



## FAQs on TCS u/s 206C(1H)

| FAQ  | Illustration  | Position/Conclusion  | Legislative reference for conclusion/Clarifications by CBDT   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
|--|---|--|---|-------------------------------------|--------|----------------|-------|-----------------------------|--------------------|-----------|-----------|----------------------------|--------------------|--|--|
| 1. How will the limit of Rs. 50 lakhs be computed for the purpose of determining the applicability of TCS?                       | <p><b>Case-1:</b> Sales made on 03-Oct-2020 Rs. 40 Lakhs<br/>Sales made on 07-Oct-2020 Rs. 20 Lakhs</p> <p><b>Case-2:</b> Sales made on 05-Sep-2020 Rs. 40 Lakhs<br/>Sales made on 07-Oct-2020 Rs. 20 Lakhs</p> <p>How will applicability of TCS be computed in the above cases? Will it be computed on Rs. (40+20-50) 10 lakhs or will it be computed on 60 (40+20) lakhs?</p>   | TCS will be collected on Rs. 10 Lakhs, after considering the threshold of 50 lakhs in both these cases. However, once the threshold of Rs. 50 lakhs is breached for a particular customer in a financial year, it is advised to collect TCS (at the time of collection of sale consideration) on all subsequent sales made to the said customer in the FY irrespective of the value of sales made. | Section 206C(1H) of the Income tax Act.   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| 2.Should TCS be computed on the value including GST? i.e. Should GST be excluded from the value of consideration to compute TCS? | <table><thead><tr><th>Invoice by OEM</th><th>Amount (Rs.)</th></tr></thead><tbody><tr><td>Quantity of Product sold (in units)</td><td>10,000</td></tr><tr><td>Price Per unit</td><td>1,000</td></tr><tr><td><b>Total Taxable Amount</b></td><td><b>1,00,00,000</b></td></tr><tr><td>GST @ 18%</td><td>18,00,000</td></tr><tr><td><b>Total Invoice Value</b></td><td><b>1,18,00,000</b></td></tr></tbody></table> <p>In the above case, will TCS be computed on the value of Rs. 1.18 Crores or will it be computed on the base of Rs. 1 crore (i.e. excluding GST)?</p> | Invoice by OEM   | Amount (Rs.)  | Quantity of Product sold (in units) | 10,000 | Price Per unit | 1,000 | <b>Total Taxable Amount</b> | <b>1,00,00,000</b> | GST @ 18% | 18,00,000 | <b>Total Invoice Value</b> | <b>1,18,00,000</b> | TCS shall be collected on the amount including GST i.e. on Rs. 1.18 crores in the given example. | Para 4.6 in Circular No. 17/2020 dated 29 <sup>th</sup> September, 2020 – No adjustment is required to be made with respect to GST since the collection is made with reference to receipt of amount of sale consideration. |
| Invoice by OEM   | Amount (Rs.)  |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| Quantity of Product sold (in units)  | 10,000  |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| Price Per unit   | 1,000   |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| <b>Total Taxable Amount</b>  | <b>1,00,00,000</b>  |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| GST @ 18%  | 18,00,000   |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| <b>Total Invoice Value</b>   | <b>1,18,00,000</b>  |  |   |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |
| 3. When is the TCS collected required to be discharged to the credit of the Central Govt.?                                       | <ul style="list-style-type: none"><li>• Date of Invoice: 04-Nov 2020</li><li>• Date of Collection: 04-Dec-2020</li></ul> <p>Whether TCS will be deposited to the credit of the Central Govt. on:</p> <ul style="list-style-type: none"><li>• 07-Nov-2020 (based on date of the Invoice)</li><li>• 07-Jan-2021 (based on the date of the Collection)</li></ul>   | Due date for payment of TCS in this case would be 7 <sup>th</sup> of January 2021.   | <b>Rule 37CA (2) of the Income Tax Rules:</b><br><i>All sums collected in accordance with the provisions of section 206C by collectors other than the office of the Govt. shall be paid to the credit of the CG within 1 week from the last day of the month in which the collection is made.</i> |                                     |        |                |       |                             |                    |           |           |                            |                    |  |  |

| FAQ   | Illustration   | Position/Conclusion  | Legislative reference for conclusion/Clarifications by CBDT  |
|---|--|--|--|
| <b>4. What is the position of TCS on advances:</b><br><b>A. Received post 1<sup>st</sup> of October 2020</b><br><b>B. Received before 1<sup>st</sup> of October 2020 corresponding to which invoices are raised subsequent to 1<sup>st</sup> of October 2020.</b> | <p>A. Advance of Rs. 55 lakhs received from a customer on the 5<sup>th</sup> of October 2020.</p> <p>B. Advance of Rs. 55 lakhs received on 10<sup>th</sup> of September 2020, corresponding to which invoice has been raised on 5<sup>th</sup> of October 2020.</p>   | <p>A. TCS shall be collected on the amount of Rs. 5 lakhs. Considering the reduced rate of 0.075% upto 31<sup>st</sup> of March 2021, the TCS in the above example would be Rs. 5 lakhs X 0.075% = Rs. 375.</p> <p>B. Since the amount has been received before 1<sup>st</sup> Oct 2020, no TCS is required to be collected on the said advance even though the invoice is raised on or after 1<sup>st</sup> Oct 2020.</p> | <p>A. Section 206C(1H) of the Income tax Act.</p> <p>B. 3<sup>rd</sup> Para of the Press release issued by the CBDT on 30<sup>th</sup> September 2020</p>  |
| <b>5. Would TCS be applicable if the invoices have been raised on or before 30<sup>th</sup> September 2020 but the sale consideration has been received on or after 1<sup>st</sup> October 2020?</b>  | <ul style="list-style-type: none"> <li>• Date of Invoice – 15<sup>th</sup> September 2020 – Rs. 60 Lakhs</li> <li>• Date of collection – 5<sup>th</sup> October 2020 – Rs. 60 lakhs</li> </ul> <p>Would TCS be applicable in the above case?</p>   | <p>Yes. TCS will be applicable in the current case at on the value of Rs. 10 lakhs (Rs. 60 lakhs – threshold of Rs. 50 lakhs), since the sale consideration is received after 1<sup>st</sup> October 2020.</p>   | <p>5<sup>th</sup> Para of the Press release issued by the CBDT on 30<sup>th</sup> September 2020.</p>  |
| <b>6. What would be the impact of discounts, credit notes on TCS?</b>   | <ul style="list-style-type: none"> <li>• Value of Invoice – Rs. 75 lakhs</li> <li>• Credit note issued- Rs.10 lakhs</li> </ul> <p>Collection of Rs. 65 lakhs (Net off credit note) made on 20<sup>th</sup> of December 2020.</p> <p>Would TCS be applicable on the invoice value of Rs. 75 lakhs or would it be applicable on the amount net of credit note i.e. Rs. 65 lakhs?</p>   | <p>Author's view -If credit note of Rs. 10 lakhs is issued before receipt of consideration (Receipt in bank A/c is only Rs. 65 lakhs), then TCS has to be discharged only on Rs. 65 lakhs. On the other hand, if the seller has received the entire amount of Rs. 75 lakhs and there is a subsequent refund of Rs. 10 lakhs to the buyer, then TCS should be on Rs. 75 lakhs.</p>  | <p>Para 4.6 in Circular No. 17/2020 dated 29<sup>th</sup> September 2020 – No adjustment is required to be made on account of sales returns, or discounts, since the collection is made with reference to receipt of amount of sale consideration.</p> |
| <b>7. What would be the TCS rate if the advance and the sale are spread over 2 financial years – FY 20-21 and FY 21-22?</b>   | <ul style="list-style-type: none"> <li>• Date of receipt of Advance – 28<sup>th</sup> March 2021.</li> <li>• Date of Corresponding invoice – 4<sup>th</sup> April 2021</li> </ul> <p>In the above case, what would be the applicable TCS rate? 0.075% or 0.1%?</p>   | <p>Since TCS is required to be computed at the time of the collection of consideration, the rate applicable in this case would be the rate applicable for FY 20-21 i.e. 0.075%.</p>  | <p>Section 206C(1H) of the Income tax Act.</p>   |
| <b>8. Should collections from the beginning of the financial year be considered for checking the limit of Rs. 50 lakhs?</b>   | <ul style="list-style-type: none"> <li>• Sale made to Customer 'A' and amount received therefrom between Apr 2020 &amp; Sep 2020 – Rs. 1 Crore.</li> <li>• Sale made to Customer 'A' on 5<sup>th</sup> Oct 2020 – Rs. 5 lakhs</li> </ul> <p>Whether the limit of Rs. 50 lakhs should be considered for the sales made on or after 1<sup>st</sup> of October 2020 or should it be applied from the beginning of the FY?</p> | <p>TCS should be charged on Rs. 5 lakhs collected on or after 1<sup>st</sup> Oct 2020 since, the limit of Rs. 50 lakhs has to be computed considering the receipts from the beginning of the FY (from Apr). Since Rs. 1 crore has already been received before 30<sup>th</sup> Sep., the limit of 50 lakhs is exhausted already &amp; TCS shall be collected on Rs. 5 lakhs collected on 5<sup>th</sup> Oct 2020.</p>      | <p>4<sup>th</sup> Para of the Press release issued by the CBDT on 30<sup>th</sup> September 2020.</p>  |