CHAPTER 7C: TAX COLLECTION AT SOURCE

APPLICABILITY AND RATES

1. Sale of certain goods

Under section 206C (1), sellers of Following goods are required to collect tax from the buyers at the specified rates.

Goods (MAST – Timber)	Rate
Alcoholic liquor for human consumption — A	1%
Scrap — S	1%
Minerals, being coal or lignite or iron ore — M	1%
Tendu leaves — T	5%
Timber & other forest produce	2.5%

However, No TCS If following Conditions are satisfied

a) Buyer is Resident

b) Buyer Furnishes declaration that goods referred above are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes.

Note: If buyer turnover is more than 10 crores in last year, then buyer required to deduct TDS u/s 194Q

2. Lease or a license of parking lot, toll plaza or mine or a quarry

Section 206(1C) provides for collection of 2% TCS by every person who grants a lease or a license or enters into a contract or otherwise transfers any right or interest in any parking lot or toll plaza or a mine or a quarry to another person (other than a public sector company).

Example 01

Seller — Buyer.

M/s XYZ sold coal of value 70,00,000 to A Ltd. Show TCS implications u/s 206C (1) in following cases

1. Whether TCS is applicable, when A Ltd. Is dealer of Coal? → TCS @ 1% of 70L = 70,000.
2. What will be your answer if A Ltd. Filed declaration that coal will be used for generation of power. → No TCS as coal purch. for power gen. & not for trading.
3. Whether provisions of S.206C(1) or S.194Q is applicable if A Ltd. is a Dealer of coal and his Last year Turnover was 15Cr.?
4. Whether provisions of S.206C(1) or S.194Q is applicable if A Ltd. Purchased coal for generation of power and his Last year Turnover was 15Cr.?

206C(1C) 206C(1) X.

Illustration 01

State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 1.10.2022 and charged ₹ 8 crores for the lease. ABC Co. Ltd. sold coal for ₹ 2 crores to Mahapower Ltd., another Indian company, during the previous year 2022-23. Mahapower Ltd. furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2021-22 amounted to ₹ 11 crores and ₹ 12 crores, respectively. What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any? 194Q Apply As buyer (Maha) T.O last year > 10C & Paym exceeds 50L

∴ TDS 194Q = 1.50C × 0.1% = 15000.

[RTP Nov 22]

+ Include Second hand Car

3. Sale of motor vehicle of value exceeding ₹ 10 lakhs.

Section 206C(1F) provides that a seller, shall collect tax from the buyer@1% of the sale consideration where value of a motor vehicle or other notified goods exceeds ₹ 10 lakhs.
Note: No TCS shall be collected by manufacturer when they sell cars to dealer or distributor. → Introd. by F.A 2024

Illustration 2

XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹ 12,00,000 respectively on 01.05.2024 and 25.12 2024. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date.

[PYQ May 24]

4. Overseas remittance or an overseas tour package 206C(1G)

A. Overseas Remittance Under Liberalised Remittance scheme

Particulars	Rate Of TCS
Remittance for the purpose of education or medical treatment	5%
Remittance out of Loan obtained from any Financial Institution for pursuing education	0.5%
Other Purpose → Transfer to brother for personal purpose	20%
NO TCS on above three remittances upto aggregate amount of Rs. 7 Lakhs	

B. Overseas Tour Package

Particulars	Rate Of TCS
Tour Package	5% upto 7 Lakhs & 20% above 7 Lakhs

Overseas tour package means tour package which offers visit to a country or countries or territories outside India and includes expenses for travel as well as for stay or any other expenses of similar nature.

Example 02

Mr. X has remitted following amounts outside India . Show TCS implications

Date	Purpose	Amount
15/04/2024	Education	2,00,000
15/07/2024	Medical Treatment	3,00,000
15/09/2024	P.G. Rent	3,00,000
15/12/2024	Education	4,00,000
12/02/2025	Medical Treatment	3,00,000

Example 03

Mr. J purchased following tour packages during PY 2023-24. Show TCS implications :-

1.

Date	Purpose	Amount
15/07/24	Europe	4,00,000
15/10/24	America	5,00,000
15/02/25	Australia	4,00,000

× 5% = 20000
3L × 5% = 15000
2L × 20% = 40000
20% = 80000
155000

5. Sale of goods of value exceeding ₹ 50 lakh section 206C(1H)

- TCS Shall be collected by a seller, who receives any amount as consideration for sale of goods of the value exceeding ₹ 50 lakhs (In aggregate) in a previous year [other than exported goods or goods covered under sub-sections (1)/(1F)/(1G)].
- Tax is to be collected at source @0.1% u/s 206C(1H) of the sale consideration exceeding ₹ 50 lakhs, at the time of receipt of consideration.
- No TCS if buyer is liable to deduct TDS u/s 194Q.

  Notes:

  (a) Seller means any person whose last year turnover is more than ₹10 crore.

  (b) if buyer fails to furnish PAN, then TCS rate shall be 1%

  (c) under this section TCS is collected only at the time of receiving consideration in excess of Rs. 50 lakhs in PY.

CBDT Clarification

1. In case of motor vehicle if section 206C(1F) not applicable (like manufacturer to distributor) then section 206C(1H) applicable if other condition.
2. In case of sale of fuel to NR Airlines companies at Indian airport not liable for TCS under this section.
3. GST adjustment or sale return adjustment is not required, as TCS is applicable on receipt of consideration. ie TCS 0.1% apply on Amt Recd Incl. GST

Time Of Collection Of Tax

Read.

Tax shall be collected at the earlier of following

a) Date of Debiting Buyer

b) Date of Receiving Payment

However, as per section 206C(1F) and 206C(1H) TCS shall be collected at the time of receipt of payment.
Note: TCS must be deposited by the 7th of the following month in which the tax is collected.

Interest on late collection/deposit TCS [Section 206C(7)]

In case of any delay, interest shall be levied @ 1% per month or parth thereof from the date on which TCS was collectible to date on which TCS is actually paid.

Due Date Of TCS Statement or Return

Read.

TCS Returns Due Dates:

- Q1 (April to June) : 15th July of the financial year
- Q2 (July to September) : 15th October of the financial year
- Q3 (October to December) : 15th January of the financial year
- Q4 (January to March) : 15th May of the financial year

TCS Rate If Collectee Fails to furnish PAN or AADHAR to Collector [Section 206CC]

Read.

TCS rate shall be higher of:
(a) Twice the rate
(b) 5%
Note: Maximum rate of TCS under sub section (1H) shall be 1%.