

TCS

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**TAX COLLECTED
at SOURCE
(TCS)**



Income Tax Department

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TAX COLLECTED AT SOURCE (TCS)

1. Tax collected at source (TCS) is an extra amount collected as tax collected by a seller of specified goods from the buyer at the time of sale over and above the sale amount and is remitted to the government account. As per Income Tax Act 1961; Certain persons, being the **sellers** must **collect** a specified percentage of **tax** (as given in para 7) below at the time of receipt of amount from their buyers on such transactions. Section 206C of the Income-tax Act mentions the particulars of goods, on sale of which tax needed to be collected from the purchasers.
2. However, no collection of tax (TCS) shall be made in case of a buyer who has furnished to the Commissioner or Chief Commissioner a declaration that such goods are going to be used for his manufacturing purposes and not for trading purposes.
3. Besides sale of goods, every person who enters into a agreement of lease, license or contract for parking lot, toll plaza or mining or quarrying will collect an amount @ 2% from such parties as TCS.
4. The person collecting tax has to obtain **Tax collection Account Number** and quote it in all challans, certificates and returns or all other documents pertaining to the transactions. The buyer shall furnish his Permanent Account Number (**PAN**) to the seller, failing which tax shall be collected at the higher rate (twice or 5 percent whichever is higher).
5. If the person responsible for collection of TCS fails to collect or after collecting fails to pay, he shall be deemed to be **an assessee in default** in respect of the tax and various consequences as per follow:

Classification of Sellers and Buyers for TCS

- (a) Under TCS mechanism, a **seller** is defined as any of the following:
 1. Central Government
 2. State Government
 3. Local Authority
 4. Statutory Corporation or Authority
 5. Company registered under Companies Act
 6. Partnership firms
 7. Co-operative Society
 8. Any person or HUF who is subjected to an audit of accounts under Income tax act for a particular financial year.
- (b) A **buyer** is classified as a person who obtains goods or the right to receive goods in any sale, auction, tender or any other mode.

TCS is not necessary for the following buyers:

1. Public Sector Companies
2. Central Government
3. State Government
4. Embassy of High Commission, Consulate and other Trade Representation of a Foreign State
5. A Club, such as social clubs, sports clubs and the like

Goods and transactions covered under TCS provisions and rates applicable to them

9. The rate of TCS is different for goods specified under different categories are as under :

Type of Goods	Rate
Liquor of alcoholic nature, made for consumption by humans	1%
Timber wood under a forest leased or by any other mode	2.5%
Tendu leaves	5%
A forest produce other than Tendu leaves and timber	2.5%
Scrap	1%
Minerals like lignite, coal and iron ore	1%
Purchase of Motor vehicle exceeding Rs. 10 Lakhs	1%
Parking lot, Toll Plaza and Mining and Quarrying	2%

TCS Payments

- a. The tax collected is to be paid to the Central Government within one week of the last day of the month in which the tax is collected. This payment can be made in any branch of Reserve Bank of India (RBI), State Bank of India (SBI), or any other authorised bank. The payment is to be made accompanied by income tax challan 281.
- b. All sums collected by an office of the Government should be deposited on the same day of collection if tax is paid accompanied by an income tax challan.

Failure to make payment to Government Account

- (i) If the tax collector responsible for collecting the tax and depositing the same to the government does not collect the tax or after collecting doesn't pay it to the government as per above due dates, then he will be liable to pay interest of 1% per month or a part of the month.
- (ii) The person would also be liable for penalty u/s 271C of the Act amount of which would be equal to amount of tax liable to be collected.
- (iii) The person will also be liable to prosecution u/s 276BB of the Act, term of which is upto 7 years of imprisonment.

TCS Returns & Certificate of TCS

It is mandatory for all collectors of tax to furnish Quarterly TCS returns online with CPC-TDS in Form No.27EQ in

electronic form within the prescribed time. The collector can also file correction statement for rectification of any mistake or add/delete or update the information already furnished.

Note: Filing of TCS return after due date is liable for Late Filing Fee of **Rs.200/- per day** for the failure period.

The certificate of collection of tax (TCS) is to be issued by the collector to the buyer in Form 27D.

The due dates for delivering TCS quarterly returns and issue of TCS certificates are as under :

Qtr. of the FY ended	Due Date of 27EQ TCS quarterly statements	Due date of issued of TCS certificate in 27D
30th June	15th July of the FY	30th July
30th September	15th October of the FY	30th October
31st December	15th Jan. of the FY	30th January
31st March	15th May of the FY immediately following the FY in which collection is made	30th May

Note: Failure to furnish certificate may attract penalty of **Rs.100/- for every day** of failure.

TCS Exemptions

No collection of tax is to be made, if a declaration is furnished by the buyer in Form Number 27C (in duplicate) to the effect that the goods listed are to be used for the purpose of manufacturing or processing or for producing articles/things or for the purpose of generation of power and not for trading. A copy of the declaration has to be given to the person collecting tax. The person collecting this declaration form has to submit the copy to the authorities concerned (Pr. CCIT/CCIT/Pr.CIT/CIT) on or before the seventh day of the following month.

Lower Rate of TCS

The buyer (Collectee) can apply to the Assessing Officer (AO) for a lower rate, using Form No.13, subject to the condition that the AO is convinced that the total income of the buyer (Collectee) justifies the lower rate. The AO may issue a certificate, specifying the rate of collection u/s 206C of the Income Tax Act. Such certificate will be now issued online by the CIT-CPC (TDS), on the application submitted online.

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This brochure should not be construed as an exhaustive statement of the law. For details - reference should always be made to the relevant provisions in the Acts and the Rules.