



SECTION 206C-TAX COLLECTION AT SOURCE

IN THE FOLLOWING CASE TAX COLLECTED AT SOURCE

NATURE OF GOODS	RATE OF TCS
CATEGORY A Section 206C (1) (SALE OF THE FOLLOWING):-	
Alcoholic Liquor for human consumption/Indian made Human Liquor	1%
Tendu Leaves	5
Timber obtained under a forest lease	2.5
Timber obtained by any mode other than under a forest lease	2.5
Any other forest produce not being timber or tendu leaves	2.5
Scrap	1
Minerals, being coal or lignite or iron ore	1

CATEGORY B (SECTION 206C(1C))	
PACKIG LOT,TOOL PLAZA, MINING AND QUARRYING (OTHER THAN MINING AND QUARRYING OF MTERIALS OIL,PETROLEUM AND NATURAL GAS)	2%

CATEGORY D	
D1 MOTOR VEHICLE OF THE VALUE EXCEEDING RS 10 Lacs	1%
CATEGORY E	
E1&E2 FOREIGN REMITTANCE THROUGH LIBERALISED REMITTANCE SCHEME & SELLING OF OVERSEAS TOUR PACKAGE	5
CATEGORY F	
	0.1%

WHO IS SELLER & BUYER IN CATEGORY A

- **Seller”** means-
 - a. the Central Government,
 - b. a State Government
 - c. any local authority
 - d. corporation
 - e. authority established by or under a Central, State or Provincial Act
 - f. any company
 - g. firm
 - h. Co – operative society.
 - i. Individual or a HUF whose turnover in just preceding FY exceeds Rs. 1 Crore or Rs. 50 Lakhs, as the case may be.

WHO IS SELLER & BUYER IN CATEGORY A

- **Buyer**” means a person who obtains in any sale, by way of auction, tender or any other mode, goods of the nature specified in the Table in section 206C(1) or the right to receive any such goods. However, buyer does not include the following:

A public sector company, the Central Government, a State Government, and an Embassy, a High Commission, Legation, Commission, Consulate and the trade representation, of a foreign State and a club.

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- a buyer in the retail sale of such goods purchased by him for personal consumption.
- >TCS u/s. 206C(1) shall not be required to be collected from a resident buyer, if the goods are to be utilized for the purpose of **manufacturing, processing or producing articles or things** or for the purposes of generation of power and **not for trading purposes**.
- Buyer to furnish declaration in Form No. 27C to the seller at the time of each sale.
- No time limit has been prescribed for furnishing Form No.27C by the buyer to the seller-**Chandmal Sancheti vs ITO (Jaipur ITAT)** (ITANo. 344&345/JP/2015)
- > Seller to submit Form No.27C ,on or before 7th day of the next month in which Form No. 27C is received.

SCRAP has been defined u/s. 206C as under:

- *scrap” means **waste and scrap** from the **manufacture or mechanical working of materials** which is definitely **not usable as such** because of breakage, cutting up ,wear and other reasons”*
- Thus, 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 suggests 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) (ITA No. 344&345/JP/2015)**

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) [2012] 14ITR (T) 481**

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

*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 0.1per cent of the sale consideration exceeding fifty lakh rupees as income-tax...*

2nd Proviso-*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."*

Thus, from a plain reading, it can be concluded that since sale of scrap is covered u/s. 206C(1), the provisions of Section 206C (1H) shall not apply.

Thus, 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)**]

TAX COLLECTED AT SOURCE IN THE CATEGORY B(U/S 206C(1C))

Every person, who grants a lease or a license or enters into a contract or otherwise, transfers any right or interest in a. any parking lot or b. toll plaza or c. mine or quarry, to another person (hereafter referred to as "licensee or leasee") for the use of such parking lot or toll plaza or mine or quarry, for the purpose of business, shall collect tax at source at the rate of **2%**. (1.5% w.e.f. 14.05.2020 to 31.03.2021)

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.

Tax has to be collected by the seller at the time of debiting of the amount payable by the licensee or leasee to the account of the licensee or leasee or at the time of receipt of such amount from the licensee or leasee in cash or by issue of cheque or draft, or by any other mode, whichever is earlier.

- **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)**.
- For the purpose of section 206C(1C) on parking lot, toll plaza or mining or quarrying, every **person** [person as defined u/s. 2(31) of the Income tax Act, 1961],should collect TCS.
- Thus, the Central Govt., State Govt., not included in the definition of person u/s .2(31) cannot be made liable to collect tax at source.
- Shree Jagannath Temple Office is not a person u/s. 2(31). Thus, not liable to collect tax at source u/s. 206C(1C)-**Shree Jagannath Temple Managing Committee vs. ACIT (Cuttack ITAT)** (ITA No.197 and 198/2013)

TAX COLLECTED AT SOURCE IN THE CATEGORY D (U/S 206C(1F))

- Every person, being seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding **ten lakh rupees**, shall collect tax from buyer at the rate of **1%** of sale consideration.
- Tax shall be collected at the time of receipt of amount from the buyer.
- 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. [Para 4.5.2. (i) of the [CBDT circular 17/2020](#)]**
- As per Para 4.5 of CBDT Guidelines vide [Circular 17/2020](#) dated 29.09.2020–**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](#).

he manufacturer/distributors are liable to collect TCS @ 0.1% as per Section 206C(1H) on receipts after 1st October,2020.

- TCS also applicable on **motor bikes** of amount exceeding Rs.10 Lakhs.
- Also applicable on second hand cars or any motor vehicle—if amount exceeds Rs.10 Lakhs.
- Value of Motor Vehicle-Rs.15 Lakhs, then TCS applicable on entire Rs.15 Lakhs.
- **“Buyer”** means buyer of motor vehicle of the value exceeding ten lakh rupees. However, the tax collection at source shall not be made in relation to sale of motor vehicle of the value exceeding ten lakh rupees to the following class or classes of buyers, namely :-
 - (a) the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State
 - (b) a local authority
 - (c) a public sector company which is engaged in the business of carrying passengers
- **“Seller”** means-
 - a. the Central Government,
 - b. a State Government
 - c. any local authority
 - d. corporation
 - e. authority established by or under a Central, State or Provincial Act
 - f. any company
 - g. firm
 - h. Co – operative society.
 - i. Individual or a HUF whose turnover in just preceding FY exceeds Rs. 1 Crore or Rs. 50 Lakhs, as the case may be.

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?

- 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,

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

- 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,

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?

- 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.

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

- 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.

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

- 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.

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?

- 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%

TAX COLLECTED AT SOURCE IN THE CATEGORY E (U/S 206C(1G))

- **Section 206C(1G)** TCS on Foreign remittance under Liberalized Remittance Scheme (LRS) and sale of overseas tour program package (w.e.f. 1st October 2020)
- **Purpose of Section 206C(1G)**
 - 1. For remittance overseas under Liberalized Remittance Scheme (LRS)
 - 2. Purchase of **Tour Package** which includes expenses for travel or hotel stay / boarding / lodging etc.

Who is liable to collect tax at Source (TCS) under section 206C(1G) ?

1. Authorised dealer for foreign remittance
2. Seller of overseas tour program package

- **When to collect the TCS?**

- Earlier of :
 - at the time of debiting the buyer or ie amount due from buyer
 - at the time of Receipt from the buyer, ie. actual receipt

Threshold Limits

No TCS if aggregate amount in FY is less than Rs. **7 Lakhs** and remittance is for the purpose other than overseas tour programme package.

If the payment is for overseas tour programme package to an operator, then TCS is liable to be collected **without any threshold**.

- If TCS has already been collected by the Tour Operator, then no further TCS will be collected by the authorized dealer for remittance outside India.
- **Not applicable if**
 - > Buyer is liable to deduct TDS and has deducted
 - > Buyer is Central / State Government, Embassy, High Commission etc.
- **TCS Rates**

TAX COLLECTED AT SOURCE IN THE CATEGORY F (U/S 206C(1H))

- *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 0.1per cent of the sale consideration exceeding fifty lakh rupees as income-tax*

Nature of Transaction:-

Receipt of Sale consideration for Sale of Goods in India by a **Seller whose turnover exceeds Rs. 10 Crores** in the preceding FY is liable to collect tax at source.

The term **goods** have not been defined in the Income Tax Act, hence we may refer to Sales of Goods Act, 1930 or Goods and Service Tax Act 2017 for the meaning of goods. In both the Acts, the term “Goods” has been defined as *“Goods” means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.*

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

Who is liable to collect tax at Source (TCS) under section 206C(1H) ?

- > Seller whose Turnover of preceding year exceeds Rs. 10 Crores.
- > As per Section 206C(1H) “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.” However, as per Para 2 of the CBDT Press Release dated 30th September, 2020-A seller would be required to collect tax only if his turnover exceeds Rs. 10 crore in the last financial year. (not the year of sale)
- > Practically, it can be concluded that any person whose turnover exceeds Rs.10 Crores in the preceding year, shall be covered u/s. 206C(1H).

From whom to collect?

Buyer from whom, **receipt (and not sales)** exceeds Rs. 50 Lakhs, in aggregate, in a financial year.

The amount on which the tax needs to be collected shall be limited only to the consideration for sale of goods actually received. The liability is triggered at the point of receipt of amount once the threshold of Rs.50 Lakhs is crossed. In the absence of sale of goods and amount received, the liability does not exist. The sale consideration can be interpreted as amount received in advance or in arrears. In case, if there is some change in valuation say under GST law then too the requirement of TCS will be qua actual consideration and not qua valuation under the GST LAW

When to collect the TCS?

- **Section 206C(1H) provides that TCS is required to be collected at the time of receipt of the Sale consideration and not at the time of debiting the Party Ledger Account.**
- **> What about Sales made in FY 2020-21 where TCS @ 0.075% is levied on invoice ?**—If it's payment is received in FY2021-22, then @0.1% will be levied. Separate accounting /collection for such shortfall would be required.
- **> If the buyer is liable to deduct tax at source on goods purchased by him and the buyer has deducted the amount then the seller is not required to collect TCS on such transactions. Both the conditions need to be fulfilled i.e., the buyer should be liable for deduction of tax at source and has deducted such amount.**

tax not to be collected in certain cases

- **Explanation (a) to Section 206C(1H)– Buyer** means a person who purchases any goods, but does not include,
 - (A) the Central Government, a State Government, etc.
 - (B) a local authority as defined in the Explanation to Section 10(20)
 - (C) a person importing goods into India or any other notified person
- > Although, no tax is to be collected from them, but the same is **required to be mentioned in the quarterly TCS Statement (Form No. 27EQ)** and non-disclosure of such items in quarterly TCS Statement is required to be reported by the Tax Auditor under **Clause 34(b) of the Tax Audit Report.**
- > TCS is not required to be collected in respect of Export sales as the consideration for sale of goods excludes consideration towards goods exported out of India and even the definition of buyer excludes a person importing goods from India.
- > TCS not to be collected on Sale of immovable property as it is out of ambit of goods.

Cancellation of Sale

- Practical difficulties may arise where advance is collected for sale of goods and TCS is remitted and subsequently the contract is cancelled and the amount is refundable. In such cases, the seller may only refund the primary sale consideration received and not the TCS amount, since such TCS amount is already credited as prepaid taxes and will appear in Form 26AS and the buyer should not insist for refund of the TCS amount as the buyer would otherwise be entitled to credit of the TCS in the return of income.

Payments by third party

- In quite a few cases, the sale proceeds are partly paid by the Government as a release of subsidy, or the costs are funded by third-party payments. All such transactions also amount to receipt on behalf of the buyer and hence the seller will be under obligation to remit TCS.

Whether turnover of Rs. 10 Crores includes GST?

- For the purpose of determining applicability of Turnover of Rs. 10 Crores as per Explanation to Section 206C(1H), **the turnover limit of Rs. 10 Crores shall be determined excluding the amount of GST collected on Sales.**
- **Example:**
- Total Sales for the Financial Year 2019-20 (excluding GST) is **9 Crores**.
- GST Collected on Sales @ 18% is **1.62 Crores**.
- Total Amount (inclusive of GST) is **10.62 (Rs. 9 Crores + Rs. 1.62 Crores)**.
- In the above example, the assessee would **not be covered** under the provisions of Section 206C(1H) since his turnover is Rs. 9 Crores only, which is below the threshold limit of Rs. 10 Crores.

How to determine the limit of Rs. 50 Lakhs?

- The seller is liable to collect TCS from the buyer if the receipt of sale consideration in the financial year (including receipts before 1st October, 2020) exceeds Rs.50 Lakhs.
- > Section 206C(1H)–
- *“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)/ (1F)/ (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1% of the sale consideration exceeding Rs.50 Lakhs as income-tax”*
- > Further, as per CBDT Guidelines u/s. 206C(1-I) vide [circular 17/2020](#) dated 29.09.2020 provides that the seller is liable to collect TCS **if the receipt of sales consideration exceeds Rs.50 Lakhs.**
- > As per Para 4 of the CBDT Press Release dated 30.09.2020-**the threshold is based on the yearly receipt.**
- > **Thus, it can be concluded that the limit of Rs.50 Lakhs is of RECEIPT and not SALE.**
- > TCS is also required to be collected at the time of receipt of advance – Para No. 4.4.2 (ii) of CBDT Guidelines vide Circular No. 17/2020 dated 29.09.2020.
- > **Threshold of Rs.50 Lakhs–EVERY YEAR FOR EVERY DEBTOR.**

Should TCS amount be included in the invoice:

- As such, there is no provision which mandatorily requires the seller to include the amount of TCS in the tax invoice. However, if the amount of TCS is not included in the invoice, then the buyer would not be aware of the total amount of consideration payable to the seller and therefore it would be advisable for the seller to add the TCS figure in the invoice itself and also raise an accounting entry in the books of accounts as a TCS liability even though not payable until the receipt of consideration. It may be noted that even though if the TCS amount is debited to the buyer, the liability to deposit TCS u/s 206C(1H) does not arise till receipt of consideration.

Impact of Credit notes and Debit notes:

- If sales return/credit note/debit note is before receipt of any consideration, then the impact thereof will be included in the amount of consideration, and accordingly, on receipt of the revised consideration, the provisions of TCS would be applicable. If the amount of consideration is already received and TCS is collected and paid, no impact thereof will be required to be made at the time of passing entry for sales return/credit note/debit note. However, against the subsequent realization, if the same gets adjusted and net consideration is paid then on such net consideration TCS should be collected.

TCS applicable even on part receipt of consideration:

- M/s ABC (Turnover for the FY 2019-20 was Rs.20 Crores) from the period 01 April 2020 to 30 October 2020 has sold goods worth Rs.50 Lakhs to Mr A and the consideration has been received to M/s ABC. Thereafter, M/s ABC again sold goods worth Rs.75 Lakhs on 01/11/2020 and till 30/11/2020, M/s ABC has received only Rs.60 lakhs from Mr A. Here in this case, M/s ABC will have to consider the receipt of amount of Rs.60 lakhs inclusive of TCS and accordingly compute the amount of TCS on gross up basis as under;
- $\text{Amount Received} / (100 + \text{Rate of TCS}) * \text{Rate of TCS} = 60,00,000 / 100.075 * 0.075\% = \text{Rs.4,497/-}$

Whether TCS set off would be available:

- No set off is allowed under the Act. E.g., If M/s PS Ltd on 01/10/2020 has sold goods worth Rs 1 Crore to M/s SD Ltd and collected TCS of Rs.3,750/-. Thereafter, on 15/10/2020, M/s PS Ltd purchases goods worth Rs 2 Crores from M/s SD Ltd (or any other party), who therein collects Rs.11,250/- as TCS. Here in the given example, M/s PS Ltd cannot take credit of Rs.11,250 while depositing Rs.3,750/-, nor can M/s SD Ltd (or any other party) take any set off while depositing TCS of Rs.11,250/-.

consideration of 50 lakhs is per year qua buyer

- TCS is required to be collected if the value of consideration in respect of sale of goods is more than 50 lakhs qua buyer for a year and only in respect of the consideration in excess of 50 Lakhs. E.g., M/s MU Ltd, has sold goods worth Rs 25 Lakhs to Mr. Ron from April 2020 to September 2020. Thereafter, M/s MU Ltd sells goods worth Rs 30 Lakhs to Mr. Ron on 01/10/2020. Here, M/s MU Ltd will have to collect TCS only on 5 lakhs.

TCS not applicable on transfer of one branch to another:

- The preliminary condition for applicability of provision of TCS is that there should be two parties involved in a transaction viz., a seller and a buyer. Further, there must be a sale of goods between the two parties. The activity of transfer of goods from one branch to another should not be construed as a sale transaction and accordingly TCS need not be collected on inter branch transfer of goods. Moreover, even if this type of transactions are held to be a sale of goods, TCS should not be applicable because as per the Income-tax Act, 1961 both the seller and the buyer are one and the same person and one cannot collect taxes for himself on his own.

Collection of the tax at any lower rate than the relevant rate specified

- Where the Assessing Officer is satisfied that the total income of the buyer or licensee justifies the collection of the tax at any lower rate than the relevant rate specified, the Assessing Officer shall, on an application made by the buyer or licensee in **Form No.13** in this behalf, give to him a certificate for collection of tax at such lower rate.
- Where such certificate is given, the person responsible for collecting the tax shall, until such certificate is cancelled by the Assessing Officer, collect the tax at the rates specified in such certificate. The certificate shall be issued directly to the person responsible for collecting the tax under advice to the buyer who made an application for issue of such certificate.

Time Limit for deposit of tax

- The Tax so collected shall be deposited to the credit of Central Govt. within 7 days from the end of the month in which tax was required to be collected.
- The above percentages referred to in section 206C(1), 206C(1C) and 206C(1F) shall be increased by a surcharge and health & education cess for assessment year 2020-21 as under:

Return filing requirements u/s 194C

Every Deductor deducting TDS in terms of section 194C is required to file a quarterly return in Form 26Q within following due dates –

Months	Due date
April to June	15th July of the financial year
July to September	15th October of the financial year
October to December	15th January of the financial year
January to March	15th May of the financial year immediately following the financial year in which deduction is made

Certificate of tax collection at source

- Certificate of tax collection at source shall be issued within 15 days from the due date of furnishing quarterly TDS/TCS returns.

Credit for TCS

- The amount collected under this section is deemed to be a payment of tax on behalf of the person from whom the amount has been collected. A tax credit is given to him for the amount so collected in the assessment for which the income is assessable.

Consequences of failure to collect tax at source Section 206 C(6A):

- If any person responsible for collecting tax in accordance with the provisions of this section does not collect the whole or any part of the tax or after collecting, fails to pay the tax as required by or under this Act, he shall, without prejudice to any other consequences which he may incur, be deemed to be an assessee in default in respect of the tax: Provided that any person, other than a person referred to in sub-section (1D), responsible for collecting tax in accordance with the provisions of this section, who fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee shall not be deemed to be an assessee in default in respect of such tax if such buyer or licensee or lessee—
 - i. has furnished his return of income under section 139;
 - ii. has taken into account such amount for computing income in such return of income; and
 - iii. has paid the tax due on the income declared by him in such return of income, and the person furnishes a certificate to this effect from an accountant in such form as may be prescribed.
- 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 206C(7):

- Without prejudice to the above, if the person responsible for collecting tax does not collect the tax or after collecting the tax fails to pay it as required under this section, he shall be liable to pay simple interest at the rate of one per cent per month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was actually paid and such interest shall be paid before furnishing the quarterly statement for each quarter.
- Provided that in case any person, other than a person referred to in sub-section (1D), responsible for collecting tax in accordance with the provisions of this section, fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee but is not deemed to be an assessee in default under the first proviso of sub-section (6A), the interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer or licensee or lessee.

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