



TCS

TAX COLLECTED AT SOURCE

APPLICABILITY

PERSON

- Seller having Gross Sales/ Gross Receipts from Sale of Goods exceeding Rs.10 Crores in a preceding financial year.
- Other than a person who has been notified by the Government

TRANSACTION

- Receipt of an amount for Sale of Goods having value individually or in aggregate exceeding Rs.50 Lacs.

EXCEPTIONS

- Any Goods being Exported out of India
- Following Goods already under TCS under clause (1)
 - Alcoholic Liquor for human consumption
 - Tendu Leaves
 - Timber
 - Forest produce
 - Scrap
 - Minerals, being coal or lignite or iron ore
 - Motor Vehicle of the value exceeding Rs.10 Lacs
 - Sale to Central Government / State Government / Embassy / High Commission / Legation Commission / Consulate / Trade Representation of Foreign State / Local Authority

RATES

- W.e.f. 01.10.2020 to 31.03.2021
 - If Buyer furnishes PAN / Aadhar : 0.075% *
 - If Buyer does not furnish PAN / Aadhar : 1%
- W.e.f. 01.04.2021
 - If Buyer furnishes PAN / Aadhar : 0.1%
 - If Buyer does not furnish PAN / Aadhar : 1%

{*NOTE: For FY 2020-21, Rates of TDS/TCS are reduced by 25%, Hence for FY 2020-21 the TCS rate will be 0.075% instead of 0.01%}

VALUE

- Amount received as Consideration for Sale of Goods having value or aggregate of such value exceeding Rs.50 Lacs.
- To the extent of an amount received as consideration in excess of Rs.50 Lacs
- No adjustment on account of sale return or discount or indirect taxes including GST is required to be made since the collection is made with reference to receipt of amount of sales consideration. Meaning thereby TCS is to be collected on amount receipt from buyers (which is including GST) and no effect is required to be given if subsequently the goods is returned by the customers.

COMPLIANCES

- **APPLICABLE DATE**

- 1st October, 2020

- **TIME FOR COLLECTION OF TCS**

- At the time of receipt of consideration including receipt of advance money.

- **PAYMENT OF TCS**

- Amount collected as TCS shall be deposited within 7 (Seven) days from the end of the month in which collected.

FILING OF RETURN

- Return shall be filed in Form 27EQ.
- Return shall be filed within 15 (Fifteen) days from the end of the respective quarter except quarter ending on 31st March i.e. 15th July for the quarter ended on 30th June, 15th October for the quarter ended on 30th September, 15th January for the quarter ended on 31st December.
- Return for the quarter ending on 31st March shall be filed on or before 15th May.

TRANSITION

PERSON

- Liability to collect TCS shall apply to a Seller whose total sales / gross receipts of Financial Year 2019-20 exceeded Rs.10 Crores.
- Liability to collect TCS shall not apply in the first year of setting up of business as the person would not have any turnover in the preceding year.

TRANSACTION

- Sale of Goods effected prior to or from 01.10.2020 but on the amount received on or after 01.10.2020.
- For the purpose of limit of Rs. 50 Lacs, all the goods sold during the year 2020-21 including period April to September, 2020 shall be taken into consideration.

Applicability vis-à-vis 01.10.2020

Consideration Received	Sale	Applicable
Before	Before	No
Before	After	No
After	Before	Yes
After	After	Yes

KEY ISSUES

1. Whether TCS shall be collected on the Advance Received for sale of goods?

- **Yes.** TCS shall be collected at the time of receipt of Advance money even though the sale shall be effected at later stage.

2. Whether TCS shall be computed on the amount of GST involved in the sale of goods?

- **Yes.** TCS shall be computed on the gross total amount of sale including all taxes, duties, charges, levies etc.

3. Whether TCS shall be computed on the amount of freight, insurance, royalty or other charges collected along with the price of goods?

- **Yes.** TCS shall be computed on the gross total amount of sale including all such charges as may be collected.

KEY ISSUES

4. Whether TCS shall be collected on the amount received by way of book adjustment or barter?

- **Yes.**

5. Whether TCS shall be refunded or adjusted in case of Sales Return / Credit Notes?

- **No.**

6. Whether TCS shall be computed on the amount of Delayed Payment Charges / Interest with respect to sale of goods?

- **Yes.**

7. Whether TCS is applicable with respect to second hand goods / sale of capital assets?

- **Yes.** However, Capital Assets comprising an immovable property shall not be covered by requirement of TCS.

NOTE

Charging of TCS u/s 206C(1H) in the invoices is not correct for the reason that if the sales invoice charged with TCS post 1st October,2020 and amount is not received from sale of such Invoice till 31st March,2021,then the amount collected in financial year 2021-2022 will not have benefit of initial exemption of Rs.50 Lakhs

Explanation of Provision of TCS u/s 206C(1H) with example

Name	Opening Balance As On 01.04.2019	Sale of Goods from 01.04.2020 to 30.09.2020			Amount received from 01.04.2020 to 30.09.2020 incl. Discount /Rate difference etc	Closing Balance as on 30.09.2020	Exemption amount for TCS	Sales after 01.10.2020			TCS to be charged on
		Amount without GST	GST on sales	Total				Amount without GST	GST on sales	Amount received Post 01.10.2020	
X	5,00,000	60,00,000	10,80,000	70,80,000	40,00,000	35,80,000	10,00,000	40,00,000	7,20,000	30,00,000	20,00,000
Amount received before 30.09.2020 is Rs.40 Lakh so Balance Exemption of Rs.10 Lakhs is available. so after adjusting Rs.10 Lakhs from amount received post 01.10.2020 of Rs.30Lakh, TCS is to be charged on balance of Rs.20 Lakhs											
Y	2,00,000	50,00,000	9,00,000	59,00,000	55,00,000	6,00,000	-	30,00,000	5,40,000	15,00,000	15,00,000
Amount received before 30.09.2020 is Rs.55 Lakh so Exemption of Rs.50 Lakhs is exhausted and therefore TCS is to be charged on total amount received post 01.10.2020 of Rs.15 Lakhs											
Z	2,00,000	35,00,000	6,30,000	41,30,000	10,00,000	33,30,000	40,00,000	50,00,000	9,00,000	20,00,000	-
Amount received before 30.09.2020 is Rs.10 Lakh so Balance Exemption of Rs.40 Lakhs is available. Since the amount received post 01.10.2020 of Rs.20Lakh does not exceed balance exemption of Rs.40 Lakh. Therefore TCS is not applicable											

Explanation of Provision of TCS u/s 206C(1H) with example

Name	Opening Balance As On 01.04.2019	Sale of Goods from 01.04.2020 to 30.09.2020			Amount received from 01.04.2020 to 30.09.2020 incl. Discount /Rate difference etc	Closing Balance as on 30.09.2020	Exemption amount for TCS	Sales after 01.10.2020			TCS to be charged on
		Amount without GST	GST on sales	Total				Amount without GST	GST on sales	Amount received Post 01.10.2020	
A	50,000	25,00,000	4,50,000	29,50,000	45,00,000	-15,00,000	5,00,000	35,00,000	6,30,000	30,00,000	25,00,000
Amount received before 30.09.2020 is Rs.45 Lakh so Balance Exemption of Rs5 Lakhs is available. so after adjusting Rs.5Lakhs from amount received post 01.10.2020 of Rs.30Lakh, TCS is to be charged on balance of Rs.25 Lakhs											
B	55,00,000	50,00,000	9,00,000	59,00,000	100,00,000	14,00,000	-	40,00,000	7,20,000	25,00,000	25,00,000
Amount received before 30.09.2020 is Rs.100 Lakh so Exemption of Rs.50 Lakhs is exhausted and therefore TCS is to be charged on total amount received post 01.10.2020 of Rs.25 Lakhs											
C	-	-	-	-	60,00,000	-60,00,000	-	50,00,000	9,00,000	17,00,000	17,00,000
Amount received before 30.09.2020 is Rs.60 Lakh so Exemption of Rs.50 Lakhs is exhausted and therefore TCS is to be charged on total amount received post 01.10.2020 of Rs.17Lakhs											

Explanation of Provision of TCS u/s 206C(1H) with example

Name	Opening Balance As On 01.04.2019	Sale of Goods from 01.04.2020 to 30.09.2020			Amount received from 01.04.2020 to 30.09.2020 incl. Discount /Rate difference etc	Closing Balance as on 30.09.2020	Exemption amount for TCS	Sales after 01.10.2020			TCS to be charged on
		Amount without GST	GST on sales	Total				Amount without GST	GST on sales	Amount received Post 01.10.2020	
D	-	-	-	-	-	-	50,00,000	40,00,000	7,20,000	30,00,000	-
NIL amount is received before 01.10.2020 so basic exemption of Rs.50 Lakh is available. Since the amount received post 01.10.2020 of Rs.30 Lakhs does not exceed Rs.50 Lakhs, TCS is not applicable											
E	-	-	-	-	40,00,000	-40,00,000	10,00,000	60,00,000	10,80,000	30,00,000	20,00,000

Amount received before 30.09.2020 is Rs.40 Lakh so Balance Exemption of Rs.10 Lakhs is available. so after adjusting Rs.10 Lakhs from amount received post 01.10.2020 of Rs.30Lakh, TCS is to be charged on balance of Rs.20 Lakhs