

Section 194Q of Income Tax Act,1961 w.e.f. 01.07.2021

Government of India has introduced a new Section 194Q with regards to “Tax Deduction at Source”, wherein TDS @ 0.1% have to be deducted on the amount paid to the seller. Below is the brief about the law:-

Applicability on

- Assessee i.e. buyer, having turnover of sales more than Rs 10 Crores in previous financial year (i.e. currently it will be seen and checked for FY 2020-2021).
- Applicable from 01.07.2021.
- Applicable on sale of **Goods** only.

Not Applicable on

- This section shall not be applicable on the transactions on which TCS under section 206C applies other than section 206C(1H).
- is applicable under section 206C (1H) or deduction of TDS under Income Tax is applicable i.e. any case where buyer is required to deduct TDS under any other section of Income Tax Act.
- Purchases made from outside India.

TDS to be deducted of whom & how

- Seller of the assessee from whom **goods** amounting more than Rs. 50 Lacs are bought in a year. Meaning by if purchases from same seller are made more than Rs. 50 Lacs, TDS shall be applicable.
- Purchases shall be seen exclusive of GST.
- If advance is paid more than Rs. 50 lacs, TDS shall be applicable.
- TDS shall be deducted on the amount over and above Rs. 50 Lacs i.e. exceeding Rs. 50 Lacs.

Consequences of Non-deduction

- 30% value of the expenditure shall be disallowed u/s 40a(ia) of Income Tax Act 1961.

If seller is not having PAN

- TDS shall be deducted @ 5% (206AA of Income Tax Act 1961).

Advise

- Complete accounting for the period upto 30.06.2021 and segregate parties from whom purchases of Rs. 50 lacs has been made (exclusive of GST)

FAQs/ Illustrations:

1. Limit of Rs. 50 Lacs is on single transaction or cumulative basis?

- ✓ Cumulative basis. i.e. total purchases made from same seller in a year has to be checked

2. Goods of Rs. 45 Lacs have been purchased from a customer till 30.06.2021. Will this amount be included in limit of Rs. 50 Lacs ?

- ✓ Yes, after 01.07.2021, balance Rs. 5 Lacs can only be considered for limit of Rs 50 Lacs

3. A buyer has already bought goods of Rs. 52 Lacs upto 30.06.2021.

- ✓ TDS shall be applicable w.e.f. 01.07.2021

4. This TDS is applicable on advance payments also?

- ✓ Yes, subject to limit of Rs. 50 lacs, i.e. if amount paid is more than Rs. 50 lacs even if billing amount is less than Rs. 50 lacs, TDS shall be applicable.

5. Rate of TDS for the seller who does not have PAN.

- ✓ TDS shall be deducted @ 5%.

6. Assessee dealing in purchase of goods and services both.

- ✓ Turnover limit of Rs. 50 Lacs has to be checked for Sale of Goods only and TDS has to be collected on the sales of goods only.

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