

Naresh J. Patel & Co.
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TCS ON SALE OF GOODS

Sec. 206C(1H) of Income Tax Act 1961

Effective from 1st October, 2020

20th September, 2020

Introduction

Income Tax Act:	In the Financial Act 2020, a new sub section has been inserted vide section 206C(1H) to give effect to the TCS on sale of goods.
Requirement:	It requires at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1% (0.075% till 31 st March, 2021) of the sale consideration exceeding Rs. 50 Lakhs
Applicability	<ul style="list-style-type: none">- Applicable to Sellers whose total turnover / gross receipts is more than Rs. 10 crore in previous financial year (i.e. FY 2019-20)- TCS applicable from 01-10-2020.
Objective:	To provide one more check for the database to the Govt. to track high value transactions.

Non Applicability

TCS shall not be applicable in the following cases: –

Services

Where the turnover of the Seller is less than 10 crore in the preceding Financial Year

Where the goods are exported out of India

Where any TDS provision is applicable to such goods

Where the buyer is the Central Government, State Government, Embassy, High Commission, legation, or trade representation of a foreign state.

Where the buyer is a local authority as per Explanation to Section 10(20).

Where the seller is dealing with the specified goods

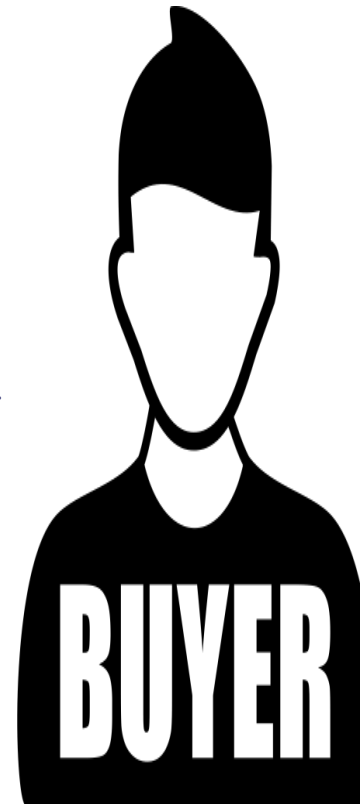
Goods specifically excluded:

Section	Goods covered under TCS
206C(1)	Alcoholic liquor for human consumption, Temdu leaves, Timber, any other forest produce not being timber or tendu leaves, scrap, minerals being coal or lignite or iron ore.
206C (1F)	Sale of motor vehicle exceeding Rs. 10 lakhs
206C (1G)	Overseas tour package programme

Applicability Buyer v Seller:



Seller having turnover/gross receipts/total sales from business exceeding Rs.10 Crores during the immediate preceding FY



No TCS if Buyer:

- Central/State Govt.
- Embassy
- High Commi.
- Legislation
- Consulate
- Trade Repres. of foreign state
- Local authority

TCS Rate

Sr. No.	Situation	TCS Rate
1.	Normal Rate: <ul style="list-style-type: none"> • For the current financial year 2020-21 • From F.Y. 2021-22 onwards 	0.075% 0.1%
2.	If buyer does not provide PAN / Aadhar number	1%

Manner of Depositing TCS

TCS deducted will be deposited within 7 days from the last date of the month in which the TCS is collected

The due dates for filing return form 27EQ :

Quarters	Due date
April - June	15 th July
July - September	15 th October
October - December	15 th January
January - March	15 th May

Value on which the TCS should be collected and GST to be levied

On what amount the TCS should be collected?

Consideration received is equal to taxable value of goods + GST on the goods.
Therefore, it is clarified that the TCS shall be collected on the GST amount also.

On what amount the GST shall be levied?

A corrigendum dated 07.03.2019 has issued

The GST should not be leviable on the TCS portion of the invoice.

Example :-

Mr. X has turnover of Rs. 15 crore in FY. 2019-20. Determine TCS applicability in following cases:

Sr. No.	Buyer (Nature of Goods)	Sale to buyer upto 31.09.2020	Sale to buyer from 01.10.2020 to 31.03.2021	TCS requirement
1.	Mr. A (Goods Valves)	Rs. 25 Lakhs	Rs. 65 Lakhs	TCS on Rs. 40 lakhs once crosses Rs. 50 lakhs limit
2.	Mr. B (Machinery)	Rs. 55 Lakhs	Rs. 40 lakhs	TCS on the amount collected from 1 st October 2020 in excess Rs. 50 lakhs to be computed from 1 st April, 2020 *
3.	Mr. C (Job work chgs.)	Rs. 30 Lakhs	Rs. 35 Lakhs	Not Applicable in case of services
4.	Mr. D (Motor vehicle)	Rs. 10 Lakhs	Rs. 50 Lakhs	Not Applicable for sale of motor vehicle exceeding 10 lac
5.	Local Authority	0	Rs. 65 Lakhs	Not Applicable as buyer is Local Authority

* Note: In the absence of specific clarification on impact of sale of goods from 01.04.20 to 30.09.20.

Practical Points for attention

- TCS to be collected on Receipt basis
- It is to be computed on Total Amount including GST
- TCS to be collected only on receipt after it crosses Rs. 50 lakhs
- For computing limit of Rs. 50 lakhs, the amount received till 30th September, 2020 shall also be included
- Advisable to write TCS on Sales Invoice so that the customer can account and make payment
- TCS to be deposited to government by 7th of succeeding month in which it is collected



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