collected for which the time limit for filing the return **under section 139(1)** has expired and the aggregate amount of TDS and TCS in his case exceeds **Rs.50,000 or more** in each of these two previous years.
- The person liable to collect tax at source shall collect at the higher of the following two rates viz.
  - a) **at twice the rate specified in the relevant provisions of the Act; or**
  - b) **at the rate of 5 percent.**
- If the provisions of **section 206CC** is applicable to such person in addition to this provision, TCS shall be at higher of the two rates provided in this section and section 206CC.
- This provision will not apply to a non-resident who does not have a PE in India.

# 206CC – Mandatory Requirement of Furnishing PAN

Section 206CC of Income Tax Act, 1961 has been inserted to provide that any person whose payments are subject to tax collection at source

i.e. the collectee, shall mandatorily furnish his PAN to the collector failing which the collector shall collect tax at source at higher of the following rates –

- a. At twice the applicable rate of TCS or
- b. At the rate of 5

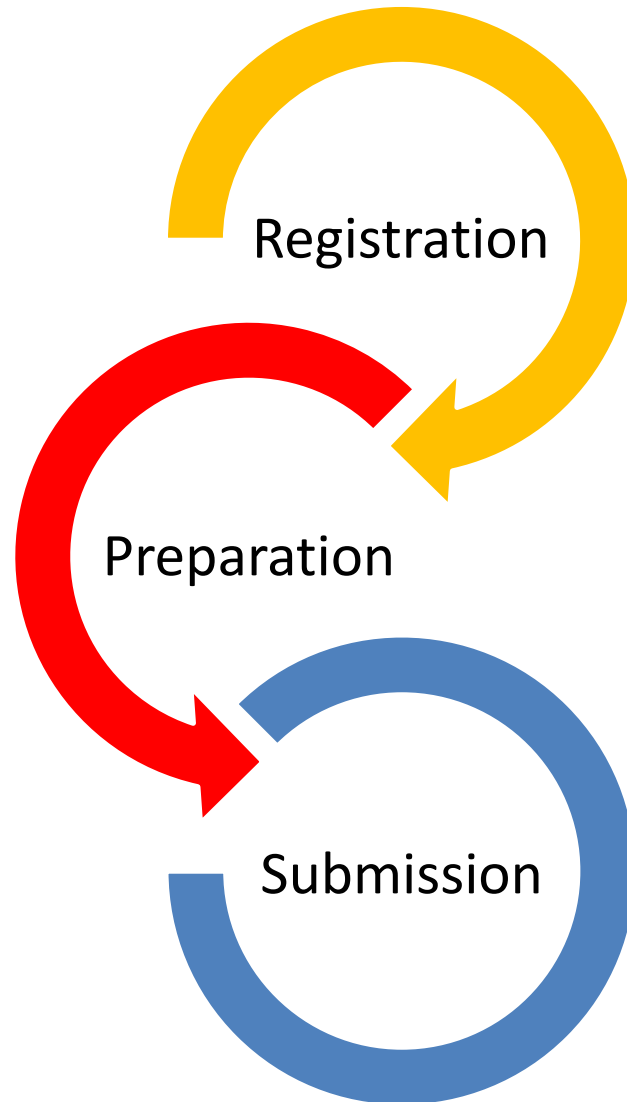
# TCS RETURN

Seller has to file return in **Form 27EQ** on **quarterly basis**

## DUE DATES FOR TCS RETURN FILING

QUARTER	DUE DATE(NORMALLY)
April-June	15th July
July-September	15th October
October-December	15th January
January-March	15th May

# Steps of Filing at Glance





# Filing of TDS/ e filing of TCS

## 1. Registration:

The deductor /collector should hold valid **TAN** and is required to be registered in the e-filing website (<https://www.incometaxindiaefiling.gov.in/>) as “**Tax Deductor & Collector**” to file the “e-TDS/e-TCS Return”.

### Registration in case of Government agencies?

In case of an office of the government, the Treasury Officer can register **as an external agency user**.

## 2.Preparation:

The **Return Preparation Utility (RPU)** to prepare the TDS/TCS Statement **and File Validation Utility (FVU) to validate the Statements can be downloaded from the tin-nsdl website (<https://www.tin-nsdi.com>)**.

The statement is required to be uploaded as a **zip file** and submitted using **either Digital Signature Certificate (DSC) or Electronic Verification Code (EVC)**. For DSC mode, the signature for the zip file can be generated using the [DSC Management Utility available under Downloads in the e-Filing website](#)



## Can I use EVC for Verification?

Alternatively, deductor /collector can e-Verify using EVC.

### **3. Submission:**

The deductor/collector is required to login to the e-filing website using **TAN** and go to TDS Upload TDS. The deductor/collector is required to upload the “**Zip**” **file along with either the signature file (generated as explained in para (b) above) or EVC.**

In case of **External agency user**, TDS/TCS return can be filed for the **deductors/collectors under their jurisdiction using Digital Signature Certificate.**



# Modes of Generating EVC

## Net Banking

Principal contact person's net banking login (linked to the registered PAN) can be used to generate the EVC for the TAN

## Aadhaar OTP

- The principal contact person's PAN can be linked with AADHAAR to use this option.

Bank Account Number – The principal contact person can use his pre validated bank account details to avail this option.

Demat Account Number – The principal contact person can use his pre validated demat account details to avail this option.



- Once uploaded, the status of the statement shall be shown as “Uploaded”. The uploaded file shall be processed and validated.
- Upon validation, the status shall be shown as either “Accepted” or “Rejected” which will reflect within 24 hours from the time of upload.
- The status of uploaded file is visible at TDS View Filed TDS. In case the submitted file is “Rejected”, the rejection reason shall be displayed.

