

TCS ON SALE OF GOODS

27 April 2020



The Finance Bill 2020 proposed the introduction of Tax Collection at Source (TCS) on sale of goods from 1 April 2020. This was tabled in the parliament and passed in Lok Sabha amending the applicability of the said provision by insertion of sub-section (1H) to section 206 of the Income-tax Act ('the Act') w.e.f. 1 October 2020. Considering that this is an important amendment for any person dealing with goods, it is vital to understand its applicability:

- It is applicable to all the persons falling under the definition of a seller
- Seller means a person whose total sales, gross receipts or turnover from business carried out by him exceeds 10 crore rupees in the preceding financial year
- Therefore, the said provisions will apply to a person from 1 October 2020 if sales, gross receipt or turnover of that person exceeds 10 crores in FY 2019-20
- Seller is required to collect TCS from the buyer @ 0.1% on the consideration amount received over and above INR 50 Lacs in the previous year
- Buyer includes a person who purchases goods but does not include certain categories as mentioned therein (viz. Central Govt., State Govt., an Embassy, High Commission, Legislation, etc.)
- Where buyer does not have PAN or AADHAR, the rate of collection should be @ 1%
- These provisions shall not apply if the buyer is liable to deduct TDS under any other provision of the Act

Certain FAQs

Particulars	Answers (Note)
Whether TCS to be collected on export sales	No
Whether TCS to be collected in case of book entry/ set off against receivable	Yes
Whether the point of collection is the receipt of consideration and not sales	Yes
Whether TCS to be collected on sales effected before 1 October 2020	No

Note: The analysis done and the views expressed in this article are our personal views and this should in no way construed as an opinion. This article has been used for public reading and knowledge sharing purpose and is not meant to address any particular query. In case of any clarifications or before taking any decision, the reader is requested to take a professional's opinion or advice independently.