

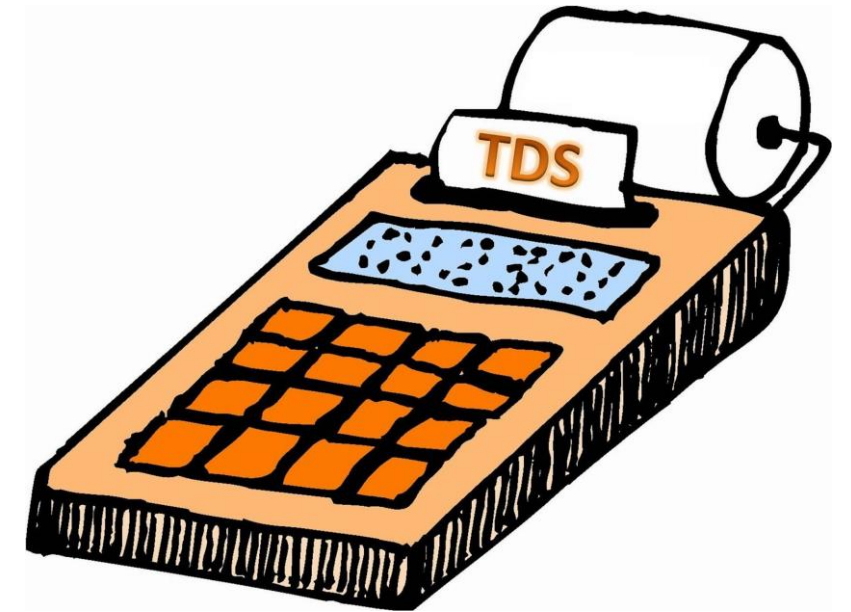
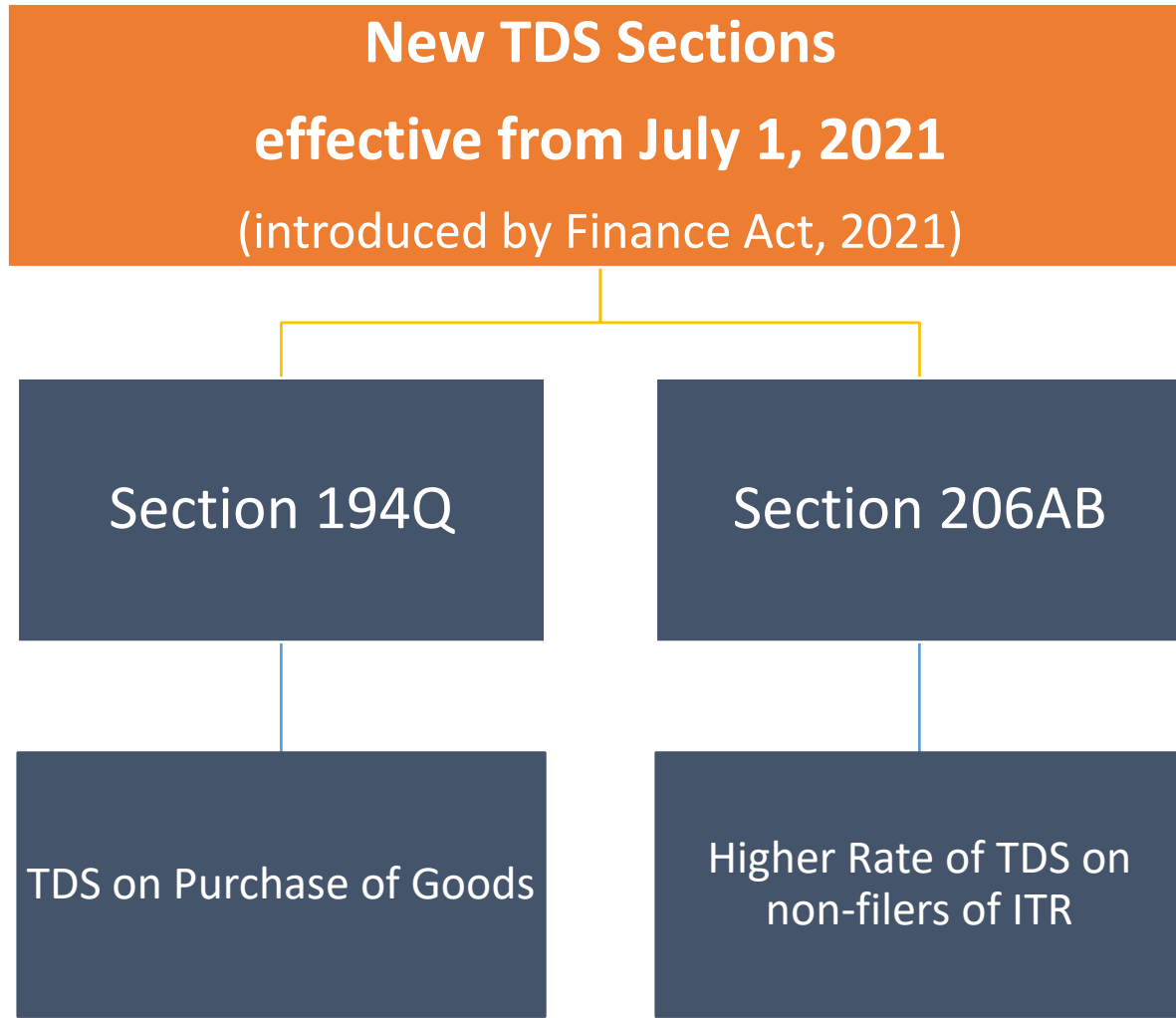
Shiv & Associates
Chartered Accountants



New Provisions of TDS

Applicable w.e.f. July 1, 2021

New Provisions of TDS



Section 194Q

To be Deducted by

Persons having Turnover exceeding Rs. 10 crores in preceding Financial Year

To be Deducted in case of

Any seller from whom purchase of goods exceeds Rs. 50 lakhs in the Financial Year

TDS Rate

0.1% on value exceeding Rs. 50 lakhs.
5%- if PAN not available

Time of Deduction

At the time of recording purchase or making payment, whichever is earlier.

Not Applicable

- Where TDS deductible under any other Section
- TCS collectible under any other Section (except in case of sale of goods)
- Payment to Non-Resident

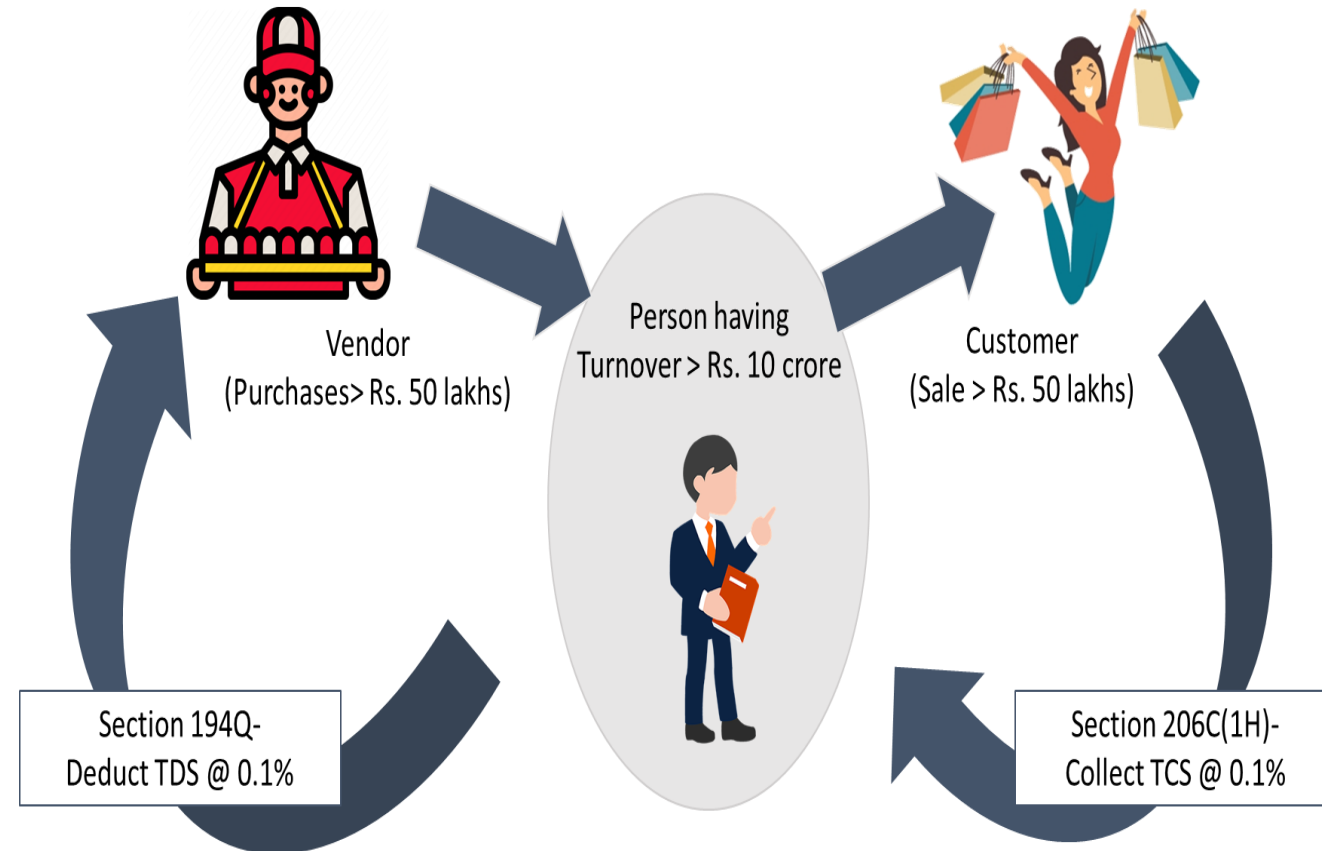
In case of Non-Compliance

30% of value of goods purchased shall be disallowed in Income Tax Computation



Section 194Q vs Section 206C(1H)

Section 194Q	Section 206C(1H)
On purchase of goods from single vendor > Rs. 50 lakhs	On sale of goods to single customer > Rs. 50 lakhs
Tax to be deducted on @ 0.1% from value of goods	Tax to be collected @ 0.1% in addition to value of goods
Applicable at time of payment or recording purchase, whichever is earlier	Applicable at the time of collection.
Applicable on value excluding GST	Applicable on value including GST
Effective from July 1, 2021	Effective from Oct 1, 2020
Where TDS under Section 194Q is deducted by buyer, TCS provision shall not be applicable	



Q1. Is TDS provision applicable for all persons?

TDS is applicable only on persons having Annual Turnover exceeding Rs. 10 crore in preceding Financial Year.

Q2. What shall be included in Turnover?

Turnover shall include total value of sale of goods and services, excluding GST and returns.

Q3. Do I need to deduct TDS on advance payment as well?

Yes, TDS is applicable on recording of sale or payment, whichever is earlier.



Q4. How to compute limit of Rs. 50 lakhs?

Value of Rs. 50 lakhs has been considered on cumulative basis for each vendor for the whole Financial Year w.e.f. 1st April. However, TDS shall be applicable only on value exceeding Rs. 50 lakhs on/after Jul 1, 2021.

Case	Purchase from 1.4.21 to 30.6.21	Purchase from 1.7.21 to 31.3.21	TDS to be deducted on
I	40 lakhs	20 lakhs	10 lakhs
II	60 lakhs	20 lakhs	20 lakhs
III	60 lakhs	0	0

Q5. Is TDS applicable on purchase of capital goods (such as Machineries) as well?

Yes



Q6. Where turnover of both buyer and seller exceeds Rs. 10 crore, will both TDS and TCS shall be applicable?

Where turnover of both buyer and seller exceeds Rs. 10 crore, buyer is required to deduct TDS and TCS provisions shall not be applicable.

Turnover of Buyer	Turnover of Seller	Total Value of Goods	Applicability of TDS & TCS
Rs. 9 cr	Rs. 9 cr	60L	No
Rs. 11 cr	Rs. 9 cr	60L	TDS @ 0.1%
Rs. 9 cr	Rs. 11 cr	60L	TCS @ 0.1%
Rs. 11 cr	Rs. 11 cr	60L	TDS @ 0.1% (No TCS required)
Rs. 11 cr	Rs. 11 cr	40L	No

Q7. Is there any separate return that I need to file for TDS on goods?

There is no separate return. Details of TDS on goods shall be filed in Form 26Q along with details of TDS deducted under other sections.



In case, your Turnover exceeds Rs. 10 crore in FY 2020-21,

- Accounting software may be upgraded to track if purchases of goods/ payment to a single vendor exceeds Rs. 50 lakhs in Financial Year.
- A confirmation may be obtained from customers if TDS on sale of goods is applicable to them, so as to disable collecting TCS from such customers.
- An intimation should be sent to all vendors informing applicability of TDS, so that TCS is not collected by them.



Section 206AB

Higher Rate of TDS in case of

- Where Income Tax Return not filed by vendor for two preceding year whose due date of filing of Return has expired, and
- Where total TDS/TCS of the vendor, from all sources, exceeds Rs. 50,000 for each two preceding year.

Rate Applicable

Higher of-

- Twice the rate specified
- Twice the rate in force, or
- 5%

Not Applicable

- Salary
- Premature withdrawal of PF
- Winning from Lottery/ Horse Race
- Income from Securitization Trust
- Cash Withdrawal from Bank

Higher Rate for TCS

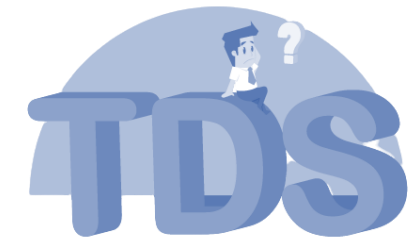
Similar provision applicable on TCS as well under Section 206CCA



Section 206AB: Example

ABC Ltd received contractual manpower service from Mr. P (individual) valuing Rs. 2,00,000 in the month of July 2021.

Status of ITR of Mr. P			Cumulative Tax Deducted on/ Collected from Mr. P (by ABC Ltd or any other person)			Rate of Tax applicable
FY 18-19	FY 19-20	FY 20-21	FY 18-19	FY 19-20	FY 20-21	
Filed	Filed	Not Relevant as due date of ITR has not expired	Not Relevant as ITR already filed		Not Relevant	1% (194C)
Filed	Not Filed		Not Relevant as ITR filed for atleast 1 year		as due date of ITR has not expired	1% (194C)
Not Filed	Not Filed		RS. 40,000	Rs. 70,000	has not expired	1% (194C)
Not Filed	Not Filed		Rs. 51,000	Rs. 70,000		5% (206AB)



Note: In case the service provided was professional service, rate of TDS u/s 206AB shall be 20% (i.e. twice of 10%)



Q1. How will I verify the status of Return of Income and TDS deducted of other persons?

It is expected that a utility shall be provided by Income Tax Department to verify the same (similar to utility provided for Section 194N).

Q2. Is it applicable for payment to non-resident as well?

Provisions are not applicable to non-residents if they do not have permanent establishment in India

Q3. Is Section 206AB applicable in case of TDS on purchase of goods?

Yes. The higher rate of TDS shall be 5% in case of TDS on purchase of goods.



Q4. I have taken a declaration from vendor that he has filed return of Income, is it sufficient compliance to this Section?

Declaration does not release you from compliance of deducting tax at higher rate, in case the vendor has not filed its return of Income.

Q5. Do I need to verify the status of ITR of vendors every time while deducting tax?

Once the due date of ITR for FY 2020-21 expires, relevant preceding years for Section 206AB shall change. Hence, status of ITR of vendors is required to be verified again while deducting tax.



- Organisation need to identify vendors who have defaulted in filing of Return of Income and on whom higher rate of tax shall be applicable.
- Once the due date of filing of return of FY 2020-21 has expired, the status of vendors need to be updated again.
- While on-boarding new vendor, ITR filing status of that vendor should be verified.



For any assistance, feel free to contact us



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