



**KRESTON**  
OPR ADVISORS



## **TAX COLLECTION AT SOURCE (TCS)**

Changes applicable from 1<sup>st</sup> October 2020

## Introduction

With basic purpose of growing the tax base, the government in the Finance Act, 2020 extended the scope Tax Collected at Source (TCS) U/s 206C of the Income Tax Act, 1961. TCS was introduced on foreign remittances under the **Liberalised Remittance Scheme, Sale of Overseas Tour Packages & on Sale of Goods** by specified seller. These provisions come into force from 1st October 2020.

## Tax Collected at Source on Sale of Goods – Sec. 206C (1H)

### 1. Applicability:

Every seller whose total sales, gross receipts or turnover from his business exceeds INR 10 Crores in the immediately preceding previous year. (Sale of service is not covered)

### 2. Definition of Goods (Inclusions / Exclusions)

Goods have not been specifically defined under Income Tax Act, 1961, if we draw reference from other acts like Sale of Goods Act, 1930 or Goods & Services Act, 2017, Goods Mean:

“Every kind of movable property other than money and securities but include actionable claims, growing crops & grass and things attached to or forming part of land which are agreed to be severed before supply or under contract of supply”

Hence any person dealing with any goods as defined above shall have to apply provisions of TCS under Sec. 206C (1H) except for exclusions given below.

#### Exclusions

- On export of goods
- Where buyer is required to deduct TDS (Withhold Tax)
- On goods that are covered under Sub-Section (1), (1F) or (1G) of Sec. 206
  - i. Alcoholic Liquor for human consumption
  - ii. Tendu Leaves
  - iii. Scrap
  - iv. Timber or any other forest produce
  - v. Minerals being coal, lignite or iron ore
  - vi. Motor Vehicle
  - vii. Overseas tour packages.
- Sale is made to central or state government or Embassy, Consulate or Local Authority
- Person importing any goods into India.

### 3. Rate of TCS

#### Buyer provides PAN:

0.10% of the Basic value of Sale (GST / Taxes not to be included)

#### Buyer does not provides PAN:

1% of the Basic Value of Sale (GST / Tax not to be included)

#### 4. Threshold:

- TCS applicable for customers to whom goods have been sold for more than Rs 50,00,000/- (Net of GST) during the year

(TCS is applicable only on sales above Rs. 50 Lacs)

#### FAQs:

##### 1. From when is it applicable?

For all the sales done from 1st October, 2020. Hence TCS need not be collected on sales done prior to 1st October, 2020 but money received after 1st October, 2020.

##### 2. Sales done prior to 1st October, 2020 is to be included for the purpose of calculation of Threshold of Rs. 50.00 lacs?

Yes. Sales done prior to 1st October, 2020 should be included for the purpose of calculation of threshold.

Egs.

##### For the Financial Year 2020 - 21

Sr. No.	Particular	Sale* Prior to 1st October, 2020	Sale* On or after 1st October, 2020	TCS Applicability / Remarks
1	Sale to XYZ Limited	45,00,000	40,00,000	TCS to be applied on Rs. 35 Lacs (85 Lacs - 50 Lacs)
2	Sale to XYZ Limited	60,00,000	40,00,000	TCS to be applied on Rs. 40 Lacs

\*Sale and not monies received.

\*\* Presumed that turnover in the previous year i.e. Year 2019 - 20 was higher than Rs. 10.00 Crores.

##### 3. If the sale is done prior to 1st October 2020 but monies are received after 1st October, 2020 will TCS be have to applied?

No, TCS will be applied on all the receipts for sales done on or after 1st October, 2020 and once the threshold of Rs. 50 Lacs of sale to one buyer has been achieved.

## Tax Collected at Source on Overseas Tour Package / Foreign Remittance – Sec. 206C (1G)

### 1. TCS on Foreign Remittance through LRS (Liberalised Remittance Scheme)

#### a. Who should Collect?

An authorized dealer who received an amount or an aggregate amount of Rs. 7.00 Lac or more in an financial year for remittance out of India under LRS of RBI shall have to collect TCS.

#### b. Rate of TCS

Particulars	Person Responsible	Rate of TCS	
		PAN / Aadhar Available	PAN / Aadhar Not Available
Remittance from Loan obtained from financial institution for pursuing education	Authorised Dealer	0.5%	5%
Any other remittance	Authorised Dealer	5%	10%

### 2. TCS on selling of Overseas Tour Package

#### a. Who should collect?

A seller of overseas tour package, if he receives any amount from any buyer towards sell of such overseas tour package should collect TCS.

#### b. Rate of TCS


Sno	Particular	Rate of TCS
1	PAN / Aadhar Available	5%
2	PAN / Aadhar Not Available	10%




## Contact Us

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