

## **Taxable value for the purpose of GST not to include TCS amount collected under Income Tax Act:**

The Finance Act, 2020 has amended the provisions relating to Tax Collection at Source (“TCS”) with effect from October 1, 2020 to provide that seller of goods shall collect tax @ 0.1 per cent (0.075% up to 31.03.2021) if the receipt of sale consideration from a buyer exceeds Rs. 50 lakh in the financial year. Further, to reduce the compliance burden, it has been provided that a seller would be required to collect tax only if his turnover exceeds Rs. 10 crore in the last financial year.

From GST perspective, it is important to note that in terms of sec 15(2)(a) of the CGST Act, 2017, the value of supply includes “any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier”.

But, it is clarified in [Circular no. 76/50/2018 – GST dated December 31, 2018](#) as **substituted vide corrigendum dated March 7, 2019**, that for the purpose of determination of value of supply under GST, TCS under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax.

However, before the corrigendum, the above circular provided that taxable value for the purposes of GST shall include the TCS amount collected under the provisions of the Income Tax Act, since the value to be paid to the supplier by the buyer is inclusive of the said TCS.

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