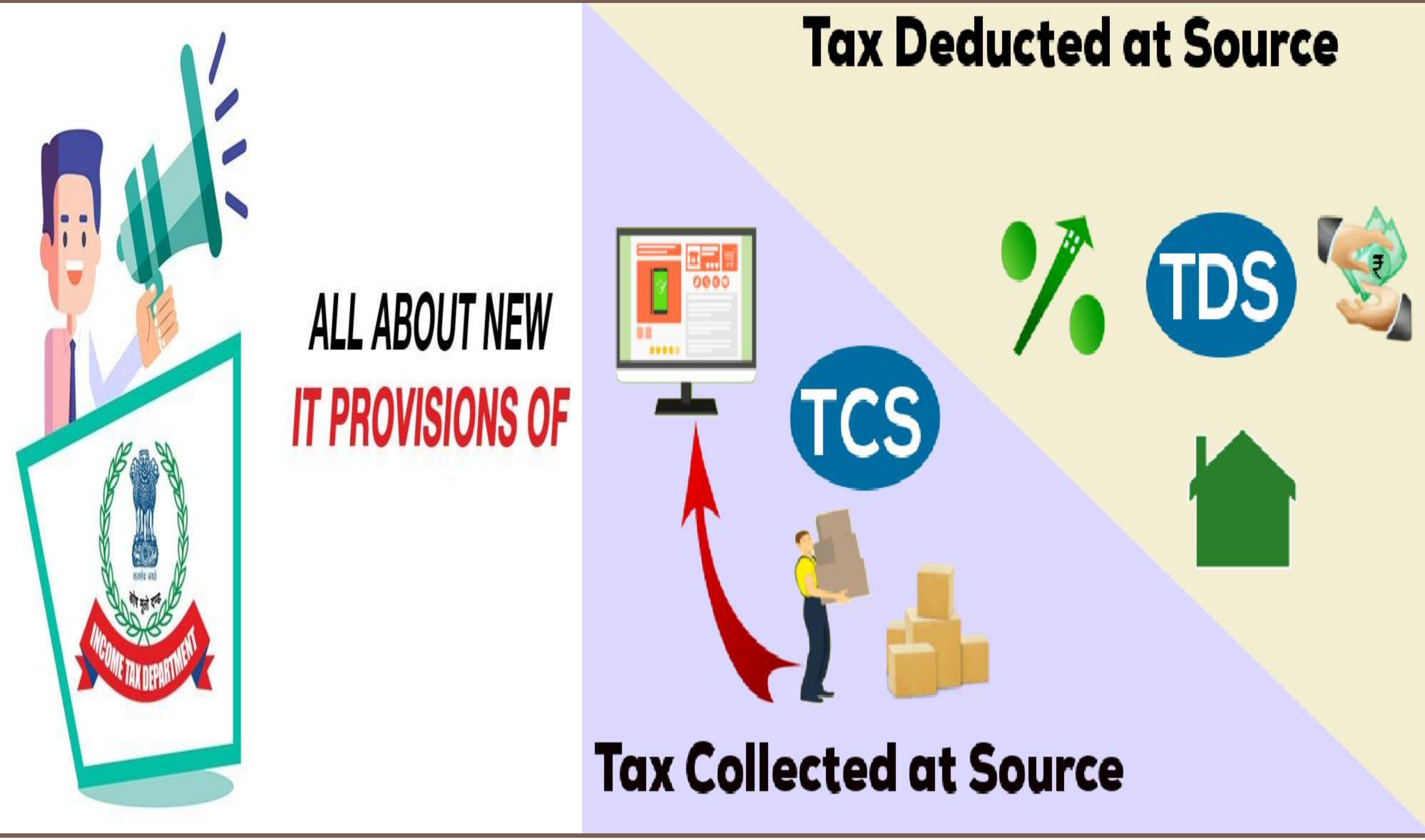
ALL ABOUT NEW
IT PROVISIONS OF
INCOME TAX DEPARTMENT
Tax Deducted at Source
TDS
TCS
Tax Collected at Source

TDS on Purchase of Goods

New TDS Section 194Q

w.e.f 01.07.2021

Provision of the Income Tax Act Under Section 194Q:

- “ *Any person, being a buyer who is responsible for paying any sum to any resident (hereafter in this section referred to as the seller) for purchase of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, 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, deduct an amount equal to 0.1 per cent of such sum exceeding fifty lakh rupees as income-tax.*”

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Whatis the Applicability?

- This provision has been made applicable from **1st July 2021.**
- In the First year of implementation of this new provision Purchases made from suppliers up to 30th June 2021 shall not be liable to deduct the TDS.
- Turnover of goods and services or both of the purchaser is more than INR 10 cr in Previous F.Y.
- TDS shall be applicable where the purchaser credits or makes payment as consideration of more than Rs. 50 Lakhs to a single seller for the purchase of any Goods.
- Seller/Buyer may be any person i.e. it can be Individual, Firm, AOP/BOI, Company, or any other form.

Example:

Financial Year	Turnover (in crores)	Goods purchased from single seller (in Lacs)	Remark
2020-21	12	40	This F.Y exceeds Rs. 10 cr turnover hence TDS Provision will applicable from next year.
2021-22	9	65	Goods purchased exceeds Rs. 50 Lacs hence on 15 Lacs (in excess of 50lakh) TDS should be deducted.
2022-23	15	70	TDS provision will not be applicable, as the P.Y (i.e 2021-22) Turnover does not exceed Rs. 10 cr.
2023-24	10	25	TDS provision will not be applicable, As the C.Y Goods purchaseddoes not exceed Rs.50 Lacs even though Turnover of P.Y 2022-23 exceeds Rs. 10cr.

When to deduct?

- The TDS has to be deducted at the time of credit or at the time of payment of such amount to the seller ***whichever is earlier*****.**

Important Note: where both the provision TDS u/s 194Q and TCS u/s 206C(1H) are applicable, provision of TDS u/s 194Q will prevail.

What will be the Rate of TDS

- TDS Shall be deducted at the rate of 0.1% of the amount in excess of Rs.50 lakhs.

- If the seller do not provide his PAN/AADHAR No. then the rate of the TDS shall be 5% instead of 0.1%

Non- Applicability

- Where the turnover of the Purchaser is less than 10 crore in the preceding Financial Year.
- Where any other TDS provision is applicable to such transaction.
- Where any TCS provision other than section 206C(1H) is applicable to such transaction.
- For persons as may be notified by the Central Government.

Case Studies:

Sr. No.	Buyer	Year 20-21	Year 21-22	Seller	Purchases made from the single Seller till 30th Jun	from 1st July	Total Purchases (2021-22)	TDS u/s 194Q	Remarks
1	Mr.A	12 Cr	9 Cr	Mr.B	24,00,000	65,00,000	89,00,000	Rs.3900= 39,00,000* 0.1%	on Rs.39,00,000 (65,00,00- 26,00,000) (26,00,000= 50,00,000- 24,00,000)
2	Mr.A	9 Cr	12 Cr	Mr.B	24,00,000	65,00,000	89,00,000	NA	As Turnover in the FY 2020-21 not exceeding Rs. 10 Crore
3	Mr.A	12 Cr	18 Cr	Mr.B	85,00,000	6,00,000	91,00,000	600= 6,00,000* 0.1%	on Rs. 6,00,000 being purchases after 30th June

Case Studies:

Sr. No.	Buyer	Year 20-21	Year 21-22	Seller	Purchases made from the single Seller till 30th Jun	from 1st July	Total Purchases (2021-22)	TDS u/s 194Q	Remarks
4	Mr.A	12 Cr	18 Cr	Person Notified by Central Govt.	55,00,000	20,00,000	75,00,000	NA	As this Clause is not applicable Person Notified by Central Govt
5	Mr.A (Job Work Purchaser)	15 Cr	12 Cr	Mr.B	30,00,000	35,00,000	65,00,000	NA	As this transaction is already covered under 194C
6	Mr.A (Buy A Car)	20 Cr	15 Cr	Mr.B (Auto Dealer)	0	15,00,000	15,00,000	NA	As on this transaction TCS shall be Collect u/s 206C(1F)

Due dates to deposits TDS

- The TDS deducted by the Purchaser shall be paid to the account of the govt by 7th of the following month for each month.

Accounting Treatment (in the books of Purchaser)

- For example, on 03.07.2021, Buyer A purchases goods amounting to Rs. 52,00,000 from Seller B, TDS will be deducted of Rs.200 on Rs. 2,00,000 @ 0.1%. [2,00,000 (Rs. 52,00,000 – Rs. 50,00,000)]

Date	Particulars	Debit	Credit
03/07/2021	Purchases A A/c GST 18%	52,00,000 9,36,000	
	To Seller To TDS Deduction A/c (Being Purchases made)		61,35,800 200

Accounting Treatment (in the books of Purchaser)

- On 05.07.2021 if the buyer purchases goods of Rs.3,00,000 from the same seller, TDS will be collected Rs.300 on 3,00,000.

Date	Particulars	Debit	Credit
5/07/2021	Purchases A/c GST 18%	3,00,000 54,000	-
	To Seller To TDS deduction A/c (Being Purchases made)	-	3,53,700 300

Accounting Treatment (in the books of Purchaser)

- On 06.07.2021 the buyer pays Rs.64,89,500 exclusive of TDS of Rs.500.

Date	Particulars	Debit	Credit
06/07/2021	Seller A/c	64,89,500	-
	To Bank A/C (Being Amount Paid)	-	64,89,500

- On payment of TDS by buyer

Date	Particulars	Debit	Credit
Before 7/08/2021	TDS Payable A/c	500	-
	To Bank A/c (Being TDS paid)	-	500

Due Dates of Filing of Return

- The Purchaser has to file a return in Form 26Q on a Quarterly basis.

- Due Dates of filing of Form 26Q are:

Quarter	Due Date
April – June	31st July
July – September	31st October
October – December	31st January
January – March	31st May

Due Dates of Issue of TDS Certificate

This certificate (Form no 16A) has to be issued within 15 days from the date of filing TDS quarterly returns. The due dates are:

Quarter	Due date of Issue of TDS Certificate
April – June	15th August
July – September	15th November
October – December	15th February
January – March	15th June

Interest and Late Fees :

Interest for failure to Deduct tax at source/delay in payment of TDS:

- if the person responsible for deducting tax does not deduct the tax or after deducting the tax fails to pay it to the credit of Government within the due date prescribed in this regard, then he shall be liable to pay simple interest at the rate of 1% per month or part thereof on the amount of such tax for late deduction and 1.5% for late payment. Interest shall be levied for a period from the date on which such tax was deductible to the date on which the tax was actually paid.

Late Fees on late filing of Return:

- As per Section 234E, Where a person fails to file the TDS return on or before the due date prescribed in this regard then he shall be liable to pay by way of fee a sum of Rs. 200 for every day during which the failure continues.

5 Step Procedure:

1. Verify if TDS is applicable to the Purchaser.
2. Deduct the TDS from Seller if applicable.
3. Deposit TDS deducted from the Seller every month.
4. File Quarterly TDS Return in 26Q.
5. Both seller and Buyer to maintain records for disclosure and compliance under IT act 1961


FREQUENTLY
ASKED
QUESTIONS

Questions	Answer
1. What will be implication of payment of outstanding balance as on 30th June, 2021 or an advance payment made before 30th June, 2021?	Point of Taxation is date of payment or date of credit whichever is earlier. In referred scenario, one of the triggering event occurred before the point of taxation and ideally Tax should not be deductible on such sum. However, department may want to take a contrary view. Therefore, as a prudence measure to avoid litigation, it is advisable to deduct TDS on such sum. A clarification from CBDT would be much appreciated in this regard.
2. What constitutes goods?	Goods are not defined under Income Tax Act, 1961. Therefore, we have to refer to most appropriate definition as per other Act or as per General Clauses Act, 1897. Sale of Goods Act, 1932 defines goods as follows: "Goods' means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale"

Questions	Answer
3. What are the consequences of non-deduction of TDS under the provisions of Section 194Q?	If buyer fails to deduct and deposit TDS at applicable rates, expenditure to the extent of 30% will be disallowed under Section 40a (ia) of the Act.
4. Do we have to deduct TDS on payment to a seller residing abroad?	If a person being a buyer has to make payment for the goods imported in India, then TDS is not required to be done as this Section is applicable on payments made to resident seller.
5. Is buyer liable to deduct TDS on advance payment made?	Since the advance payment is made against purchase of goods, TDS on same shall be deductible subject to fulfilment of other conditions.
6. What if the seller has multiple GST Registrations?	If the seller has multiple registrations, the threshold limit shall be computed yearly on PAN India basis and not GSTIN basis. It would mean that if amount is paid/ payable to a seller having multiple units, the aggregate amount payable to all such units shall be considered for the limit of Rs. 50 lakhs. Needless to mention that section is not applicable on inter branch transfers.

Questions	Answer
7. Whether the threshold for TDS is to be reckoned for each seller separately?	TDS is to be deducted on payment made to a resident seller for purchase of goods in excess of Rs. 50 lakhs in a year. The limit is to be calculated separately for each seller and for every financial year. For current Financial Year, even though the section is made applicable from 1st July, 2021, it is interpreted that the threshold limit of Rs. 50 lakhs shall be computed from 1st of April, 2021. Hence, following conditions shall be verified for deducting TDS under this section: i. Whether the buyer has made payment or credited an amount exceeding Rs. 50 lakhs in a year to the account of the seller. ii. If answer to above is Yes, then TDS shall be deducted on payment made after 1st July, 2021. a. If purchase value exceeded Rs. 50 lakhs before such date, then TDS is deducted on all purchases made after 01-07-2021. b. If purchase value have not exceeded Rs. 50 lakhs in a Year, then TDS on purchase value (Calculated from 1st April) exceeding INR 50 lakhs shall be deducted.

Questions	Answer
8. Whether TDS u/s 194Q is required to be deducted on the total invoice amount inclusive of GST or only on the value of goods excluding GST?	The provisions of Section 194Q are silent on applicability of TDS on amount of GST. However, on perusal of the Circular 17/2020 dated 29.09.2020, CBDT clarifies TCS under Section 206C (1H) is applicable on amount of sales consideration and no adjustments on account of indirect taxes (including GST) is required to be done. However, position for TDS was clarified earlier vide Circular No. 23/2017 as follows: The Board hereby clarifies that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable to a resident is indicated separately, tax shall be deducted at source under Chapter XV II-B of the Act on the amount paid or payable without including such 'GST on services' component Even though above circular was issued for GST on Services, ratio of the said Circular can be extended to provisions of section 194Q as well. However, applying the principles of recently issued circular for TCS, since 194Q is to be deducted on purchase value, it is advisable to deduct TDS on GST inclusive amount till a clarification is issued by CBDT to avoid litigation.

Questions	Answer
9. Whether Loading & Unloading Charges, Packaging Charges, Freight Charges and other incidental charges form part of consideration for “goods”?	As long as such incidental charges are mentioned in the same invoice, it forms part of intrinsically linked with goods and TDS shall be applicable on total invoice value including such incidental charges. However, if a separate invoice is issued for the same, no TDS would be applicable as Packing Charges alone would not constitute goods.
10. Goods includes Stocks and Shares. Whether TDS will be required in case of investment in Units of Mutual Funds?	Goods includes every kind of movable property including stocks and shares. Hence, mutual fund units would also be covered under the definition of goods and would be liable for TDS. It is worthwhile to mention here that CBDT had issued a Circular No 17/2020 dated 29th September, 2020 to exclude transaction in securities and commodities carried out on recognized stock exchange from purview of TCS u/s 206C(1H). Similar exemption in case of TDS u/s 194Q can be expected.

Questions	Answer
11. Whether effect of Credit Notes or Debit Notes is required to be given to identify deductible amount?	As per provisions of 206C(1H) and corresponding clarification issued by CBDT vide Circular No. 17/2020 CBDT mentioned that “no adjustment on account of sale return or discount or indirect taxes including GST is required to be made for collection of tax u/s 206C(1H) since the collection is made with reference to receipt of amount of sale consideration.” In above case, CBDT assumed that sales return or post sale discount are provided after receipt of sales consideration. Many a times, sales consideration is adjusted by such discounts and returns and only net sales consideration is received by Seller. However, such fact was clearly ignored while clarifying and gross invoice value was liable for collection of TCS. TDS u/s 194Q is deductible on any sum payable “for purchase of any goods of the value or aggregate of such value…” Ideally, purchase value should be adjusted to give effect to debit and credit notes issued for purchase return, discount, rate changes, etc. to arrive at actual transaction value. However, after referring above circular, a logical conclusion may not always be correct. A clarification from CBDT would be welcome here.

Comparison of Sec 194Q and 206C(1H)

Particulars	194Q	206C(1H)
Purpose	Tax to be *DEDUCTED*	Tax to be *COLLECTED*
Applicable to	Buyer/Purchaser	Seller
With effect from	01/07/2021	01/10/2020
When Deducted or collected	Payment or credit, whichever is earlier	At the time of receipt
Advances	TDS shall be deducted on Advance payments made	TCS shall be collected on advance receipts
Rate of TDS/TCS	0.1%	0.1% (0.075% for FY 2020-21)
PAN not available	5%	1%

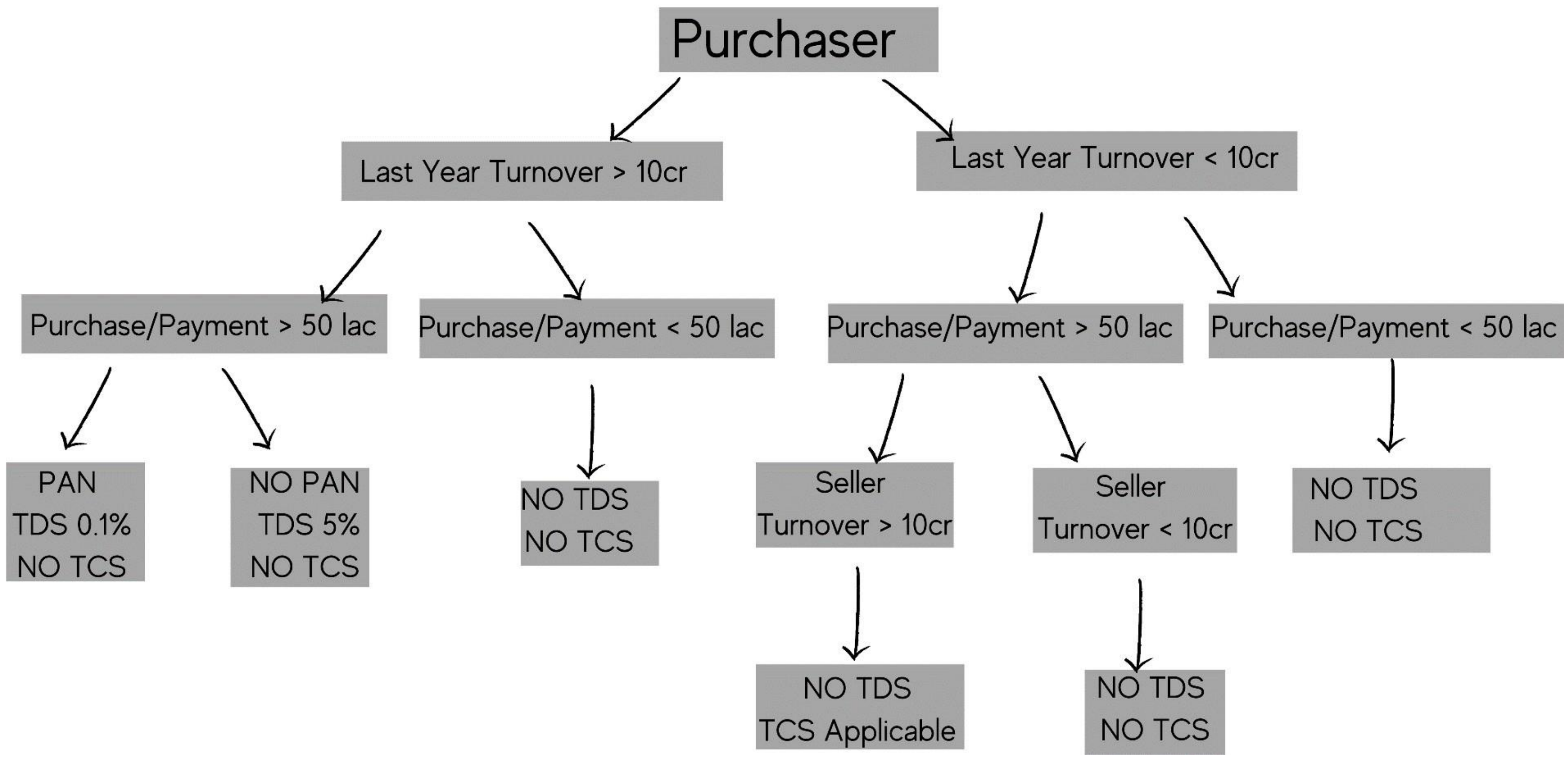
Comparison of Sec 194Q and 206C(1H)

Particulars	194Q	206C(1H)
Triggering point	Purchase of goods of aggregate value exceeding Rs.50Lakhs in P.Y. (excludes GST)	Sale consideration received exceeds Rs.50Lakhs in P.Y. (includes GST)
When to deposit/collect	Tax so deducted shall be deposited with government by 7th day of subsequent month	Tax so collected shall be deposited with government by 7th day of subsequent month
Quarterly statement to be filed	26Q	27EQ

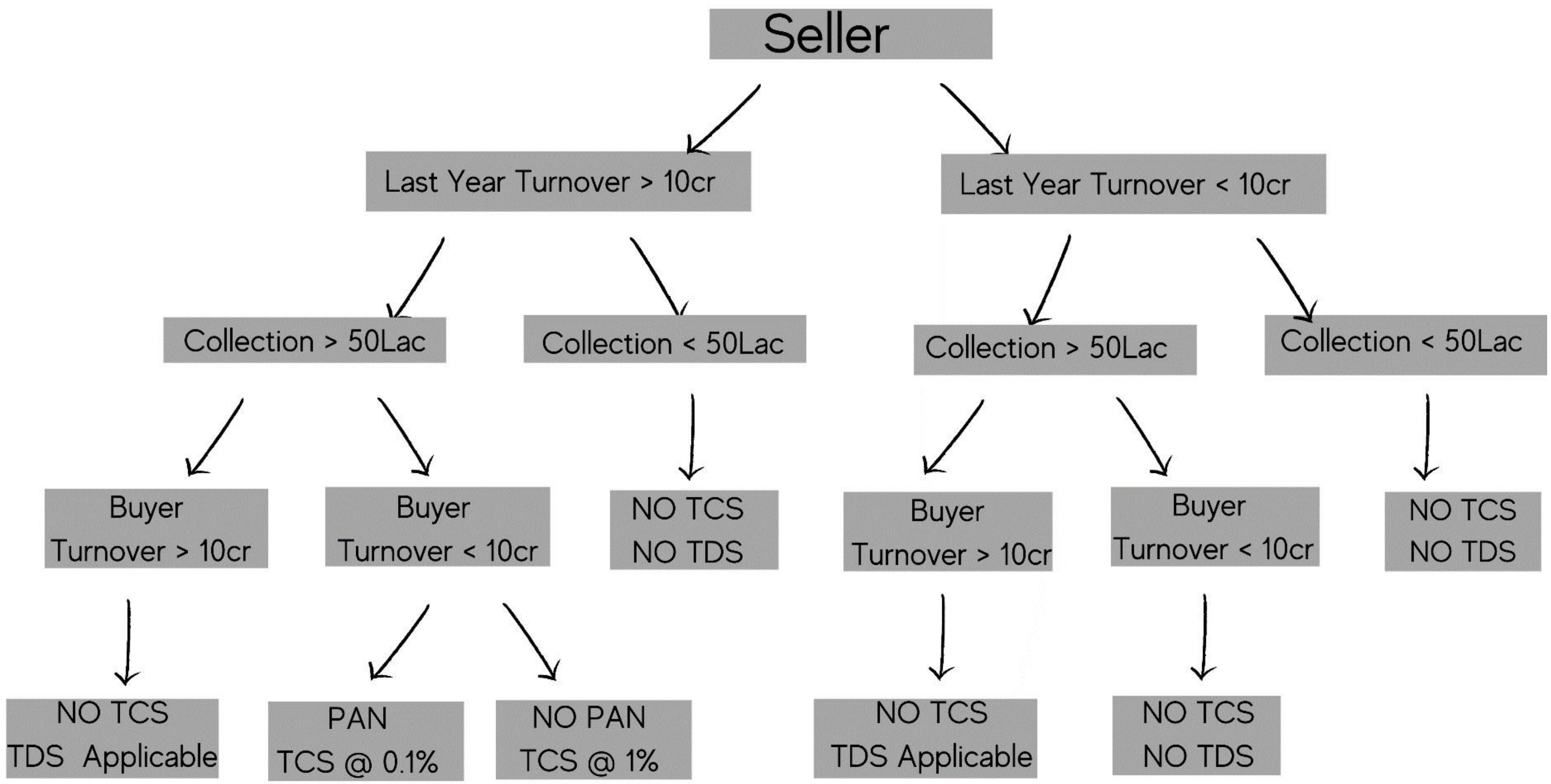
Applicability in various Scenarios

Case	Buyer's T/O in previous year	Seller's T/O in previous year	Transaction value during Current year	Section 194Q	Section 206C(1H)
1	8 crores	9 crores	60 lacs	Not Applicable	Not Applicable
2	12 crores	14 crores	45 Lacs	Not Applicable	Not Applicable
3	12 crores	9 crores	60 Lacs	Applicable	Not Applicable
4	8 crores	14 crores	60 Lacs	Not Applicable	Applicable
5	12 crores	14 crores	60 Lacs	Applicable	Not Applicable Since TCS u/s 206C(1H) is not applicable where TDS is applicable

Important points to be kept in mind regarding section 194Q



Important points to be kept in mind regarding section 194Q



Insertion of New Section 206AB

- **Special provision for deduction of tax at source for non-filers of income-tax return**

Applicability

Transaction is done with person who have not filed his return of Income of immediately two preceding previous years, for which due date U/s 139(1) has expired and

Aggregate of TDS and TCS in his case is Rs. 50000 or more in each of these two previous years.

Insertion of New Section 206AB

- **Applicable Tax rate :** Tax shall be deducted at **Highest of** the Followings:

(i) at twice the rate specified in the relevant provision of the Act or

(ii) at twice the rate or rates in force; or

(iii) at the rate of five percent.

Insertion of New Section 206AB

- Exceptions:

1. If Specified Person is Non-Resident who does not have a permanent establishment in India.
2. TDS is deducted under following section

Section	Details
192	TDS on Salary
192A	TDS on Premature withdrawal from EPF
194B	TDS on Lottery
194BB	TDS on Horse Riding
194LBC	TDS on Income in respect of investment in securitization trust
194N	TDS on cash withdrawal in excess of Rs. 1 crore

Insertion of New Section 206CCA

- **Special provision for collection of tax at source for non-filers of income-tax return**

Applicability

Transaction is done with person who have not filed his return of Income of immediately two preceding previous years, for which due date U/s 139(1) has expired and

Aggregate of TDS and TCS in his case is Rs. 50000 or more in each of these two previous years.

Insertion of New Section 206CCA

- **Applicable Tax rate :** Tax shall be collected at **Highest of** the Followings:

(i) at twice the rate specified in the relevant provision of the Act or

(ii) at the rate of five percent.

- Exceptions:

1. If Specified Person is Non-Resident who does not have a permanent establishment in India.

Non-linking of PAN with Aadhaar by 30.09.21

- If the person whose TDS is to be deducted or TCS to be collected is an individual and his PAN is not linked with Aadhaar upto 30.09.2021, then

-In case of TDS, Tax will be deducted at higher of the following:

1. At the rate specified in the relevant provision of the Act;
2. At the rate or rates in force, i.e., the rate prescribed in the Finance Act
3. At the rate of 20%

-In case of TCS, Tax will be collected at higher of the following:

1. at twice the rate specified in the relevant provision of this Act; or
2. at the rate of 5%

Online Functionality for sections 206AB & 206CCA

- To make the compliance under sections 206AB & 206CCA relatively easy and effective, CBDT has launched a new functionality - "**Compliance Check for section 206AB & 206CCA**" whereby the Taxpayer can identify the list of specified persons.

Procedure every year for complying with sections 206AB & 206CCA.

Steps	Actions to be taken
I	At the beginning of each year, the Taxpayer shall identify the list of specified persons covered by section 206AB & 206CCA based on individual or bulk PAN search utility. (Please keep the PDF files/ Report generated form the CBDT Functionality for Audit trail)
II	If the name of payee / payer is appearing in the list of "specified person", then tax is required to be deducted / collected at higher rate.
III	If there is any new vendor / party, then the Taxpayer should identity whether his name is appearing in the list of specified persons or not. ▪ If it is a specified person, then tax is required to be deducted / collected at higher rate. ▪ If it is not a specified person, then tax is required to be deducted / collected at normal rate
IV	The list of only "specified persons" identified in Step-II & III, may be verified from utility while complying with the TDS/TCS provisions on a specific need basis

"Thank You"