

TCS ON SALE TRANSACTIONS (REVISED SUMMARY)

1. Section 206C (1H) of IT Act requires the Seller to collect the tax at source (TCS) on sale of all goods on high value transactions. The above provisions has been extended to come in effect from 01/10/2020.

2. The Provision of Sec 206C (1H) is reproduced as under:

“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”:

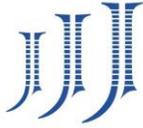
The sub-section prescribes that if a seller (being a person, whose turnover in the previous financial year exceeds 10 Crores) makes sale of “goods” whose value, either individually or in aggregate exceeds 50 Lakhs, the seller shall collect tax at source at 0.1% on the value of sale consideration exceeding 50 Lakhs from the buyer.

Levy shall be on “all” goods except those explicitly prescribed under sub section 1, 1F & 1G (on which separate rates have been prescribed) u/s 206C. In case, the buyer does not furnish their PAN / AADHAR number to the seller, TCS shall be levied at 1% on the sale consideration.

- How shall tax collected be discharged?
 - The person responsible for collecting the tax shall deposit the TCS amount within 7 days from the last day of the month in which the tax was collected.
- How will the TCS remitted reflect to the buyer’s account?
 - Every tax collector shall submit quarterly TCS return i.e., Form 27EQ in respect of the tax collected by him in a particular quarter.

3. Threshold limit for levy:

The section states that tax shall be collected on the consideration value exceeding 50 Lakhs only, which means that there is an exemption limit of up to 50 Lakhs (individually or in aggregate on sales during any financial year). Export of goods is not covered under TCS on sale of goods



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4. The word 'seller' means a person whose total sales, gross receipts or turnover from the business carried on by him exceeds 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.

The word 'Buyer' – means a person who purchases any goods, but does not include,—

- a. 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. 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.

Export of goods is not covered under TCS on sale of goods.

5. Exception to the sub-section:

The Proviso to the sub-section states that the provisions shall not be applicable “if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount”.

On plain reading of the Proviso, it may be inferred that if the buyer is required to deduct the TDS on any of his other transactions (e.g. 194C / 194H), the seller need not collect the TCS on sales to those specified buyers.

6. Sec 206C (1) of Income Tax Act stated that tax shall be collected on the “value being debited as payable by the buyer to the seller.

As per Corrigendum to Circular 76, CGST, dated 7th March'19 it was clarified that GST would not be required to be calculated on the value of TCS.

The above provisions has been extended to come in effect from 01/10/2020.