SMALL CONCEPT OF TCS

(TAX COLLECTED AT SOURCE)

Preliminary

We generally heard the concept TDS/TCS. But in use we generally are in touch with Tax Deduction at Source (TDS). Tax Collection at Source is a tax which is collected on sale means the seller collect tax from the buyer of specified goods in section 206C(1) in the concept TCS. The whole concept of TDS/TCS is from the income tax act Is to widen the income tax scope and to include more and more persons into tax grip.

Concept of TCS

In this concept the seller of specified goods collect tax from the buyer under the section 206C (1). This is also called TCS and full form is Tax collected at source.

Definition of buyer

Buyer is a person who buys the goods for sale. The mode of buying may be direct purchase, tender or any auction to the specified goods. But these are not covered as buyers in Tax Collected at source (TCS) Act.

- Central/State government.
- Public company.
- Embassy, High commission or representation of foreign country.
- Any club.
- Any person who buys the goods for personal consumption & not for sale.

Definition of seller

Seller of the specified goods is covered in TCS act. Seller may be

- Individual or Huf
- Firm
- Co-operative society
- Company
- State or central government
- Local authority

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Specified goods

Specified goods are those goods, sale or purchase of these goods attracts TCS. There are only some of goods which attract TCS and the list of these items is as follows.

1- Alcoholic liquor for human consumption.

2- Timber

3- Tendu leaves.

4- Forest produce other than timber and Tendu leaves.

5- Scrap or waste.

Tax Rate

Rate of TCS is different from one item to other. The rate of TCS is as follows.

- Alcoholic liquor for human consumption : 1 %(One percent)
- Timber : 2.5 % (Two point five percent)
- Tendu leaves : 5 % (Five percent)
- Forest produce other than timber and Tendu leaves : 2.5 % (Two point five percent)
- Scrap or waste : 1% (One percent)
- There is also a surcharge of 10% on the rate of TCS given above.
- Educational cess @ 2% on basic surcharge.
- Secondary and Higher educational cess@1% on basic surcharge amount.

TCS Exemption

- The TCS will be zero or exempt when the buyer buys the goods for manufacturing or reproduction and not for sale.
- In this condition the buyer supplies Form 27C to the seller mentioning that he is the not a trader and will reprocess the goods which are purchased with duly stamped and signature.
- The seller needs to deliver copy of Form 27C to the commissioner of income tax.

TAN

Every person who collects tax means the seller needs to apply for TAN no. and the TAN Number should be written to all challans, Forms & certificate of TDS/TCS.

This TAN number will combine work for TDS/TCS.

The seller need to deposit the tax amount within one week from the last day of the month in which the amount received of TCS with **Challan no. 281** also used for TDS. The seller also need to issue a certificate to the buyer of TCS Form 27 D which can be issued monthly or six monthly basic.

Return

The seller who collected TCS need to deposit return with Form 27EQ quarterly.