

Section 206C(1H) of Income Tax Act,1961 w.e.f. 01.10.2020

Government of India has introduced a new Section 206C(1H) with regards to “Tax Collection at Source”, wherein TCS @ 0.1% have to be collected on the value of sales consideration. Below is the brief about the law:-

Applicability on

- Assessee i.e. seller, having turnover more than Rs 10 Crores in previous financial year (i.e. currently it will be seen and checked for FY 2019-2020).
- Applicable from 01.10.2020.
- Applicable on sale of Goods only.

Not Applicable on

- This section shall not be applicable on the transactions on which section 206C (1), 206C (1F) and 206C (1G) are applicable.
- Any case where buyer is required to deduct TDS from the payments.
- Sales related to export made out of India.
- Sales made to:
 - Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or
 - A local authority as defined in the Explanation to clause (20) of section 10; or
 - 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.

TCS to be collected from whom

- Buyer i.e. customer of the assessee from whom amount of more than Rs. 50 Lacs is received in a year. Meaning by:
 - If sales are made more than Rs. 50 Lacs, TCS shall be applicable.
 - Sales shall be seen inclusive of GST and any other sort of amounts charged.
 - If advance is received more than Rs. 50 lacs, TCS shall be applicable.
 - TCS shall be collected on the amount over and above Rs. 50 Lacs

Advise

- Complete accounting for half year till 30.09.2020 and separate parties with whom sale of Rs. 50 lacs is made (inclusive of GST and other charges)

FAQs/ Illustrations:

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

- ✓ Cumulative basis. i.e. total sales made to same customer in a year has to be checked

2. Amount of Rs. 45 Lacs have been received from a customer till 30.09.2020. Will this amount be included in limit of Rs. 50 Lacs ?

- ✓ Yes, after 01.10.2020, 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 30.09.2020.

- ✓ TCS shall be applicable w.e.f. 01.10.2020

4. This TCS is applicable on advance receipts also?

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

5. Turnover of transactions on which Section 206C (1), 206C (1F) and 206C (1G) are applicable, will be included in limit of Rs. 50 Lacs.

- ✓ No, that turnover shall be excluded from limit of Rs. 50 Lacs.

6. Rate of TCS for financial period 01.10.2020 to 31.03.2021.

- ✓ TCS may be collected @ 0.075% upto 31.03.2021 after that 0.1% shall be applicable

7. Rate of TCS for the buyer who does not have PAN.

- ✓ TCS shall be collected @ 1%. However upto 31.03.2021, 0.75% shall be applicable.

8. In case of Sales Return of goods, how the limit of Rs. 50 lacs has to be checked.

- ✓ However, there is no clarity in this regard. But in such case amount net of sales return has to be checked. Also, in such case TCS return has to be revised for removing of TCS entry collected from the customer and that will be a cumbersome job for sellers.

9. Assessee dealing in sales of goods and services both

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

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