

TCS on sale of Goods (Income-tax)

Overview and Applicability



What is TCS?

- Tax Collected at Source (TCS) is a tax that is collected by the SELLER from the buyer and deposited to the government
- Till now, TCS is applicable only on sale of specified goods such as Alcohol, tobacco, timber wood, motor vehicles more than 10 lakhs, etc
- Recently, government has expanded TCS to even sale of any type of goods (subject to certain conditions) –*Section 206C(1H) of Income-tax Act, 1961*
- In the next few slides, we have discussed in brief the conditions and applicability of this new provision

Applicability – Section 206C(1H)

- This provision is applicable w.e.f. **01 October 2020**
- Total sales / turnover / gross receipts of **SELLER** shall exceed INR 10 crores during preceding FY, **AND**
- TCS shall be applicable where **SELLER** receives any amount as consideration of more than **INR 50 lakhs** from a **SINGLE BUYER** for sale of **ANY GOODS**
- Seller may be any person (viz., Individual, company, etc)
- Collectability of TCS on sale of goods arises at the time of **RECEIPT** of consideration from the buyer of goods

Rate of TCS

- TCS shall be collected at the rate of **0.1%** on amount in **excess of INR 50 lakhs**
- Where the buyer does not have PAN, then the rate shall be **1%**

*Note: Considering COVID-19 impact, the government has reduced TDS rate for the period 14-05-2020 to 31-03-2021 to **0.075%***

- TCS shall be added to the total value of invoice



TCS Compliances to be done by Seller

- TCS collected by the seller shall be paid to the account of government by the **7th of the next month in which TCS is collected**
- Quarterly filing of TCS returns (Form 27EQ) as follows:

Quarter	Due Date
April to June	15 th July
July to September	15 th October
October to December	15 th January
January to March	15 th May

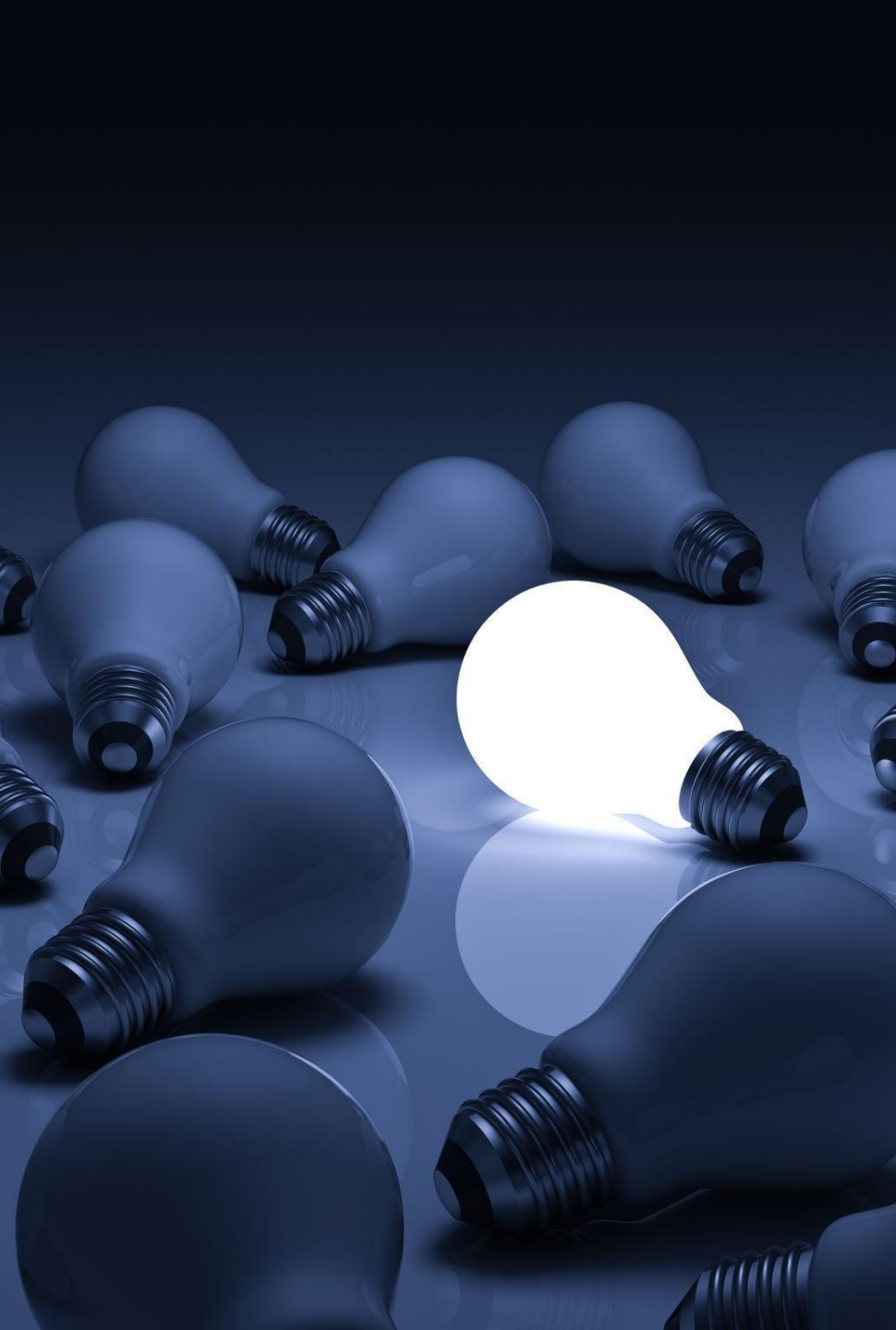
Non applicability of TCS

TCS shall not be applicable in the following cases:

- Where turnover of the Seller is less than INR 10 crores in the preceding FY
- Where goods are exported outside India
- Where any TDS provision is applicable on such goods (viz., software CD in case royalty is applicable)
- Where buyer is a local authority
- Where the buyer is Central Government, State Government, Embassy, High Commission, etc
- Where Seller is dealing in specified goods for which separate TCS provisions are applicable (viz., Alcohol, Timber wood, Scrap, Vehicles, etc)

Key Issues to be looked into

- Consideration of Advance receipts as TCS is payable on receipt basis
- Treatment of sales returns – whether to be considered or not
- As provisions are applicable from 01 October 2020, what about invoices raised before such date and consideration received after such date
- Whether TCS is to be calculated inclusive of GST or exclusive of GST
- Internal ERP system to be modified to align with TCS provisions



How can SBC help

Our Value proposition

How can we help

ADVISORY

- Understand the nature of various transactions for applicability of TCS (viz., debit / credit notes, incentives, discounts, etc)
- Review documents and time to time discussions with the Company
- Analyze TCS provisions and suggest the position to be taken
- Assisting ERP team of the Company to integrate the TCS provisions

COMPLIANCES

- Assisting in calculating monthly TCS liability for payment
- Assisting in quarterly filing of TCS returns (Form 27EQ)



CONTACT US

For more details please logon to <http://www.steadfastconsultants.in>



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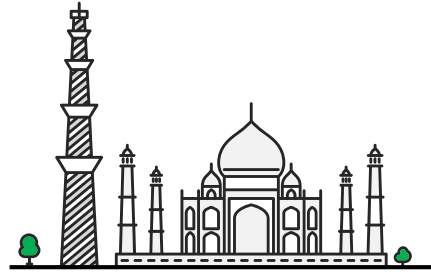
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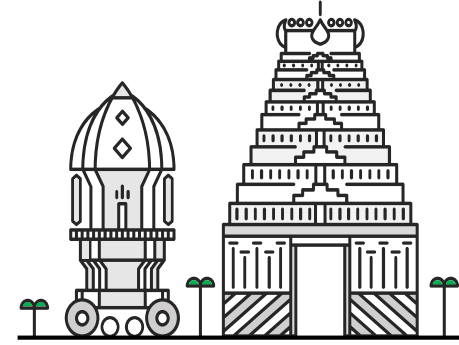
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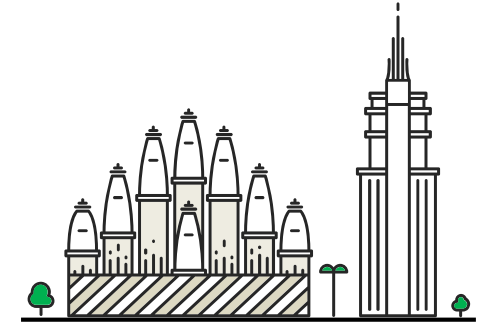
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THANK YOU

