***SUMMARY***

***of***

***Important TDS-TCS Provisions***

**Section 194Q –**[**TDS**](https://taxguru.in/income-tax/tax-deducted-source-tds.html)**on PAYMENT for PURCHASE of GOODS (w.e.f. 01.07.2021)**

1. Applicable on **BUYER** i.e. person making payment

2. **On GOODS** purchased – not on services

3. **SELLER is RESIDENT** i.e. not applicable to Non-Resident (not having any permanent establishment in India).

4. BUYER has **TURNOVER** from business EXCEEDING Rs.**10 CRORES** in the preceeding financial year.

5. **PAYMENT** to supplier / credit to account of supplier, whichever is earlier, during the financial year **EXCEEDS Rs.50 LAKHS**.

6. **TDS @ 0.10 %** of PAYMENT / credit over Rs.50 LAKHS INCLUDING GST.( Advisable to include GST component)

7. IF **PAN NOT PROVIDED** but has filed  RETURNS in the last preceding two previous years:   **HIGHER of – applicable rate or 5%** [2nd Proviso to Section 206AA(1)]

8. If PAN NOT PROVIDED and ALSO NOT FILED RETURNS for the preceding two previous years within time limit prescribed u / s 139(1) and total of TDS and [**TCS**](https://taxguru.in/income-tax/tax-collected-source-tcs.html)in each of two preceding previous years is Rs. 50,000/- or more : Higher of – 5% or 5%, i.e., 5%  [Section 206AB(2) read with 2nd Proviso to Section 206AA(1)]

9. Provisions of this section shall not apply where tax is deductible under any provisions of the Act and tax is collectible under section 206C, other than transactions where Section 206C (IH) applies; Section 194Q(5) – Where section 194Q applies, section 206C(1H) shall not apply.

**Section 206AA – TDS ON PAYMENTS to Non – providers of PAN (w.e.f. 1.4.2010)**

1) HIGHER of – specified rate or 20%

2) However, for Section 194O and 194Q, it shall be read as –

**HIGHER of – applicable rate or 5%**

 (Second Proviso to Section 206AA regarding Section 194 Q inserted w.e.f. 01.7.2021 by Finance Act, 2021)

[This section starts with Non-obstante clause and accordingly has overriding effect over other provisions of the Act.]

**Section 206AB – TDS on Non – filers of Returns (w.e.f. 01.07.2021)**

[A person who has Not filed Income Tax returns of immediately preceding TWO financial years within time limit prescribed u/s 139(1) and aggregate of TDS deducted and TCS collected in his case is Rs.50,000 or more in each of the two preceding years]

1) PAN available – HIGHER of – Twice the specified rate or 5% ; Section 206AB(1);

2) PAN not available – HIGHER of – specified rate / 5% as per section 206AB (1);  or 20% as per  Section 206AA, except for Section 194Q @ 5% [since 2nd Proviso to Section 206AA(1) applies which states rateof 5%.]

3) This section starts with Non – obstante clause and accordingly has overriding effect over other provisions of the Act. ]

4) Please see Note 2 below

**Section 206CC – TCS for failure to provide PAN BY PERSON MAKING PAYMENT ( w.e.f. 1.4.2017 )**

**1) HIGHER of – Twicethe specified rate or 5% ; Section 206CC(1)**

[e.g. under Liberalized Remittance Scheme (LRS), remittance exceeding Rs. 7 lakhs in a financial year or Overseas Tour Package, TCS rate is 5%, therefore if[**PAN**](https://taxguru.in/income-tax/permanent-account-number-pan.html/)is not provided then, TCS to be collected will be HIGHER OF – (a) Twice of specified TCS Rate of 5% and (b) 5%, i.e. 10%.]

2) For Section 206C(1H) (TCS to be collected by Seller of goods from  Buyer)  :  HIGHER of – Twicethe specified rate  ( twice of 0.10% i.e. 0.20% ) or 1%  ( First Proviso to Section 206C (IH ) read with Section 206CC(1); ( Providing Aadhar Number is optional for Buyer ).

3) This section starts with Non-obstante clause and accordingly has overriding effect over other provisions of the Act.

**Section 206CCA – TCS of Non filers of Returns ( w.e.f. 1.7.2021)**

**(A person who has Not filed returns of immediately preceding TWO financial years and aggregate of TDS deducted and TCS collected in his case is Rs.50,000 or more in each of the two preceding years) –**

**1. HIGHER of – Twicethe specified rate or 5%**

**2. If PAN not provided to the person collecting tax, then HIGHER of rate Provided in Section 206CC(1) (higher of twice the rate specified/ 5%) OR Twice the rate specified / 5% [section 206CCA (1)  and  section 206CCA(2)].**

**3. This section starts with Non-obstante clause and accordingly has overriding effect over other provisions of the Act.**

**Section 206C (1H) – TCS on RECEIPT of SALE CONSIDERATION on Sale of GOODS from BUYER (w.e.f 01.10.2020)**

1. Applicable on **SELLER** i.e. person receiving payment of sales consideration

2**. On GOODS** sold – not on services

3. **BUYER is RESIDENT** i.e. not applicable to **EXPORT OF GOODS**.

4. SELLER has **TURNOVER** from the business EXCEEDING **Rs.10 CRORES** in the preceding financial year.

5. **RECEIPTS** during the financial year **EXCEEDS Rs.50 LAKHS**.

6. **TCS @ 0.10%** on RECEIPTS EXCEEDING Rs.50 LAKHS INCLUDING GST.

7. IF PAN or AADHAR NOT PROVIDED by BUYER but FILED INCOME TAX RETURNS in the past –  HIGHER of – Twice the specified rate (Twice of 0.10 %, i.e. 0.20%) or 1% [1st Proviso to Section 206C(1H) read with Section 206CC(1)(ii)]

8. If PAN or AADHAR NOT PROVIDED by buyer and also NOT FILED INCOME TAX RETURNS then  (1) UNDER SECTION 206C(IH) :

Hi**gher of –**

**(I) Twice of Rate specified (Twice of 0.10%) and 1 % – as per First Proviso to Section 206C(IH ) read with section 206CC(1)(ii)];**

**AND**

**(II) Higher of – Twice the rate specified (Twice of 0.10%) or 5%)] – u/s 206CCA(2)**

 i.e. higher rate is 5% under first proviso to section 206C(IH) read with Section 206CC (1)(ii)  and Section 206CCA(2) for non-filers who are not submitting PAN [or Aadhar u/s 206C(IH)].

**NOTES:**

1. Where the buyer fails to deduct and deposit TDS, purchase expenditure (on which TDS is not deducted and deposited) to the extent of 30% will be disallowed u/s 40(a)(ia) of the Act ;

2. Section 206AB is applicable to all the TDS sections like Section 194 (Dividends), 194A (Interest), 194C (Payments to contractors/ subcontractors), 194H (Commission), 194-I (Rent), 194 J (Professional fees), 194IA (Purchase/ Sales consideration of Immovable Property), etc., except Sections192, 192A, 194B, 194BB, 194LBC and 194N.

3. CBDT has vide its[***Circular No. 11/2021 dated 21.6.2021***](https://taxguru.in/income-tax/compliance-check-functionality-sections-206ab-206cca.html) (F. No. 3701331712021-TPL) clarified that for the purposes of Section 206AB and Section 206CCA, LIST AS AT THE BEGINNING of financial year 2021-22 needs to be checked from Income Tax Portal (“Compliance Check for Sections 206AB & 206CCA”) as regards ‘specified persons’ to which no new name shall be inserted in financial year 2021-22; Only deletion of names of assesses who have filed Income Tax Returns (including Belated and revised TCS & TDS returns) shall be done.