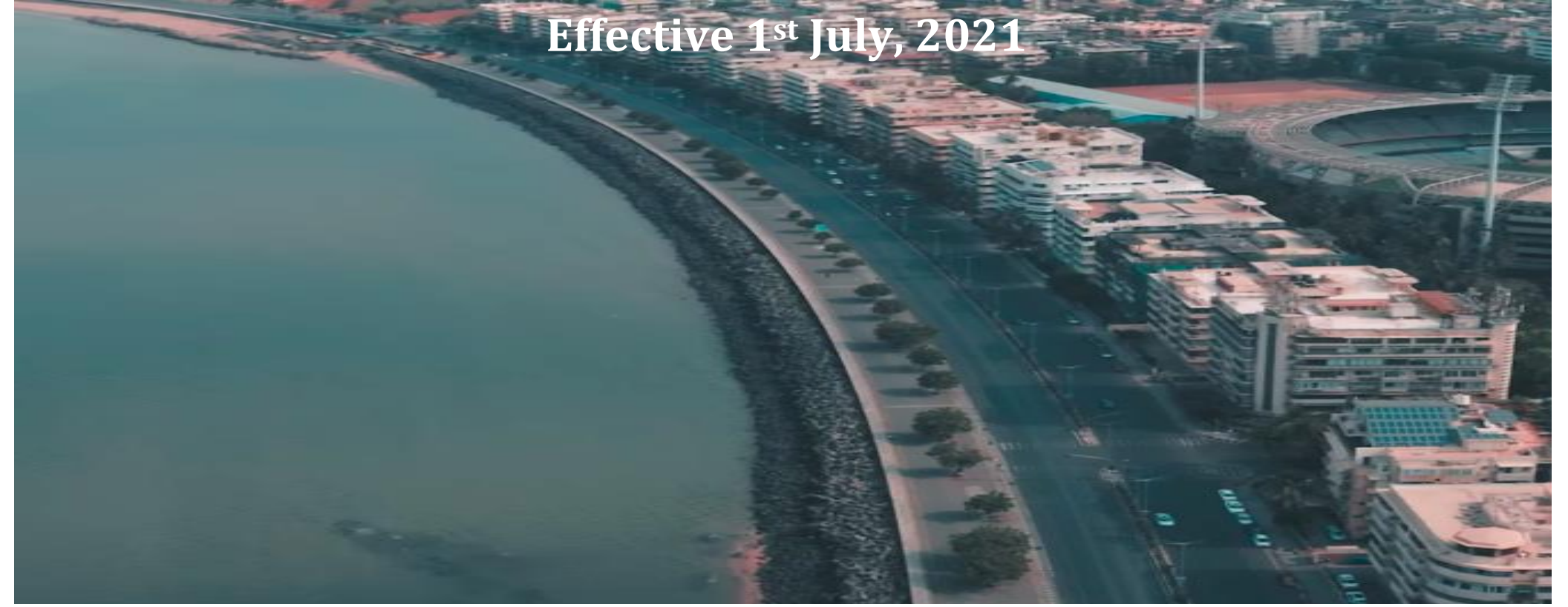




**TDS/TCS**

**Effective 1<sup>st</sup> July, 2021**



## Introduction of TDS on Purchase of Goods effective 1<sup>st</sup> July, 2021

### A Comparison with TCS on Sale of Goods



ENTITY

CUSTOMERS	VENDORS/SUPPLIERS
<b>TCS on Sale of Goods</b>	<b>TDS on Purchase of Goods</b>
<ul style="list-style-type: none"> <li>Effective from 01 Oct 2020</li> <li>Seller with turnover/ receipts &gt; Rs 10 crores in preceding FY to collect TCS @ 0.1% on goods sold</li> <li>TCS only when making payment</li> <li>TCS on consideration exceeding Rs. 50 Lacs</li> <li>TCS applicable when payments received by <b>any person</b> (subject to exclusions)</li> <li>Higher TCS rate of 1% in case of non- availability of PAN/ Aadhar</li> <li>No TCS, if buyer is liable to deduct tax at source</li> <li>Clarification that TCS to be collected on GST charged in the invoice</li> </ul>	<ul style="list-style-type: none"> <li>Effective from 01 July 2021</li> <li>Buyer with turnover/ receipts &gt; Rs 10 crores in preceding FY - deduct TDS @ 0.1% on goods purchased from resident seller</li> <li>TDS on Credit to account or on payment whichever earlier</li> <li>TDS on payment exceeding Rs. 50 Lacs</li> <li>TDS applicable only when payments made <b>to Residents</b></li> <li>Higher TDS rate of 1% in case of non- availability of PAN</li> <li>No TDS where taxes already deducted/ TCS collected by any person other than seller</li> <li>No specific clarification, however circular have clarified that GST can be excluded from Tax Deduction in case of other provisions Circular nos: 1. <i>Circular 17 dated: 29.09.2020.</i> 2. <i>Circular 23 dated: 19.07.2017.</i> 3. <i>Circular 22 dated: 08.06.2016.</i></li> </ul>

<u>Exclusions</u>	<u>Exclusions</u>
<ul style="list-style-type: none"> <li>Exports</li> </ul>	<ul style="list-style-type: none"> <li>No specific exclusions for persons making payment towards Exports. However Foreign Co/ Non-Residents not covered</li> </ul>
<ul style="list-style-type: none"> <li>Person not carrying on business or any other person notified</li> </ul>	<ul style="list-style-type: none"> <li>Person not carrying on business or any other person notified</li> </ul>
<ul style="list-style-type: none"> <li>Buyer – Central and State government</li> </ul>	<ul style="list-style-type: none"> <li>No specific exclusion</li> </ul>
<ul style="list-style-type: none"> <li>Imports</li> </ul>	<ul style="list-style-type: none"> <li>No specific exclusion</li> </ul>
<ul style="list-style-type: none"> <li>Embassy high commission, Trade Representative of Foreign state</li> </ul>	<ul style="list-style-type: none"> <li>No specific exclusion</li> </ul>
<ul style="list-style-type: none"> <li>Local authority</li> </ul>	<ul style="list-style-type: none"> <li>No specific exclusion</li> </ul>
<ul style="list-style-type: none"> <li>Any notified person</li> </ul>	

## Higher TDS/TCS Rates for Non-Filers (section 206AB)

1. effective from 1st July, 2021

2. **when applicable** - In case of payee's

- Not filed tax returns for both the two preceding financial years; and
- Aggregate TDS/ TCS of INR 50,000 in each of such years
- Not applicable where payment made of salaries and TDS in case of large cash payment (Section 194N)

3. Rate of TDS – Higher Of

1. twice the rate specified in the relevant provision or
2. twice the rate or rates in force or
3. the rate of 5%

## TCS would be higher of

1. twice the rate specified in the relevant provision or

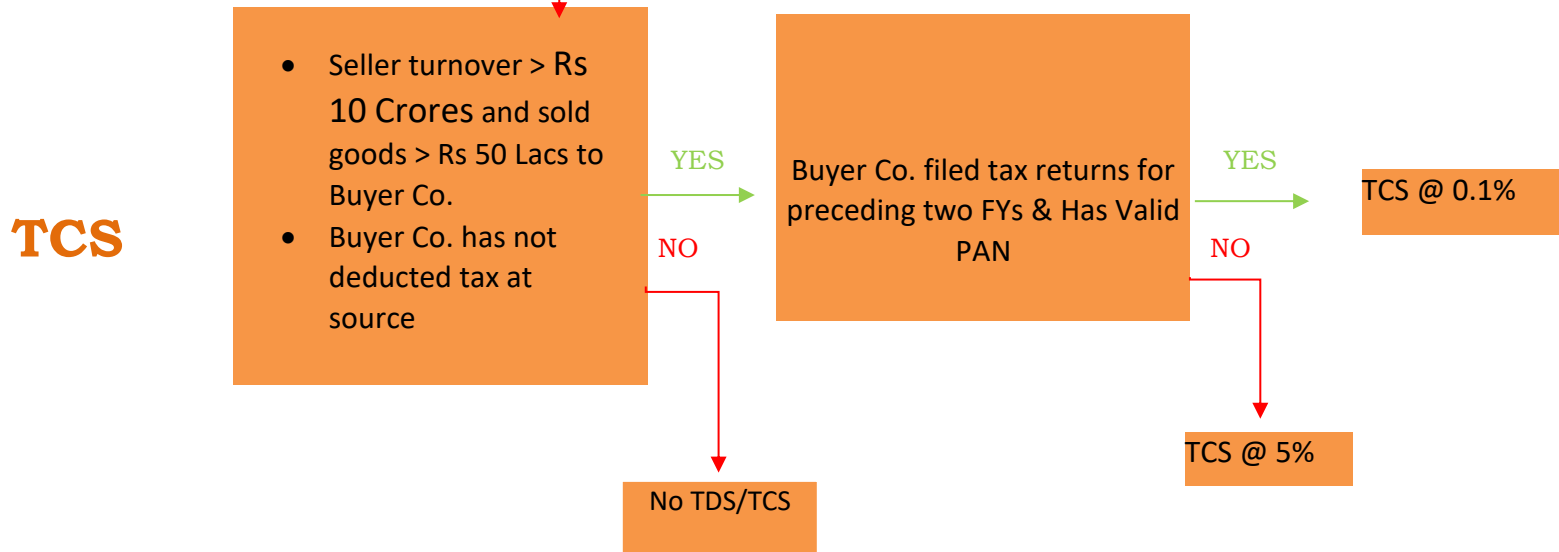
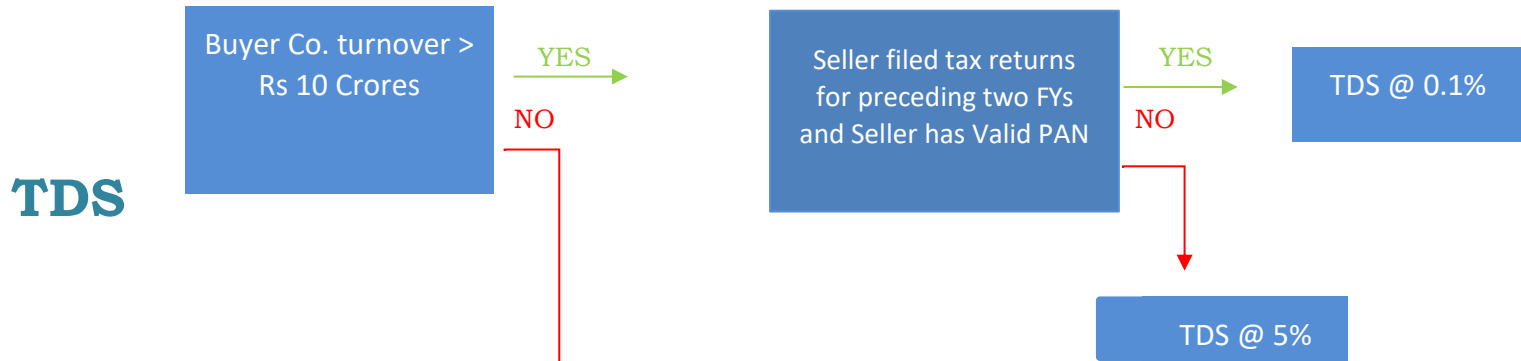
2. 5%

Effective from 01 July 2021

### Note:

*Pursuant to Section 206AA & Section 206AB, in the absence of any mechanism of knowing the Non - filers or Persons who have not obtained PAN, it is advisable to obtain declarations. The indicative drafts of such declarations are enclosed*

## TDS on Purchase of goods and TCS on Sale of goods – The Process



**Notes: -**

1. *Finance Act 2021, has introduced the said provision - effective from 1st July, 2021 - If person has failed to file his tax return for two previous years (for which time limit of filing the tax return has expired) and aggregate of TDS / TCS is Rs. 50,000 or more in each year, then the tax to be deducted at specified rates.*
2. *a) Person who fails to furnish his PAN or  
b) fails to link his aadhaar card number with PAN number by 30th June, 2021 then tax to be deducted at specified rates as mentioned above.*

**TDS RATE CHART (FY 2021-22 / AY 2022-23)**  
(Covering payments by Business Entities to Residents)

Sr. No	Section of the Income-tax Act	Nature of Payment	Rate of Tax	Non-filers of Tax Return (Note 1)	If No PAN or Invalid PAN (Note 2)	Threshold Limit (in INR)
1	192	Payment of salary	Tax rates as per slab rate	Tax rates as per slab rate	Tax rates as per slab rate	Option to choose between new and old tax slab regime
2	193	Interest on securities	10%	20%	20%	Upto Rs. 5,000/- (only for Individuals & HUF) (Refer Note 3)
3	194	Dividends distributed by Domestic Company	10%	20%	20%	Payment to a shareholder in excess of Rs 5,000/- during the financial year.
4	194A	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (For Others) (Note 4(a), 4(b) & Note 16)	10%	20%	20%	Payment in excess of Rs 40,000/- per financial year (For Others)

5	194A	Interest other than interest on securities	10%	20%	20%	Upto Rs. 5,000/-
6	194C	Payment to contractor /sub-contractor				
		-Individual / HUF	1%	5%	20%	Single bill limit of Rs. 30,000/- and
		- Company	2%	5%	20	Aggregate limit of Rs 1,00,000/- per annum
7	194C	Payment to contractor/ sub-contractor being a transporter				Refer Note 4
		-Individual/HUF	1%	5%	20%	Single bill limit of Rs. 30,000/- and
		-Others	2%	5%	20%	Aggregate limit of Rs 1,00,000/- per annum
8	194H	Payment of commission or brokerage	5%	10%	20%	Upto Rs. 15,000/-
9	194I	Payment of Rent				
		- Of plant and machinery	2%	5%	20%	Upto Rs. 2,40,000/-
		- Of land/building/furniture /fitting	10%	20%	20%	Upto Rs. 2,40,000/-
10	194IA	Transfer of any immovable property (other than rural agricultural land)	1%	5%	20%	Upto Rs. 50,00,000/-
11	194IB	Payment of rent by Individual/HUF	5%	10%	20%	Upto Rs.50,000 per month (Refer Note 5)
12	194IC	Payment of monetary consideration under Joint Development Agreement	10%	20%	20%	No such limit



<b>13</b>	194J	Professional fees or technical services				
		Technical Services & for payment to call center	2%	5%	20%	Upto Rs. 30,000/- (Refer Note 6)
		Other Cases	10%	20%	20%	Upto Rs. 30,000/- (Refer Note 7)
<b>18</b>	194M	Payment by Individual/HUF of specified sums (other than those covered under S. 194C/ H/ J)	5%	10%	20%	Upto Rs. 50,00,000/- (Refer Note 8)
<b>19</b>	194N	Payment by a banking Company / banking institution/co-operative society engaged in banking business/post office.	2%	NA		Cash withdrawals or aggregate of such withdrawals in excess of Rs 1,00,00,000/- from an account maintained by a recipient, during the previous year.
		Applicable from 1 <sup>st</sup> July, 2020 and are stated as below: Where recipient has not filed return of income for all of the three assessment years immediately preceding the previous year of such withdrawal	2% (w.e.f 1.07.20 20)			1) Amount of cash withdrawal exceeding Rs. 20 Lakhs but upto Rs. 1 Cr. @ 2% of the entire sum. 2) Amount of cash withdrawal exceeding Rs. 1 Cr. @ 5% of entire sum.

21	194-O	Credit of Amount by E-Commerce Operator to E-Commerce participant in respect of sale of goods/ provision of services facilitated through its platform	1% (w.e.f 1.10.20 20)	5%	5%	Payment in excess of Rs 5,00,000/- or aggregate of such payment exceeding Rs 5,00,000/-, during a financial year.
22	194Q	TDS on purchase of Goods	0.10%	5%	5%	Exceeds Rs. 50,00,000/- (Refer Note 9)
23	206C	206(1H)- Sales/ Turnover/ Gross receipts from business	0.10%	5%	1%	Exceeds Rs. 50,00,000/-

**Notes: -**

1. *Threshold limit for interest paid on debentures is Rs. 5,000 whereas the threshold limit for interest on 7.75% GOI Savings (Taxable) Bonds 2018 is Rs. 10,000.*
2. *No tax is deductible on payment made to transporter u/s 194C, subject to fulfilment of following conditions:*
  - a. *the contractor owns ten or less goods carriage at any time during the previous year and gives declaration to that effect;*
  - b. *provides PAN number.*
3. *TDS on rent u/s. 194IB shall be required to be deducted only in the last month of the previous year or last month of the tenancy, if property is vacated during the year at the time of credit or payment, whichever is earlier.*

4. *The term technical services have not been defined in the Act. Judicial authorities have held that services can be classified as technical service only when special skills / knowledge / education is required for the provision of services. Use of a standard facility not involving human element cannot be classified as technical services.*
5. *Other cases include professional royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic film or any other professional services.*
6. *Any Individual / HUF, who pays any sum in the nature of Contract (194C) / Commission or Brokerage (194H) / Professional fees (194J) and not liable to pay TDS under the respective sections, aggregate value of which exceeds Rs. 50 lakhs shall be required to deduct tax at specified rates. The said provision is basically to keep an eye on expense which are not claimed as business expenditure.*
7. *This section is applicable from 1st of July, 2021. The Threshold Limit is Rs.50,00,000 applicable when total sales or gross receipts or turnover from the business carried on exceeds Rs. 10 Crores during the financial year immediately preceding the financial year in which the purchase of goods is carried out.*