As per Finance Act 2020, Section 206C(1H) will be applicable from 1st October 2020:

TCS is to be collected on Receipts above Rs. 50 Lakhs against Sales from Buyer on Sale of Goods.

Sales before 1st Oct 2020	**Sales After 1st Oct 2020**	**Receipts before 1st Oct 2020**	**Receipts after 1st Oct 2020**	**Amount for which TCS applicable for FY 19-20**	**Reason**
60,00,000	20,00,000	50,00,000	30,00,000	–	Threshold not crossed post the date of applicability
20,00,000	40,00,000	6,00,000	54,00,000	4,00,000	TCS applicable on amount exceeding 50 lakhs
70,00,000	–	5,00,000	65,00,000	15,00,000	Trigger is Receipt and not sales.
30,00,000	1,00,00,000	1,30,00,000	–	–	Trigger is Receipt and not sales.
25,00,000	35,00,000	–	30,00,000	–	Threshold not crossed post the date of applicability
–	60,00,000	60,00,000	–	–	Trigger is Receipt and not sales.
60,00,000	–	–	60,00,000	10,00,000	Trigger is Receipt and not sales.

What is the rate at which TCS is to be collected?

PAN / AADHAAR furnished	**Up to 31st March 2021**	**From 1st April 2021**
YES	0.075%	0.1%
NO	0.75%	1%

To Whom Provisions of Section 206C(1H) Apply?

As per Section 206C(1H),such section applies to Seller of whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out.However, CG may notify person to whom this section shall not be apply.

Example:

- If Turnover in FY 201920 is Rs. 12 Crore, then this section will apply for FY 2020-21 i.e. from 1st October 2020.
- In continuation of above If Turnover in FY 202021 is Rs. 8 Crore, then this section will not be applicable for FY 2021-22.

Thus Taxpayer needs to verify applicability of this section each year, unless taxpayer wants to opt it voluntarily.

TCS Payment & Return

- TCS collected needs to be paid within 7 days of the next month.
- Every tax collector shall submit quarterly TCS return i.e., Form 27EQ in respect of the tax collected by him in a particular quarter.
- The due date of quarterly return is as under:

Quarter	Due Date
Apr-Jun	15th July
Jul-Sep	15th Oct
Oct-Dec	15th Jan
Jan-Mar	15th May

How to know the applicability of this Provision?

Ans: The turnover or gross receipts from the business shall exceed ₹ 10 Crores of the financial year immediately preceding the financial year.

The law does not make it mandatory to comply continuously once a seller is obliged to follow. This will lead to a situation where provisions are applicable and not applicable for different years depending on the quantum of turnover, less than or more than ₹ 10 Crore.

The applicability of this section will fluctuate with the fluctuations in the turnover of the assessee.

What would be the point of collection of tax?

Ans: The Sub Section provides a trigger point **at the time of receiving** any amounts as consideration for sale of any goods.

Situation 1: Sale order is before 1st October 2020 but the sale is not completed as up to 30.09.2020. TCS would be applicable if any amount is received on or after 01.10.2020.

Situation 2: Sale is completed before 1st October 2020; Debtor is standing in books as on 30.09.2020 and amount received on or after 1st October 2020. TCS is not required to be collected on trade receivables of goods standing in books as on 30th September 2020.

What will be Value for collection of Tax?

As mentioned in above provisions, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax.

Thus, if amount received during the Financial Year exceeds Rs. 50 Lakhs then amount over and above 50 lakhs will be Value for collection of tax.

Example:

- Amount of Sales made during the year is 100 Lakhs but amount received against such sale during the year is only Rs. 90 Lakhs. In such case Amount of Rs. 40 Lakhs (90L-50L) will be Value for calculation of TCS.

- Amount of Sales made during the year is 100 Lakhs but amount received against such sale during the year is only Rs. 40 Lakhs. In such case Value for calculation of TCS will be Nil for that year. After that in next year remaining 60 Lakhs received against 100 Lakhs Sales, so in such year value for calculation of TCS will be 50 Lakhs (100L-50L).

How the impact of sales return, credit note, and debit note would be considered in collecting TCS?

Ans: If sales return/credit note/debit note is before receipt of any consideration, then the impact thereof will be included in the amount of consideration, and accordingly, on receipt of the revised consideration, the provisions of TCS would be applicable.

If the amount of consideration is already received and TCS is collected and paid, no impact thereof will be required to be made at the time of passing entry for sales return/credit note/debit note.

Whether TCS will refund if sale is canceled after advance receipt?

Ans: Practical difficulties arise where advance is collected for sale of goods and TCS is remitted and subsequently, the contract is canceled and the amount is refundable. In such cases, the seller is required to refund only the primary sale consideration received but not the TCS amount since such TCS amount is already credited as prepaid taxes and will appear in Form 26AS and the buyer cannot insist for refund of the TCS amount

Whether the consideration will include the amount collected towards GST?

Ans: The word 'consideration' is not defined. In terms of Section 145A irrespective of the treatment in books of accounts, **the value of sales will include the amount of any tax recovered. Hence the consideration amount will be inclusive of GST for collection of TCS.**

Whether TCS will be applicable on Security deposits?

Ans: Where a buyer is required to keep earnest money deposit, security deposit, or performance guarantee, and if such amounts are later on **adjusted towards sale consideration**, the seller still will have to remit TCS.

Whether provisions of TCS would be applicable? If Trade receivables adjusted against the amounts payables from the said party.

Ans: TCS is to be collected at the time of receipt of an amount of consideration. As in the instant case, though the amount is not received in cash/cheque / electronic mode a genuine debt (receivable and payable is adjusted) is received by any other mode and hence, the provisions for TCS will be applicable.

When is section 206C (1H) not applicable?

The Section shall not be applicable in the following cases:

If Gross Turnover/Sales/Receipts of the assessee, during immediately preceding FY is less than Rs.10 Crores.
If the sale consideration received from the buyer is less than Rs. 50 lakhs.
In case of any Import into India or Export from India.
In case the sale is made to the Central Government, a State Government, an Embassy, a High Commission, legation, commission, consulate or any trade representation of a foreign State OR a local authority or such other person as may be specified.
In case the transaction is covered by TDS under any other section.
In case goods being sold are covered by
Sec 206C (1) which covers – alcoholic liquor, tendu leaves, timber, forest produce other than timber and tendu leaves, scrap, minerals like coal or iron ore OR
Sec 206C(1F) which covers – motor vehicles exceeding Rs. 10 lakhs in value OR
Sec 206(1G) wherein remittance is being made outside India and TCS is being collected by Authorised Dealer for the same.