

TCS on sale of Goods- Section 206C(1H) w.e.f. 01.10.2020

Finance Bill 2020 Section 206C sub section (1H) was proposed to be inserted to levy TCS (0.1% or 1% in case [PAN](#)/ Aadhaar not provided by the buyer) on ~~sale of goods for which sales consideration~~ **receipts of sale consideration** exceeds ₹50.00 lacs during the previous year.

Scope

- a. Section 206C(1H) is applicable only in case of seller whose **total sales, gross receipt or turnover from the business** carried on by him **exceeds ₹10** crores during the financial year immediately preceding financial year in which sale is carried out.
 1. The term 'seller' is defined in the provision itself to mean any person. Thus, an individual, firm, HUF, company, trust, AoP, Bol, society all are covered, who sells goods to buyers whether in wholesale or retail. Only **sellers of goods are covered** by this provision. **Services are not covered**. If a person sells goods as well as render services, then tax shall be collected only on the sale of goods. .
 2. For the calculation of ₹ 10 Crores Turnover / Gross Receipts /Total Sales applicability of this provision, the turnover/ gross receipts shall also include the value of services provided by the assessee, export turnover, sale of scrap, Fixed assets, govt. Benefits, interests.
- b. TCS is required to be collected from the buyer whose **aggregate purchases RECEIPTS of sales consideration** exceeds ₹ 50 lacs in the previous year.
 1. ~~Aggregate purchases~~ **receipts of sales consideration** will include only the value of goods and in case buyer is also getting services from that seller, the value of such services shall be excluded while calculating ₹ 50 lacs threshold calculation
- c. **Rate of TCS** to be collected is **0.1% of sale consideration. receipts of sales consideration during the previous year on or after 1st October 2020 from such buyer** (If PAN / Aadhar Number of buyer is available or provided) In case, buyer does not provide PAN or Aadhar number to the seller rate of TCS shall be 1%.

Please note that TCS Rate has been reduced to 0.075% from 01.10.2020 to 31.03.2021 due to the COVID-19 pandemic

- ~~1. Where Sale Consideration = Value of Goods + GST + Cess + Freight or any other amount charged in the sale invoice~~
 2. TCS is not on sale consideration billed but on the **receipt of sale consideration received**, and therefore the amount of Debit notes to be added and the amount of credit notes issued to the buyer shall be deductible
 3. The amount of ~~sale~~ **receipts of sales consideration** if already exceeds ₹ 50 Lakh up to 30th September 2020 then next all receipts of sales consideration ~~sale~~ made will be liable for TCS
 4. Interest or penalty on delayed payment **received** shall also be liable for TCS
 5. Any amount charged for the **late lifting** of Goods **received** is also liable for TCS
- d. Provisions of sub-section (1H) are **not applicable** in case **seller is liable to collect TCS under any other provision** of section 206C of the Income Tax Act i.e., Business of trading in alcoholic liquor, forest produce, scrap, etc.
 - e. Section is also **not applicable** in the cases **where buyer is liable to deduct tax at source under any other provisions** of the Act if the buyer has deducted the tax. However, in case where contract of sale

of goods is independent of providing services by the seller to buyer and buyer is liable deduct TDS on the value of services only then seller will be liable to collect TCS on the value of goods.

- f. Section is also **not applicable** in respect of **sales made to Central Government, State Government or to a Local Authority and sales made to Embassy, High Commission, Consulate or a trade representation of foreign state.**
- g. Section is also **not applicable** in respect of **goods being exported out of India or in case of a person importing goods** into India.
- h. As per the section **Central Government has also power to specify any other seller or buyer who shall not be subject to provisions of above sub-section.**

Applicability of Provisions during Transitional period

| Date of Completion of sales | Date of receipt of consideration | Remarks |
|-----------------------------|----------------------------------|---------------------------------------|
| Before 1st Oct 2020 | Before 1st Oct 2020 | Not Applicable |
| On or after 1st Oct 2020 | On or after 1st Oct 2020 | Applicable |
| Before 1st Oct 2020 | On or after 1st Oct 2020 | Not Applicableⁱ |
| On or after 1st Oct 2020 | Before 1st Oct 2020 | Applicable |

(shall be taken against sale after its completion receipt of sale consideration if crossed ₹50.00 lacs threshold)

Due Date of Submission the Return and Issuance of Certificate

| Quarter ending on | Due date of submission of return | Due date for issuance of certificate of tax collected |
|----------------------------|----------------------------------|---|
| 30 th June | 15 th July | 30 th July |
| 30 th September | 15 th October | 30 th October |
| 31 st December | 15 th January | 30 th January |
| 31 st March | 15 th May | 30 th May |

ⁱ Since the threshold of ₹50.00 lacs rupees is with respect to the previous year calculation of receipt of sale consideration for triggering TCS under sub-section (1H) of section 206C shall be computed from 1st April 2020, Hence, if a person being seller has already received ₹50.00 lacs or more upto 30th September 2020 from a buyer the TCS under sub section (1H) of section 206C shall apply on all receipts of sale consideration during the previous year on or after 1st October 2020 from such buyer. (Circular No. 17 of 2020 dated 29th September 2020).