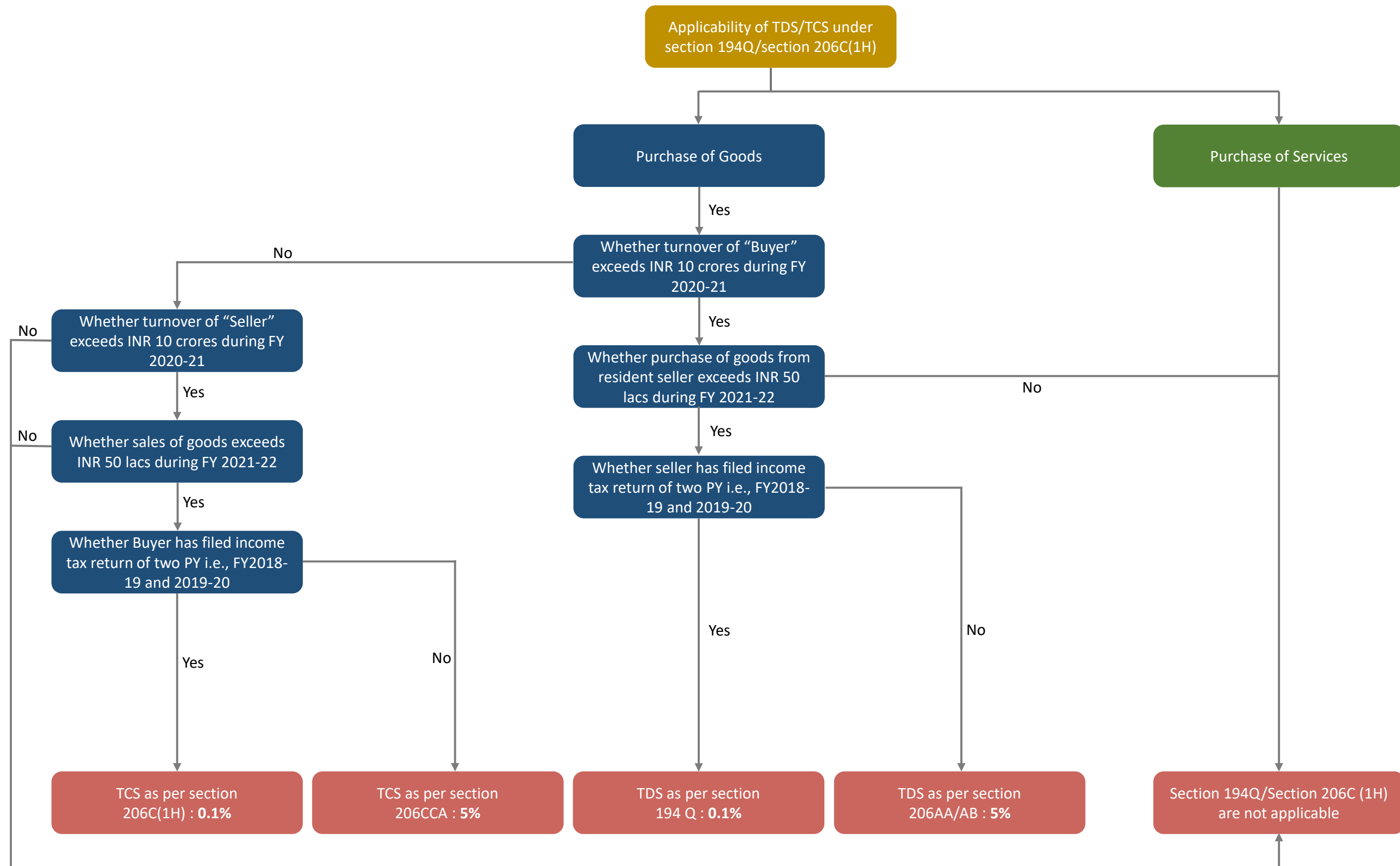


# Applicability of Section 194Q/206C(1H) and 206AB/206CCA of Income Tax Act

**Khandhar Mehta & Shah**  
Chartered Accountants

# APPLICABILITY OF SECTION 194Q & 206C(1H) with effect from 1<sup>st</sup> July 2021



***If buyer is liable to deduct TDS u/s194Q, then provisions of Tax Collection at Source (TCS) u/s 206C(1H) shall not be applicable.***

# DRAFT COMMUNICATION FOR OVERVIEW OF TDS U/S 194Q

Date: 21-06-2021

To:

Name of Seller

Address of Seller of Goods

Dear Sir/Madam,

**Subject: - TDS u/s 194Q of the Income Tax Act on Purchase of Goods**

We would like to draw your attention towards the provisions of TDS u/s 194Q of the Income Tax Act on purchase of goods, introduced in the Finance Act, 2021, applicable with effect from 1<sup>st</sup> July 2021.

**Applicability of TDS u/s 194Q:**

**Buyer:**

Provisions of section 194Q would apply to a **buyer**, whose total sales, gross receipt or turnover from the business carried on by him **exceeds Rs. 10 Crore during the financial year immediately preceding financial year**. Accordingly, for deduction of TDS u/s 194Q for F.Y. 2021-22 the turnover of buyer for F.Y. 2020-21 shall be considered.

**Purchase of Goods:**

Provision of TDS u/s 194Q shall be applicable on purchase of goods made from **resident seller exceeding Rs. 50,00,000/- during the financial year**.

**Liability to deduct TDS:**

Buyer shall deduct TDS **at the time of credit or at the time of payment, whichever is earlier**.

**Rate of TDS:**

TDS @ **0.1%** shall be deducted on **purchase of goods exceeding Rs. 50,00,000/- during the financial year**.

**Important Points of section 194Q:**

- ▶ Provisions of TDS u/s 194Q shall not be applicable if, TDS is deductible under any of the provisions of the Income Tax Act.
- ▶ If buyer is liable to deduct TDS u/s 194Q, then provisions of Tax Collection at Source (TCS) u/s 206C(1H) shall not be applied.
- ▶ Higher rate of TDS at the rate of 5% shall be applied in case of failure to provide PAN by Seller in view of provisions of section 206AA of the Income Tax Act.
- ▶ Further, where aggregate TDS & TCS is Rs. 50,000/- or more in each Financial Year 2018-19 & 2019-20 and income tax return is not filed or filed after the expiry of time limit u/s 139(1), then higher rate of TDS in view of provisions of section 206AB of the Income Tax Act will be attracted.

# DRAFT DECLARATION FOR TDS U/S 194Q

## On the Letter Head of Buyer

To:  
Name of the Seller  
Address of the Seller

### Sub: Declaration for applicability of TDS u/s 194Q of the Income Tax Act

Dear Sir/Madam,

I/We, \_\_\_\_\_, having PAN \_\_\_\_\_ hereby declare that our total sales/ gross receipt/turnover from the business carried out during the Financial Year 2020-21 is more than Rs. 10 Crore. Therefore, provisions of section 194Q of the Income Tax Act shall be applicable to us and hence, we as buyer are liable to deduct TDS at the rate of 0.1% with effect from 1<sup>st</sup> July 2021 on purchase of goods exceeding Rs. 50,00,000/- during Financial Year 2021-22.

Since, I/we are liable to deduct TDS u/s 194Q of the Income Tax Act, you are requested not to collect TCS u/s 206C(1H) of the Income Tax Act for invoices to be issued on or after 1<sup>st</sup> July 2021.

You are requested to intimate your Permanent Account Number. In case of failure to provide PAN, TDS shall be deducted at the rate of 5% in view of provisions of section 206AA of the Income Tax Act.

Further, you are requested to provide the following details in view of the provisions of section 206AB of the Income Tax Act:

Financial Year	E-filing Acknowledgement Number	Date of filing of return of income	Whether aggregate TDS & TCS is more than Rs. 50,000 in each financial year
2018-19			
2019-20			

Non-filing of income tax returns in above cases, will attract higher rate of TDS as per provisions of section 206AB of the Income Tax Act.

### Declaration/Verification

I/we \_\_\_\_\_ hereby declare that the above information provided by me/us are correct and complete to the best of my knowledge and belief.

**For,**  
Authorized Signatory

Date:  
Place:

# DRAFT COMMUNICATION FOR OVERVIEW OF HIGHER RATE OF TDS U/S 206AB

Date: 21-06-2021

To:

Name of Deductee

Address of Deductee

Dear Sir/Madam,

**Subject: - Special Provisions of section 206AB for deduction of TDS at higher rate of the Income Tax Act**

We would like to draw your attention towards the special provisions for deduction of TDS at higher rate for non-filers of Income Tax Returns, which is applicable with effect from 1<sup>st</sup> July 2021.

**Applicability of section 206AB:**

**Deductee:**

Provisions of section 206AB of the Income Tax Act would apply to a **Deductee**, whose Income Tax Return is not filed or filed after the expiry of time limit u/s 139(1) for last two Financial Year i.e. F.Y. 2018-19 and F.Y. 2019-20 and aggregate of TDS & TCS is Rs. 50,000 or more in each financial year.

**Rate of TDS:**

TDS shall be deducted at higher of the following rates:

- ▶ At twice the rate specified in relevant provisions of the Income Tax Act
- ▶ At twice the rate or rates in force
- ▶ At the rate of 5%

**Non-Applicability:**

The provisions of section 206AB of the Income Tax Act shall not be applicable on the following sections of TDS:

- ▶ Section 192- TDS on Salary
- ▶ Section 192A- TDS on payment of accumulated balance due to an employee participating in a recognised provident fund
- ▶ Section 194B- TDS on winnings from lottery or crossword puzzle
- ▶ Section 194BB- TDS on winnings from horse race
- ▶ Section 194LBC- TDS on income in respect of investment in securitization trust
- ▶ Section 194N- TDS on withdrawal of certain amounts in cash

# DRAFT COMMUNICATION FOR OVERVIEW OF HIGHER RATE OF TCS U/S 206CCA

Date: 21-06-2021

To:

Name of Collectee

Address of Collectee

Dear Sir/Madam,

**Subject: - Special Provisions of section 206CCA for collection of TCS at higher rate of the Income Tax Act**

We would like to draw your attention towards the special provisions for collection of TCS at higher rate for non-filers of Income Tax Returns, which is applicable with effect from 1<sup>st</sup> July 2021.

**Applicability of section 206CCA:**

**Collectee:**

Provisions of section 206CCA would apply to a **collectee**, whose Income Tax Return is not filed or filed after the expiry of time limit u/s 139(1) for last two Financial Year i.e. F.Y. 2018-19 and F.Y. 2019-20 and aggregate of TDS & TCS is Rs. 50,000 or more in each financial year.

**Rate of TCS:**

TCS shall be collected at source on higher of the following:

- ▶ At twice the rate specified in relevant provisions of the Income Tax Act
- ▶ At the rate of 5%.

# DRAFT DECLARATION FOR SECTION 206AB/CCA

## On the Letter Head of Deductee/Collectee

To:

Name of the Deductor/Collector

Address of the Deductor/Collector

### Sub: Declaration for applicability of TDS/TCS at higher rate as per provisions of section 206AB/206CCA of the Income Tax Act

Dear Sir/Madam,

I/We, \_\_\_\_\_, having PAN \_\_\_\_\_ hereby declare that the Income Tax Returns for Financial Year 2018-19 and 2019-20 have been filed within the time limit of section 139(1) of the Income Tax Act. The details of the income tax return filed for both the financial year are as under:

Financial Year	E-filing Acknowledgement Number	Date of filing of return of income	Whether aggregate TDS & TCS is more than Rs. 50,000 in each financial year
2018-19			
2019-20			

### Declaration/Verification

I/we \_\_\_\_\_ hereby declare that the above information provided by me/us are correct and complete to the best of my knowledge and belief.

**For,**

Authorized Signatory

Date:

Place:

Khandhar Mehta & Shah  
Chartered Accountants  
3<sup>rd</sup> Floor, Devpath Complex,  
Off C G Road, Navrangpura,  
Ahmedabad – 380009  
Gujarat – India

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