19.06.2021

New TDS section 206AB and 206CCA and 194Q Applicable 01.07.2021

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Applicability of New TDS section 206AB and 206CCA and 194Q

Finance Act 2021 introduced new Sections 206AB and 206CCA levying a double TDS rate for the non-filers of ITR of two or any one Year for preceding two previous years and expiry of deadline u/s 139(1). This is applicable when the total tax deducted or collected is more or equal to Rs.50,000. each Year. If TDS or TCS not deducted more than threshold one year. This section applies to all payments except a few like payment of salaries, premature withdrawal of PF, etc. This act applicable from 01st of July 2021.

Section 206AB mandates the person to deduct TDS at a higher rate in case of non-filing of an income tax return by the specified person,

- Rate of TDS – Higher of below

1) 2 times applicable rate of TDS / TCS Applicable or 2) At the rate of 5%

For example, TDS applicable 1 or 2% under 194C you need to deduct 2% or 4% but asper above you have to check higher of 2% or 4% or 5% so 5% applicable. In case of 194J you have to consider twice the rate i.e., 20% or 5% so 20% higher need to be consider for deduction of Tax. If Person doesn't have PAN than as per Sec 206AA 20% TDS applicable.

If the provision of section 206AA (doesn't have PAN or Aadhaar), applies to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the rates provided in this section and in section 206AA

- Circumstances where provisions are Not Applicable –

1) Deductee is a non-resident who does not have a permanent establishment in India.

2) TDS is applicable under any of the following sections: -

1. Sec 192 – TDS on Salaryq1`qhgrwswsddedewwwssww2

2. Sec 192A – TDS on Premature withdrawal from EPF

3. Sec 194B – TDS on winnings from lotteries

4. Sec 194BB – TDS on winnings from horse races

5. Sec 194LBC – TDS on investment in securitization fund

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6. Sec 194N – TDS on Payment of a certain amount in cash

Obtain the following details from the Customer: -

1. Acknowledgement no. & date of filing of ITR of 2018-19 & 2019-20
2. Total TDS & TCS deducted in 2018-19 & 2019-20
3. A declaration for filing of Tax return for preceding 2 previous Year.

section 206CCA mandates the person to collected TCS at a higher rate in case of non-filing of an income tax return for preceding two previous year whose deadline expire filing tax returns by the specified person. This is applicable when the total tax deducted or collected is more or equal to Rs.50,000. each Year. If TDS or TCS not deducted more than threshold one year. This section applies to all payments except a few like payment of salaries, premature withdrawal of PF, etc. This act applicable from 01st of July 2021.

Section 206AB mandates the person to deduct TDS at a higher rate in case of non-filing of an income tax return by the specified person,

- Rate of TDS – Higher of below

    1) 2 times applicable rate of TDS / TCS Applicable or 2) At the rate of 5%
    2) If the provision of section 206CC (doesn't have PAN or Aadhaar), applies to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the rates provided in this section and in section 206CC

Section 206AB & 206CCA is not only applicable to Section 194Q & 206C(1H) but to all TDS & TCS sections except Sec 192, 192A, 194B, 194BB, 194LBC, 194N

194Q of Income Tax Act on TDS on Purchase of Goods, which is going to impact every Business operation drastically in India. The idea behind introduction of this New Section is to widen the scope of catching the defaulters. This section is going to be implemented with effect from 01-07-2021. This article ***"Section 194Q TDS on Purchase of Goods - Effective from 01st July 2021 (35 FAQ's)"*** will cover the Applicability, Rate, Threshold, TDS Calculations, Exceptions, Need to Bring this Section, who is liable to Deduct, When to Deduct TDS etc.

*Applicability of **Section 194Q of Income Tax Act:***

Section 194Q of Income Tax Act is **Applicable from 01-July-2021.**

1. Any person, being a **BUYER**
2. Who is responsible for paying any sum to **ANY RESIDENT** (hereafter in this section referred to as the seller)
3. For **PURCHASE OF ANY GOODS**
4. Of the **VALUE OR AGGREGATE** of such value **EXCEEDING INR 50 LAKHS IN ANY PREVIOUS YEAR**,
5. Shall, **AT THE TIME OF CREDIT** of such sum to the account of the seller **OR AT THE TIME OF PAYMENT** thereof by any mode, **WHICHEVER IS EARLIER**,
6. **DEDUCT** an amount **EQUAL TO 0.1 PER CENT. OF SUCH SUM EXCEEDING FIFTY LAKH RUPEES** as income-tax.

TDS Sec.194Q by the Income tax department is to cover up the loophole in newly inserted TCS Section 206C (1H) which came into force from 1st October 2020. Last year government implemented **TCS provision for Seller** on Receipt of Sales of Goods, more than Rs. 50 Lakhs as sale consideration, during the current financial year. The TCS is payable on the amount of receipt which is greater than 50 Lakhs and received after 1st. Oct. 2020. Other Condition for its applicability was **"seller"** had it's total sales, gross receipts or turnover from the business carried on by him exceed 10 crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out.

Threshold for Deduction of TDS u/s 194Q of the Income Tax Act, 1961

Tax shall be deducted u/s 194Q by a buyer if the **Value or Aggregate of Value of Goods Purchased** is **EXCEEDING INR 50 Lakhs** in any Previous Year.

The tax shall be deducted from the purchases made by a buyer if the following conditions are met:
(a) Goods are purchased from a resident person;
(b) The Value or aggregate of value of Goods Purchased is **exceeding Rs.50lakhs** in any previous year; and
(c) The buyer should not be in the list of persons excluded from the provision for deduction of tax.

Tax shall be deducted u/s 194Q by a buyer whose total sales, gross receipts or turnover from the business exceeds Rs. 10 crores during the financial year immediately preceding the financial year in which such good are purchased. Thus, the liability to deduct tax under this provision in the financial year 2021-22 shall arise if the turnover of the purchaser was more than Rs. 10 crores in the financial year 2020-21.

The tax shall not be deducted under this provision if the tax is deductible or collectible under any other provision except Section 206C(1H). Thus, if a transaction is subject to TCS under Section 206C(1H), the buyer shall have the first obligation to deduct the tax. If he does so, the seller will not have any obligation to collect the tax under Section 206C(1H).

The tax shall be deducted by the buyer of goods at the rate of 0.1% of the purchase value exceeding Rs. 50 lakhs if the seller has NOT furnished his PAN or Aadhaar, the tax shall be deducted at the rate of 5%.

If a buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him and deducts such amount then such transaction will not again suffer collection of tax at source under section 206C(1H) of the Act. Thus, provisions of section 194Q and the provisions of section 206C(1H) are mutually exclusive.

The tax shall be deducted at source on the consideration that exceeds INR 50 lakh as Section 194Q requires the buyer to deduct tax at source on purchase of goods. at 0.1% of the sum exceeding INR 50 lakh in a financial year. GST levied as part of the invoice shall not considered for TDS in view of the clarifications from CBDT vide circular no. 23/17 dated 19-07-2017.