# TCS u/s. 206C(1H) Of Income Tax Act & GST TCS on Sales through E – Commerce Operators

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# Topics Covered

- TCS u/s. 206C (1H) of Income Tax Act, 2020
- GST TCS on Sales through E – Commerce Operators

# TCS u/s. 206C (1H) of Income Tax Act

## Salient Features

- Every business with turnover of Rs. 10 Crore and above in Financial year 2019 – 2020 is liable to collect tax u/s. 206C(1H) from the buyers of their goods.
- The TCS has to be collected from the buyers with whom his turnover upto 30th September, 2020 has exceeded the amount of Rs. 50 lakhs.
- TCS is to be collected on the Invoice amount exceeding Rs. 50 Lakhs for the year.

# TCS u/s. 206C (1H) of Income Tax Act

## Excluded Transactions

- Export of Goods is excluded from this TCS collection by the sellers.
- If the buyer is liable to collect any TDS from seller under any other provision of this Act, then those transactions will be excluded from this TCS charge u/s. 206C(1H).

  Example:- In the transactions of Sale to certain Govt. Departments, the concerned department deducts the TDS and deposits it on behalf of the supplier. This type of transactions are excluded from this TCS charge u/s. 206C(1H).

# TCS u/s. 206C (1H) of Income Tax Act

## Exclusions from Turnover Calculations

- To calculate the threshold limit of Rs. 50 Lakhs with each buyer, the sales return and incentives / Discount credit notes issued for the current year accounted for till 30.09.2020 have to be excluded.
- Any sales return sales return and incentives / Discount credit notes issued for the current year after 30.09.2020 have to be deducted while calculating the total turnover with the buyer for the year.
- Opening Balances of previous years not yet realised from the buyers should not be included as the part of calculating current year turnover with the buyer.

# TCS u/s. 206C (1H) of Income Tax Act

## Inclusions in Turnover Calculations

- Any advance received from the buyer is to be included in the calculation of turnover of 50 lakhs with the buyer.

# TCS u/s. 206C (1H) of Income Tax Act

## TCS Rate

- TCS rate is 0.10 % of the invoice value exceeding the threshold limit of Rs. 50 Lakhs (GST not to be considered in Invoice Value).
- Currently due to Covid- 19 pandemic, Govt. has given blanket reduction of 25% on all TDs and TCS rates, hence for this financial year TCS rate will be 0.075% only.
- TCS is to be collected at the rate of 1%, wherein buyer has not furnished his PAN No. or Aadhar Card no. with the seller.

# TCS u/s. 206C (1H) of Income Tax Act

## Compliance Procedures

- TCS charged on invoice issued after 30.09.2020 is to be paid on receipt of payment from the buyer.
- TCS is to be paid by the 7th day of the succeeding month in which the amount is received from the buyer. (Rule 37CA of the IT Act)
- Quarterly TCS return to be filed by the person collecting TCS (seller) in the same way as TDS return.
- TCS is to be shown as separate heading on every invoice issued after 30th September, 2020.

# TCS u/s. 206C (1H) of Income Tax Act

## Compliance Suggestions

- TCS account to be maintained Invoice wise in the accounting system, due to this bill wise TCS dues will be readily available at each month end.
- At each month end report of Invoice wise outstanding of each buyer to be generated and exported to excel.
- Invoice wise total outstanding report of debtors is to be compared with Invoice wise outstanding TCS report.

# TCS u/s. 206C (1H) of Income Tax Act

## Compliance Suggestions

- You can use the vlookup command in excel for the comparison
- The TCS amount of Invoice that is appearing in TCS ledger but not appearing in invoice wise debtors Outstanding report is to be paid immediately.

# GST TCS on Sales through E – Commerce Operators

## Salient Features

- Provision of Tax Collected at Source (TCS) has been introduced w.e.f. 1-10-2018.
- As per Section 52 of the CGST Act, the E – Commerce Operator liable to collect tax at source.
- E- Commerce Operator, not being an agent, shall collect an amount calculated at such rate not exceeding 1 percent of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the E – Commerce operator.

# GST TCS on Sales through E – Commerce Operators

## TCS Rates

- The rate for TCS is 1% for IGST for inter-state taxable supply – Notification No. 02/2018-IT dated 20-9-2018.
- In case of taxable supply of goods within the State, the CGST rate is 0.5% – Notification No.52/2018-CT dated 20-9-2018. The SGST/UTGST rate will also be 0.5%. Thus, total tax collected at source will be 1%.

# GST TCS on Sales through E – Commerce Operators

## Nature of TCS deduction to be made (IGST /UTGST or CGST+SGST)

- The Nature of TCS to be deducted is based on the nature of Tax for the underlying transaction for which payment is made.
- Therefore, TCS can either be CGST + SGST or UTGST / IGST depending on the nature of the underlying Transaction, based on the Location of the Supplier and the Place of Supply.

# GST TCS on Sales through E – Commerce Operators

## Detailed Explanation

- For the purposes of this sub-section, the expression "net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services, other than services notified under sub-section (5) of section 9, made during any month by all registered taxable persons through the E- Commerce operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

# GST TCS on Sales through E – Commerce Operators

## Detailed Explanation

- Such TCS shall be made only where the consideration with respect to such supplies is to be collected by the operator.
- Such TCS to be deducted at GSTIN Level (supplier wise).
- The Tax Collected at Source (TCS) is mainly for control purposes, as balance GST will be paid by the actual supplier of goods or services.
- The actual supplier can take credit of this TCS paid by e-commerce operator. Thus, effectively, there is no increase in tax liability.

# GST TCS on Sales through E – Commerce Operators

## Detailed Explanation

- No TCS if net value of the transaction is Nil.
- Calculation for each supplier to be made separately.
- No provision to carry forward negative figures. If in a particular month, the sale returns are more than supplies made, there will be no TCS for that month. However, such negative figure will not be carried forward. Hence, such shortage cannot be adjusted in next month – Sr. No 20 of FAQ released by Law Committee of GST Council on 28-9-2018.

# GST TCS on Sales through E – Commerce Operators

## Detailed Explanation

- TCS is on billing basis and not on collection basis. The TCS by electronic commerce operator shall be on billing basis and not on collection basis – Sr No 11 of FAQ released by Law Committee of GST Council on 28-9-2018.

# GST TCS on Sales through E – Commerce Operators

## Excluded Transactions

- Transactions where collection of sales proceeds by E-Commerce operator being an Agent.
- Transactions where the consideration with respect to such supplies is not collected by the operator.
- Payment in respect of Non-Taxable/Exempt Supplies.
- Payment to Suppliers who are not required to be registered under GST Law.
- TCS provisions do not apply on import of goods or services – Sr No 17 of FAQ released by Law Committee of GST Council on 28-9-2018.

# GST TCS on Sales through E – Commerce Operators

## Excluded Transactions

- Supplies notified u/s. 9(5)- Lateral charge applicable in those situations where the operator/Aggregator himself is liable to discharge GST on the Supply.
- Supplies where Tax is to be paid on reverse charge basis by the Recipient.
- In case of supply of specified services (like taxi and hotel booking), the e-commerce operator himself will be liable to pay entire IGST/CGST/SGST on such services - section 5(5) of IGST Act and section 9(5) of CGST Act.

# GST TCS on Sales through E – Commerce Operators

## Excluded Transactions

- Thus, Uber and Ola will be liable to pay entire GST. Even earlier, they were liable to pay service tax and hence there is no increase in case of GST liability.
- There is no TCS if you are selling your own products through electronic portal – FAQ on GST Chapter 8 Question No. 34 issued by CBI&C on 15-12-2018.

# GST TCS on Sales through E – Commerce Operators

## Excluded Persons

- Persons who are suppliers of service and supplying services through e-commerce operator are not required to register under GST if their aggregate turnover is less than Rs. 20 lakhs per annum (Rs. 10 lakhs in case of special category states as specified in first proviso to section 22(1) of CGST Act read with explanation (iii) to section 22(1) of CGST Act – Notification No. 65/2017-CT dated 15-11-2017.
- This relaxation is not applicable to supplier of goods.

# GST TCS on Sales through E – Commerce Operators

## Compliance Procedures

| Particulars | Periodicity | Remarks |
|---|---|---|
| Payment of TCS by E-Commerce Operator | Monthly/Within 10 days after the end of the month | Payment to be made along with the Monthly Return |
| Filing of TCS Returns | Monthly/Within 10 days after the end of the month | Form GSTR 8.The details of TCS made by an e-commerce operator shall be made available to the concerned person in Part C – GSTR 2A electronically* |
| Annual Returns | Annually by 31st Dec of Next FY | Form GSTR 9B |

# GST TCS on Sales through E – Commerce Operators

## Compliance Procedures

- Matching of Details – Monthly/Details of supplies given by E-Commerce Operators is to be matched with the details of outward supplies submitted by the supplier.
- Discrepancy Report will be available in Form MIS 3/MIS 4 – See Rule 79.
- Where such details do not match, the discrepancy shall be communicated to both persons in the manner and within the time as may be prescribed.

# THANK YOU

## For Queries Contact