

J P Chawla & Co. LLP
Chartered Accountants

Changes in TDS & TCS

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Changes in Tax Deducted at Source (TDS) and Tax Collected at Source (TCS)

Introduction

The Finance Act has introduced the following new Sections i.e Section 194Q (TDS on purchase of Goods), Section 206AB (TDS on those persons who have not filed the Income Tax Return) and Section 206CCA (TCS on those persons who have not filed the Income Tax Return. The analysis of these sections is mentioned below.

Section 194Q TDS on Purchase of Goods – Applicable from July 01, 2021

Section 194Q of the Income-tax Act, 1961 ('the Act') provides for the deduction of tax at source ('TDS') on the purchase of goods. TDS is a procedure where the buyer of goods/services deducts an amount as TDS from the buyer and pays to the Government.

In order to widen and deepen the tax net related to the tax deducted at source ('TDS') under Chapter XVII-B of the Income-tax Act, 1961 (the Act), a new section 194Q has been introduced by the Finance Act 2021. The provisions of section 194Q of the Act are applicable from July 01, 2021 and it provides that TDS shall be applicable on purchase of goods exceeding INR 50 lakhs during the year.

Essential features of section 194Q are as under:

- TDS obligation shall be on the buyer of the goods whose total sales, turnover or gross receipts from the business exceeds INR 10 crores during the preceding previous year and who purchases goods of aggregate value exceeding INR 50 lakhs in any financial year.
- It is to be noted that while computing the threshold limit of INR 10 crores, the turnover of both goods and services need to be considered in accordance with explanation to the Section 194Q of the Act since the phrase used is "total sales, gross receipts or turnover from the business carried on by him".
- Obligation to deduct TDS triggers on payment of goods or purchase of goods whichever is earlier.
- TDS shall be required to be deducted at the rate of 0.1% of the purchase amount exceeding INR 50 lakhs. However, in cases where the seller fails to provide PAN, TDS would be required to be deducted at the rate of 5%.
- TDS under section 194Q apply to the purchase of goods from the Resident.
- TDS under Section 194Q will not be applicable in the following situation:
 - a. TDS is deductible under any other provisions of the Income Tax Act.
 - b. TCS is collectible under provisions of Income Tax Act other than Section 206C(1H) i.e. TCS on sale of goods.
- In case TDS is required to be deducted under Section 194Q and TCS is required to be collected under 206(1H), then the provisions of Section 194Q will prevail and TDS will be required to be deducted under Section 194Q.
- Buyer – A person whose turnover from the business exceeds INR 10 crores during the previous financial year.



Section 206AB Special Provision for TDS for Non-Filers of Income Tax Return – Applicable from July 01, 2021

Section 206AB of the Income-tax Act, 1961 ('the Act') provides the special provision for the deduction of tax at source ('TDS') for those deductees who have not filed the Income Tax Return (ITR) for the last 2 years.

In order to widen and deepen the tax net related to the tax deducted at source ('TDS') under Chapter XVII-B of the Income-tax Act, 1961 (the Act), a new section 206AB has been introduced by the Finance Act 2021. The provisions of section 206AB of the Act are applicable from July 01, 2021, and it provides that TDS shall be applicable on those deductees who have not filed the Income Tax Return for 2 years.

Essential features of section 206AB are as under:

- TDS obligation shall be on the deductor who is required to deduct TDS under Chapter XVII-B of Income Tax Act other than Section 192, 192A, 194B, 194BB, 104LBC or 194N.
- It is to be noted TDS is to be deducted at the higher of the following rates :
 - a. twice the rate specified in the relevant provision of the Act or
 - b. twice the rate or rates in force or
 - c. at the rate of 5%
- TDS is required to be deducted for the specified persons. Specified Person means a person who has not filed his Income Tax Return within the time limit specified under subsection (1) of Section 139 of the Act and the total amount of TDS deducted or TCS collected exceeds INR 50,000 in each of the two years.
- TDS under section 206AB applies to the residents and non-residents who have a Permanent Establishment in India.
- In case the provisions of Section 206AA i.e. deduction of higher TDS due to non-availability of PAN are applicable for the above-mentioned persons, then the TDS will be deducted at the higher of rates specified in Section 206AA and Section 206AB of the Income Tax Act.

TDS Compliance

The dates for paying TDS to the government are:

Collection Month	Quarter Ending	Due date of Payment	Due Date of filing return
April	30 th June	7 th May	31 st July
May		7 th June	
June		7 th July	
July	30 th September	7 th August	31 st October
August		7 th September	
September		7 th October	
October	31 st December	7 th November	31 st January
November		7 th December	
December		7 th January	
January	31 st March	7 th February	31 st MAY
February		7 th March	
March		30 th April	

Note: If the deductor has not deducted the TDS from the deductee, then he will be chargeable of interest @ 1% per month or part of the month. In case the deductor has deducted but not paid to the government even after deducting it, then he will be chargeable of interest @ 1.5% per month or part of the month. Further, there will be disallowance of 30% of the expenses in case of above mentioned situations.

Certificate of TDS

Every tax deductor shall file a tax return quarterly in forms 26Q and 27Q concerning the tax deducted in the particular quarter. He must make sure that all the dues and interests are paid before filing the returns. The certificate (Form 16A) has to be issued within 15 days from the date of filing TDS quarterly returns.



The due dates for generating Form 16A–

Quarter Ending	Date for generating Form 16A
For the quarter ending on 30 th June	15 th August
For the quarter ending on 30 th September	15 th November
For the quarter ending on 31 st December	15 th February
For the quarter ending on 31 st March	15 th June

Section 206CCA Special Provision for TCS for Non-Filers of Income Tax Return – Applicable from July 01, 2021

Section 206CCA of the Income Tax Act, 1961 ('the Act') provides the special provision for the collection of tax at source ('TCS') for those persons who have not filed the Income Tax Return (ITR) for the last 2 years.

In order to widen and deepen the tax net related to the tax collected at source ('TCS') under Chapter XVII-BB of the Income-tax Act, 1961 (the Act), a new section 206CCA has been introduced by the Finance Act 2021. The provisions of section 206CCA of the Act are applicable from July 01, 2021 and it provides that TCS shall be applicable on those persons who have not filed the Income Tax Return for 2 years.

Essential features of section 206CCA are as under:

- TCS obligation shall be on the collector who is required to collect TCS under Chapter XVII-BB of the Income Tax Act.
- It is to be noted TCS is to be collected at the higher of the following rates :
 - a. twice the rate specified in the relevant provision of the Act or
 - b. at the rate of 5%.
- TCS is required to be collected for the specified persons. Specified Person means a person who has not filed his Income Tax Return within the time limit specified under subsection (1) of Section 139 of the Act and the total amount of TDS deducted or TCS collected exceeds INR 50,000 in each of the two years.
- TCS under section 206CCA applies to the residents and non-residents who have a Permanent Establishment in India.
- In case the provisions of Section 206CC i.e. collection of higher TCS due to non-availability of PAN are applicable for the above-mentioned persons, then the TCS will be collected at the higher of rates specified in Section 206CC and Section 206CCA of the Income Tax Act.

TCS Compliance

The dates for paying TCS to the government are:

Collection Month	Quarter Ending	Due date of Payment	Due Date of filing return
April	30 th June	7 th May	15 th July
May		7 th June	
June		7 th July	
July	30 th September	7 th August	15 th October
August		7 th September	
September		7 th October	
October	31 st December	7 th November	15 th January
November		7 th December	
December		7 th January	
January	31 st March	7 th February	15 th May
February		7 th March	
March		7 th April	

Note: If the seller has not collected the TCS or has not paid to the government even after collecting it from the buyer, then he will be chargeable of interest @ 1% per month or part of the month.

Certificate of TCS

Every tax collector shall file a tax return quarterly in form 27EQ concerning the tax collected in the particular quarter. He must make sure that all the dues and interests are paid before filing the returns. The certificate (Form 27D) has to be issued within 15 days from the date of filing TCS quarterly returns. The due dates for generating Form 27D–

Quarter Ending	Date for generating Form 27D
For the quarter ending on 30 th June	30 th July
For the quarter ending on 30 th September	30 th October
For the quarter ending on 31 st December	30 th January
For the quarter ending on 31 st March	30 th May

ABOUT JPC

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

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