

## Clarification On TDS & TCS Acts which are Applicable from 1<sup>st</sup> July 2021.

- TDS Comes Under Section 194Q.
- TCS Comes Under section 206C(1H).
- Parties are Considered as Buyer (Who Purchase Goods) and Seller (who Sell Goods).

### **Providing the Information about TDS and TCs in Question-and-Answer Format.**

#### **1) For Whom the above acts are applicable?**

- a. The TDS (194Q) is applicable when the Buyer Turnover in immediately Preceding year exceeds ₹10 Cr and Goods Purchased from a Single More than of ₹50L in any previous Financial Year.
  - i. The TCS is applicable when the Seller Turnover Exceeds ₹10 Cr in Previous Financial Year and Goods Sold to a Buyer More than ₹50L in any previous year. Where Buyer is Not Comes Under 194Q

#### **2) If the Buyer Comes Under TDS Section 194Q then who is Liable?**

- a. If the TDS Section 194Q is Applicable to the Buyer, then Buyer need to Deduct the Tax @ 0.10% of the Gross Payment made to the Seller and file the TDS. Here TCS Section 206c(1H) is not applicable so Seller is Not liable to Collect the tax.

#### **3) If the Buyer Do not Come's Under TDS Section 194Q then Who is Liable?**

- a. If the Buyer Does not Satisfies the Basic Requirements of Section 194Q (Does not have the Turnover  $\geq$  ₹10 Cr) Then the Seller Need to Collect the Tax from the Buyer @0.10% and need to file TCS Section 206C91H).

#### **4) Should Buyer and Seller Both need to Follow TDS and TCS?**

- a. In Short Answer is **No.** if the Buyer Deducts the Tax means TDS from the Seller, then Seller Do not have a Right to Collect the Tax (TCS) from the Buyer.

#### **5) If the Buyer Falls Under TDS Section 194Q but he is Not willing to Deduct the Tax, then what to do?**

- a. When the buyer Falls under TDS section 194Q then he Must follow the TDS Act if he Does not File the TDS the Income Tax Dept take legal action on him, but the Seller is not responsible to File TCS for this kind of Buyers. For this the Seller Must Obtain the Turnover Documents from the Buyer Like Income Tax Ack or any Self Declaration given by the buyer in written Format.

- 6) For better understanding of responsibility of tax on sales or purchase of goods above 50 lakhs let us under table as under:

Details	Amount	Seller turnover	Buyer turnover	Section	Responsibility
Purchase /sales	Above 50 lakh	11Cr	11cr	194Q	Buyer and if buyer fails then seller has to collect
Purchase /sales	Above 50 lakh	9 Cr	11Cr	194Q	Only Buyer

Purchase /sales	Above 50 lakh	11Cr	9Cr	206C (1H)	Only Seller
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**Conclusion:** - Post approval of budget buyer will be responsible to deduct TDS on purchase of goods @0.1% only if its turnover in Previous Financial year exceeds Rs 10 Cr, on purchase above 50 lakh and seller will be responsible only in case buyer fails to deduct TDS on purchase of goods. And in case buyer turnover is below 10 Cr and seller turnover is above 10 Cr in such case only seller will be responsible to collect TCS @0.1% by amending the TDS provision now government has made both buyer and seller responsible in TDS and TCS on sales and purchase of goods above 50 lakh and either of them will have to deduct or collect tax now.