

## Section 194Q Deduction of TDS on payment of certain sum for purchase of goods (Applicable w.e.f. 01.07.2021)

### 1. Applicability

- Turnover / Gross receipts **exceeds ₹ 10.00 Crores** in preceding financial year
- On purchase of any **goods** from **any resident seller**
- Value or aggregate of such goods **exceeding ₹50.00 lakhs** during previous year
- TDS obligation will be on **buyer**

### 2. Date of Applicability-

- This provision will be applicable with effect from **1st July 2021**.

### 3. Rate of TDS under section 194Q

- Buyer of all goods will be liable to deduct tax at source **@ 0.1% of such sum exceeding ₹ 50 lakhs** or
- If the seller does not provide PAN/Aadhar to the buyer **@ 5% of such sum exceeding ₹ 50 lakhs**

### 4. Time Limit for deduction of TDS under section 194Q-

Tax to be deducted at the earliest of the following dates:

- Time of credit of such sum to the account of the seller or
- Time of payment

### 5. Non applicability

- On **services**
- If seller is **non-resident**
- If TDS is deductible under any other provision [excluding 206C(1H)]
- If Turnover / Gross receipts do not **exceed ₹ 10.00 Crores** in preceding financial year
- If purchases of goods from seller in financial year does **not exceed ₹50 lakhs**
- On purchases made upto 30.06.2021
- The Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein

### 6. Conditions for applicability of section 194Q

On a given transaction

- either TDS u/s 194Q will apply

Or

- TCS u/s 206C(1H) will apply

**Both TDS u/s 194Q and TCS u/s 206C(1H) will not apply on the same transaction**

In case of probable overlap between the two provisions

- **TDS u/s 194Q will apply**

### 7. Consequences of non-payment of TDS

→As per sec 40(a)(ia), if TDS is not deducted or deducted but not deposited then **30% of the amount on which TDS is to be deducted** and deposited will be **added to the Income** of that person.

→However, on payment of such TDS in the subsequent year, the 30% of such amount added back in the previous is allowed as deduction in the year in which Tax deducted is paid.

#### **8. Applicability of Section 194Q on exempt income under Income Tax Act, 1961**

→If The income is totally exempt from levy of Income-tax under Income tax Act, 1961, it is **outside the purview** of Section 4 of Income tax Act which is charging provision of Income-tax.

→Hence, due to non-applicability of Section 4 of Income-tax Act on the income which is exempt, **none of the TDS provisions would also be applicable to the Income**. On the basis of above, the provisions of Section 194Q are not applicable on Exempt income (Ex: Agriculture Income which is exempted U/s 10(1) of Income Tax Act, 1961)

#### **9. Forms required to be filed, its periodicity and certificate to be issued**

→ For TDS u/s 194Q- **Form 26Q** will be required to be filed **quarterly**.

→Certificate to be issued in **Form 27D**