



CHAPTER 18

TDS & TCS

**CHAPTER OVERVIEW**

SECTION	TOPIC
51	Tax Deduction at Source (TDS)
52	Tax Collection at Source (TCS)



TDS & TCS [Section 51 and 52]

DIFFERENCES BETWEEN TDS & TCS

TDS [Section 51]	TCS [Section 52]
Tax deducted at source as similar to “pay as you earn” scheme	Tax collected at source
TDS tax refers to the tax which is deducted when the recipient of goods or services makes some payments under a contract	TCS refers to the tax which is collected by the electronic commerce operator when a supplier supplies some goods or services through its portal and the payment for that supply is collected by the electronic commerce operator.

TAX DEDUCTION AT SOURCE [SECTION 51]

(A) Who are required to deduct TDS [“Deductors”]?

- (a) A department or establishment of the Central Government or State Government; or
[Applicable only on the **certain prescribed authorities of Ministry of Defence**, remaining authorities under the Ministry of Defence are exempt] **Notification No. 57/2018 CT dated 23/10/2018**
- (b) Local authority; or
- (c) Governmental agencies; or
- (d) such persons or category of persons as may be notified by the Government on the recommendations of the Council,

(B) Who are the persons notified by the Government to deduct TDS? [Notification No.50/2018 - CT dated 13/09/2018]

- (a) an authority or a board or any other body, -
 - (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government,
 with 51% or more participation by way of equity or control, to carry out any function;
- (b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860;
- (c) public sector undertakings

**Exemption from TDS deductions:****Authorities under Ministry of Defence exempted from TDS provisions:**

Post audit authorities under Ministry of Defence exempted from TDS compliance vide N/N 57/2018 – CT dated 23-10-2018

Supplies made by Government Departments and PSUs to other Government Departments and vice versa is exempt from TDS provisions vide N/N 61/2018 – Central Tax dated 05-11-2018

Nothing shall apply to the supply of goods or services or both which takes place between one person to another person specified under clauses (a), (b), (c) and (d) of Section 51(1) of the said Act.”.

(C) What is the applicable rate of tax and threshold limit and value of supply?**Rate of Tax**

1% from the payment made / credited to the supplier (hereafter referred to as “the **deductee**”) of taxable goods or services or both,

CGST	SGST	IGST	Where value of supply exceeds ₹ 2,50,000
1%	1%	2%	

Value of Supply

Total value of such supply, under a contract, **exceeds ₹ 2,50,000**. [Same provision under SGST Act so TDS rate under CGST and SGST is **1% each**]

Explanation: For the purpose of deduction of tax specified above, **the value of supply shall be taken as the amount excluding the CGST, SGST, UTGST, IGST and cess indicated in the invoice.**

(D) No requirement to deduct TDS if location of recipient is different from location of supplier and place of supply

No deduction shall be made if the location of the supplier and the place of supply is in a State / UT which is different from the State / Union territory of registration of the recipient.



(E) Scenarios to illustrate the above provision

Particulars	Relevant provision
Supplier, place of supply and recipient are in the same state	It would be intra-State supply and TDS (CGST + SGST) shall be deducted. It would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.
Supplier as well as the place of supply are in different states.	IGST would be levied. TDS to be deducted would be TDS (IGST) and it would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.
Supplier as well as the place of supply are in State A and the recipient is located in State B	The supply would be intra-State supply and CGST+SGST would be levied. In such case, transfer of TDS (CGST+ SGST of State B) to the cash ledger of the supplier (CGST + SGST of State A) would be difficult. So, in such cases, TDS would not be deducted. Thus, when both the supplier as well as the place of supply are different from that of the recipient, no tax deduction at source would be made.

Example: Delhi Government enters into a contract of ₹3,00,000 with Radisson Haryana to rent space for purpose of conducting event in their hotel. In this case Radisson will levy Haryana SGST and CGST.

Place of Supply – Haryana

Location of Supplier – Haryana

Location of Recipient – Delhi

The provisions of TDS would not apply in this case irrespective of the contract value as the Place of Supply and Location of Supplier is different from the Location of Recipient.

Space of class notes

**(F) Deposit of TDS with the Government**

The amount of tax deducted at source should be deposited to the Government account by deductor by **10th of the succeeding month.**

Payment shall be made by debiting the electronic cash ledger and crediting the electronic tax liability register.

(G) TDS Certificate

As per Finance Act, 2020, Deductor of TDS need not issue certificate of TDS. Deductor of GST TDS is not required to issue any TDS certificate. It means the deductee can take credit of tax deducted on the basis of details of tax deducted and uploaded by the deductor u/s 39(3) of CGST Act, 2017.

The details are available in the GSTR-7 return filed by the deductor will be auto populated in **GSTR-2A** of deductee. Hence, any further certificate is not required.

(H) Failure to deposit TDS by the deductor

If the deductor has not remitted the amount deducted as TDS to the Government within the prescribed time limit, he is liable to pay **penal interest @ 18% p.a. u/s 50 in addition to the amount of tax deducted.**

The determination of the amount in default u/s 51 shall be made in the manner specified in section 73 or section 74.

(I) Filing of returns by TDS deductors

- (i) Every registered person required to deduct tax at source shall furnish a return in **GSTR 7**, electronically, for the month in which such deductions have been made within **10 days after the end of such month.**
- (ii) The details furnished by the deductors shall be made available electronically to each of the **suppliers in Part C of GSTR-2A and GSTR-4A** on the common portal after due date of filing Form GSTR 7

(J) Credit to E-Cash Ledger of deductee

The amount of tax deducted reflected in Electronic Cash Ledger of deductee in the return in Form GSTR-7 filed by deductor shall be claimed as credit. This provision enables the Government to cross-check whether the amount deducted by the deductor is correct and that there is no mis-match between the amount reflected in the Electronic Cash Ledger as reflected in the return filed by deductor

The deductee shall claim credit, in his electronic cash ledger, of the TDS and reflected in the return of the deductor furnished u/s 39(3), in manner prescribed under Rule 87.

**(K) Erroneous deduction of TDS**

The refund to the deductor /deductee arising on account of excess or erroneous deduction shall be dealt with in accordance with Section 54.

However, no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee.

Example: Suppose a supplier makes a supply worth ₹ 1,000 to a recipient and the GST @ 18% is required to be paid. The recipient, while making the payment of ₹ 1,000 to the supplier, shall deduct 1% viz ₹ 10 as TDS.

The value for TDS purpose shall not include 18% GST. The TDS, so deducted, shall be deposited in the account of Government by 10th of the succeeding month. The TDS so deposited in the Government account shall be reflected in the electronic cash ledger of the supplier (i.e. deductee) who would be able to use the same for payment of tax or any other amount. The purpose of TDS is just to enable the Government to have a trail of transactions and to monitor and verify the compliances

(L) Illustrative List of various Supplies on which TDS may or may not require to be deducted

- (i) Supply in GST covers both supply of goods as well as supply of services by vendors/suppliers to the Government Departments, local authorities and other recipients.
- (ii) TDS is not required to be deducted on supply of exempt goods or services. For example, in case a PSU/ Govt. Dept receives GST books for all its employees, no TDS is required to be deducted since GST books are exempt supplies.
- (iii) Similarly in case a PSU/ Govt. Dept. avails the services of a medical practitioner, no TDS is required to be deducted.

**Tax deduction is required if all the following conditions are satisfied**

Total value of taxable supply > ₹ 2.5 Lakh under a single contract. This value shall exclude taxes & cess leviable under GST

S.I.	Facts of the Case	Whether TDS is required to be deducted or not?
1	In case the value of 1 contract for printing material is ₹ 3 Lakhs plus GST and the same is received vide 6 invoices of ₹ 50,000 plus GST each in 18-19 and 19-20.	TDS is required to be deducted on each bill
2	In case the value of 6 contracts for printing material from the same vendor A is ₹ 50,000 plus GST each and the same is received vide 6 invoices of ₹ 50,000 plus each.	TDS is not required to be deducted on any bill.
3	In case the value of 1 contract for printing material from a vendor A is ₹ 2,75,000 inclusive of 18% GST.	TDS is not required to be deducted as the value of contract exclusive of GST is less than ₹ 2,50,000

If the contract is made for both taxable supply and exempted supply, deduction will be made if the total value of taxable supply in the contract > ₹ 2.5 Lakh. This value shall exclude taxes & cess leviable under GST

S.I.	Facts of the Case	Whether TDS is required to be deducted or not?
1	In case the value of 1 contract for printing material and books from a vendor A is ₹ 3,50,000 plus GST as applicable. Value of books is ₹ 1,00,000 (GST is exempt) and Value of printing material is ₹ 2,50,000 (GST chargeable).	TDS is not required to be deducted as the value of contract of taxable goods (printing material) is not exceeding ₹ 2,50,000.
2	In case the value of 1 contract for printing material and books from a vendor A is ₹ 4,00,000 plus GST as applicable. Value of books is ₹ 1,00,000 (GST is exempt) and Value of printing material is ₹ 3,00,000 (GST chargeable).	TDS is required to be deducted on only the value of contract of taxable goods (printing material) of ₹ 3,00,000/-



Where the location of the supplier and the place of supply are in the same State/UT, it is an intra-State supply and TDS @ 1% each under CGST Act and SGST/UTGST Act is to be deducted if the deductor is registered in that State or Union territory without legislature

S.I.	Facts of the Case	Whether TDS is required to be deducted or not?
1	In case material is purchased by A (WB) from B (WB) where value of contract of taxable goods (printing material) of ₹ 3,00,000 plus GST	GST is liable to be deducted as follows – 1% CGST on ₹ 3,00,000 = ₹ 3,000 1% SGST on ₹ 3,00,000 = ₹ 3,000

Where the location of the supplier is in State A and the recipient of supply is in another State or Union territory B. However, if the customer is in the same state A, then it is intra-State supply and TDS @ 1% under CGST Act and @ 1% under SGST Act is to be deducted as the deductor is registered in State or Union territory A.

Where the location of the supplier is in State A and the recipient of supply is in another State or Union territory B. However, if the customer is in the yet another state C, then it is inter-State supply and TDS @ 2% under IGST Act is to be deducted as the deductor is not registered in State or Union territory A.

S.I.	Facts of the Case	Whether TDS is required to be deducted or not?
1	In case material is purchased by B (WB) from A (WB) but to be delivered to C (TN) and where value of contract of taxable goods (printing material) of ₹ 3,00,000 plus GST	GST is liable to be deducted as follows 1% CGST on ₹ 3,00,000 = ₹ 3,000 1% WB SGST on ₹ 3,00,000 = ₹ 3,000
2	In case material is purchased by B (WB) from A (Bihar) but to be delivered to C(TN) and where value of contract of taxable goods (printing material) of ₹ 3,00,000 plus GST	GST is liable to be deducted as follows – 2% IGST on ₹ 3,00,000 = ₹ 6,000

**When advance is paid to a supplier on or after 01.10.2018 to a supplier for supply of taxable goods or services or both**

In case contract of ₹ 3,00,000 plus GST is made on 30th September 2018 but neither supply of goods nor payment is made on that day. Thereafter advance is made on 1st October 2018 of ₹ 10,000 plus GST. Herein TDS will be deducted on the advance of ₹ 10,000 made on 1st October 2018.

When the contract value is revised

A contract with a supplier ABC was entered into where the value of taxable supply is ₹ 2 Lakh and payment of ₹ 1 Lakh has been made on 15.10.2018. Now, on 20.10.2018 the contract value is revised from ₹ 2 Lakh to ₹ 6 Lakh. In this case TDS shall have to be deducted on entire amount i.e. ₹ 6 lakhs while making remaining payment of ₹ 5 Lakh. In other words, 12,000/- would be deducted when remaining payment of ₹ 5 Lakh is made.

Illustration of various situations requiring determination of value of supply for TDS**Supplier is registered and contract value is excluding GST:**

Example: Supplier X makes taxable supply worth Rs. 10,000/- to a Municipality where contract for supply is for Rs.15,00,000/-. The rate of GST is 18%. Supplier and the deductor are in the same State. Following payment is being made by this Municipality to X:

Rs. 10,000 (value of Supply) + Rs 900 (Central Tax) + Rs 900 (State Tax).

Value of supply = Rs.10,000

Tax to be deducted from payment:

CGST = 1% on Rs.10,000 = Rs.100 ; SGST = 1% on Rs.10,000 = Rs.100

Payment due to X after TDS as per GST provisions: Rs. 11,600

Supplier is registered and contract value is inclusive of GST:

Supplier Y of Mumbai makes taxable supply worth Rs. 10,000 & exempted supply worth Rs. 20,000 in an invoice/bill of supply to Finance Deptt. of Gol located in New Delhi where contract for supply is for Rs. 6,00,000 (Rs.2,60,000 for taxable supply including GST and Rs.3,40,000 for exempted supply). The rate of GST is 18%. Following payment is being made by Gol to Y: Rs.10,000 (value of taxable Supply) + Rs.1,800 (IGST) + Rs.20, 000/- (value of exempted Supply). Whether any deduction of tax is required?

Value of taxable supply in the contract= Rs.2,60,000 (including GST)

Value of such contract excluding tax = $260000 \times 100/118 = \text{Rs. } 2,20,340$.

Since, the value of taxable supply in the contract does not exceed Rs.2.5 Lakh, deduction of tax is not required



TAX COLLECTION AT SOURCE (TCS) [SECTION 52]

Who is an ecommerce operator?

As per Section 2(45) of the CGST Act, 2017, electronic Commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

What is TCS?

The ecommerce operator, not being an agent, is required to collect an amount as TCS on **the net value of taxable supplies** made through it, where the consideration with respect to such supplies is to be collected by such operator. The amount so collected is called as TCS

What is the rate of TCS?

Rate of TCS is **0.5%** under each Act (i.e. the CGST Act, 2017 and the respective SGST Act / UTGST Act respectively) and the same is **1%** under the IGST Act, 2017.

What is meant by “net value of taxable supplies”?

The “net value of taxable supplies” means the **aggregate value of taxable supplies** of goods or services or both, **other than the services on which entire tax is payable by the e-commerce operator** (services notified u/s 9(5)), made during any month by a **registered supplier through such operator**.

reduced by the aggregate value of taxable supplies **returned** to such supplier during the said month. The value of net taxable supplies is calculated at GSTIN level.

Example: Gross taxable value of supplies made by a particular supplier in a month is let us say ₹ 10 lakhs. During the said month, the aggregate value of supplies returned (original supply might have been done during the same month or even before) is ₹ 1 lakhs. Then, as per the above definition, “net value of taxable supplies” shall be ₹ 9 lakhs on which TCS is to be collected for that particular month.

It may be noted that the “value of taxable supplies” shall not include the GST. TCS is not required to be collected on exempt supplies.

There is no requirement to collect TCS on services notified u/s 9(5).

TCS is not required to be collected on supplies on which the recipient is required to pay tax on reverse charge basis. TCS is not liable to be collected on import of goods or services.

Payment of TCS on monthly basis

The amount collected shall be paid to the Government by the operator within **10 days** after the end of the **month** in which such collection is made. Payment of TCS is not allowed through Input Tax Credit of e-Commerce operator. TCS is to be collected once supply has been made through the e-commerce operator irrespective of the actual collection of the consideration



Filing of Monthly Statement in GSTR 8

Every operator who collects TCS shall furnish a statement in GSTR 8, electronically, containing

- a) details of **outward supplies of goods or services or both effected through it**,
 - b) including the supplies of goods or services or both returned through it, and
 - c) the amount collected during a month, in such form and manner as may be prescribed,
- within **10 days after the end of such month**

The details of tax collected at source under section 52(1) furnished by the ECO shall be made available electronically to each of the registered suppliers in **Part C of Form GSTR-2A** after due date of filing of Form GSTR 8.

Based on FORM GSTR-8 filed by the **e-commerce operator**, the same would be credited to the **electronic cash ledger** of the actual supplier in the respective tax head. If the supplier is not able to use the amount lying in the said cash ledger, the actual supplier may claim refund of the excess balance lying in his electronic cash ledger.

TCS & REGISTRATION

(i) Is it mandatory for ecommerce operator to obtain registration?

Yes. As per section 24(x) of the CGST Act, 2017, every electronic commerce operator has to obtain compulsory registration irrespective of the value of supply made by him.

(ii) Whether a supplier of goods or services supplying through ecommerce operator would be entitled to threshold exemption?

As per Section 24(ix) of the CGST Act, 2017, every person supplying goods through an ecommerce operator shall be mandatorily required to register irrespective of the value of supply made by him.

However, a person supplying **services, other than supplier of services under section 9 (5) of the CGST Act, 2017**, through an e-commerce platform are **exempted from obtaining compulsory registration** provided their aggregate turnover does not exceed INR 20 lakhs (or INR 10 lakhs in case of specified special category States) in a financial year. This is not applicable for goods.

(iii) Whether TCS is required to be collected by ecommerce operators on supply of services by unregistered suppliers through their portal?

As per Section 24(ix) of the CGST Act, 2017, every person supplying goods or services through an ecommerce operator is mandatorily required to register. However, a person supplying services, other than supplier of services under section 9(5) of the CGST Act, 2017, through an e-commerce platform were exempted from obtaining compulsory registration provided their aggregate turnover does not exceed INR 20 lakhs (or INR 10 lakhs in case of specified special category States) in a financial year.



Since such suppliers are not liable for registration, ecommerce operators are not required to collect TCS on supply of services being made by such suppliers through their portal.

(iv) Whether State-wise registration shall be taken in each state?

Registration for TCS would be required in each State/UT as the obligation for collecting TCS would be there for every intra-State or inter-State supply. In order to facilitate the obtaining of registration in each State/UT, the e-commerce operator may declare the Head Office as its place of business for obtaining registration in that State/UT where it does not have physical presence.

(v) Whether Separate registration is required for TCS Collectors?

E-Commerce operator has to obtain separate registration for TCS irrespective of the fact whether e-Commerce operator is already registered under GST as a supplier or otherwise and has GSTIN.

Filing of Annual Statement

Every operator who collects TCS shall furnish an **annual statement**, electronically, containing

- a) details of **outward supplies of goods or services or both effected through it**,
 - b) including the supplies of goods or services or both returned through it, and
 - c) the amount collected during the financial year, in such form and manner as may be prescribed,
- before 31st day of December following the end of FY.**

Claim of credit in E-Cash ledger of supplier

The supplier who has supplied the goods or services or both through the operator shall claim credit, in his **electronic cash ledger**, of the amount collected and reflected in the statement of the operator in such manner as may be prescribed.

Rule 87(9): Any amount deducted u/s 51 or collected at source u/s 52 and claimed in **returns** by the registered taxable person from whom the said amount was deducted or, as the case may be, collected shall be credited to **electronic cash ledger**.

Omission or incorrect statement in monthly statement

- a) If any operator after furnishing monthly statement
- b) discovers any omission or incorrect particulars therein,
- c) **other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities**,
- d) he shall **rectify such omission** or incorrect particulars in the statement to be furnished for **the month** during which such omission or incorrect particulars are **noticed**, subject to payment of interest @ 18% p.a.



- e) Rectification of any omission or incorrect particulars shall be allowed maximum by **30th November** (after end of FY). However, if relevant annual statement has been filed prior to such date, then rectification is permissible only upto date of furnishing of the relevant annual statement.

Matching of supply details [GSTR 8 of Operator to be matched with GSTR 1 of Supplier]

The details of supplies furnished by every **operator** in **GSTR 8** shall be matched with the corresponding details of outward supplies furnished by the "**concerned supplier**" registered under this Act in **GSTR 1**.

Explanation: For the purposes of this section, the expression "**concerned supplier**" shall mean the supplier of goods or services or both making "**supplies through the operator**".

Matching of details furnished by the e-Commerce operator with the details furnished by the supplier [Rule 78]

The following details relating to the supplies made through an e-Commerce operator, as declared in **FORM GSTR 8**, shall be matched with the corresponding details declared by the supplier in **FORM GSTR-1**,

- (a) State of place of supply; and
- (b) net taxable value:

Provided that where the time limit for furnishing FORM GSTR-1 u/s 37 has been **extended**, the **date of matching of the above-mentioned details shall be extended accordingly**.

Provided further that the Commissioner may, on the recommendations of the Council, by order, extend the date of matching to such date as may be specified therein.

Example:

A Ltd. sold mobile via Flipkart to customers worth ₹ 40 lakhs in March 2019 and customers returned some mobiles worth ₹ 10 lakhs so net supply for March month would be ₹ 30 lakhs.

Flipkart will furnish GSTR 8 by 10 April containing net outward supplies of ₹ 30 lakhs, the details of which will be matched with details of outward supplies furnished in GSTR 1 by A Ltd.

Discrepancy is not rectified by supplier

The amount in respect of which any discrepancy is communicated and which is **not rectified by the supplier** in his valid return or the operator in his statement for the month in which discrepancy is communicated, **shall be added to the output tax liability of the said supplier**,

where the value of outward supplies furnished by the operator is **more** than the value of outward supplies furnished by the supplier, in his return for the **month succeeding the month in which the discrepancy is communicated** in such manner as may be prescribed.

**Payment of Interest u/s 50**

- a) The “concerned supplier”, in whose output tax liability any amount **has been added**,
- b) **shall pay the tax payable in respect of such supply along with interest @ 18% p.a. u/s 50**
- c) on the **amount so added** from the date such tax was due till the date of its payment.

Consequences of not complying with TCS provisions

Event	Consequence
TCS not collected	Failure to collect the tax as per Section 52(1) can invite penalty of INR 10,000/- or the amount not collected or short collected, whichever is higher. [Section 122(1)(vi)]
TCS collected but not paid to the Government	Section 76 of the CGST Act, 2017 may be invoked by the officer to recover such TCS along with interest. Penalty u/s 122(1)(vi) may also be imposed subject to principles of natural justice
Late filing of TCS returns	Section 47 of the CGST Act, 2017 imposing late fees shall not apply to the TCS return since the same is to be filed u/s 52(4) of the said Act (which is not covered u/s 47). However general penalty up to ₹ 25,000 can be imposed u/s 125. It must however be noted that unless the return is filed, the concerned supplier shall not get the credit in his electronic cash ledger

Enquiry by GST Officer**(i) Notice by GST Officer**

Any authority not below the rank of **Deputy Commissioner may serve a notice**, either before or during the course of any proceedings under this Act, requiring the operator to furnish such details relating to:

- a) **supplies of goods or services or both effected through such operator during any period; or**
- b) **stock of goods held by the suppliers making supplies through such operator** in the godowns or warehouses, by whatever name called, managed by such operator and declared as additional places of business by such suppliers, as may be specified in the notice.

(ii) Furnishing of information ask by officer

Every operator on whom a notice has been served shall furnish the required information within **15 working days** of the date of service of such notice.

(iii) Penalty for not furnishing information to officer

Any person who fails to furnish the information required by the notice served shall, without prejudice to any action that may be taken **u/s 122**, be liable to a **penalty which may extend to ₹ 25,000**.



Question	Answer
<p>Under multiple ecommerce model, Customer books a Hotel via ECO-1 who in turn is integrated with ECO-2 who has agreement with the hotelier. In this case, ECO-1 will not have any GST information of the hotelier. Under such circumstances, which e-commerce operator should be liable to collect TCS?</p>	<p>TCS is to be collected by that e-Commerce operator who is making payment to the supplier for the particular supply happening through it, which is in this case will be ECO-2.</p>
<p>Foreign e-commerce operator do not have place of business in India since they operate from outside. But their supplier and customers are located in India.</p> <p>So, in this scenario will the TCS provision be applicable to such ecommerce operator and if yes, how will foreign e-commerce operator obtain registration?</p>	<p>Where registered supplier is supplying goods or services through a foreign e-commerce operator to a customer in India, such foreign ecommerce operator would be liable to collect TCS on such supply and would be required to obtain registration in each State / UT.</p> <p>It may be noted that each State/UT has indicated one administrative jurisdiction where all ecommerce operators having business (but not having physical presence) in that State/UT shall register. The proper officer for the purpose of registration of ECOs has also been notified by each State/UT.</p> <p>If the foreign e-commerce operator does not have physical presence in a particular State / UT, he may appoint an agent on his behalf.</p>

Clarification on TCS liability in case of multiple ECOs in one transaction

In the current platform-centric model of e-commerce, the buyer interface and seller interface are operated by the same ECO. This ECO:

- (i) collects the consideration from the buyer,
- (ii) deducts the TCS u/s 52
- (iii) credits the deducted TCS amount to the GST cash ledger of the seller and
- (iv) passes on the balance of the consideration to the seller after deducting their service charges.

In the case of the **ONDC Network (Open Network for Digital Commerce)** or similar other arrangements, there can be multiple ECOs in a single transaction - one providing an interface to the buyer and the other providing an interface to the seller.



In this setup, buyer-side ECO could collect consideration, deduct their commission and pass on the consideration to the seller-side ECO.

In this context, clarity has been sought as to which ECO should deduct TCS and make other compliances under section 52 in such situations, as in such models having multiple ECOs in a single transaction, both the Buyer-side ECO and the Seller-side ECO qualify as ECOs as per section 2(45).

CBIC has clarified following issues in this regard:

Issue	Clarification
In a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and where the supplier-side ECO himself is not the supplier in the said supply , who is liable for compliances u/s 52 including collection of TCS	In such a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and where the supplier-side ECO himself is not the supplier of the said goods or services, the compliances u/s 52, including collection of TCS, is to be done by the supplier-side ECO who finally releases the payment to the supplier for a particular supply made by the said supplier through him. Example: Buyer-side ECO collects payment from the buyer, deducts its fees/commissions and remits the balance to Seller-side ECO. Here, the Seller-side ECO will release the payment to the supplier after deduction of his fees/commissions and therefore will also be required to collect TCS, as applicable and pay the same to the Government in accordance with section 52 and also make other compliances u/s 52. In this case, the Buyer-side ECO will neither be required to collect TCS nor will be required to make other compliances in accordance with section 52 with respect to this particular supply
In a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and the Supplier-side ECO is himself the supplier of the said supply , who is liable for compliances u/s 52 including collection of TCS?	In such a situation, TCS is to be collected by the Buyer-side ECO while making payment to the supplier for the particular supply being made through it. Example: Buyer-side ECO collects payment from the buyer, deducts its fees and remits the balance to the supplier [who is itself an ECO as per Sec 2(45)]. In this scenario, the Buyer-side ECO will also be required to collect TCS, as applicable, pay the same to the Government in accordance with section 52 and also make other compliances u/s 52