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**Newsflash: TCS and TDS provisions applicable w.e.f.
1 October 2020**

Newsflash

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*For Client Circulation
30 September 2020*

1.0 Introduction:-

The Finance Act 2020 widened the scope of Section 206C of the Income-tax Act, 1961 ('the Act') which deals with the collection of tax at source. The scope of the said section has now been widened to cover within its ambit transactions of foreign remittance through Liberalised Remittance Scheme (LRS), selling of overseas tour package as well as TCS on sale of goods over a limit. Further, Section 194-O has been introduced in Finance Act 2020, wherein e-commerce operators are now required to deduct tax at source for facilitating any sale of goods or providing services through an e-Commerce participant. This Newsflash provides rate of above - mentioned TCS and TDS provisions which are applicable w.e.f. 1 October 2020. Further, certain clarifications were issued by the CBDT on 29 September 2020 vide circular no. 17 of 2020.

2.0 Rates:-

Section	Particulars	Threshold Limit	Rates till 31 March 2021*	Rates after 31 March 2021
A.	Tax Collected at Source (TCS)**			
206C(1G)	1. Remittance received by authorized dealer under LRS			
	a) Amount remitted out of education loan from any financial institution as defined in section 80E, for pursuing any foreign education.	Rs. 7 lakhs or more in a financial year.	0.5% (5% if Aadhar/ PAN is not provided)	0.5% (5% if Aadhar/PAN is not provided)
	b) Others		5% (10% if Aadhar/PAN is not provided)	5% (10% if Aadhar/PAN is not provided)
	2. Sale of the overseas tour program package	No limit prescribed.	5% (10% if Aadhar/PAN is not provided)	5% (10% if Aadhar/PAN is not provided)

206C(1H)	<p>***Sale of goods (excluding exports) in a year by a seller whose turnover is more than Rs. 10 crores in the immediately preceding Financial Year</p> <p>Goods shall not include those goods which are subject to TCS as per sub – section (1), (1F) or (1G) of section 206C</p> <p>(TCS is applicable on sale consideration which is collected which is inclusive of GST)</p>	In excess of Rs. 50 Lakhs in the financial year.	0.075% (1% if Aadhar/PAN is not provided)	0.1% (1% if Aadhar/PAN is not provided)
B.	Tax Deducted at Source (TDS)			
194-O	Payments by e-commerce operator to e-commerce participants	<p>Rs. 5 lakhs (Only for Individual/ HUF)</p> <p>No threshold - For others</p>	0.75% (5% if Aadhar/PAN is not provided)	1% (5% if Aadhar/PAN is not provided)

*Rates of TDS for payments to residents and TCS rates are reduced by 25% of the applicable rates for the period from 14 May, 2020 to 31 March, 2021 as per the CBDT Press Release dated 13 May 2020. However, TCS under section 206C(IG) is not covered in it. Accordingly reduction of rate by 25% is not applicable for section 206C(IG).

However, there shall be no reduction in rates of TDS or TCS - where the tax is required to be deducted or collected at higher rate due to non-furnishing of PAN/ Aadhaar.

**The provisions of the TCS sections shall not apply if a buyer is Central Government, a State Government, an embassy, High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority, etc.

*** Section 206C(1H) provisions will not be applicable on sale consideration received before 1 October 2020. Consequently it would apply on all sale consideration (including advance received for sale) received on or after 1 October 2020 even if the sale was carried out before 1 October 2020. As such, if sales are made before 1 October 2020 but sale consideration received on/after 1 October 2020 then TCS provisions will be applicable.

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This Newsflash has summarized on the certain provisions of TDS and TCS which would be applicable w.e.f. 1 October 2020. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the said notification and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

30 September 2020