

TCS on sale of Goods

- Provisions related to collection of TCS on sale of goods applicable w.e.f. 01.10.2020, under Section 206C (IH),
- Who need to collect the tax - **Seller of Goods(not services)**, whose sales/gross receipt/turnover in immediately preceding financial year is **more than 10 cr.**
- From whom to collect - TCS is required to be collected from the **buyer** whose aggregate purchases **exceed Rs.50 lacs** in **previous year**
- When to collect-Tax to be collected at the time of receipt of payment.
- How much to collect - Need to collect tax at source (TCS) @0.1% of sale consideration received. On non-furnishing of PAN/Aadhar by the purchaser, TCS will be @1.0%. As a relief measure in Covid-19 situation, TCS rates are reduced to 75% of the original amount till 31st March 2021. Consequently, TCS rate would be 0.075% or 0.75% (in no PAN/Aadhar cases) till 31st March 2021.
- Base amount for calculation of TCS– TCS amount will be calculated on the amount received as a sale consideration in excess of 50 lakh after 01 10 2020.
- **No tax** to be collected **upto receipt of 50 lakh.**

Exceptions & relaxations-TCS not applicable

1. No TCS on **Import** into India or **Export** from India
2. No TCS in case the **transaction is covered by TDS** under any other section
3. Provisions not applicable on **Central/state Government**, local authorities etc. being seller or buyer

How to start:

1. **Identify the customers** to whom sale in py exceed 50 lakh
2. **Inserting a specific line** item in invoice to charge TCS **or** through **debit note**, **but for control purpose better to include in invoice.**

Compliance to be done:

1. deposit TCS within 7 days from the end of month
2. quarterly returns in Form 27EQ
3. to Issue TCS certificate in Form 27D
4. Annual Return in Form 27E by 30th June

Various issue need clarification:

1. **Tcs to be collected on gst or not :**
2. **TCS to be collected on transportation charges or not:**
3. **Third party exports:** The section exempts from liability for collection of TCS “goods being exported out of India”. It does not specifically require that export should be by the seller himself. So, TCS may not to be collected in case buyer provides a certificate with necessary evidence to the effect that goods are being exported out of India.
4. **Adjustments for sale returns etc:** how the adjustment of sales returns, cancellation, discount, credit notes etc. is to be made.
5. **At what point TCS is triggered:** ie 50 lakh rcpt after 01 10 2020 or rcpt wef 01 04 2020 is also to be considered