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**Newsflash: Overview of TCS applicability on sale of Goods w.e.f. 1 October 2020**

## Newsflash

### Overview of TCS applicability on sale of Goods w.e.f. 1 October 2020

For Client Circulation

4 September 2020

#### 1.0 Background

The Finance Act of 2020 widened the scope of Section 206C of the Income-tax Act, 1961 ('the Act') which pertains to collection of tax at source. The scope of the said section was widened to cover within its ambit transactions of foreign remittance through Liberalised Remittance Scheme, selling of overseas tour package as well as TCS on sale of goods over a limit This Newsflash provides an overview of such TCS applicability on the sale of goods w.e.f. 1 October 2020.

#### 2.0 Understanding of Legal provision:

As per section 206C(1H) of the Act, every seller, whose total sales, gross receipts or turnover from the business carried on by him exceed Rs. 10 Crores in the immediately preceding Financial Year ('FY') and who receives any amount as consideration for sale of any goods (excluding exports) of the value or aggregate of such value exceeding Rs. 50 Lakhs **in any FY** shall, **at the time of receipt of such amount**, collect a sum equal to 0.1% of the sale consideration exceeding Rs. 50 Lakhs as Tax Collected at



Source ('TCS') from the buyer. If the buyer has not provided the PAN or AADHAR number to the seller then the applicable rate of TCS will be 1%. **However, the said rates of TCS of 0.1% and 1% and has been reduced by the government to 0.075% and 0.75% respectively for period upto 31 March 2021 taking the pandemic situation into consideration.** Further, if the buyer is required to deduct tax at source for such sale of goods then the said TCS provision shall not apply.

However, the sales of goods shall not include those goods which are subject to TCS as per sub-section (1), (1F) or (1G) of section 206C of the Act as enumerated below:

- Alcoholic Liquor for human consumption
- Tendu leaves
- Timber obtained under a forest lease
- Timber obtained by any mode other than under a forest lease
- Any other forest produce not being timber or tendu leaves
- Scrap, Minerals, being coal or lignite or iron ore
- Motor vehicle
- Foreign remittance through Liberalized Remittance Scheme
- Selling of overseas tour package

Also, the said provision is not applicable when the buyer is a person importing goods into India or Central Government, a State Government, local authority, etc.

***The provision shall be applicable with effect from 1 October 2020***

### 3.0 Key Points for Consideration:

- Applicability of provision shall depend on the quantum of sales/ turnover of the preceding FY. In other words, applicability of section is to be evaluated on year to year basis.
- Provision shall apply if sales consideration to a particular buyer (except export sales) exceed Rs. 50,00,000 in a year.
- The word '**Goods**' has not been expressly defined in the Act. The reference to goods used in the section may include reference to **any goods** unless expressly excluded.
- The seller shall collect tax from the buyer by mentioning the TCS amount on invoice. The amount of consideration for calculating levy of TCS shall be **exclusive of GST**.
- The liability to collect tax shall arise **at the time of receiving** payment from the buyer i.e. at the time of receipt of consideration and such collected tax to be paid within 7 days from the end of month of receiving the sales consideration.
- The collection of TCS shall be on the portion of sales consideration exceeding Rs. 50 lakhs. For example if total consideration is Rs. 55,00,000, the TCS @ 0.1% will be Rs. 500 (0.1% of Rs. 5,00,000). The sales are to be considered cumulatively in a FY for application of the provision i.e. if sales to a particular party in October is Rs. 40,00,000 and next sale in November is 40,00,000, then TCS provisions to apply on subsequent sale on Rs. 30,00,000 (Rs. 40,00,000 + Rs. 40,00,000 – Rs. 50,00,000).
- **The provision shall be applicable for sales executed on or after 1 October 2020.** However, if sales before October 2020 is already Rs. 50,00,000 to a particular buyer then TCS to apply on entire consideration billed from October 2020 onwards.
- **TCS will not be applicable on export sales.**

### 4.0 Compliance requirements

The compliances requirement of TCS payment, return filing and issuing certificates remains the same as applicable to other TCS provisions. We have prepared a summary table for easy reference

Due Date of payment	Quarter ended	Due date for furnishing of returns in Form 27EQ	Due date for issue of TCS certificate under Form 27D
7 <sup>th</sup> of the next month of collecting tax at source	30 June	15 July	30 July
	30 September	15 October	30 October
	31 December	15 January	30 January
	31 March	15 May	30 May

### 5.0 Scope & limitations

The purpose of above analysis is to describe the relevant legal provisions and our views in respect of the same. Our views are based on interpretation of the current provisions of the Act, rules and regulations made there under. It is important to note that the section is newly introduced and is subject to clarification of certain ambiguous aspects and terminologies which shall be clarified by the government in due course.

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