

Handbook on Income Tax – Tax Collection at Source



Direct Taxes Committee
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

The Direct Taxes Committee (DTC) of the Institute of Chartered Accountants of India (ICAI) is one of the important non - standing Committees of the ICAI. As a partner in nation building, ICAI through this Committee submits Pre and Post-budget Memoranda pertaining to Direct Taxation. Apart from the same, the committee makes representations to the Government, Central Board of Direct Taxes and at other appropriate forums from time to time for various legislative amendments and issues concerning direct taxes. One of the main activities of the Committee is to disseminate knowledge and honing skills of the membership in the area of direct taxation.

Recently, the Finance Act, 2022 has made amendments in the provisions of Tax Collected at Source. Considering the need to equip our members with the recent updates in respect of various important provisions relating to Tax Collection at Source, the Committee on Direct Taxes has now taken an initiative to bringing out "**Handbook on Income Tax – Tax Collection at Source**" with an objective to provide a basic understanding of the topic. The Handbook explains the concepts / procedures relating to presumptive taxation in an easy-to-understand lucid language and it aimed at updating the knowledge of members in a simple and concise manner.

I appreciate the efforts of CA. Chandrashekhar V. Chitale, Chairman, Direct Taxes Committee, CA. Raj Chawla, Vice-Chairman, Direct Taxes Committee, and all other members of the Committee who have worked sincerely for bringing out this handbook in a timely manner.

I am confident that this publication will be a useful resource for the members.

Date: 06.02.2023

Place: New Delhi

CA. (Dr.) Debashis Mitra

President, ICAI

Preface

Practice in the area of direct taxation is one of the important practice areas for the Chartered Accountants. Members from industry are also engaged in discharging responsibilities relating to direct taxes. Members need to keep themselves abreast with taxation laws. Such a pursuit has enabled them to attained commanding heights in this area.

Direct Tax is one of the most dynamic subjects. The direct tax laws of the country undergo significant changes every year with the passing of the annual Finance Act, apart from these major amendments which take place every year, notifications and circulars are issued by the CBDT from time to time to implement the provisions of the Act and clarify issues regarding the meaning and scope of certain provisions. Further, decisions are pronounced by various courts interpreting the provisions of direct tax laws.

Collection of tax at source (TCS) is a set of provisions requiring taxpayers to collect tax at source while collection of proceeds of sale. A complete set of provisions for prescribing situations for TCS, its rate and administrative provisions are included in this handbook.

In view of the fact that due to frequent amendments, the Direct Taxes Committee consider it necessary to provide guidance on these matter to the members. This publication would prove to be very useful. We hope, it would enable the members to better understand the said provisions.

For this consideration, we at the Direct Taxes Committee thought it fit to bring out this brief publication namely **“Handbook on Income Tax – Tax Collection at Source”** as a quick guide to assist the fraternity to make proper compliance of the provisions and procedures in more objective manner

We are sincerely thankful to CA. (Dr.) Debashis Mitra, President, ICAI and CA. Aniket Sunil Talati, Vice-President, ICAI for being guiding force behind all initiatives being taken by the Committee.

We acknowledge and appreciate the efforts of CA. Venugopal Sanka, CA. Rajesh Mehta and CA. Hitesh Modi who provided valuable inputs for this publication. We are pleased to place on record our sincere gratitude for the involvements and contributions CA. Cotha S. Srinivas, Central Council

Member and all the Committee members and our dear Council Colleagues of ICAI. We are sure that this initiative of DTC of ICAI will help our members in greater compliance of the provisions.

CA. Raj Chawla
Vice-Chairman,
Direct Taxes Committee, ICAI

CA. Chandrashekhar V. Chitale
Chairman,
Direct Taxes Committee, ICAI

Date: 06.02.2023

Place: New Delhi

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Chapter 1

Introduction

Revenue in the form of direct and indirect taxes is main source for Government. Income tax Department generates tax revenue through Advance Tax, Self assessment tax, Regular tax through assessments, TDS and TCS etc. Since last some decades TDS is the main source of direct taxes revenue. In recent past scope of TCS- Tax Collection at Source, has also been widened. Nowadays scope of TCS is so much wide so that most of the taxpayers involved in business or providing services or Government departments are liable to collect tax at source on payments being received for sale of goods or services specified in various provisions of Chapter XVII-BB of Income Tax Act.

Tax collected at source (here in after referred as “TCS”) was first introduced in the Budget for FY 1988-89. It was introduced as an Anti-evasion measure to assess the income of persons engaged in certain trades like liquor and forest contracts. The tax will be collected at source by seller while purchasing the goods at a fixed percentage on the amount payable by buyer.

TCS was applicable from 1st June, 1988. Income Tax Act has inserted certain provisions for TCS. As per these provisions, specified persons are required to collect a fixed percentage of tax as mentioned in the act from their buyers on exceptional transactions. Most of these transactions are trading or business in nature.

Concept of TCS

Concept of TCS was introduced to put a check on unaccounted expenditure or investment. To put a check on unaccounted purchases or unexplained expenditure by way of purchase of motor vehicle or foreign travel or foreign remittances, TCS provisions have been enacted. Collection of tax at source is to be done by any person liable under TCS provisions, on sale of specified goods or services of licence fee etc. In some of the cases TCS is to be collected at the time of debit or receipt of sum whichever is earlier, e.g. sale of goods specified U/s 206C(1), whereas in some of the provisions TCS has to be collected at the time of receipt of amount against sale of goods or services, e.g. in case of sale of goods liable for TCS U/s 206C(1H) TCS has to be collected at the time of receipt of sale consideration and not at the time of debiting the account for sale of goods. After introduction of GST, by using

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technology government have unearthed fake invoice rackets where only ITC is claimed by buyers without physical delivery of goods and actual payments are not made by the buyers to the sellers, to track this it seems Sec. 206C(1H) has been introduced, however only sellers having turnover more than 10 crores have been covered so as to lessen the burden of compliance on small businesses having turnover upto 10 crores. Before 2 decades some of the TCS provisions were introduced to track evasion of excise duty e.g. TCS on scrap was introduced to track sale of good quality finished goods as falsely showing it as scrap to evade excise duty as was applicable in those years, however excise duty itself is not applicable now but TCS on scrap is still continuing.

Chapter 2

Sections Governing TCS

Law relating to Tax Collected at Source (TCS) is contained in chapter XVII-BB of the Income-tax Act, 1961 in section 206C

SECTION 206C (1): Sale of Alcohol, Tendu Leaves, Timber, Minerals.

A new Section 206C has been inserted in Income Tax Act, 1961 to govern TCS

As per the Section 206C Every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of any goods of the nature specified in column (2) of the Table below, a sum equal to the percentage, specified in the corresponding entry in column (3) of the said Table, of such amount as income-tax :

S. No.	Nature of Goods	Percentage
(1)	(2)	(3)
(i)	Alcoholic Liquor for human consumption	1
(ii)	Tendu leaves	5
(iii)	Timber obtained under a forest lease	2.5
(iv)	Timber obtained by any mode other than under a forest lease	2.5
(v)	Any other forest produce not being timber or tendu leaves	2.5
(vi)	Scrap	1
(vii)	Minerals, being coal or lignite or iron ore	1

Provided that every person, being a seller shall at the time, during the period beginning on the 1st day of June, 2003 and ending on the day immediately preceding the date on which the Taxation Laws (Amendment) Act, 2003 comes into force, of debiting of the amount payable by the buyer to the account of the buyer or of receipt of such

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amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of any goods of the nature specified in column (2) of the Table as it stood immediately before the 1st day of June, 2003, a sum equal to the percentage, specified in the corresponding entry in column (3) of the said Table, of such amount as income-tax in accordance with the provisions of this section as they stood immediately before the 1st day of June, 2003.

Applicability and Rate

S.NO.	Nature of Goods	Percentage
(1)	(2)	(3)
(i)	Alcoholic Liquor for human consumption	1
(ii)	Tendu leaves	5
(iii)	Timber obtained under a forest lease	2.5
(iv)	Timber obtained by any mode other than under a forest lease	2.5
(v)	Any other forest produce not being timber or tendu leaves	2.5
(vi)	Scrap	1
(vii)	Minerals, being coal or lignite or iron ore	1

- Every person, being a 'Seller', shall collect from the 'Buyer' a tax, at a specified rate on the 'purchase value' of such specified goods-
- Tax must be collected by the seller at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the buyer in cash or by issue of cheque or draft, or by any other mode, whichever is earlier.
- **"Seller"** means-
 - the Central Government,
 - a State Government
 - any local authority
 - corporation
 - authority established by or under a Central, State or Provincial Act
 - any company

Sections Governing TCS

- firm
- Co-operative society.
- Individual or a HUF whose turnover in just preceding FY exceeds Rs. 1 Crore or 50 Lakhs, as the case may be.
- “Buyer” means a person who obtains in any sale, by way of auction, tender or any other mode, goods of the nature specified in the Table in section 206C(1) or the right to receive any such goods. However, buyer does not include the following:
 - a public sector company,
 - the Central Government,
 - a State Government,
 - and an Embassy, a High Commission, Legation, Commission, Consulate and the trade representation, of a foreign State and a club.
 - a buyer in the retail sale of such goods purchased by him for personal consumption.
- Buyer to furnish declaration in Form No. 27C to the seller at the time of each sale.
- No time limit has been prescribed for furnishing Form No.27C by the buyer to the seller- [**Chandmal Sancheti vs ITO (Jaipur ITAT) (ITANo. 344&345/JP/2015)**]
- Seller to submit Form No.27C, on or before 7th day of the next month in which Form No. 27C is received.
- SCRAP has been defined u/s. 206C as under:
 - **”Scrap”** means waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons
- Thus, the two important conditions for an item to be considered as SCRAP are:
 - The scrap should arise from manufacture or mechanical working of materials, and
 - It should not be usable as such
- If any of the above 2 conditions are not satisfied, then the item will not be treated as Scrap, and thus No TCS u/s. 206C.

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- The definition of Scrap does not suggest that the scrap should be generated by the seller himself. Thus, the provisions of section 206C of the Act are applicable to a trader dealing in the Scrap [**Chandmal Sancheti vs ITO (Jaipur ITAT) ITA No. 344&345/JP/2015**]
- The scrap sold should arise out of manufacturing or mechanical working of material. In absence of which, no requirement to collect tax at source [**Navine Fluorine International Ltd. vs. ACIT (Ahmedabad ITAT) [2012] 14ITR (T) 481**].
- Provisions of TCS not applicable to dealer of scrap [**Lala Bharat Lal & Sons vs. ITO (Lucknow ITAT) (ITA No.14,15,16/LKW/2019 dtd.19.02.2020)**]. The Tribunal in this case held, that trading in the scrap cannot be deemed to have any nexus with manufacturing and hence a trader cannot be subjected to collection of TCS on the ground that he has dealt in scrap which has been manufactured by another assessee. The Tribunal in this judgement followed the decisions given by the Gujarat High Court in Priya Blue Industries case and by the Ahmedabad Tribunal in Dhasawala Traders case. Lucknow Tribunal reiterated this view in M/s Wire One vs ITO (TDS). This view was also supported earlier by the Ahmedabad Tribunal in Azizbhai A Lada, Bhavnagar vs ITO (TDS)
- Where products obtained in course of ship breaking activity are usable as such, they do not fall within definition of scrap. Hence, not liable for TCS– [**CIT vs. Priya Blue Industries Pvt. Ltd. (Gujarat HC) [2016] 381 ITR 210**].
- Sale of railway scrap by dealer being certainly not usable due to its breakage or wear and tear, same would be subjected to TCS during resale [**Pramod Kumar Jain vs. ITO [2020] 117 649 (Jaipur-Trib.) dated 3rd July, 2020**].
- Sale of Scrap, where Form 27C has been submitted by buyer, is not liable to TCS u/s.206C(1H).
- Kerala High Court in the case of Excel Timbers **P. Ltd. Vs. ITO(TDS) vide WP(C)/14431/2014 Dt. 15-12-2014** held that TCS has to be effected by first Indian seller(importer) in case of import of timber. the first sale effected in India has been performed by the petitioners in their capacity as sellers. The petitioners do not fall into the shoes of 'buyers', with reference to the mandate of Section 206C and stand to be the 'sellers', whose duty was only to collect tax at source, when sale was effected to the buyers (after clearance from the Customs department).

SECTION 206C (1A): Non applicability of TCS

Notwithstanding anything contained in sub-section (1), no collection of tax shall be made in the case of a buyer, who is resident in India, if such buyer furnishes to the person responsible for collecting tax, a declaration in writing in duplicate in the prescribed form 74 and verified in the prescribed manner to the effect that the goods referred to in column (2) of the aforesaid Table are to be utilised for the purposes of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes.

- TCS u/s. 206C (1) shall not be collected from a resident buyer, if the buyer submits declaration in form 74 and is the goods are utilized for the purpose of manufacturing, processing, or producing articles or things or for the purposes of generation of power and not for trading purposes.

SECTION 206C (1B): Submission of Form 27C

The person responsible for collecting tax under this section shall deliver or cause to be delivered to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner one copy of the declaration referred to in sub-section (1A) on or before the seventh day of the month next following the month in which the declaration is furnished to him.

- Seller shall submit the declaration received from buyer to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner on or before 7th of next month from the month just following the month of receipt of declaration from the buyer.

SECTION 206C (1C): TCS on Parking, Toll Plaza, Mining and Quarrying

Every person, who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest either in whole or in part in any parking lot or toll plaza or mine or quarry, to another person, other than a public sector company (hereafter in this section referred to as "licensee or lessee") for the use of such parking lot or toll plaza or mine or quarry for the purpose of business shall, at the time of debiting of the amount payable by the licensee or lessee to the account of the licensee or lessee or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the licensee or lessee of

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any such licence, contract or lease of the nature specified in column (2) of the Table below, a sum equal to the percentage, specified in the corresponding entry in column (3) of the said Table, of such amount as income-tax:

TABLE

Sl. No.	Nature of contract or licence or lease, etc.	Percentage
(1)	(2)	(3)
(i)	Parking lot	2
(ii)	Toll plaza	2
(iii)	Mining and quarrying	2

Explanation 1.—for the purposes of this sub-section, "mining and quarrying" shall not include mining and quarrying of mineral oil.

Explanation 2.—for the purposes of Explanation 1, "mineral oil" includes petroleum and natural gas.

Applicability and Rates:

Sr. No.	Nature of contract or license or lease, etc.	Rate of TCS (%)
(i)	Parking lot	2
(ii)	Toll plaza	2
(iii)	Mining and quarrying (does not include mining and quarrying of mineral oil, including petroleum And natural gas).	2

- 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
 - mine or quarry,to another person (hereafter referred to as "licensee or lessee") for the use of such parking lot or toll plaza or mine or quarry, for the purpose of business, shall collect tax at source at the rate of 2%.
- The provisions of this section shall not apply to mining and quarrying of mineral oil, petroleum and natural gas.

Sections Governing TCS

- The provisions of this section shall not apply if the licensee or lessee is a public sector company.
- Tax has to be collected by the seller at the time of debiting of the amount payable by the licensee or lessee to the account of the licensee or lessee or at the time of receipt of such amount from the licensee or lessee in cash or by issue of cheque or draft, or by any other mode, whichever is earlier.
- Individual / HUF even if his turnover does not exceed Rs.1 Crore or Rs. 50 Lakhs, as the case may be are also liable to collect tax u/s. 206C(1C).
- For the purpose of section 206C(1C) on parking lot, toll plaza or mining or quarrying, every person [person as defined u/s. 2(31) of the Income tax Act, 1961], should collect TCS.
- Thus, the Central Govt., State Govt., not included in the definition of person u/s. 2(31) cannot be made liable to collect tax at source.
- Shree Jagannath Temple Office is not a person u/s. 2(31). Thus, not liable to collect tax at source u/s. 206C(1C)-**Shree Jagannath Temple Managing Committee vs. ACIT (Cuttack ITAT) (ITA No.197 and 198/2013).**

SECTION 206C(1F): TCS on Sale of Motor Vehicle

(1F) Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as income-tax.

- Every person, being seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall collect tax from buyer at the rate of 1% of sale consideration.
- Tax shall be collected at the time of receipt of amount from the buyer.
- TCS on motor vehicle to be collected at the time of (receipt of) Retail Sale and not on sale of motor vehicle by manufacturers to dealers / distributors – **CBDT Circular No. 22/2016 dated. 08.06.2016**
- Receipt of Sale consideration from a dealer would be subjected to TCS under sub-section (1H) of the Act, if such sales are not subjected to TCS under sub-section (1F) of section 206C of the Act. [Para 4.5.2. (i) of the CBDT circular 17/2020]

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- As per Para 4.5 of CBDT Guidelines vide Circular 17/2020 dated 29.09.2020–Receipt of sale consideration by a dealer is liable for TCS u/s. 206C(1H).
- Thus, earlier exemption given on sale of motor vehicles by manufacturers to dealers/distributors vide CBDT Circular No. 22/2016 dated. 08.06.2016 is not relevant now since the same have been specifically included vide above Guidelines vide CBDT circular 17/2020. Thus, the manufacturer/distributors are liable to collect TCS @ 0.1% as per Section 206C(1H) on receipts after 1st October, 2020.
- TCS also applicable on motor bikes of amount exceeding Rs.10 Lakhs.
- Also applicable on second hand cars or any motor vehicle–if amount exceeds Rs.10 Lakhs.
- Value of Motor Vehicle-Rs.15 Lakhs, then TCS applicable on entire Rs.15 Lakhs.
- “Buyer” means buyer of motor vehicle of the value exceeding ten lakh rupees. However, the tax collection at source shall not be made in relation to sale of motor vehicle of the value exceeding ten lakh rupees to the following class or classes of buyers, namely: -
 - the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, and the trade representation of a foreign State
 - a local authority
 - a public sector company which is engaged in the business of carrying passengers
- “Seller” means-
 - the Central Government,
 - a State Government
 - any local authority
 - corporation
 - authority established by or under a Central, State or Provincial Act
 - any company
 - firm
 - Co – operative society. i. Individual or a HUF whose turnover in just

preceding FY exceeds Rs. 1 Crore or Rs. 50 Lakhs, as the case may be.

FAQ's

Question 1: Whether tax collection at source ('TCS') at the rate of 1 % is on sale of Motor Vehicle at retail level or also on sale of motor vehicles by manufacturers to dealers/distributors?

Answer: To bring high value transactions within the tax net, section 206C of the Act has been amended to provide that the seller shall collect the tax at the rate of one per cent from the purchaser on sale of motor vehicle of the value exceeding ten lakh rupees, This is brought to cover all transactions of retail sales and accordingly it will not apply on sale of motor vehicles by manufacturers to dealers / distributors,

Question 2: Whether TCS at the rate of 1 % is on sale of Motor Vehicle is applicable only to Luxury Cars?

Answer: No, as per sub section (1F) of Section 206C of the Act the seller shall collect the tax at the rate of one per cent from the purchaser on sale of any motor vehicle of the value exceeding ten lakh rupees,

Question 3: Whether TCS at the rate of 1 % is applicable in the case of sale to Government Departments, Embassies, Consulates and United Nation Institutions for sale of motor vehicle or any other goods or provision of services?

Answer: Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission, and trade representation of a foreign State and shall not be liable to levy of TCS at the rate of 1 % under sub-section (1F) of section 206 C of the Act.

Question 4: Whether TCS is applicable on each sale of motor vehicle or on aggregate value of sale during the year?

Answer: Tax is to be collected at source at the rate of 1 % on sale consideration of a motor vehicle exceeding ten lakh rupees. It is applicable to each sale and not to aggregate value of sale made during the year.

Question 5: whether TCS at the rate of 1 % on sale of motor vehicle is applicable in case of an individual?

Answer: The definition of "Seller" as given in clause (c) of the Explanation below subsection Accordingly, an individual who is liable to audit as per the

provisions of section 44AB of the Act during the financial year immediately preceding the financial year in which the motor vehicle is sold shall be liable for collection of tax at source on sale of motor vehicle by him.

Question 6: How would the provisions of TCS on sale of motor vehicle be applicable in a case where part of the payment is made in cash and part is made by cheque?

Answer: The provisions of TCS on sale of motor vehicle exceeding ten lakh rupees is not dependent on mode of payment. Any sale of Motor Vehicle exceeding ten lakhs would attract TCS at the rate of 1%

SECTION 206C(1G): TCS on Foreign Remittance

Every person, —

- (a) Being an authorised dealer, who receives an amount, for remittance out of India from a buyer, being a person remitting such amount out of India under the Liberalised Remittance Scheme of the Reserve Bank of India;**
- (b) Being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package,**

shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to five per cent of such amount as income-tax:

Provided that the authorised dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than seven lakh rupees in a financial year and is for a purpose other than purchase of overseas tour program package:

Provided further that the sum to be collected by an authorised dealer from the buyer shall be equal to five per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, where the amount being remitted is for a purpose other than purchase of overseas tour program package:

Provided also that the authorised dealer shall collect a sum equal to one half per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education:

Provided also that the authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by the seller:

Provided also that the provisions of this sub-section shall not apply, if the buyer is,—

- (i) Liable to deduct tax at source under any other provision of this Act and has deducted such amount;*
- (ii) the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.*

Explanation. —for the purposes of this sub-section, —

- (i) "authorised dealer" means a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of the Foreign Exchange Management Act, 1999 (42 of 1999) to deal in foreign exchange or foreign security;*
- (ii) "overseas tour programme package" means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.*

SECTION 206C (1G) (a)

- **LRS Scheme of RBI**

Under LRS Scheme, an Individual person who is resident in India as per FEMA is permitted to remit outside India fund up to US\$ 2,50,000 per financial year (April to March) without any approval of RBI for any permitted current account or capital account transactions or both such as opening foreign currency account abroad, purchase of property or making investments abroad, private visit, gift/donation, business trip, medical treatment, studies abroad, going abroad on employment, etc. This scheme is available only to Individuals (including minors) and not to corporates, Partnership firms, LLP, HUF, etc.

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- **Liability to collect TCS**

The authorized dealer who is authorized by RBI under Foreign Exchange Management Act, 1999 ("FEMA") to deal in foreign currency or foreign security, would be liable to collect such TCS from the buyer who is remitting such amount of foreign exchange outside India under the LRS scheme.

- **Point of liability to collect TCS**

From 01.10.2020, any amount or aggregate of the amounts being remitted outside India by a person resident in India under the LRS Scheme of RBI in excess of Rs. 7 Lakh in a F.Y will attract TCS @5%. It is pertinent to note that the Tax shall be collected from 01/10/2020 but threshold limit of 7 lakhs shall be calculated from 01/04/2020.

- **Rates of TCS on Foreign Remittance**

Particulars	Rate if PAN available	Rate if PAN not available
Remits an amount of 7 lakhs or more in a F. Y	5%	10%
If education loan is remitted	0.5%	5%

- **Exclusions for the applicability of TCS**

The liability to collect TCS under LRS or overseas tour program package will not be applicable in case of below categories of buyer:

- Central Government, State Government, an embassy, a High Commission, legation, commission, consulate, and the trade representation of a foreign State.
- A local authority as defined in Section 10(20) of the Act.
- Any person specified by the Central Government through a notification in the Official Gazette. However, no such person has been notified till date.
- A buyer who is liable to deduct tax at source ("TDS") under any other provision of the Act and has deducted the same.

SECTION 206C(1G) (b):

- TCS on selling of overseas tour package
- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of five per cent.

Sections Governing TCS

- In non-PAN/ Aadhaar cases the rate shall be ten per cent.
- There is no monetary limit for this transaction, irrespective of any amount TCS must be collected by seller of that package
- This section will not be applicable in following cases:
 - If the buyer is liable to deduct TDS under any other provisions and has deducted
 - If a buyer is CG, SG, an embassy, a high commission, a legation, a commission, a consulate, the trade representation of a foreign state, a local authority or any other person as notified by CG
- "Overseas tour program package" is proposed to be defined to mean any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expense of similar nature or in relation thereto.

SECTION 206C(1H): TCS on Sale of Goods

Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax:

Provided that if the buyer has not provided the Permanent Account Number or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of section 206CC shall be read as if for the words "five per cent", the words "one per cent" had been substituted:

Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

Explanation. —for the purposes of this sub-section, —

(a) "buyer" means a person who purchases any goods, but does not include, —

(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate, and the

trade representation of a foreign State; or

(B) a local authority as defined in the Explanation to clause (20) of section 10; or

(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;

(b) "seller" means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

“Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section(1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax”

Nature of Transaction

- Receipt of Sale consideration for Sale of Goods in India by a Seller whose turnover exceeds Rs. 10 Crores in the preceding FY is liable to collect tax at source.
- The term goods have not been defined in the Income Tax Act; hence we may refer to Sales of Goods Act, 1930 or Goods and Service Tax Act 2017 for the meaning of goods. In both the Acts, the term “Goods” has been defined as “Goods” means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.
- These provisions are applicable only in respect of transaction of sale of goods and do not apply to sale of services.

Who is liable to collect tax at Source (TCS) under section 206C(1H)?

- Seller who's Turnover of preceding year exceeds Rs. 10 Crores.

Sections Governing TCS

- As per Section 206C(1H) “Seller means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.” However, as per Para 2 of the CBDT Press Release dated 30th September, 2020-A seller would be required to collect tax only if his turnover exceeds Rs. 10 crores in the last financial year. (Not the year of sale)
- Practically, it can be concluded that any person whose turnover exceeds Rs.10 Crores in the preceding year, shall be covered u/s. 206C(1H).

From whom to collect?

- Buyer from whom, receipt (and not sales) exceeds Rs. 50 Lakhs, in aggregate, in a financial year.
- The amount on which the tax needs to be collected shall be limited only to the consideration for sale of goods actually received. The liability is triggered at the point of receipt of amount once the threshold of Rs.50 Lakhs is crossed. In the absence of sale of goods and amount received, the liability does not exist. The sale consideration can be interpreted as amount received in advance or in arrears. In case, if there is some change in valuation say under GST law then too the requirement of TCS will be qua actual consideration and not qua valuation under the GST law.

Rate of Tax

- 1% of the amount exceeding Rs. 50 Lakhs. (@0.075% upto 31.03.2021)
- If the buyer does not provide PAN/Aadhar number then the TCS shall be collected at 1%, instead of 0.1%.
- Example: If Amount received in a FY is Rs. 70 Lakhs, then TCS is applicable only on Rs.20 Lakhs.

When to collect the TCS?

- Section 206C(1H) provides that TCS is required to be collected at the time of receipt of the Sale consideration and not at the time of debiting the Party Ledger Account.
- What about Sales made in FY 2020-21 where TCS @ 0.075% is levied on invoice?—If it's payment is received in FY2021-22, then @0.1% will be

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levied. Separate accounting /collection for such shortfall would be required.

- If the buyer is liable to deduct tax at source on goods purchased by him and the buyer has deducted the amount then the seller is not required to collect TCS on such transactions. Both the conditions need to be fulfilled i.e., the buyer should be liable for deduction of tax at source and has deducted such amount.
- **Tax not to be collected in certain cases:** Explanation (a) to Section 206C(1H)– Buyer means a person who purchases any goods, but does not include,
 - the Central Government, a State Government, etc.
 - a local authority as defined in the Explanation to Section 10(20)
 - a person importing goods into India or any other notified person
- Although, no tax is to be collected from them, but the same is required to be mentioned in the quarterly TCS Statement (Form No. 27EQ) and non-disclosure of such items in quarterly TCS Statement is required to be reported by the Tax Auditor under Clause 34(b) of the Tax Audit Report.
- TCS is not required to be collected in respect of Export sales as the consideration for sale of goods excludes consideration towards goods exported out of India and even the definition of buyer excludes a person importing goods from India.
- TCS not to be collected on Sale of immovable property as it is out of ambit of goods.
- TCS on trade receivables standing in books as on 30 September 2020
- The trigger point of collection of TCS is receipt of consideration for sale of goods and hence one may say that as the consideration is received on or after 1st October 2020, TCS provisions are applicable on such transactions and TCS should be collected by the seller.
- The CBDT has recently issued a clarification which gives an impression that in cases where goods have been sold prior to 1st October 2020 and the consideration is received on or after 1st October 2020, TCS should be collected.
- However, an alternate view is also possible because for this provision to be applicable both the conditions need to be satisfied:

Sections Governing TCS

- The sale of goods is carried out i.e., sale of goods must have been actually affected and
- The consideration must be received in respect of such sale.
- Therefore, in cases where goods have already been sold prior to 1st October 2020, TCS may not be required to be collected because these provisions are effectively operative from 1st October 2020. Needless to mention, considering that CBDT has issued a clarification that TCS should be applicable on receipt of consideration on or after 1st October, 2020 even if sale is made before 1st October 2020, litigation cannot be entirely ruled out.

Point of Tax Collection

Sr. No.	Situation	Remarks
1	Sale order is before 01/10/2020 but the sale is not completed as up to 30/09/2020.	TCS would be applicable in respect of amount received on or after 01/10/2020.
2	Sales Order executed on or after 01/10/2020.	TCS shall be applicable on the amount received as consideration.
3	Sale is completed before 01/10/2020 and the payment is received after 01/10/2020.	As per CBDT Circular, TCS shall be applicable as the consideration is received after 01/10/2020.

Cancellation of Sale

Practical difficulties may arise where advance is collected for sale of goods and TCS is remitted and subsequently the contract is cancelled and the amount is refundable. In such cases, the seller may only refund the primary sale consideration received and not the TCS amount, since such TCS amount is already credited as prepaid taxes and will appear in Form 26AS and the buyer should not insist for refund of the TCS amount as the buyer would otherwise be entitled to credit of the TCS in the return of income.

Payments by third party

In quite a few cases, the sale proceeds are partly paid by the Government as a release of subsidy, or the costs are funded by third-party payments. All such transactions also amount to receipt on behalf of the buyer and hence the seller will be under obligation to remit TCS.

Whether turnover of Rs. 10 Crores includes GST?

For the purpose of determining applicability of Turnover of Rs. 10 Crores as per Explanation to Section 206C(1H), the turnover limit of Rs. 10 Crores shall be determined excluding the amount of GST collected on Sales.

Example: Total Sales for the Financial Year 2019-20 (excluding GST) is 9 Crores.

GST Collected on Sales @ 18% is 1.62 Crores.

Total Amount (inclusive of GST) is 10.62 (Rs. 9 Crores + Rs. 1.62 Crores).

In the above example, the assessee would not be covered under the provisions of Section 206C(1H) since his turnover is Rs. 9 Crores only, which is below the threshold limit of Rs. 10 Crores.

How to determine the limit of Rs. 50 Lakhs?

The seller is liable to collect TCS from the buyer if the receipt of sale consideration in the financial year (including receipts before 1st October, 2020) exceeds Rs.50 Lakhs.

“Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1)/ (1F)/ (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1% of the sale consideration exceeding Rs.50 Lakhs as income-tax”

Further, as per CBDT Guidelines u/s. 206C(1-I) vide circular 17/2020 dated 29.09.2020 provides that the seller is liable to collect TCS if the receipt of sales consideration exceeds Rs.50 Lakhs.

As per Para 4 of the CBDT Press Release dated 30.09.2020-the threshold is based on the yearly receipt.

Thus, it can be concluded that the limit of Rs.50 Lakhs is of RECEIPT and not SALE.

TCS is also required to be collected at the time of receipt of advance – Para No. 4.4.2 (ii) of CBDT Guidelines vide Circular No. 17/2020 dated 29.09.2020.

Threshold of Rs.50 Lakhs–EVERY YEAR FOR EVERY DEBTOR.

Should TCS amount be included in the invoice?

As such, there is no provision which mandatorily requires the seller to include the amount of TCS in the tax invoice. However, if the amount of TCS is not included in the invoice, then the buyer would not be aware of the total amount of consideration payable to the seller and therefore it would be advisable for the seller to add the TCS figure in the invoice itself and also raise an accounting entry in the books of accounts as a TCS liability even though not payable until the receipt of consideration. It may be noted that even though if the TCS amount is debited to the buyer, the liability to deposit TCS u/s 206C(1H) does not arise till receipt of consideration.

Impact of Credit notes and Debit notes:

If sales return/credit note/debit note is before receipt of any consideration, then the impact thereof will be included in the amount of consideration, and accordingly, on receipt of the revised consideration, the provisions of TCS would be applicable. If the amount of consideration is already received and TCS is collected and paid, no impact thereof will be required to be made at the time of passing entry for sales return/credit note/debit note. However, against the subsequent realization, if the same gets adjusted and net consideration is paid then on such net consideration TCS should be collected.

Whether TCS Provisions would be applicable if the amount of sale consideration is adjusted against the amounts payable for purchases from said party:

- In such a situation, though the amount is not received in cash mode, however there is a deemed receipt of consideration through indirect means i.e., through an adjustment of receivable and payables account and hence TCS should be collected under such transactions. Even a past, present, or future act is valid consideration under the Contract Act and therefore consideration would be deemed to have been received on an adjustment of mutual liabilities.
- TCS applicable even on part receipt of consideration:
- M/s ABC (Turnover for the FY 2019-20 was Rs.20 Crores) from the period 01 April 2020 to 30 October 2020 has sold goods worth Rs.50 Lakhs to Mr A and the consideration has been received to M/s ABC. Thereafter, M/s ABC again sold goods worth Rs.75 Lakhs on 01/11/2020 and till 30/11/2020, M/s ABC has received only Rs.60 lakhs from Mr A. Here in this case, M/s ABC will have to consider the receipt of amount of

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Rs.60 lakhs inclusive of TCS and accordingly compute the amount of TCS on gross up basis as under; Amount Received / (100 + Rate of TCS) * Rate of TCS = $60,00,000/100.075 * 0.075\% = \text{Rs.}4,497/-$

- **Whether TCS set off would be available:**

No set off is allowed under the Act. E.g., If M/s PS Ltd on 01/10/2020 has sold goods worth Rs 1 Crore to M/s SD Ltd and collected TCS of Rs.3,750/-. Thereafter, on 15/10/2020, M/s PS Ltd purchases goods worth Rs 2 Crores from M/s SD Ltd (or any other party), who therein collects Rs.11,250/- as TCS. Here in the given example, M/s PS Ltd cannot take credit of Rs.11,250 while depositing Rs.3,750/-, nor can M/s SD Ltd (or any other party) take any set off while depositing TCS of Rs.11,250/-.

- **Person having commission income along with sale of goods**

This provision is applicable to those persons, whose sales or receipts or turnover during the previous year ended on 31 March is more than 10 Crores. Thus, if a person is having two types of income from a business i.e., commission income and sale of goods, then both the receipts from the Commission business and the sales from the trading business will be considered for determining the limit of turnover of Rs.10 Crore. E.g., If a seller is having commission income of Rs.5.5 Crores and Sales of Rs.6 Crores for the year ended 31 March 2020, then the provision u/s 206C(1H) will be applicable to such seller in the FY 2020-21 from 01 October 2020 onwards and accordingly the seller needs to collect TCS on receipt of consideration from the sale of goods subject to other conditions. Despite the applicability of this provision, TCS will not be required to be collected in respect of consideration received by the seller with regards to commission income.

- **TCS not applicable on transactions carried through Exchanges:**

CBDT has clarified that TCS is not applicable in relation to transactions in securities and commodities which are traded through recognised stock exchanges or recognised Clearing Corporation located in International Financial Service Centre.

- **TCS not applicable on supply of fuel to Non-resident airlines:**

CBDT has clarified that TCS is not required to be collected on sale consideration received for fuel supplied to non-resident airlines at airports in India.

- **TCS applicability on sales to a person located in special economic zone:**

TCS is not required to be collected if the goods are exported out of India. Given that the special economic zone (SEZ) is located within the country's national borders, sale of goods to a person located in SEZ would not mean that the goods are exported out of India, hence TCS should be applicable on such sales, subject to fulfilment of other conditions.

- **Consideration of 50 lakhs is per year for a buyer:**

TCS is required to be collected if the value of consideration in respect of sale of goods is more than 50 lakhs qua buyer for a year and only in respect of the consideration in excess of 50 Lakhs. E.g., M/s MU Ltd, has sold goods worth Rs 25 Lakhs to Mr. Ron from April 2020 to September 2020. Thereafter, M/s MU Ltd sells goods worth Rs 30 Lakhs to Mr. Ron on 01/10/2020. Here, M/s MU Ltd will have to collect TCS only on 5 lakhs.

- **TCS not applicable on transfer of one branch to another:**

The preliminary condition for applicability of provision of TCS is that there should be two parties involved in a transaction viz., a seller and a buyer. Further, there must be a sale of goods between the two parties. The activity of transfer of goods from one branch to another should not be construed as a sale transaction and accordingly TCS need not be collected on inter branch transfer of goods. Moreover, even if this type of transactions are held to be a sale of goods, TCS should not be applicable because as per the Income-tax Act, 1961 both the seller and the buyer are one and the same person and one cannot collect taxes for himself on his own.

SECTION 206C(1-I): CG Approval

If any difficulty arises in giving effect to the provisions of sub-section (1G) or sub-section (1H), the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty.

- If there is any difficulty in application of 206C(1G) or 206C(1H) the board, after taking the approval from Central government, can release guidelines to give clarifications and for eliminating any difficulties in application of the same.

SECTION 206C(1J): Guidelines Issued by Board

Every guideline issued by the Board under sub-section (1-I) shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person liable to collect the sum.

- The guidelines issued by board under section 206C(1-I) shall be presented before the both Houses of Parliament. Every person who is responsible to collect the tax under this section and the income tax authorities are bind by the guidelines issued under this section.

SECTION 206C (2): Power to Recovery Tax

The power to recover tax by collection under this section shall be without prejudice to any other mode of recovery.

The power to recover tax by a collection under sub- section (1) shall be without prejudice to any other mode of recovery.

Note:- Whether TCS can be enforced to be collected. Section 4 of the income tax authorises to charge tax on income by way of deduction or payment of tax in advance. But section 4 nowhere authorises collection (TCS) of tax, which can be inferred from bare reading of Section 4 which is as under :-

“Charge of income-tax.

Section 4. (1) *Where any Central Act enacts that income-tax shall be charged for any assessment year at any rate or rates, income-tax at that rate or those rates shall be charged for that year in accordance with, and subject to the provisions (including provisions for the levy of additional income-tax) of, this Act in respect of the total income of the previous year of every person:*

Provided *that where by virtue of any provision of this Act income-tax is to be charged in respect of the income of a period other than the previous year, income-tax shall be charged accordingly.*

Section 4((2) In respect of income chargeable under sub-section (1), income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.”

SECTION 206C (3): Time Limit To remit the TCS to The Account of Government and Returns

Any person collecting any amount under this section shall pay within the prescribed time the amount so collected to the credit of the Central Government or as the Board directs:

Provided that the person collecting tax on or after the 1st day of April, 2005 in accordance with the foregoing provisions of this section shall, after paying the tax collected to the credit of the Central Government within the prescribed time, prepare such statements for such period as may be prescribed and deliver or cause to be delivered to the prescribed income-tax authority, or the person authorised by such authority, such statement in such form and verified in such manner and setting forth such particulars and within such time as may be prescribed.

Any person collecting any amount under sub- section (1) shall pay within seven days the amount so collected to the credit of the Central Government or as the Board directs.

SECTION 206C(3A): Statement of Collection of Tax without production of Challan

In case of an office of the Government, where the amount collected under sub-section (1) or sub-section (1C) has been paid to the credit of the Central Government without the production of a challan, the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person, by whatever name called, who is responsible for crediting such tax to the credit of the Central Government, shall deliver or cause to be delivered to the prescribed income-tax authority, or to the person authorised by such authority, a statement in such form, verified in such manner, setting forth such particulars and within such time as may be prescribed.

SECTION 206C(3B): Correction Statement Under TCS

The person referred to in the proviso to sub-section (3) may also deliver to the prescribed authority under the said proviso, a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under the said proviso in such form and verified in such manner, as may be specified by the authority.

The person responsible for collecting TCS can file a correction statement under this section for rectification of any mistake or to add, delete or update the information furnished in the regular statement

SECTION 206C (4): Credit for tax collected at source for the purposes of sub-section (4) of section 206C.

Any amount collected in accordance with the provisions of this section and paid to the credit of the Central Government shall be deemed to be a payment of tax on behalf of the person from whom the amount has been collected and credit shall be given to such person for the amount so collected in a particular assessment year in accordance with the rules⁷⁹ as may be prescribed by the Board from time to time.

Any amount collected in accordance with the provisions of this section and paid under sub- section (3) shall be deemed as payment of tax on behalf of the person from whom the amount has been collected and credit shall be given to him for the amount so collected on the production of the certificate furnished under sub- section (5) in the assessment made under this Act for the assessment year for which such income is assessable.

SECTION 206C (5): Certificate of Tax Collected at Source

Every person collecting tax in accordance with the provisions of this section shall within such period as may be prescribe from the time of debit or receipt of the amount furnish to the buyer or licensee or lessee to whose account such amount is debited or from whom such payment is received, a certificate to the effect that tax has been collected, and specifying the sum so collected, the rate at which the tax has been collected and such other particulars as may be prescribed:

**Provided that the prescribed income-tax authority or the person authorised by such authority referred to in sub-section (3) shall, within the prescribed time after the end of each financial year beginning on or after the 1st day of April, 2008, prepare and deliver to the buyer referred to in sub-section (1) or, as the case may be, to the licensee or lessee referred to in sub-section (1C), a statement in the prescribed form specifying the amount of tax collected and such other particulars as may be prescribed.*

Every person collecting tax in accordance with the provisions of this section shall within ten days from the date of debit or receipt of the amount furnish to the buyer to whose account such amount is debited or from whom such

payment is received, a certificate to the effect that tax has been collected and specifying the sum so collected, the rate at which the tax has been collected and such other particulars as may be prescribed

SECTION 206C(5A)

Old system of filing returns in form 27E was applicable upto 31-3-2005, therefore now redundant hence rule 37E & Rule 37F Omitted by the IT (Twenty-first Amdt.) Rules, 2021, w.e.f. 29-7-2021

SECTION 206C(5B): Filing of TCS returns on computer media

Without prejudice to the provisions of sub-section (5A), any person collecting tax, other than in a case where the seller is a company, the Central Government or a State Government, may at his option, deliver or cause to be delivered such return to the prescribed income-tax authority in accordance with such scheme as may be specified by the Board in this behalf, by notification in the Official Gazette, and subject to such conditions as may be specified therein, on or before the prescribed time after the end of each financial year, on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media (hereinafter referred to as the computer media) and in the manner as may be specified in that scheme:

Provided that where the person collecting tax is a company or the Central Government or a State Government, such person shall, in accordance with the provisions of this section, deliver or cause to be delivered, within the prescribed time after the end of each financial year, such returns on computer media under the said scheme.

Section 206C(5A) of the Income-tax Act provides for filing of returns of tax collection at source by persons responsible for collecting tax in accordance with the provisions of chapter XVII-BB. The returns so filed contain voluminous data and preparing these returns as also processing the data contained therein for checking its correctness requires substantial manual effort.

In order to make filing of these returns and processing of data easier, the Act amends Section 206C by inserting new sub sections (5B and 5C) to provide for filing of returns on computer media such as floppies, diskettes, Magnetic Cartridge tape, CD-ROM, or any other computer readable media, as may be specified by the Board. It has been provided that such a return shall be

deemed to be a return for the purpose of sub section 5A and rules made there under and shall be admissible in any proceedings there under as evidence.

While receiving such return on computer media, necessary checks by scanning the documents filed on computer media will be carried out and the media will be duly authenticated by the assessing officer. He shall take due care to preserve the computer media by duplicating, transferring, mastering or storage without loss of data.

SECTION 206C(5C): return filed on computer media shall be deemed to be a return for the purposes of sub-section (5A)

(5C) Notwithstanding anything contained in any other law for the time being in force, a return filed on computer media shall be deemed to be a return for the purposes of sub-section (5A) and the rules made thereunder and shall be admissible in any proceedings made thereunder, without further proof of production of the original, as evidence of any contents of the original or of any facts stated therein.

SECTION 206C(5D): Rectification in the return

(5D) Where the Assessing Officer considers that the return delivered or caused to be delivered under sub-section (5B) is defective, he may intimate the defect to the person collecting tax and give him an opportunity of rectifying the defect within a period of fifteen days from the date of such intimation or within such further period which, on an application made in this behalf, the Assessing Officer may, in his discretion, allow; and if the defect is not rectified within the said period of fifteen days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, such return shall be treated as an invalid return and the provisions of this Act shall apply as if such person had failed to deliver the return.

SECTION 206C (6): Failure to Collect the Tax

(6) Any person responsible for collecting the tax who fails to collect the tax in accordance with the provisions of this section, shall, notwithstanding such failure, be liable to pay the tax to the credit of the Central Government in accordance with the provisions of sub-section (3).

SECTION 206C(6A): Failure of Payment of TCS

(6A) If any person responsible for collecting tax in accordance with the provisions of this section does not collect the whole or any part of the tax or after collecting, fails to pay the tax as required by or under this Act, he shall, without prejudice to any other consequences which he may incur, be deemed to be an assessee in default in respect of the tax:

Provided that any person responsible for collecting tax 81[in accordance with the provisions of sub-section (1) and sub-section (1C)], who fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee shall not be deemed to be an assessee in default in respect of such tax if such buyer or licensee or lessee—

- (i) has furnished his return of income under section 139;*
- (ii) has taken into account such amount for computing income in such return of income; and*
- (iii) has paid the tax due on the income declared by him in such return of income,*

And the person furnishes a certificate to this effect from an accountant in such form as may be prescribed⁸²:

Provided further that no penalty shall be charged under section 221 from such person unless the Assessing Officer is satisfied that the person has without good and sufficient reasons failed to collect and pay the tax.

SECTION 206C (7) : Interest in case of Failure to collect TCS or Failure to credit the Tcs to government account after collecting

(7) Without prejudice to the provisions of sub-section (6), if the person responsible for collecting tax does not collect the tax or after collecting the tax fails to pay it as required under this section, he shall be liable to pay simple interest at the rate of one per cent per month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was actually paid and such interest shall be paid before furnishing the quarterly statement for each quarter in accordance with the provisions of sub-section (3):

Provided that in case any person responsible for collecting tax in accordance with the provisions of this section, fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee but is not deemed to be an assessee in default under the first proviso of sub-section (6A), the interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer or licensee or lessee:

Basic provisions relating to due date of payment of TCS to the credit of Government

Section 206C gives various items on which tax is to be collected at source. The tax so collected is to be paid to the credit of the Government within a period of 7 days from the last day of the month in which the tax is collected at source. Where it is collected by an

office of the Government then it shall be paid to the credit of the Central Government on the same day. If such payment is made without Income-tax challan.

Interest for failure to collect tax at source/delay in payment of TCS

As per section 206C (7), if the person responsible for collecting tax does not collect the tax or after collecting the tax fails to pay it to the credit of Government within the due date prescribed in this regard, then he shall be liable to pay simple interest at the rate of 1% per month or part thereof on the amount of such tax. Interest shall be levied for period from the date on which such tax was collectible to the date on which the tax was actually paid. -

ITAT: Assessee not liable for interest where not found as TCS defaulter Bashco Engineering Pvt. Ltd [TS-437-ITAT-2022(PUN)]

Interest in case if the buyer or licensee or lessee has paid the tax

As per section 206C(6A), a payer who fails to collect whole or any part of the tax at source is treated as an Assessee-in-default. However, a collector who fails to collect the whole or any part of the tax at source (other than TCS referred under sub-section 1F, 1G and 1H) shall not be deemed to be an assessee-in-default in respect of tax not collected by him, if the buyer or licensee or lessee from whom tax is to be collected satisfies the following conditions:

- Has furnished his return of income under section 139.
- Has considered such amount for computing income in such return of income.

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- Has paid the tax due on the income declared by him in such return of income.
- Has furnished a certificate to this effect from an accountant in such FormNo.27BA.

In other words, in case of non-collection of tax at source or short collection of tax, if above conditions are satisfied, then the person responsible to collect tax at source will not be treated as an assessee-in-default in respect of tax not collected or short collected by him.

However, in such a case, even if the person responsible to collect tax at source is not treated as an assessee-in-default, he will be liable to pay interest under section 206C (7).

Interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer or licensee or lessee. Interest in such a case, will be levied at 1% for every month or part of a month.

Filing of TCS statement with payment of interest

Every collector must furnish quarterly statement in respect of tax collected by him i.e., TCS return. As per section 206C (7), interest for delay in payment of TCS should be paid before filing the TCS return.

Provided further that where an order is made by the Assessing Officer for the default under sub-section (6A), the interest shall be paid by the person in accordance with such order.]

Interest shall be paid as per order of the Assessing Officer

If the Assessing Officer has passed an order treating assessee in-default, then the interest shall be paid by the assessee in accordance with the said order. [Inserted by the Finance Act, 2022 w.e.f. Assessment Year 2022-23]

SECTION 206C (8): Interest on Late Payment of TCS

(8) Where the tax has not been paid as aforesaid, after it is collected, the amount of the tax together with the amount of simple interest thereon referred to in sub-section (7) shall be a charge upon all the assets of the person responsible for collecting tax.

If the person responsible for collecting TCS does not credit the same to the account government then the assets of the person shall be charged to such amount including simple interest on the same as referred in sub section 7.

SECTION 206C (9): Certificate for collection of tax at lower rates from buyer

(9) Where the Assessing Officer is satisfied that the total income of the buyer or licensee or lessee justifies the collection of the tax at any lower rate than the relevant rate specified in sub-section (1) or sub-section (1C), the Assessing Officer shall, on an application made by the buyer or licensee or lessee in this behalf, given to him a certificate for collection of tax at such lower rate than the relevant rate specified in sub-section (1) or sub-section (1C).

- Where an application is made by buyer or licensee or lessee to assessing office and the assessing officer is satisfied with the application then TCS shall be collected at lower rate than the rates specified in sub section (1) and (1C)
- Lower Rate Certificate can be applied in form No. 13 by: -
 - A buyer – for TCS u/s. 206C (1) on sale of scrap, timber, coal, tendu leaves, etc.
 - A licensee or lessee - for TCS u/s. 206C(1C) for lease or license, etc.
- Lower Rate Certificate cannot be obtained for: -
 - TCS u/s. 206C(1F) – Sale of Motor Vehicle,
 - TCS u/s. 206C(1G) – Payment under Liberalised Remittance Scheme or for Sale of overseas tour program package,
 - TCS u/s. 206C(1H) – For sale consideration of goods.

SECTION 206C (10): TCS to be collected at lower rate

(10) Where a certificate under sub-section (9) is given, the person responsible for collecting the tax shall, until such certificate is cancelled by the Assessing Officer, collect the tax at the rates specified in such certificate.

TCS shall be deducted at lower rate until the assessing officer cancels the certificate issued by him to buyer or licensee or lessee on application made by them.

SECTION 206C (10A): Reduced rates

(10A) In case the provisions of sub-section (1) [except the goods referred at serial number (i) in the TABLE], (1C), (1F) or (1H) require

collection of tax at source during the period commencing from the 14th day of May, 2020 to the 31st day of March, 2021, then, notwithstanding anything contained in these sub-sections the collection of tax shall be made at the rate being the three-fourth of the rate specified in these sub-sections.]

During the covid pandemic the rate of TCS to be collected from 14th May 2020 to 31st March 2021 is reduced to three fourth of the rate specified in these subsections.

SECTION 206C (11): Matters for claiming certificate under Section 9: -

(11) The Board may, having regard to the convenience of assessee's and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (9) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.

The Director General may specify procedures and processes, from time to time, for effective functioning of the Cell in an automated and mechanised environment, including specifying the procedure, formats, standards, and processes in respect of following matters, namely: -

- form of correction statement of tax deducted at source;
- the manner of verification of correction statement of tax deducted at source;
- receipt of correction statement of tax deducted at source;
- form of rectification application;
- the manner of verification of rectification application;
- receipt and processing of rectification applications in the Cell;
- the mode and format of the acknowledgement to be issued by the Cell for the receipt of any document;
- the mode of authentication of any document or information submitted to the Cell, including authentication by digital signature or electronic signature;
- validation of any software used for electronic filing of correction statement of tax deducted at source or rectification application;

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- provision of web portal facility including login facility, tracking status of correction statement of tax deducted at source or statement of tax deducted at source, display of relevant details of tax deduction or refunds to the taxpayer or deductor, as the case may be, and facility of download of relevant information;
- call centre to answer queries and provide taxpayer services, including outbound calls to a deductor requesting for clarification to facilitate the processing of the statement of tax deducted at source filed;
- provision of grievance redressal mechanism in the Cell;
- managing tax administration functions such as receipt, scanning, data entry, processing, storage and retrieval of statement of tax deducted at source and documents in a centralised manner or receipt of paper documents through authorised intermediaries.

Explanation. —for the purposes of this section, —

(a) "accountant" shall have the meaning assigned to it in the Explanation to sub-section (2) of section 288;

(aa) "buyer" with respect to—

(i) sub-section (1) means a person who obtains in any sale, by way of auction, tender or any other mode, goods of the nature specified in the Table in sub-section (1) or the right to receive any such goods but does not include, —

(A) a public sector company, the Central Government, a State Government, and an embassy, a High Commission, legation, commission, consulate, and the trade representation, of a foreign State and a club; or

(B) a buyer in the retail sale of such goods purchased by him for personal consumption;

(ii) []***

(iii) sub-section (1F) means a person who obtains in any sale, goods of the nature specified in the said sub-section, but does not include,—

(A) the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, and the trade representation of a foreign State; or

(B) a local authority as defined in Explanation to clause (20) of section 10; or

(C) a public sector company which is engaged in the business of carrying passengers.

*(ab) [***]*

(b) "scrap" means waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons;

(c) "seller" 86[with respect to sub-section (1) and sub-section (1F)] means the Central Government, a State Government or any local authority or corporation or authority established by or under a Central, State or Provincial Act, or any company or firm or co-operative society and also includes an individual or a Hindu undivided family whose total sales, gross receipts or turnover from the business or profession carried on by him exceed 87[one crore rupees in case of business or fifty lakh rupees in case of profession88] during the financial year immediately preceding the financial year in which the goods of the nature specified in the Table in sub-section (1)88 are sold.

SECTION -206CA: Tax collection account number.

206CA. (1) Every person collecting tax in accordance with the provisions of section 206C, shall, within such time as may be prescribed, apply to the Assessing Officer for the allotment of a tax collection account number.

(2) Where a tax collection account number has been allotted to a person, such person shall quote such number—

(a) in all challans for the payment of any sum in accordance with the provisions of sub-section (3) of section 206C;

(b) in all certificates furnished under sub-section (5) of section 206C;

(c) in all the returns delivered in accordance with the provisions of sub-section (5A) or sub-section (5B) of section 206C to any income-tax authority; and

(d) in all other documents pertaining to such transactions as may be prescribed in the interest of revenue:

Provided that the provisions of this section shall not apply on or after the 1st day of October, 2004

- Every person liable to collect TCS shall apply for Tax collection account number within one month from the date of collection of tax and shall specify the tax collection account number in
 - Challans paid as per section 206C (3)
 - Form 27D issued under section 206C (5)
 - Return filed under section 206C (5)
 - all other documents pertaining to such transactions as may be prescribed in the interest of revenue

SECTION -206CB: Processing of statements of tax collected at source.

206CB. (1) Where a statement of tax collection at source or a correction statement has been made by a person collecting any sum (herein referred to as collector) under section 206C, such statement shall be processed in the following manner, namely: —

- (a) the sums collectible under this Chapter shall be computed after making the following adjustments, namely: —***
 - (i) any arithmetical error in the statement;***
 - (ii) an incorrect claim, apparent from any information in the statement;***
- (b) the interest, if any, shall be computed on the basis of the sums collectible as computed in the statement;***
- (c) the fee, if any, shall be computed in accordance with the provisions of section 234E;***
- (d) the sum payable by, or the amount of refund due to, the collector, shall be determined after adjustment of the amount computed under clause (b) and clause (c) against any amount paid under section 206C or section 234E and any amount paid otherwise by way of tax or interest or fee;***
- (e) an intimation shall be prepared or generated and sent to the collector specifying the sum determined to be payable by, or the amount of refund due to, him under clause (d); and***
- (f) the amount of refund due to the collector in pursuance of the determination under clause (d) shall be granted to the collector:***

Provided that no intimation under this sub-section shall be sent after the expiry of the period of one year from the end of the financial year in which the statement is filed.

Explanation. —For the purposes of this sub-section, "an incorrect claim apparent from any information in the statement" shall mean a claim, on the basis of an entry, in the statement—

- (i) of an item, which is inconsistent with another entry of the same or some other item in such statement;***
- (ii) in respect of rate of collection of tax at source, where such rate is not in accordance with the provisions of this Act.***

(2) The Board may make a scheme for centralised processing of statements of tax collected at source to expeditiously determine the tax payable by, or the refund due to, the collector, as required under sub-section (1)

The regular statement or correction statement filed by a person liable to collect TCS under section 206C shall be processed in the following manner:

- the sums collectible under this Chapter shall be computed after making the following adjustments, namely: —
 - any arithmetical error in the statement;
 - an incorrect claim, apparent from any information in the statement;
- the interest payable if any shall be calculated based on amount of credit given in the statement.
- fee shall be calculated as per the provisions of section 234E
- After processing of TDS/TCS statements, an intimation is generated specifying the amount payable or refundable.

Note:- Section 206CB(2) of the act authorises the CBDT to make a scheme to authorise CPC to process TCS statements but till now no such scheme has been notified by the Board therefore any processing of TCS statements filed in form 27EQ is not authorised hence CPC cannot process TCS statement and even CBDT cannot authorise CPC to determine the interest payable or determine the late fee U/s 234E on delayed filing of TCS statement because Section 206CB(2) does not authorise the board to do so. Because Section 206CB(1) authorises for determining tax payable or refund due and interest and late fee but Section 206CB authorises only for tax payable or refund due only.

Whether TDS-CPC can levy late fee or interest by processing of TDS/TCS statement :-

Late fee u/s 234E or interest u/s 201(1A) cannot be levied because Sec. 200A(2) doesn't empower to do so either before 1-6-2015 or after 1-6-2015 :- Before 01/06/2015, Section 200A(1) of the act allowed processing of TDS statement only to determine tax or interest payable or refund due to the deductor i.e. nowhere provided that tds statement shall be processed for levy of late fees U/s.234E. W.e.f. 1-6-2015 Sec. 200A(1) was amended to allow processing of tds statement to levy late fee U/s 234E also.

Section 200A(2) of the Income Tax Act states that *"For the purposes of processing of statements under sub-section (1), the Board may make a scheme for centralised processing of statements of tax deducted at source to expeditiously determine the tax payable by, or the refund due to, the deductor as required under the said sub-section."*

Therefore, as per Sec. 200A(2) even after 01/06/2015 and also before 01/06/2015, TDS-CPC does not have any authority to levy late fee and interest and CBDT cannot delegate powers beyond authority provided under section 200A(2).

Therefore as per sec 200A(2) processing of TDS statement can be done by the TDS CPC Ghaziabad only for the purposes of *tax payable or refund due* and not for the purpose for levying interest or late fee because the word interest and late fee are not there in the Sec 200A(2).

TDS statements are processed by TDS-CPC GHAZIABAD whereas Income tax returns are processed by CPC- Bengaluru.

CPC Bengaluru also has no authority to process the income tax returns for levying late fee u/s 234F or interest U/s 234A,B,C except for tax or refund due, As is evident from Section 143(1A):- *"For the purposes of processing of returns under sub-section (1), the Board may make a scheme for centralised processing of returns with a view to expeditiously determining the tax payable by, or the refund due to, the assessee as required under the said sub-section."*

Tax does not include interest, penalty & late fee:

As per section 2(43) of the Income Tax Act 1961, definition of tax:-

"tax" in relation to the assessment year commencing on the 1st day of April, 1965, and any subsequent assessment year means income-tax chargeable under the provisions of this Act, and in relation to any other assessment year

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income-tax and super-tax chargeable under the provisions of this Act prior to the aforesaid date and in relation to the assessment year commencing on the 1st day of April, 2006, and any subsequent assessment year includes the fringe benefit tax payable under section 115WA."

- **Bombay High Court in the case of CIT vs. Oryx Finance and Investment Pvt. Ltd (Income Tax Appeal No. 01 Of 2015)(1st July 2017) held that, "Tax in arrears would not include the interest"**
- **In Dinesh T. Tailor v. Tax Recovery Officer (2010) 326 ITR 85, the Bombay High Court held that in "Section 179(1), the expression "tax due" and, for that matter the expression "such tax" mean a tax as defined for the purposes of the Act by Section 2(43); "tax due" does not comprehend within its ambit a penalty."**
- **High Court Of Karnataka in the case of H. Ebrahim & Ors. Vs. Deputy Commissioner Of Income Tax & Anr. (2011) 332 ITR 0122 held that the component 'income-tax' does not include payment of penalty as well as interest."**
- **High Court Of Delhi in the case of Sanjay Ghai Vs. Assistant Commissioner Of Income Tax & Ors. (2013) 352 ITR 0468 held that "the Court is of the opinion that the structure and construct of the Act has consciously used different words to create constructive liability on third parties, in the case of default in payment of taxes by an assessee. The treatment of the same subject matter by using different terms - in some instances expansive and in others, restrictive, mean that the Court has to adopt a circumspect approach and limit itself to the words used in the given case (in the present case, "tax due" under Section 179) and not "travel outside them on a voyage of discovery" (Magor & St. Mellons RDC v Newport Corporation 1951 (2) All ER 839). Therefore, it is held that the petitioner cannot be made liable for anything more than the tax (defined under Section 2 (43))."**

Therefore, tax does not include interest, penalty, late fee and hence, section 200A(2) and 143(1A) does not authorise TDS-CPC, Ghaziabad or Income tax CPC- Bengaluru to levy late fee or interest. Let us wait what courts and tribunals interpret in days to come.

Sec. 200A of the act was inserted w.e.f. 1-4-2010, to allow processing of TDS statements, Sec. 206CB was inserted w.e.f. 1-6-2015 to allow processing of TDS statements. CBDT had notified scheme in 2013 for centralised processing by TDS-CPC, whereas till date no such TCS-CPC

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scheme has been notified for processing of TCS statements being filed in form 27EQ, even if authorised U/s 206CB(2)

Interest for non-payment of tax as per demand notice

Before understanding the provisions for levy of interest in case of non-payment of tax demanded as per demand notice issued under section 156(1), it is important to first understand the provisions of section 220(1) relating to payment of tax as per demand notice.

As per section 220(1), when a demand notice under section 156(1) has been issued to the taxpayer for payment of tax (other than notice for payment of advance tax), then such amount shall be paid within a period of 30 days of the service of the notice at the place and to the person mentioned in the notice. In certain cases, the above period of 30 days can be reduced by the tax authorities with the approval of designated authorities.

Section 220(2) deals with payment of interest in case of failure to pay tax within the time specified in the demand notice. As per section 220(2), if the taxpayer fails to pay the amount specified in any notice of demand issued under section 156(1) (as discussed) within the period as allowed in this regard, then he shall be liable to pay simple interest at 1% for every month or part of a month. Interest shall be levied for the period commencing from the day immediately following the end of the period mentioned in the notice and ending with the day on which the amount is paid.

After processing of TDS/TCS statements, an intimation is generated specifying the amount payable or refundable. Such intimation shall be deemed as notice of demand under Section 156. Failure to pay such tax specified in intimation shall attract interest under Section 220(2).

It is provided that where interest is charged under sub-section (1A) of section 201 on the amount of tax specified in the intimation issued under sub-section (1) of section 200A for any period, then, no interest shall be charged under Section 220(2) on the same amount for the same period.

It is also provided that where interest is charged under sub-section (7) of section 206C on the amount of tax specified in the intimation issued under sub-section (1) of section 206CB for any period, then, no interest shall be charged under sub-section (2) on the same amount for the same period.

Appeal filed to challenge the demand notice

Where any notice of demand has been served upon an assessee and any appeal or other proceeding, as the case may be, is filed or initiated in respect

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of the amount specified in the said notice of demand, then, such demand shall be deemed to be valid till the disposal of the appeal by the last appellate authority or disposal of the proceedings, as the case may be, and any such notice of demand shall have the effect as specified in section 3 of the Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1964 (11 of 1964).]

Variation in amount of interest in certain cases

Where as a result of an order under section 154, or section 155, or section 250, or section 254, or section 260, or section 262, or section 264 or an order of the Settlement Commission under section 245D (4), the amount on which interest was payable under section 220(2) had been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.

However, if subsequently as a result of an order passed under the said sections or under section 263, the amount on which interest is payable is increased, the assessee shall pay interest from the day immediately following the end of the period mentioned in the first notice of demand and ending with the day on which the amount is paid.

Waiver of interest under section 220(2A) by Commissioner

The Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner may reduce or waive the amount of interest paid or payable by the taxpayer under section 220(2), if he is satisfied that:

- Payment of such interest has caused or would cause genuine hardship to the taxpayer.
- Default in the payment of the amount on which interest has been paid or was payable, was due to circumstances beyond the control of the taxpayer.
- The taxpayer has co-operated in any inquiry relating to the assessment or any proceeding for the recovery of any amount due from him.

Time-limit for passing order under section 220(2A)

The Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, as the case may be, shall pass order, either accepting or rejecting assessee's application to reduce or waive interest, within a period of 12 months from the end of the month in which application is received. However, order shall be passed on or before May 31, 2017 in case of application pending as on June 1, 2016.

Further, no order rejecting the application shall be passed unless the assessee has been given an opportunity of being heard.

SECTION 206CC: Requirement to furnish Permanent Account number by collectee.

206CC. (1) Notwithstanding anything contained in any other provisions of this Act, any person paying any sum or amount, on which tax is collectible at source under Chapter XVII-BB (herein referred to as collectee) shall furnish his Permanent Account Number to the person responsible for collecting such tax (herein referred to as collector), failing which tax shall be collected at the higher of the following rates, namely: —

- (i) at twice the rate specified in the relevant provision of this Act; or**
- (ii) at the rate of five per cent.**

(2) No declaration under sub-section (1A) of section 206C shall be valid unless the person furnishes his Permanent Account Number in such declaration.

(3) In case any declaration becomes invalid under sub-section (2), the collector shall collect the tax at source in accordance with the provisions of sub-section (1).

(4) No certificate under sub-section (9) of section 206C shall be granted unless the application made under that section contains the Permanent Account Number of the applicant.

(5) The collectee shall furnish his Permanent Account Number to the collector and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.

(6) Where the Permanent Account Number provided to the collector is invalid or does not belong to the collectee, it shall be deemed that the collectee has not furnished his Permanent Account Number to the collector and the provisions of sub-section (1) shall apply accordingly.

(7) The provisions of this section shall not apply to a non-resident who does not have permanent establishment in India.

Explanation. —For the purposes of this sub-section, the expression "permanent establishment" includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.

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- Section 206CC mandates furnishing of PAN for every taxpayer who is a buyer to the seller who is responsible for collecting the TCS. If the buyer fails to provide their PAN, then a higher TCS rate will be applicable. Section 206CC is applicable to a resident taxpayer as well as a non-resident taxpayer.
- If the buyer fails to furnish their PAN to the seller, then a higher of the following TCS rate will be applicable:
 - at twice the rate specified in section 206C; or
 - at the rate of 5%.
- The seller and buyer must quote their PAN in all correspondence, bills, vouchers, and other documents exchanged between them.
- Section 206CC is not applicable to non-residents who do not have a permanent establishment in India. A permanent establishment in India is a fixed place of business from where the establishment carries on business either partially or entirely.
- If the PAN furnished by the buyer turns out to be invalid, incorrect, or does not belong to the buyer then it shall be deemed that the buyer has not furnished the PAN at all. Hence, section 206CC will be applicable.
- If the assessing officer is satisfied that the total income of the buyer is less and a lower TCS rate is justifiable then the AO can grant a lower or nil TCS rate. The assessing officer will issue a lower or nil collection certificate in the name of the buyer only if a valid PAN is furnished. However, if the PAN is invalid, incorrect, or does not belong to the buyer then the certificate will be invalid.
- The buyer can provide a declaration to the seller that the purchased goods are being used for the purposes of manufacturing, processing, or producing articles or things or for the purposes of generation of power and not for trading purposes. Hence, the seller will not collect TCS. However, if the PAN is not furnished in such a declaration, then such declaration will be invalid. Hence, section 206CC will be applicable and TCS will be collected at a higher rate.

SECTION 206CCA: Special provision for collection of tax at source for non-filers of income-tax return

206CCA. (1) Notwithstanding anything contained in any other provisions of this Act, where tax is required to be collected at source

*under the provisions of Chapter XVII-BB, on any sum or amount received by a person 92[***] from a specified person, the tax shall be collected at the higher of the following two rates, namely: —*

- (i) at twice the rate specified in the relevant provision of the Act; or*
- (ii) at the rate of five per cent.*

(2) If the provisions of section 206CC is applicable to a specified person, in addition to the provisions of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC.

(3) For the purposes of this section "specified person" means a person who has not 93[furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be collected, for which the time limit for furnishing the return of income under sub-section (1) of section 139 has expired and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in the said previous year]:

Provided that the specified person shall not include a non-resident, who does not have a permanent establishment in India.

Explanation. —For the purposes of this sub-section, the expression "permanent establishment" includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.]

- The tax shall be collected at source (TCS) on higher of the following:
 - 2 times the rate given in the Income Tax Act or Finance Act or.
 - 5%
- In addition to non-filing of income tax return, if the specified person does not give their PAN, then tax shall be collected at 20% or rates applicable as per the section, whichever is higher.
- TCS must not be collected at a higher amount from a non-resident who does have a fixed business place in India for carrying on business, i.e., who does not have a permanent establishment (PE) in India.

SECTION 271CA: Penalty for failure to collect tax at source.

271CA. (1) If any person fails to collect the whole or any part of the tax

as required by or under the provisions of Chapter XVII-BB, then, such person shall be liable to pay, by way of penalty, a sum equal to the amount of tax which such person failed to collect as aforesaid.

(2) Any penalty imposable under sub-section (1) shall be imposed by the Joint Commissioner

The provisions of section 206C of the Income Tax Act, 1961 mandates the specified categories of the seller to collect the tax (i.e., TCS) from the specified categories of the buyer, of the specified goods, at the given specified rates. In case the specified seller fails to collect the TCS, then for such failure, he would be liable to pay the penalty under section 271CA of the Income Tax Act.

- The gist of penalty provisions of section 271CA is being explained here under – The section 271CA applies to the person who has failed to collect the tax at source (i.e., TCS); and the penalty under section 271CA can be imposed only by the Joint Commissioner. However, it should be noted that in case the defaulter proves the reasonable cause for the failure, then no penalty is leviable in terms of provisions of section 273B of the Income Tax Act.
- As seen, the penalty under section 271CA gets attracted in case the seller fails to collect the TCS. Hence it is important to note the time period within which the TCS needs to be Collected. As per provisions of section 206C (1), the specified seller is required to collect TCS within earlier of the following dates
 - Date of debiting of an amount (payable by the buyer) to the account of the buyer; or
 - Date of receipt of the amount from the buyer via Cash / cheque / draft / any other mode.
- In order to avoid the penalty, the seller (who are required to collect TCS as per provisions of section 206C) is required to collect tax (TCS) within the following prescribed time – Earlier of the following dates –
 - Date of debiting the account of the buyer; or
 - Date of receipt of amount from the buyer via Cash / cheque / draft / any other mode of payment.
- Further, even in case of default, if the seller proves the reasonable cause for the failure, then the penalty payable under section 271CA can be avoided.

- In case of default, the defaulter is liable to pay the penalty under section 271CA to the extent of a sum equal to an amount of tax not collected.

SECTION 273B: Penalty not to be imposed in certain cases.

273B. Notwithstanding anything contained in the provisions of clause (b) of sub-section (1) of section 271, section 271A, section 271AA, section 271B, section 271BA, section 271BB, section 271C, section 271CA, section 271D, section 271E, section 271F, section 271FA, section 271FAB, section 271FB, section 271G, section 271GA, section 271GB, section 271H, section 271-I, section 271J, clause (c) or clause (d) of sub-section (1) or sub-section (2) of section 272A, sub-section (1) of section 272AA or section 272B or sub-section (1) or sub-section (1A) of section 272BB or sub-section (1) of section 272BBB or clause (b) of sub-section (1) or clause (b) or clause (c) of sub-section (2) of section 273, no penalty shall be imposable on the person or the assessee, as the case may be, for any failure referred to in the said provisions if he proves that there was reasonable cause for the said failure.

Section 273B states that notwithstanding anything contained in Section 271C, no penalty shall be imposed on the person or the assessee for failure to deduct tax at source if such person or the assessee proves that there was a reasonable cause for the said failure.

SECTION 276B: Failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B.

276B.If a person fails to pay to the credit of the Central Government, —

- (a) the tax deducted at source by him as required by or under the provisions of Chapter XVII-B; or*
- (b) the tax payable by him, as required by or under—*
 - (i) sub-section (2) of section 115-O; or*
 - (ii) the⁻³²[***] proviso to section 194B,*

he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

Section 276B provides for prosecution for a term ranging from three months to seven years with fine for failure to pay tax to the credit of Central

Government under Chapter XII-D or XVII-B. Under this section, a person shall be punishable for failure to

- deduct the tax as required under the provisions of Chapter XVII-B which deals with deduction of tax at source, or
- to pay the tax, as required by or under—
 - sub-section (2) of section 115-O or
 - the second proviso to section 194B.

Section 194B was amended vide Finance Act 1999 w.e.f. 01.04.2000 by which the first proviso to the section was omitted and the section currently has only one proviso. Therefore, to avoid ambiguity among the sections 276B and 194B, it is proposed to substitute the sub-clause (ii) of clause (b) of section 276B with “proviso to section 194B”.

SECTION 276BB: Failure to pay the tax collected at source.

276BB. If a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

Section 276BB provides for prosecution for a term ranging from three months to seven years with fine for failure to pay tax to the credit of Central Government.

SECTION 277: False statement in verification, etc.

277. If a person makes a statement in any verification under this Act or under any rule made thereunder, or delivers an account or statement which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable, —

(i) in a case where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;

(ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

- Section 277 provides for prosecution for making false statement or producing false accounts / documents. If a taxpayer makes statement in any verification under the Act or under any rules made there under, or delivers an account or statement which is false, and which he either knows or believes to be false, or does not believe it to be true, he shall be punishable as follows:
 - With rigorous imprisonment which shall not be less than 6 months but which may extend to seven years and with fine where tax sought to be evaded exceeds Rs. 25 lakhs (Rs. 1 lakh upto 30-6-2012).
 - With rigorous imprisonment which shall not be less than 3 months but which may extend to two years (3 years upto 30-6-2012) and with fine in other cases.

SECTION 278AA: Punishment not to be imposed in certain cases.

278AA. Notwithstanding anything contained in the provisions of section 276A, section 276AB, or section 276B, ³⁶[or section 276BB] no person shall be punishable for any failure referred to in the said provisions if he proves that there was reasonable cause for such failure.

As per section 278AA no person is punishable for any failure under section 276A, section 276B and section 276BB if he proves that there was reasonable cause for such failure.

SECTION 279: Prosecution to be at instance of Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner.

279. (1) A person shall not be proceeded against for an offence under section 275A, section 275B, section 276, section 276A, section 276B, section 276BB, section 276C, section 276CC, section 276D, section 277, section 277A or section 278 except with the previous sanction of the Principal Commissioner or Commissioner or Commissioner (Appeals) or the appropriate authority:

Provided that the Principal Chief Commissioner or Chief Commissioner or, as the case may be, Principal Director General or Director General may issue such instructions or directions to the aforesaid income-tax authorities as he may deem fit for institution of proceedings under this sub-section.

Explanation. —For the purposes of this section, "appropriate authority" shall have the same meaning as in clause (c) of section 269UA.

(1A) A person shall not be proceeded against for an offence under section 276C or section 277 in relation to the assessment for an assessment year in respect of which the penalty imposed or imposable on him under section 270A or clause (iii) of sub-section (1) of section 271 has been reduced or waived by an order under section 273A.

(2) Any offence under this Chapter may, either before or after the institution of proceedings, be compounded by the Principal Chief Commissioner or Chief Commissioner or a Principal Director General or Director General.

(3) Where any proceeding has been taken against any person under sub-section (1), any statement made or account or other document produced by such person before any of the income-tax authorities specified in clauses (a) to (g) of section 116 shall not be inadmissible as evidence for the purpose of such proceedings merely on the ground that such statement was made or such account or other document was produced in the belief that the penalty imposable would be reduced or waived, under section 273A or that the offence in respect of which such proceeding was taken would be compounded.

(4) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of granting sanction under sub-section (1) or compounding under sub-section (2), so as to impart greater efficiency, transparency and accountability by—

- (a)** eliminating the interface between the income-tax authority and the assessee or any other person to the extent technologically feasible;
- (b)** optimising utilisation of the resources through economies of scale and functional specialisation;
- (c)** introducing a team-based sanction to proceed against, or for compounding of, an offence, with dynamic jurisdiction.

(5) The Central Government may, for the purpose of giving effect to the scheme made under sub-section (4), by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:

Provided that no direction shall be issued after the 31st day of March, 2022.

(6) Every notification issued under sub-section (4) and sub-section (5) shall, as soon as may be after the notification is issued, be laid before each House of Parliament.]

Explanation. —For the removal of doubts, it is hereby declared that the power of the Board to issue orders, instructions or directions under this Act shall include and shall be deemed always to have included the power to issue instructions or directions (including instructions or directions to obtain the previous approval of the Board) to other income-tax authorities for the proper composition of offences under this section.

SECTION 279A: Certain offences to be non-cognizable.

279A. Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), an offence punishable under section 276B or section 276C or section 276CC or section 277 or section 278 shall be deemed to be non-cognizable within the meaning of that Code.

- Certain offences to be non- cognizable Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), an offence punishable under section 276B or section 276C or section 276CC or section 277 or section 278 shall be deemed to be non-cognizable within the meaning of that Code.

Chapter 3

Returns under TCS as per Rule 31AA

Due Dates for filing of TDS/TCS return:

The due dates for filing of TCS return for different quarters are as follows:

Quarter ending	Due date for filing of TCS return
30th June	15th July
30th September	15th October
31st December	15th January
31st March	15th May

As per section 206C 27EQ, a quarterly return must be filed by every person who have collected TCS. The return must be filed by 15th of the next month following the quarter ending.

Procedure for Filing TCS Return:

What is RPU?

- NSDL e-Gov Return Preparation Utility (RPU) (based on JAVA platform) is a freely downloadable utility.
- Used for preparing quarterly e-TDS/TCS Statement(s).
 - For Form24Q, 26Q, 27Q & 27EQ (Regular & Correction) for Financial Year 2007-08 onwards.
- It is not mandatory to use NSDL e-Gov RPU for preparation of quarterly TDS/TCS Statement(s). Users may use other RPU provided by software vendors for preparation of quarterly TDS/TCS Statement(s).
- To download latest versions of RPU 4.3, [click here](#).

Disclaimer: -

- RPU is developed by NSDL e-Gov for small Deductors/Collectors, however, Statements exceeding 20,000 deductee/collectee records may not be prepared using this utility.
- Non-functioning or non-availability of this utility cannot be considered as a reason for inability to file the Statement before the last date.

Pre-requisites for RPU

The e-TDS/TCS RPU is a Java based utility. JRE (Java Run-time Environment) [versions: SUNJRE:1.6 onwards up to JRE:1.8 update 60] should be installed on the computer where the e-TDS/TCS RPU is being installed. Java is freely downloadable from <http://java.sun.com> and <http://www.ibm.com/developerworks/java/jdk> or you can ask your vendor providing computer facilities (hardware) to install the same for you.

What is FVU?

- File Validation Utility (FVU) is a software developed by NSDL e-Gov, which is used to ensure that the e-TDS/TCS Statement(s) prepared does not contain any format level error(s).
- Deductor/Collector should ensure that the Quarterly TDS/TCS Statement (Regular and Correction) is validated by the latest FVU provided by NSDL e-Gov only.

Features of Return Preparation Utility (RPU)

- Preparation of Quarterly Correction Statements using Consolidated TDS/TCS files downloaded from TRACES.
- In built File Validation Utility (FVU) as follows:
 - FVU version 2.167 for Statements (Regular and Correction) from FY 2007-08 up to FY2009-10.
 - FVU version 7.1 for Statements (Regular and Correction) pertaining to FY 2010-11 onwards.

Note:

As directed by Income Tax Department, acceptance of Quarterly TDS/TCS Statement pertaining to FY 2005-06 and 2006-07 has been discontinued w.e.f. 01/07/2013.

Process:

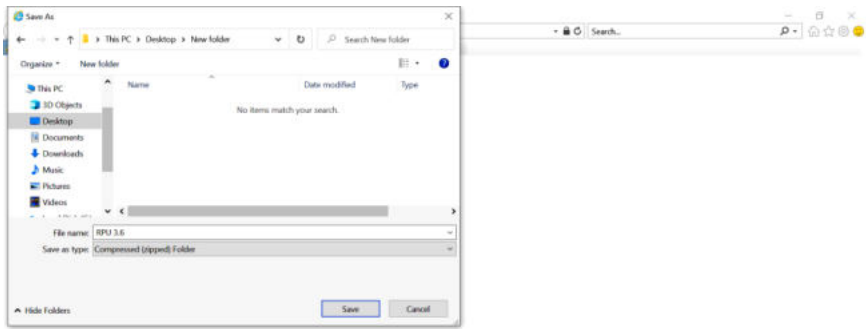
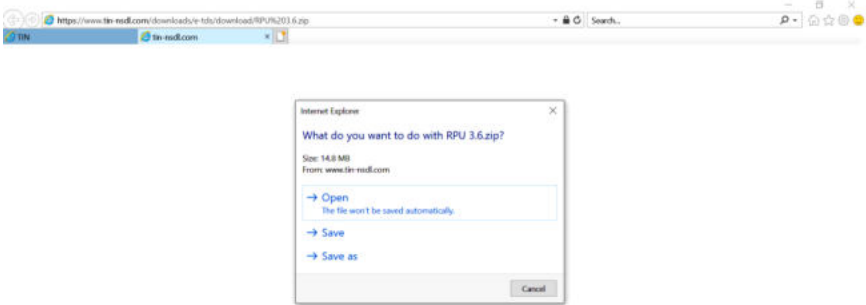
1. Download Return processing utility from <https://www.protean-tinpan.com>

Returns under TCS as per Rule 31AA

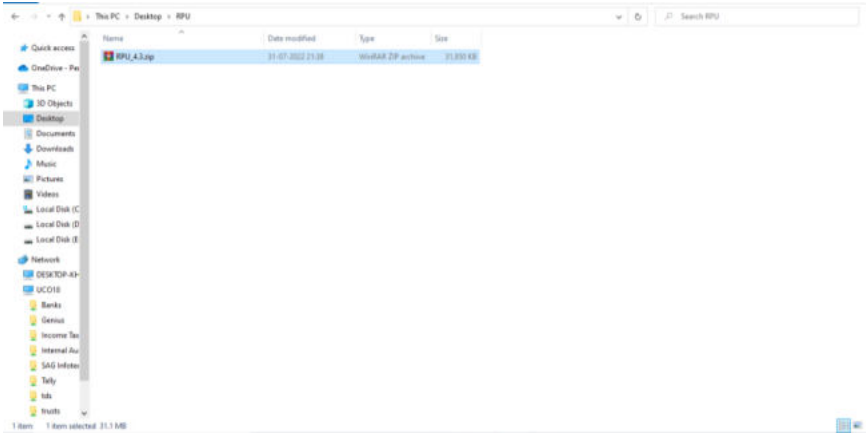
The screenshot shows the Tax Information Network (TIN) website. The header includes the TIN logo and navigation links: About us, Services, Facilitation center, Publications, Guided Tour, Downloads, FAQs, and Customer Care. A search bar is located in the top right corner. The main content area features a large yellow banner with a circular flow diagram illustrating the process: 1. Fill the form, 2. Make Payment, and 3. Submit Documents. Below the banner, there is a warning message: "As there have been fluctuations in the response with regard to Aadhaar authentication/e-KYC from UIDAI, Online PAN applicants may face problem in completing the application. Such applicants are requested to wait and proceed after some time." A caution box for online PAN applicants is also present. The bottom section highlights the NSDL e-Gov Cautions Public Against Spurious Calls, with links for reporting PAN application, linking Aadhaar to PAN, downloading TIN/PAN Centers for biometric-based authentication, applying for PAN online, and knowing the status of PAN/TAN application. The Windows taskbar at the bottom shows the time as 2:32 PM on 7/4/2019.

The screenshot shows the NSDL e-Gov website, which is now branded as Protean. The header includes the Protean logo and navigation links: About us, Services, Facilitation center, Publications, Guided Tour, Downloads, FAQs, and Customer Care. A search bar is located in the top right corner. The main content area features a large yellow banner with the text "NSDL e-Gov has developed software called e-TDS/TCS Return Preparation Utility (RPU) to facilitate preparation of e-TDS/ TCS returns. This is a freely downloadable VB based utility. Separate utilities are available for preparation of each type of statement." Below the banner, there is a section titled "RPU for Quarterly Returns" with a sub-section "RPU for Quarterly Returns" and a link to "Download RPU version 4.3". The section includes a list of features and a link to "Download RPU version 4.3". The Windows taskbar at the bottom shows the time as 2:32 PM on 07-11-2022.

Handbook on Income Tax – Tax Collection at Source

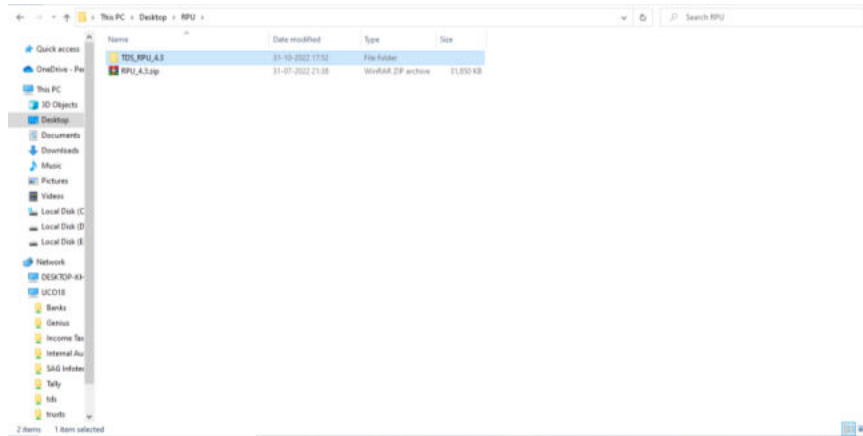


After clicking on Download the RPU version 4.3 a Zip folder will be downloaded. Extract the Zip folder

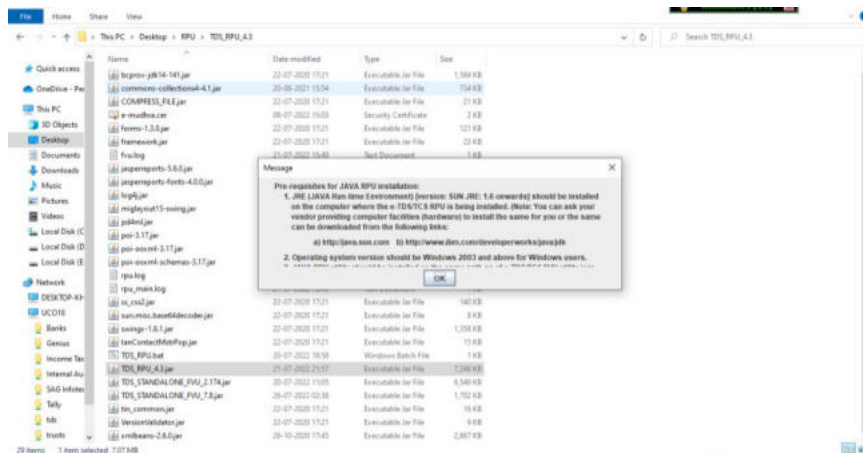


Returns under TCS as per Rule 31AA

3. A folder named TDS_RPU_4.3 will be extracted from the zipped file



4. The folder consists of following files. Open TDS_RPU_4.3.jar file and click on Ok after reading the pre-requisites



5. An interface will be opened asking for the form to be filed and the type of statement to be filed

Select Form no.27EQ and the type as regular if you are filing original return
Or correction if you want to file correction or revise the return you have originally filed.

Click on Click to continue

Handbook on Income Tax – Tax Collection at Source

RPU e-Tutorial | It the answers to a range of queries related to PAN/TAN applications quickly and easily through | Help

Protean Quarterly e-TDS/TCS Return Preparation Utility (RPU) is a freely (free of cost) downloadable software for statement(s) pertaining to FY 2007-08 onwards.

Form No. 27EQ

Select type of Statement to be prepared : ☒ Regular ☐ Correction

Open a saved Regular file | Click to Continue

Queries / Feedback / Complaints in respect of RPU
Emails: tds_returns@nsdl.co.in
Call on: 020-2721-4060
Write to us: 5th Floor, Nandan Building, Plot No. 341, Survey No. 897-B, Model Colony, Near Deep Bunglow Chowk, Pune - 411 015.

NSDL | Your Trusted GST Partner | Click here to avail our API

NSDL | Aadhaar Based PAN Application | Click here for more

For queries related to TDS/TCS consolidated file, Justification

6. After Clicking on Continue a excel sheet like interface opens which consists of following 4 sheets:

- Form
- Challan
- Annexure I (collectee details)
- Other services of TIN

Form - 27EQ

Quarterly statement of Tax collection at source under section 205C of Income Tax Act, 1961.
(See Section 205C and Rule 31AA)

For Quarter Ended *

1. Particulars of Statement

Tax Deduction and Collection Account No. (TAN) * | Financial Year * | -Select-

Last Tax Deduction and Collection Account No. | Assessment Year * | -Select-

Permanent Account Number * | Type of Collector * | -Select-

Is this a Revised Return (Yes / No) | Last Collector Type

Update Collector Details | Receipt Number of Original Return

(Indicate only if any change in Collector Details) | Receipt Number of Previous Return

2. Particulars of Collector

Name * | Ministry / Dept. Name | -Select-

Branch / Division (if any) | Ministry / Dept. Name (Others)

State Name | -Select- | DDO Code

PAC Code | DDO Registration Number

PAC Registration Number | Flat No. *

Name of Premises / Building | Road / Street / Lane

Area / Location | Town / City / District

Note : Fields marked with (*) are Mandatory | Create File | Save | Open | Back

Returns under TCS as per Rule 31AA

The screenshot shows a web-based form titled "Form Number : 27EQ (See Section 206C and Rule 31AA)". The form has tabs for "Form", "Challan", "Assessee (Collective details)", and "Other Services of TIN". The "Assessee (Collective details)" tab is active, showing fields for Assessee details and "3. Particulars of the Person Responsible for Collection of Tax".

Assessee Details:

- Area / Location
- PIN Code *
- Telephone No.
- Telephone No. (Alternate)
- Account Office Identification Number (ARN) if PAFO/OCDO
- Goods and Services Tax Number (GSTN)
- Town / City / District
- State *
- E-mail
- E-mail (Alternate)
- Has Address Changed Since Last Return *

3. Particulars of the Person Responsible for Collection of Tax:

- ☐ Same as above
- Name *
- Designation *
- Name of Premises / Building
- Area / Location
- PIN Code *
- Telephone No.
- Telephone No. (Alternate)
- Has Address Changed Since Last Return *
- Has regular statement for Form 27EQ filed for earlier period
- Permanent Account Number *
- Flat No. *
- Road / Street / Lane
- Town / City / District
- State *
- E-mail
- E-mail (Alternate)
- Mobile No.
- Receipt No. of earlier Statement filed for Form 27EQ

Note: Fields marked in (*) are Mandatory. Buttons: Create File, Save, Open, Back.

7. Fill the sheet named with necessary details like:

Particulars of statement

- First fill the FY and Quarter for which the return is to be filed
- Assessment Year will be Auto filled based on the FY selected
- Enter TAN of the person
- Enter PAN of the person
- Select the type of Deduct or as the case may be

Particulars of Collector

- Name of the collector i.e. The person collecting the TCS
- Address of the collector

Particulars of the person responsible for collection of Tax

- Name
- Designation
- PAN
- Address
- Whether regular statement has been filed for previous period and if filed, the receipt number of the same (ARN or RRR number which is generated after submitting the return)
- If the Name, PAN, and Address are same as particulars of collector then

Handbook on Income Tax – Tax Collection at Source

the option same as above can be selected

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form : Challan Assessment (Collector details) Other Services of TIN

Quarterly statement of Tax collection at source under section 206C of Income Tax Act, 1961.
For Quarter Ended :

1. Particulars of Statement

Tax Deduction and Collection Account No. (TAN) *		Financial Year *	
Last Tax Deduction and Collection Account No.		Assessment Year *	
Permanent Account Number *		Type of Collector *	
Is this a Revised Return (Yes / No)		Last Collector Type	
Update Collector Details (Indicate only if any change in Collector Details)		Receipt Number of Original Return	
		Receipt Number of Previous Return	

2. Particulars of Collector

Name *		Ministry / Dept Name	
Branch / Division (If any)		Ministry / Dept Name (Others)	
State Name		DDO Code	
PAN Code		DDO Registration Number	
PAN Registration Number		Flat No. *	
Name of Premises / Building		Road / Street / Lane	
Area / Location		Town / City / District	

Note : Fields marked in (*) are Mandatory

Create File Save Open Back

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form : Challan Assessment (Collector details) Other Services of TIN

Area / Location		Town / City / District	
PIN Code *		State *	
Telephone No.		E-mail	
Telephone No. (Alternate)		E-mail (Alternate)	
Account Office Identification Number (AIN) of PAOTOCDOO		Has Address Changed Since Last Return *	
Goods and Services Tax Number (GSTN)			

3. Particulars of the Person Responsible for Collection of Tax

☐ Same as above

Name *		Permanent Account Number *	
Designation *		Flat No. *	
Name of Premises / Building		Road / Street / Lane	
Area / Location		Town / City / District	
PIN Code *		State *	
Telephone No.		E-mail	
Telephone No. (Alternate)		E-mail (Alternate)	
Has Address Changed Since Last Return *		Mobile No.	
Has regular statement for Form 27EQ filed for earlier period		Receipt No. of earlier Statement filed for Form 27EQ	

Note : Fields marked in (*) are Mandatory

Create File Save Open Back

Enter the now of rows you want by clicking on Add rows in challans sheet. If you want to delete a row you can do the same by clicking on delete a row

Returns under TCS as per Rule 31AA

Form Number : 27EQ
(See Section 208C and Rule 31AA)

Sr. No.	Section Code	TCS	Surcharge	Education Cess	Interest	Fee	Penalty/ Others	Last Total Tax	Total Amount	Cheque / DD No.	Last BSR Code
1	2	3	4	5	6	7	8	9	10	11	12

Message
Enter number of rows to be added:
OK Cancel

Create File Save Add Rows Delete a Row

After adding the rows fill the necessary information like:

Applicable code in col 3

TCS amount in col 4

Surcharge in col 5

Cess in col 6

Interest in col 7

Fee in col 8 and

Others in col 9

BSR code of receiving branch in col 14

Date on which tax deposited i.e., challan tender date in DDMMYYYY format in col 16

5-digit challan serial number in col 18

Select the mode of deposit of TCS in col 19.

Enter interest amount to be allocated out of total interest deposited in col 20.

For TCS payable by taxpayer, select '200' or select '400' for TCS regular assessment raised by Income Tax Dept. in col 22.

Handbook on Income Tax – Tax Collection at Source

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Assessors / Collector details	Other Services of TIN								
Sr. No.	Update Mode For Challan	Section Code	TCS ₹	Surcharge ₹	Education Cess ₹	Interest ₹	Penalty/ Others ₹	Last Total Tax Deposited ₹	Total Amount Deposited as per challan / Bank Adjustment (8+5+6+7+8+9) ₹	Cheque / DD No. (if any)	Last BSR Code / 240 Receipt No.
1	3	3	(882)	953	954	(885)	(886)	(887)	(888)		
1	Update	--Select--	10.00	0.00	0.00	0.00	0.00	0.00	10	11 12	13
									92.00		

Create File Save Add Rows Delete a Row

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Assessors / Collector details	Other Services of TIN							
Row Number	Challan Serial No.	Update Mode For Deductions (Add / Update / PAN Update)	BSR Code of Branch Where Tax Deposited	Date on which Tax Deposited (DD/MM/YYYY)	Transfer Voucher/ Challan Serial No.	Collection Code Under Which Payment Made	Total TCS to be allocated among parties as in the vertical total of col. 21 ₹	Interest ₹	Others ₹	Total (7+8+9) ₹
1	2	3	4	5	6	(872)	7	8	9	

Insert Rows

Challan Number: 1, No. of Collected records: 1

OK Cancel

Create File Save Delete a Row Insert a Row

You can status of challans using oltas challan status Inquiry available in NSDL portal using either CIN or TAN

tin.nsdl.com/oltas/index.html

Tax Information Network
Welcome to Payments

OLTAS-Challan Status Inquiry
[Introduction](#) [FAQs](#) [Downloads](#) [Contact Us](#) [Website Policies](#)

For Tax Payers
☐ TIN Based View ☐ TAN Based View

For Banks
☐ Collecting Bank Branch ☐ Normal Bank Branch

go to e-Pay Tax Service -> Payment History tab -> Select date range in Filter options.

Challan Status Enquiry for Tax Payers:
Using this feature, tax payers can track online the status of their challans deposited in banks. This offers two kind of search:

a) CIN based view:
On entering Challan Identification Number (CIN) i.e. details such as BSR Code of Collecting Branch, Challan Tender Date & Challan Serial No. and amount (optional), the tax payer can view the following details:

- BSR Code
- Date of Deposit
- Challan Serial Number
- Major Head Code with description
- TAN/PAN
- Name of Tax Payer
- Received by TDS on (i.e. date of receipt by TDS)
- Confirmation that the amount entered is correct (if amount is entered)

b) TAN based view:
By providing TAN and Challan Tender Date range for a particular financial year, the tax payer can view the following details:

- CIN
- Major Head Code with description
- Minor Head Code
- Nature of Payment

If the tax payer enters the amount against a CIN, the system will confirm whether it matches with the details of amount uploaded by the bank.

Activate Windows

Returns under TCS as per Rule 31AA

Correction in OLTAS challan

The fields that can be corrected by the Taxpayer through Bank are as below:

S. No.	Type of Correction on Challan	Period for correction request (in days)
1	PAN/TAN	Within 7 days from challan deposit date
2	Assessment Year	Within 7 days from challan deposit date
3	Total Amount	Within 7 days from challan deposit date
4	Major Head	Within 3 months from challan deposit date
5	Minor Head	Within 3 months from challan deposit date
6	Nature of Payment	Within 3 months from challan deposit date

After filling the challans sheet, we need to fill Annexure 1 with following details

Click on Insert a row and insert the number of rows for which you need to give deductee details against each challan.

Enter the collection code under which payment is made in col 6

Enter PAN of the party from whom TCS is collected in Col 14

Enter Name of the party from whom TCS is collected in Col 15

Enter the date on which amount paid/debited in col 16

Enter the amount paid/debited in col 17

Enter the TCS, surcharge and cess collected from the party in col 18, 19, 20.

Enter date of collection of TCS in col 25

Enter the TCS rate in Col 29

Handbook on Income Tax – Tax Collection at Source

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Annexure I (Collection details)	Other Services of TIN							
Row Number	Challan Serial No.	Update Mode (Add / Updater / PAN Update)	BSM Code of Branch Where Tax Deposited	Date on which Tax Deposited (DDMMYYYY)	Transfer Voucher/ Challan Serial No.	Collection Code Under Which Payment Made	Total TCS to be allocated among parties as in the vertical total of col. 21 ₹	Interest ₹	Others ₹	Total (7+8+9) ₹
1	1	-Select-				(872)				
						-Select-	10.00	0.00	0.00	

4

Create File Save Delete a Row Insert a Row

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Annexure I (Collection details)	Other Services of TIN								
Row Number	Total (7+8+9) ₹	St. No.	Party Reference Number Provided by the Collector (if available)	Last PAN of Party	PAN of the Party	Name of the Party	Date on which amount Paid/Debited (DDMMYYYY)	Amount Paid/Debited ₹	TCS ₹	Surcharge ₹	Educational ₹
		(564)	(565)		(567)	(568)	(571)	(570)	(573)	(574)	
1	10.00	1		13	14	15	16	17	18	19	

4

Create File Save Delete a Row Insert a Row

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Annexure I (Collection details)	Other Services of TIN								
Row Number	Educational Cess ₹	Total Tax Collected (18+19+20) ₹	Last Total Tax Collected ₹	Total Tax Collected ₹	Last Total Tax Collected ₹	Date of Collection (DDMMYYYY)	Remarks (Reason for non collection / lower collection)	Party Code (1-Company 2-Other than Company)	Total Value of Purchases (₹)	Rate at which Tax Collected	Paid
	(575)	(576)	(577)	(578)	(579)	(580)	(581)	(582)	(583)	(584)	
1	20	21	22	23	24	25	26	27	28	29	30

4

Create File Save Delete a Row Insert a Row

Returns under TCS as per Rule 31AA

Form Number : 27EQ
(See Section 206C and Rule 31AA)

Form	Challan	Assessee (Collector details)	Other Services of TDS				
Row Number	Tax by Book entry or otherwise	Certificate number issued by the Assessing Officer u/s 157 for non-deduction / lower deduction	Deduction is Non-Resident	Deduction is having Permanent Establishment in India	Whether the payment by collector is liable to TDS as per clause (a) of the 8th provision to sub-section (10) or second provision to sub-section (10) and whether TDS has been deducted from such payment (if either "Y" or "Q" is selected in 88)	Challan number	Date of payment of TDS to Central Government
	(87)	(88)			(88A)	(88B)	(88C)
	30	31	32	33	34	35	36
1	Select--		Select--	Select--	Select--		

4 8

Create File Save Delete a Row Insert a Row

- Save the statement by clicking on save button and an interface opens asking to select the path where CSI file is saved (earlier downloaded from oltas challans enquiry)
- And also select the path where FVU and other forms need to be generated
- Finally click on validate
- If the file is validated without any errors FVU and other forms will be generated. In case of errors the error/response file will display the error location and error code along with error description
- You can file the return in Income tax portal by attaching the FVU file generated earlier

How to file TCS Correction Statement

Select the form 27EQ and select that statement type as correction and the import the consolidated TCS file generated from TRACES and then click on open a saved file

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- On successful importation of consolidated file, you can make the following Corrections:
- To update deductor details other than TAN, select option “Other deductor details” in form sheet.
- For update of challan select option “Update” for challan to be updated in challans sheet
- For update/ PAN update of collectee details select appropriate option
- And follow the same process as that of filing original return.

Basic provisions

A person who fails to file the TDS/TCS return or does not file the TCS return by the due dates prescribed in this regard has to pay late filing fees as provided under section 234E and apart from late filing fees he shall be liable to pay penalty under section 271H. In this part you can gain knowledge about the provisions of section 234E and section 271H.

Late filing fees under section 234E

As per section 234E, where a person fails to file the TCS return on or before the due date prescribed in this regard, then he shall be liable to pay, by way of fee, a sum of Rs. 200 for every day during which the failure continues. The amount of late fees shall not exceed the amount of TCS.

TCS return cannot be filed without payment of late filing fees as discussed above. In other words, the late filing fees shall be deposited before filing the TDS return. It should be noted that Rs. 200 per day is not penalty but it is a late filing fee.

Returns under TCS as per Rule 31AA

Illustration

The quarterly statement of tax collected at source i.e., TCS return for the first quarter of the year 2022-23 is filed by Mr. Krunal on 4-8-2022. Tax collected at source during the quarter amounted to Rs. 84,000. What will be the amount of late filing fees to be paid by him for delay in filing the TCS return?

In case of non-Government deductor, the due date of filing the TCS return for the first quarter of the year 2022-23 i.e. April 2022 to June 2023 is 15th July, 2022. The return is filed on 4th August, 2022, thus there is a delay of 20 days as computed below:

Particulars	Days
July 2022	16
August 2022	4
Total	20

From the above computation it can be observed that there is a delay of 20 days. Late filing fees under section 234E will be charged at Rs. 200 per day, thus for 20 days the late filing fees will come to Rs. 4,000.

Illustration

The quarterly statement of tax collected at source i.e., TCS return for the second quarter of the year 2022-23 is filed by Mr. Jagannath on 4-12-2022. Tax collected at source during the quarter amounted to Rs. 2,520. What will be the amount of late filing fees to be paid by him for delay in filing the TCS return?

The due date of filing the TCS return for the second quarter of the year 2022-23 i.e., July 2022 to September 2022 is 15th October, 2022. The return is filed on 4th December, 2022, thus there is a delay of 50 days as computed below:

Particulars	Days
October 2022	16
November 2022	30
December 2022	4
Total	50

From the above computation it can be observed that there is a delay of 50 days. Late filing fees under section 234E will be charged at Rs. 200 per day, thus for 50 days the late filing fees will come to Rs. 10,000. However, the late

filing fees cannot exceed the amount of tax collected at source. TCS during the quarter amounts to Rs. 2,520 and hence, late filing fees shall be Rs. 2,520.

Computation of fee under Section 234E at the time of processing of TCS statement

Section 200A of the Income-tax Act provides for processing of TDS statements for determining the amount payable or refundable to the deductor. Provisions of Section 200A has been amended by the Finance Act, 2015 to enable computation of fee payable under section 234E at the time of processing of TDS statements.

As the mechanism of TCS statement is similar to TDS statement, a new section 206CB has been inserted by Finance Act, 2015 to provide for processing of TCS statements on the lines of existing provisions for processing of TDS statement contained in section 200A of the Income-Tax Act. The new section 206CB also provides for mechanism for computation of fee payable under section 234E at the time of processing of TCS statement.

Penalty under section 271H

As per section 271H, where a person fails to file the statement of tax deducted/collect at source i.e., TDS/TCS return on or before the due dates prescribed in this regard, then assessing officer may direct such person to pay penalty under section 271H. Minimum penalty can be levied of Rs. 10,000 which can go up to Rs. 1,00,000. Penalty under section 271H will be in addition to late filing fees prescribed under section 234E.

Apart from delay in filing of TDS/TCS return, section 271H also covers cases of filing incorrect TDS/TCS return. Penalty under section 271H can also be levied if the deductor/collector files an incorrect TDS/TCS return. In other words, minimum penalty of Rs. 10,000 and maximum penalty of upto Rs. 1,00,000 can be levied if the deductor/collector files an incorrect TDS/TCS return.

No penalty will be levied under section 271H for the failure to file the TDS/TCS return, if the person proves that after paying tax deducted/collected by him, along with the late- filing fee and interest (if any), to the credit of the Central Government, he had filed the TDS/TCS return before the expiry of a period of one year from the due date of filing the TDS/TCS return. In other words, no penalty under section 271H will be levied in case of delay in filing the TDS/TCS return if following conditions are satisfied:

Returns under TCS as per Rule 31AA

- The tax deducted/collected at source is paid to the credit of the Government.
- Late filing fees and interest (if any) is paid to the credit of the Government.
- The TDS/TCS return is filed before the expiry of a period of one year from the due date specified in this behalf.

It should be noted that the above relaxation is applicable only in case of penalty levied under section 271H for delay in filing the TDS/TCS return and not in case of filing incorrect TDS/TCS statement.

Apart from above relaxation, in following two cases the taxpayer can get relief from penalty under section 271H:

- Under section 273A (4) the Principal Commissioner of Income-tax or Commissioner of Income-tax has power to waive or reduce the penalty levied under the Income-tax Act. Penalty can be waived or reduced by the Commissioner of Income-tax if the conditions specified in section 273A (4) in this regard are satisfied.
- Apart from shelter of section 273A (4), section 273B also provides immunity from penalty in genuine cases. As per section 273B, penalty under section 271H will not be levied if the taxpayer proves that there was a reasonable cause for failure.

Illustration

The quarterly statement of tax Collected at source i.e., TCS return for the first quarter of the year 2022-23 is filed by Mr. Krunal on 04-04-2023. Tax deducted at source during the quarter amounted to Rs. 84,000. Before filing the TCS return he has paid the TCS, interest and late filing fees to the credit of the Government. Will he be liable to penalty under section 271H for delay in filing the TDS return?

Penalty under section 271H can be levied for delay in filing the TCS return. In this case, the due date of filing the TCS return for the first quarter of the year 2022-23 i.e., April 2022 to June 2022 is 15th July, 2022. The return is filed on 4th April, 2023, thus there is a delay of 263 days (i.e., less than a year). As per section 271H (3) no penalty under section 271H will be levied in case of delay in filing the TDS/TCS return if following conditions are satisfied:

- The tax deducted/collected at source is paid to the credit of the Government.

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- Late filing fees and interest (if any) is paid to the credit of the Government.
- The TDS/TCS return is filed before the expiry of a period of one year from the due date specified in this behalf.

In the present case, all the aforesaid conditions are satisfied because the delay in filing the TDS return is of less than 1 year and interest and late filing fees are paid before filing the TDS return, thus penalty under section 271H will not be levied.

Chapter 4

TCS Mechanism in GST

Tax Collection at Source (TCS) has similarities with TDS, as well as a few distinctive features. TDS refers to the tax which is deducted when the recipient of goods or services makes some payments under a contract etc. while TCS refers to the tax which is collected by the electronic commerce operator when a supplier supplies some goods or services through its portal and the payment for that supply is collected by the electronic commerce operator. We will discuss the exact nature of TCS with an example. There are many e-Commerce operators [hereinafter referred to as an Operator], like Amazon, Flipkart, Jabong, etc. operating in India. These operators display on their portal products as well as services which are actually supplied by some other person to the consumer. The goods or services belonging to other suppliers are displayed on the portals of the operators and consumers buy such goods/services through these portals. On placing the order for a particular product/service,

the actual supplier supplies the selected product/service to the consumer. The price/consideration for the product/service is collected by the Operator from the consumer and passed on to the actual supplier after the deduction of commission by the Operator.

The Government has placed the responsibility on the Operator to collect the 'tax' at a rate of 1% from the supplier. This shall be done by the Operator by paying the supplier, the price of the product/services, less the tax, calculated at the rate of 1%. The said amount will be calculated on the net value of the goods/services supplied through the portal of the Operator.

Suppose a certain product is sold at Rs. 1000/- through an Operator by a seller. The Operator would deduct tax@ 1% of the net value of Rs. 1000/- i.e., Rs. 10/-. Let us have a look at the statutory provisions relating to TCS.

Registration: The E-Commerce Operator as well as the supplier supplying goods or services through an Operator need to compulsorily register under GST. The threshold limit of Rs. 20 lakhs (Rs. 10 lakhs for special category states) is not applicable to them. Section 24(x) of the CGST Act, 2017 makes it mandatory for every e-Commerce Operator to get registered under GST. Similarly, section 24(ix) of the CGST Act, 2017 makes it mandatory for every person who supplies goods/services through an Operator to get registered under GST.

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Power to collect tax: Section 52 of the CGST Act, 2017 provides for Tax Collection at Source, by e-Commerce Operator in respect of the taxable supplies made through it by other suppliers, where the consideration in respect of such supplies is collected by him.

TCS Statement: The amount of tax collected by the Operator is required to be deposited by the 10th of the following month, during which such collection is made. The Operator is also required to furnish a monthly statement in Form GSTR-8 by the 10th of the following month. The Operator is also required to file an annual statement in prescribed form by the 31st of December following the end of every financial year. The Operator can rectify errors in the statements filed, if any, latest by the return to be filed for the month of September, following the end of every financial year.

The details furnished by the Operator in GSTR-8 shall be made available electronically to each of the suppliers in Part C of FORM GSTR-2A on the Common Portal after the due date of filing of FORM GSTR-8.

Credit of tax collected: The tax collected by the Operator shall be credited to the cash ledger of the supplier who has supplied the goods/services through the Operator. The supplier can claim credit of the tax collected and reflected in the return by the Operator in his [supplier's] electronic cash ledger.

Matching of details of supplies: The details of the supplies, including the value of supplies, submitted by every Operator in the statements will be matched with the details of supplies submitted by all such suppliers in their returns. If there is any discrepancy in the value of supplies, the same would be communicated to both of them. If such discrepancy in value is not rectified within the given time, then such amount would be added to the output tax liability of such supplier. The supplier will have to pay the differential amount of output tax along with interest.

Chapter 5

Rules Governing TCS

RULE-37D

[Certificate of tax collected at source under section 206C (5).]

37D. (1) *The certificate of collection of tax at source under sub-section (5) of section 206C to be furnished by the collector shall be in Form 27D.*

(2) *The certificate referred to in sub-rule (1) shall specify: —*

- (a) valid permanent account number (PAN) of the collectee;*
- (b) valid tax deduction and collection account number (TAN) of the collector;*
- (c)(i) book identification number or numbers where deposit of tax collected is without production of challan in case of an office of the Government;*
 - (ii) challan identification number or numbers in case of payment through bank;*
- (d) receipt number of the relevant quarterly statement of tax collected at source which is furnished in accordance with the provisions of rule 31AA.*

(3) *The certificate in the Form No. 27D referred to in sub-rule (1) shall be furnished to the collectee within fifteen days from the due date for furnishing the statement of tax collected at source specified under sub-rule (2) of rule 31AA.*

(4) *The collector may issue a duplicate certificate in Form No. 27D if the collectee has lost the original certificate so issued and makes a request for issuance of a duplicate certificate and such duplicate certificate is certified as duplicate by the collector.*

(5) *Where a certificate is to be furnished for tax collected before the 1st day of April, 2010, it shall be furnished in the Form in accordance with the provisions of the rules as they stood immediately before their substitution by the Income-tax (Sixth Amendment) Rules, 2010.]*

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FORM NO. 27D					
[See rule 37D]					
Certificate under section 206C of the Income-tax Act, 1961 for tax collected at source					
Certificate No.				Last updated on	
Name and address of the Collector			Name and address of the Collectee		
Permanent Account Number or Aadhaar Number of the Collector	TAN of the Collector	Permanent Account Number or Aadhaar Number of the Collectee	Collectee Reference No. provided by the Collector (if any)		
CIT (TDS)		Assessment year	Period		
Address.....			From		
City..... Pin Code.....			To		
Summary of receipt					
Sl. No.	Amount received/debited	Nature of receipt	Date of receipt/debit (dd/mm/yyyy)		
Total (Rs.)					
Summary of tax collected at source in respect of the collectee					
Quarter	Receipt Numbers of original quarterly statements of TCS under proviso to sub-section (3) of section 206C	Amount of tax collected in respect of collectee (Rs.)	Amount of tax deposited/ remitted in respect of collectee (Rs.)		
I. DETAILS OF TAX COLLECTED AND DEPOSITED IN THE CENTRAL GOVERNMENT ACCOUNT THROUGH BOOK ADJUSTMENT					
(The Collector to provide payment wise details of tax collected and deposited with respect to the collectee)					
Sl. No.	Tax Deposited in respect of the collectee (Rs.)	Book Identification Number (BIN)			
		Receipt Numbers of Form No. 24G	DDO Serial Number in Form No. 24G	Date of Transfer voucher (dd/mm/yyyy)	Status of Matching with Form No. 24G
Total (Rs.)					

Rules Governing TCS

II. DETAILS OF TAX COLLECTED AND DEPOSITED IN THE CENTRAL GOVERNMENT ACCOUNT THROUGH CHALLAN					
(The Collector to provide payment wise details of tax collected and deposited with respect to the collectee)					
Sl. No.	Tax Deposited in respect of the collectee (Rs.)	Challan Identification Number (CIN)			
		BSR Code of the Bank Branch	Date on which tax deposited (dd/mm/yyyy)	Challan Serial Number	Status of matching with OLTAS
Total (Rs.)					
Verification					
I,, son/daughter of, working in the capacity of (designation) do hereby certify that a sum of Rs. [Rs. (in words)] has been collected and deposited to the credit of the Central Government. I further certify that the information given above is true, complete and correct and is based on the books of account, documents, TCS statements, TCS deposited and other available records.					
Place			 (Signature of person responsible for collection of tax)		
Date					
Designation:			Full Name :		

Notes:

1. Government collectors to fill information in item I if tax is paid without production of an income-tax challan and in item II if tax is paid accompanied by an income-tax challan.
2. Non-Government collectors to fill information in item II.
3. The collector shall furnish the address of the Commissioner of Income-tax (TDS) having jurisdiction as regards TCS statements of the assessee.
4. In items I and II, in column for tax deposited in respect of collectee, furnish total amount of TCS, surcharge (if applicable) and education cess (if applicable).

RULE-37CA

[Time and mode of payment to Government account of tax collected at source under section 206C.

37CA. (1) All sums collected in accordance with the provisions of 32a [*] of section 206C by an office of the Government shall be paid to the credit of the Central Government—**

- (a) on the same day where the tax is so paid without production of an income-tax challan; and**
- (b) on or before seven days from the end of the month in which the collection is made, where tax is paid accompanied by an income-tax challan.**

(2) All sums collected in accordance with the provisions of 32a [*] of section 206C by collectors other than an office of the Government shall be paid to the credit of the Central Government within one week from the last day of the month in which the collection is made.**

(3) In the case of an office of the Government, where tax has been paid to the credit of the Central Government without the production of a challan, the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person by whatever name called to whom the collector reports the tax so collected and who is responsible for crediting such sum to the credit of the

Central Government, [shall submit a statement in Form No.24G to the agency authorised by the Principal Director of Income-tax (Systems) in respect of tax collected by the collectors and reported to him.]

[(3A) Statement referred to in sub-rule (3) shall be furnished—

- (a) on or before the 30th day of April where the statement relates to the month of March; and*
- (b) in any other case, on or before 15 days from the end of relevant month.*

(3B) Statement referred to in sub-rule (3) shall be furnished in the following manner, namely: —

- (a) electronically under digital signature in accordance with the procedures, formats and standards specified under sub-rule (4); or*
- (b) electronically along with the verification of the statement in Form 27A or verified through an electronic process in accordance with the procedures, formats and standards specified under sub-rule (4).]*

[(4) The Principal Director General of Income-tax (Systems) shall specify the procedures, formats and standards for the purposes of furnishing and verification of the statements and shall be responsible for the day-to-day administration in relation to furnishing of the information and verification of the statements.].

*(5) (i) Where tax has been deposited accompanied by an income-tax challan, the tax collected under 32a [***] of section 206C shall be deposited to the credit of the Central Government by remitting it within the time specified in clause (b) of sub-rule (1) or in sub-rule (2) into any branch of the Reserve Bank of India or of the State Bank of India or of any authorised bank.*

(ii) Where tax is to be deposited in accordance with clause (i), by persons referred to in sub-rule (1) of rule 125, the amount collected shall be electronically remitted into the Reserve Bank of India or the State Bank of India or any authorised bank accompanied by an electronic income-tax challan.

(6) For the purpose of this rule, the amount shall be construed as electronically remitted to the Reserve Bank of India or to the State Bank of India or to any authorised bank, if the amount is remitted by way of—

- (a) internet banking facility of the Reserve Bank of India or of the State Bank of India or of any authorised bank; or*
- (b) debit card.*
- (7) Where tax is collected before the 1st day of April, 2010, the provisions of this rule shall apply as they stood immediately before their substitution by the Income-tax (Sixth Amendment) Rules, 2010.]*

RULE-37 I

[Credit for tax collected at source for the purposes of sub-section (4) of section 206C.

37-I. (1) Credit for tax collected at source and paid to the Central Government in accordance with provisions of section 206C of the Act, shall be given to the person from whom the tax has been collected, on the basis of the information relating to collection of tax furnished by the person responsible for collection of tax at source (hereinafter referred to as the collector) to the income-tax authority or the person authorised by such authority.

- (2) (i) Where tax has been collected at source and paid to the Central Government, credit for such tax shall be given for the assessment year for which the income is assessable to tax.*
- (ii) Where tax has been collected at source and paid to the Central Government and the lease or license is relatable to more than one year, credit for tax collected at source shall be allowed across those years to which the lease or license relates in the same proportion.*

1[(2A) Notwithstanding anything contained in sub-rule (2), for the purposes of sub- section (1F) or, sub-section (1G) or, sub-section (1H) of section 206C, credit for tax collected at source shall be given to the person from whose account tax is collected and paid to the Central Government account for the assessment year relevant to the previous year in which such tax collection is made]

(3) Credit for tax collected at source and paid to the account of the Central Government shall be granted on the basis of—

- (i) the information relating to collection of tax furnished by the collector to the income-tax authority or the person authorised by such authority; and*

- (ii) *the information in the return of income in respect of the claim for the credit,*

subject to verification in accordance with the risk management strategy formulated by the Board from time to time.]

RULE-37EA

[Returns regarding tax collected at source on computer media under sub-section (5B) of section 206C.

37EA. (1) *Where a person responsible for collecting tax under Chapter XVII-BB is required to file any return referred to in rule 37E on computer media, such person shall deliver or cause to be delivered such return in accordance with such scheme as may be specified by the Board in this behalf within the time specified under rule 37E.*

(2) *The return filed on the computer media shall contain all the information required under rule 37E.*

(3) *The return filed on the computer media shall be accompanied by Form No. 27B furnishing the information specified therein.]*

RULE-37H

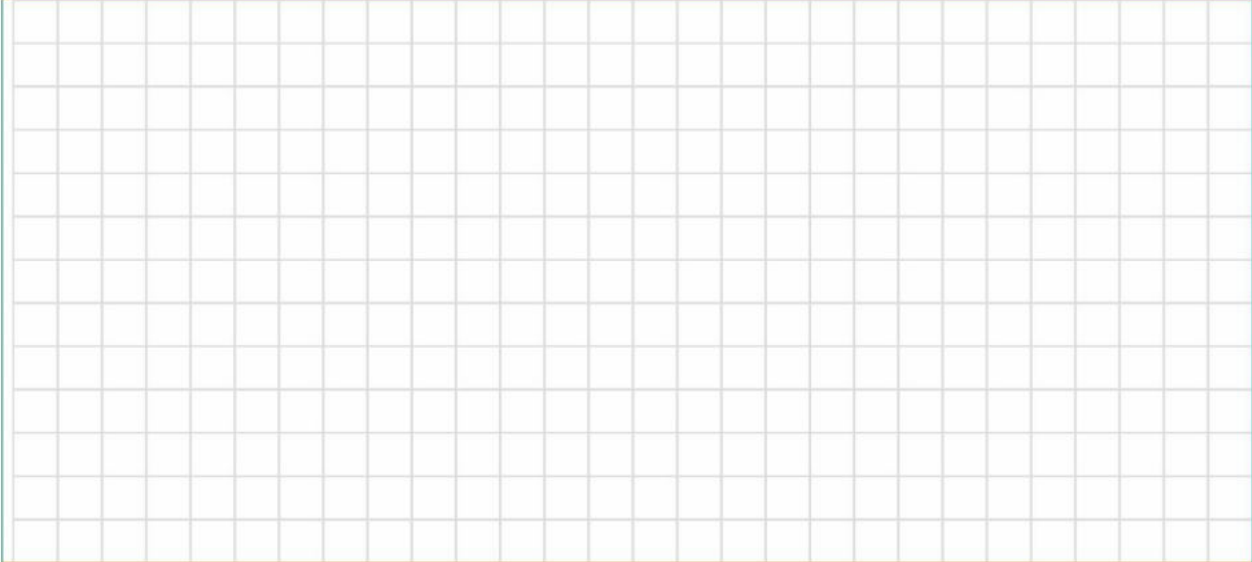
Certificate for collection of tax at lower rates from buyer under sub-section (9) of section 206C.

37H. (1) *Where the Assessing Officer, on an application made by a person under sub-rule (1) of rule 37G is satisfied that existing and estimated tax liability of a person justifies the collection of tax at lower rate, the Assessing Officer shall issue a certificate in accordance with the provisions of sub-section (9) of section 206C for collection of tax at such lower rate;*

(1A) *The existing and estimated tax liability referred to in sub-rule (1) shall be determined by the Assessing Officer after taking into consideration the following, namely: —*

- (i)** *tax payable on estimated income of the previous year relevant to the assessment year;*
- (ii)** *tax payable on the assessed or returned or estimated income, as the case may be, of the last four previous years;*
- (iii)** *existing liability under the Act and the Wealth-tax Act, 1957 (27 of 1957);*

- (iv) advance tax payment, tax deducted at source and tax collected at source for the relevant assessment year relevant to the previous year till the date of making application under sub-rule (1) of rule 37G.]*
- (2) The certificate given under sub-rule (1) shall be valid for the assessment year specified in that certificate, unless it is cancelled by the Assessing Officer at any time before the expiry of the specified period.*
- (3) An application for a fresh certificate may be made, if required, after the expiry of the period of validity of the earlier certificate given under sub-rule (1).*
- (4) The certificate shall be valid only for the person named therein.*
- (5) The certificate shall be issued direct to the person responsible for collecting the tax under advice to the buyer who made an application for issue of such certificate.]*
- (6) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, shall lay down procedures, formats and standards for issuance of certificate under sub-rule (5) and the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) shall also be responsible for evolving and implementing appropriate security, archival and retrieval policies in relation to the issuance of said certificate.]*



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