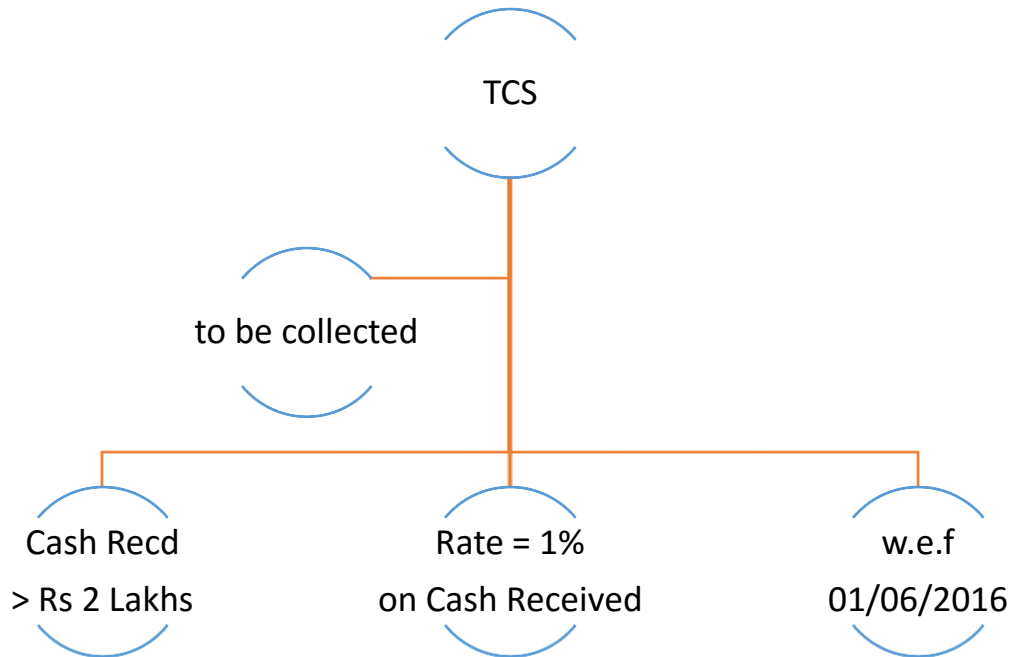


TCS on Cash Receipts

Section 206C(1D) has been amended based on Circular No 23/2016 dated 24th June 2016. Below is revised newsletter after changes as per amendment.



Section 206C(1D)

Every person, being a seller, who receives any amount in cash as consideration for sale of any goods (other than bullion or jewellery) or providing any service, shall, at the time of receipt of such amount in cash, collect from the buyer, a sum equal to one per cent of sale consideration as income-tax, if such consideration, exceeds two hundred thousand rupees:

In simple terms:

If the seller receives from the buyer any amount in cash which is greater than Rs 2,00,000 then TCS @1% has to be collected on the amount received in cash.

Meanings

Seller

According to this provision every following person is covered under the scope of the seller for the purpose of TCS:

- The Central and State Government.
- Local authority
- Statutory corporation or Authority
- **Company**
- Firm

- Co-operative society
- Individual or Hindu undivided family(HUF) if covered under section 44AB (mandatory Audit)

Buyer

Buyer with respect to sub-section (1D) of 206C means a person who obtains in any sale, goods of the nature specified in the said sub-section

In other words, Buyer means any person to whom the goods are sold.

Rule 114B

Every person shall quote his PAN in all documents pertaining to transactions mentioned in this Rule which includes Sale or purchase, by any person, of goods or services of any nature for amount exceeding two lakh rupees per transaction.

If PAN is not available by the buyer at the time of payment, then a declaration in **Form No 60** giving the details of such transaction has to be obtained by the seller.

TCS Due dates

Due dates for depositing TCS collected

| Month | Due date |
|-------------|-----------------------------|
| April-March | 7th day of subsequent month |

Due dates for filing of quarterly returns and issuing TCS Certificates

The seller i.e. deductor has to file a quarterly return in form 27EQ and has to issue the TCS certificate to Deductee in Form 27D on or before following Due Date

| Quarter | Due dates for filing of TCS Return | Due dates for issuing TCS Certificate |
|-------------------|------------------------------------|---------------------------------------|
| April- June | 15 th July | 30 th July |
| July- September | 15 th October | 30 th October |
| October- December | 15 th January | 30 th January |
| January- March | 15 th May | 30 th May |

Analysis of above provisions on cash sales of goods

Analysis of TCS Provisions on sale of goods

- TCS to be collected only if cash received exceeds Rs 2,00,000.
- Tax to be collected at the time of receipt of any such amount in cash
- This Rule will be applicable irrespective of the fact whether the buyer is a manufacturer, trader or the purchase is for personal use.
- If the buyer has deducted TDS then there is no need to collect TCS
- PAN is to be provided by the buyer and has to be mentioned in the bill. If PAN is not available then **Form 60** declaration has to be obtained
- The seller has to deposit and file quarterly returns within due dates and has to issue a certificate to the buyer stating that the tax has been collected, specifying the sum collected and the rate at which it was collected.

Conclusion

What Seller has to ensure

If cash is received >2Lakhs against an invoice, then TCS to be collected from the buyer @1% on the amount received in cash



In such a case the PAN of the buyer has to be mentioned in the invoice.



If PAN is not available then **Form 60** declaration has to be obtained.



Examples

- 1) Mr X is purchasing table set worth Rs 5,00,000 and paying Rs 15,000 in cash and balance Rs 4,85,000 in form of cheque.

Seller need not collect TCS as cash received is less than Rs 2,00,000

- 2) Mr A purchased furniture for Rs 7,50,000 and paid entire amount in cheque.

In this case the sale consideration exceeds Rs 2,00,000 but there no amount received in cash and therefore TCS is **not applicable**

- 3) Mr C purchases chair worth Rs 1,50,000 in one invoice and sofa worth Rs 1,25,000 in a different invoice and pays entire amount of Rs 1,50,000 and Rs 1,25,000 in cash.

In the current case there is no single sale consideration exceeding Rs 2,00,000 and therefore TCS is **not applicable**

- 4) Mr B purchases sofa worth Rs 5,00,000 and pays Rs 4,50,000 in cash and Rs 50,000 in cheque
Seller has to collect TCS @1% as cash received is greater than Rs2,00,000. TCS has to be collected on Rs 4,50,000 and not on Rs 5,00,000.

The Tax Consultancy team at B C Shetty & co has experts who can assist you in training and implementing developments in Income Tax Act, attain 100% compliance of the law & maintain credibility.

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