

FAQ's on TCS on sales of Goods section 206C (1H)

By CA Yashoda Soni

From October 1, 2020, our Government has introduced a new provision for collecting TCS for the sale of goods and depositing the same to the Government. These provisions are given in Section 206C (1H) of the Income Tax Act and here we are discussing this provision in a very simple language with some practical examples so that the Tax payers can understand the New provisions.

1. What is Tax Collected at Source (TCS)?

Tax Collected at Source (TCS) is the tax payable by the seller which he collects from the buyer at the time of sale, say, while purchasing a motor vehicle exceeding Rs 10 Lakhs. Budget 2020 has proposed to widen the scope by including TCS on Sale of Goods w.e.f. 01/04/2020—Sec 206(1H).

2. Who is the seller?

seller means a person whose total sales, gross receipts or turnover from the business carried on by him exceed Rs 10 Crore rupees during the financial year immediately preceding the financial year in which sale of goods is carried out.

For Ex. if your turnover in FY 2019-20 exceeds Rs 10 Crores, then you are covered under the new TCS provisions for FY 2020-21.

3. This Section applies on whom?

TCS will be applicable for every seller whose turnover from the business, exceeds RS.10 'Crore during the FY: 19-20 & onwards.

It requires the seller to collect TCS on account of sale of all goods made to the buyer in a single transaction or in aggregate during the financial year over and above the sale amount of Rs. 50 Lakhs.

4. What is the basis of calculation of term Turnover under this section?

The quantum of total sales or turnover or gross receipts of Rs. 10 crore is linked to the 'business of the person' and is not restricted to the value of sale of goods only.

Thus, in computing the limit of Rs. 10 crore, all the segments of the seller has to be considered - be it sale of goods or provisions of services, though tax is required to be collected only in the case of sale of goods to the buyer.

whereas for computing the threshold of Rs.50 Lakhs, only sale of goods is to be considered.

5. This Section not applicable to whom?

- a) Total turnover of the seller in FY: 19-20 is less than Rs. 10 Crore, then the section will not be applicable for the FY: 20-21.

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- b) On a particular transaction, if the buyer is liable to deduct TDS under any other provision of the Act and has deducted such amount on the goods purchased by him, then on that same transaction seller do not require to collect TCS.
- c) TCS will not be applicable for Central government, State government, Local authority, Importer of goods, Trade representation of a foreign state, High commission, Embassy and Legation.
- d) Goods sold during Export.
- e) Importers in India.
- f) Goods which are already under TCS provisions like Tendu leaves, liquor for human consumption.

Some Example related to applicability of this section: -

Case 1: Turnover of seller in FY: 19-20 is Rs. 9 Crore (Which is less than Rs.10 Crore)
Amount of the sale made during FY: 20-21 is Rs.80 Lakhs (Which is morethanRs.50Lakhs).

The buyer made payment to the seller of Rs. 80 lakhs during the FY: 20-21.
In such case, seller will not be liable to pay TCS, because the **turnover criteria** are not met.

Case 2: Turnover of seller in FY: 19-20 is Rs. 11 Crore (Which is more than 10 crore).
Amount of the sale made during FY: 20-21 is Rs.95 Lakhs (Which is more thanRs.50Lakhs).

The buyer made payment to the seller of Rs. 95 lakhs during the FY: 20-21.

In such case, value for calculation of TCS **will be on the surplus amount** of the total transaction, which is 45 lakhs (95 Lakhs-50 Lakhs)

6. This Section applicable from?

This section will be applicable from **1st October 2020**. It means only amount received for sale after 1st October 2020, is liable for this section.

Some Example related to clarify this section: -

Case 1: Turnover of seller in FY: 19-20 is more than 10 Crore
Amount of sale made during the FY: 20-21 is Rs.90 Lakhs
Buyer made payment to seller between 01-04-2020 to 30-09-2020 = Rs.15 Lakhs
Buyer made payment to seller between 01-10-2020 to 31-03-2021 = Rs.75 Lakhs

In such case 25Lakhs (75L-50L) will be valued for calculation of TCS.

Case2: Amount of sales is RS. 90 Lakhs
Buyer made payment to seller against the sale is, 40 Lakhs between 01/10/2020
31/03/2021.

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In that case, value of TCS will be Nil for that Financial Year. In next FY when the remaining value of Rs. 50 Lakhs will be received against the sale of Rs. 90 Lakhs, Then TDS will be Deducted on Rs.40 Lakhs (90 Lakhs – 50 Lakhs.)

7. For calculating the limit of ₹ 10 crore in the preceding financial year, whether sale of services to be included?

For calculating the threshold limit of ₹ 10 crore in the preceding financial year, section 206C(1H) provides that Total Sales, Turnover, Gross Receipts from the business shall be considered. As such, the receipts of sale of services not to be considered. This section is solely applicable on sale of goods.

8. What could be the different possible scenarios for levy of TCS?

We have provided various scenarios for the levy of TCS in the below Table. In the below table, we have taken 2 invoices which are raised in FY 2020-21. Please note that the opening balance in positive (+) represents receivables and in negative represent advance from the customer as at 1st April 2020.

Scenario	Opening Balance in INR	Gross Value of Invoices shall be raised from 1st April 2020 onwards			TCS Treatment Remarks
		Invoice – 1 before 1st Oct'20	Invoice – 2 before 1st Oct'20	Invoice – 3 after 1st Oct'20	
1	INR 50 Lacs	INR10 Lacs	INR25 Lacs	INR 5 Lacs	Opening balance itself crosses the threshold limit of INR 50 Lacs, since the TCS will come into effect from 1st Oct 20, hence we have to levy the TCS on the invoice raised on or after 1st Oct 20, i.e. on invoice-3 and thereafter on the gross value of every invoice during FY 20-21.
2	INR 30 Lacs	INR 15 Lacs	INR10 Lacs	INR 30 Lacs	As we can see that threshold limit is crossed in invoice-2, above TCS shall be levied on INR 30 lacs in 2nd Invoice-3, which is raised post 1st Oct 20 and thereafter on gross value of every invoice in FY 20-21.
3	INR 0	INR25 Lacs	INR12 Lacs	INR35 Lacs	As we can see that threshold limit is crossed in invoice-3 (25+12+35

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					> 50), TCS shall be levied on INR22 lacs on 3rd Invoice and thereafter on gross value of every invoice.
4	INR -30 Lacs	INR70 Lacs	INR20 Lacs	INR10 Lacs	As we can see that threshold limit is crossed in invoice-2 itself (-30+70+20>50), TCS shall be levied 3rdInvoice, which is raised post 1st Oct 20 and thereafter on the gross value of every invoice in FY 20-21.

9. Rates of TCS?

Rate of TCS from the above mentioned date on all goods will be 0.075% (till31.03.2021). Non availability of PAN or Aadhaar No. of the buyer shall attract TCS at the rate of 1%.

Scenario	Description	TCS Applicable or Not
Return of goods	Prior consideration	TCS is applicable on net amount
Return of goods	After consideration	Then Government will offer a TCS refund to the seller.
Freight	Include in invoice	Yes, TCS is applicable
Real estate transaction		Not applicable
Re sale of Goods		Not Applicable
Sale of Jewellery		Applicable
Sale of Software		TCS Applicable

10. Does This Also Apply to The Supply of Services?

No. The provision that has been brought at this time is only in relation to “**sale of goods**” and services have been kept away from this provision. Therefore, this provision is not applicable to the payment of consideration received in relation to supply of services.

11. Is There Any Relaxation in This Rate in The Corona Period?

Due to the corona outbreak, there is a 25 percent discount on this rate till 31 March 2021 and the effective rate will be 0.075% up to this date.

12. Should It Be Charged in TCS Bill?

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It is not mandatory in the law and it depends on choice of the seller. If it is collected and deposited on receipt of payment then the requirement of law is complete and it is immaterial whether it is charged in the Invoice or not.

13. TCS will be deducted on GST value on Goods?

For this clarification whether GST will include in invoice or not CBDT is issued Circular no 17, in this circular clarify that adjustment is required to be made for sales return, discount or indirect taxes including GST for the purpose of collection of tax under sub-section (1H) of section 206C of the Act.

After understanding this circular, you to charge TCS in your invoice. Let us an example for your clarification: -

Description	Amount
Value of Goods	75,00,000.00
Add: - GST @18 %	13,50,000.00
Total	88,50,000.00
TCS 0.075%	6,638.00
Total Invoice Value	88,56,638.00

14. TCS provision applicable on Advance received in respect of Goods?

Yes, this provision is applicable to amount received in connection with the sale and any advance is related to it is received after 01.10.2020 then liable to TCS.

But if any sale made after 01.10.2020 and advance received related to such sale then not liable to TCS because no amount is received after 01.10.2020.

15. If the Sale Is Before October 1, 2020 And Payment Is Due on Or After October 1, 2020, What Will Be TCS'S Position in This Case?

Now you have already been told that this provision is payment based and if payment is received on or after October 1, 2020 then the provisions of TCS will apply, so TCS will be paid according to the provision.

16. When to Deposit TCS After Collecting It from The Buyers?

The responsibility for payment of TCS will be on receipt of payment from the buyer and you have to deposit it to the government on the 7th day of the end of the month in which you receive the payment.

17. If the Goods Already Being Charged by TCS Under Existing Provisions of TCS In Income Tax Act, 1961 How These Goods Will Be Covered Under These New Provisions Of TCS.

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The goods on which TCS is already being charged will remain under the same provision on which TCS was depositing till now, these new provisions of TCS will not apply in relation to those items.

18. TCS Is Already Applicable for Selling of Motor Vehicles Above Rs. 10 Lakhs, Then How New Provision Of TCS Under Section 206C(1H) Levy?

TCS is applicable to automobiles sector for selling of a Motor vehicle above Rs. 10 lakhs to the customer.

Seller	Buyer	TCS Applicable
Manufacturer	Distributor	NO
Manufacturer	Dealer	NO
Manufacturer	Sub Dealer	NO
Dealer	Customer	YES

So we can say that new TCS provision and this provision of TCS is applicable to automobile sector also.

19. Due Dates of depositing of TCS?

The due date for depositing TCS is the 7th of next month.

For example, if you receive payment in October 2020, then you have to pay its TCS by 7 November 2020.

20. Due Dates of depositing of TCS return?

Every person who is collecting TCS is required to submit a quarterly TCS return in Form 27EQ. The due dates for filing of TCS returns are mentioned below: -

Quarter	Due Date	Due date of issuance of certificate
Q1. Apr to June	15th of July	30 th of July
Q2. July to Sep	15th of October	30 th of October
Q3. Oct to Dec.	15th of January	30 th of December
Q4. Jan to Mar	15th of May	30 th of May

21. Whether TCS shall be collected by the seller where the buyer is also obliged to deduct TDS on payments being made?

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This section provide that this sub-section shall not apply where the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

22. How and when to charge TCS from buyer?

- a) The TCS can be collected by the charging through the invoice
- b) The TCS can be collected by the charging through debit note.

It is advice that TCS should be collected through debit note instead of charged in invoice.

23. Whether this sub-section shall also apply to fuel supplied to non-resident airlines?

In this regard, CBDT has clarified that the provisions of this section of the Act shall **not apply** on the sale consideration received for fuel supplied to non-resident airlines at airports in India.

24. It Is Applicable on Receipt Exceeding Rs. 50.00 Lakhs from A Buyer

It may also be noted that this TCS shall be applicable only on the receipt exceeding Rs. 50 lakhs by a seller from a **particular buyer** not cumulative buyer.

25. The Threshold limit of Rs. 50 Lakhs Is to Be Calculated on Full Year Basis?

It has also been reported in certain section of that every transaction will attract this TCS. This report is not correct. It may be noted that this TCS applies only in cases where receipt of sale consideration exceeds Rs. 50 lakh in a financial year. The receipt Will be count from the beginning of the financial year i.e. from 1st April, 2020 shall be taken into account.

26. Bill to bill bifurcation required?

The seller in most of the cases maintains running account of the buyer in which payments are generally not linked with a particular sale invoice. Therefore, in order to simplify and ease the compliance of the collector, it may be noted that this TCS provision shall be applicable on the amount of **all sale consideration** bill to bill bifurcation not required.

27. Whether book adjustment/barter is required to deduct TCS?

YES if the buyer not make any payment for particular transaction also made an adjustment is liable to deduct TCS.

28. Whether TCS is required on electricity?

Section 206(1H) provides for the collection of tax on the sale consideration and electricity is movable propriety though it is tangible assets. So liable to deduct TCS.

Let take one example for easily understanding of this section: -

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Particulars	2019-20	2020-21	2021-22	2022-23
Sales (A)	60,00,000	70,00,000	55,00,000	50,00,000
Outstanding balance as on the first day of year (B)	Nil	40,00,000	10,00,000	20,00,000
Total Receipt ©	20,00,000	1,00,00,000 (55 Lakhs received on or before 30.09.2020)	45,00,000	65,00,000
Outstanding balance as end of the year (D=A+B-C)	40,00,000	10,00,000	20,00,000	10,00,000
Tax to be collected	Nil (Note 1)	Rs. 4,500 (Note 2)	Nil (Note 3)	Rs. 1,500 (Note 4)

Note 1: As Section 206C(1H) is applicable from 01-10-2020, no tax to be collected in the financial year 2019-20.

Note 2: Tax will be collected only in respect of sale consideration received on or after 01-10-2020, i.e. $Rs. 45,00,000 * 0.1\% = Rs. 4,500$

Note 3: No tax shall be collected as the amount of sale consideration received during the year does not exceed Rs. 50 lakhs.

Note 4: The tax shall be collected on receipt in excess of Rs. 50 lakhs, i.e. $15,00,000 * 0.1\% = 1,500$

29. Is there any separate registration required under this section?

Every person required to obtain TAN. Which shall apply in form 49B to the assessing officer. TAN (tax deduction account) issued after 1.10.2004 are combined for TDS as well as TCS.

30. Is there applicability of TCS on GST?

Amount debited to the account of buyer or payment shall be received by seller inclusive of VAT Excise GST. TCS to be collected on inclusive of GST. So we can said that GST is also leviable on sale of goods and TCS is applicable on receipt of sale of goods.

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31. If person running two business turnovers will merge or not?

According to new provisions persons running two business then the turnover will be clubbed

TCS.

Clarification Though the two units may have different TANs, considering that the PAN of both the units remains same, a view may be taken that no TCS shall be collected for such inter-unit transfers.

32. TCS will applicable on sale of motor cars?

TCS on sale of motor cars are already covered under section 206C(1F). However, where the provisions of section 206C(1F) does not apply, provisions of section 206C(1H) shall apply on sale of motor cars.

Section 206C(1F) is applicable where the value of the motor car sold exceeds Rs. 10 Lakh. In case, the value of the motor car does not exceed Rs. 10 Lakh then section 206C(1F) will not apply.

In this case, if the seller sells 8 motor cars of Rs. 8 Lakh each to a single buyer, then TCS u/s 206C(1H) shall apply to such transactions.

Further, section 206C(1F) applies only to B2C transactions and does not apply to B2B transactions. Hence, section 206C(1H) may apply in B2B transactions if the conditions of section 206C(1H) are satisfied.

33. If a seller makes a sale 75 lakhs and purchase 80 lakhs now, he had received and payment of bill now position of TCS?

In that case both of the transaction is separate and there would be liability of TCS on both transactions.

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