

PROVISIONS OF THE INCOME
TAX ACT 1961 – TAX COLLECTED
AT SOURCE

WHAT IS TCS?

- Tax payable by **the seller** for the sale of **certain specified goods**.
- The prescribed amount of tax is **collected** by the seller from the buyer at the earlier of:
 - (a) Debiting the amount payable by the buyer
 - (b) Receipt of the amount from the buyer
- The tax is then deposited by the seller with the Central Government within the prescribed period using their TAN number

Goods / Services covered u/s 206C

206C(1)

- Alcoholic Liquor for human consumption – 1%
- Tendu Leaves – 5%
- Timber or any other forest produce obtained under a forest lease – 2% (**amended in Budget 2025**)
- Timber obtained by any mode other than forest lease – 2.5%
- Scrap – 1%
- Minerals, being coal / lignite / iron ore – 1%

206C(1C)

Grant of license of parking lot, toll plaza, mine or quarry – 2%

206C(1F)

Sale of motor vehicle for a consideration exceeding Rs 10 lacs – 1%

Other Goods covered u/s 206C(1H) – **Omitted from 01.04.2025.**

CBDT Notification No. 36/2025 dated 22.4.2025

The following goods **of the value exceeding ten lakh rupees** have been notified for collection of tax at source as specified in 206C(1F):

- Any wrist watch
- Any art piece such as antiques, painting, sculpture
- Any collectibles such as coin, stamp
- Any yacht, rowing boats, canoes, helicopters
- Any pair of sunglasses
- Any bag such as handbag, purse
- Any pair of shoes
- Any sportswear and equipment such as golf kit, ski-wear
- Any home theatre system
- Any horse for horse racing in race clubs and horse for polo

Motive : Through this reporting, the income tax department will be able to track high value transactions and in case the income declared by the taxpayer in his ITR does not justify such high value spending, tax department may further enquire about the sources of such spendings

TCS Rates pertaining to Foreign Remittances Sec 206C(1G)

Foreign remittance for :

- Educational purpose
 - (a) Funded by Educational Loan from a specified financial institution
:Nil (amended in Budget 2025)
 - (b) Others : >10 lacs – 5% on the excess amount
- Medical expenditure exceeding Rs 10 lacs – 5% on the excess amount
- Overseas Tour Programs :
 - (a) Upto Rs 10 lacs – 5%
 - (b) >10 lacs – 20%
- Other foreign expenditure > Rs 10 lacs – 20% on the excess amount
- International Credit Card Payments – exempt from LRS

TCS is not attracted when:

- The buyer purchases the goods covered u/s 206C(1) for personal consumption
- The buyer furnishes a declaration in writing to the effect that the goods referred to u/s 206C(1) are to be utilized for the purpose of manufacturing, processing or production of articles / things, or for the generation of power, and not for trading purposes.
- The buyer is 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 or any other person notified by the Central Government (**Applicable to all transactions u/s 206C**)
- The buyer is a public sector company / club [w.r.t 206C(1)]
- The buyer is a local authority / public sector company engaged in the business of carrying passengers [w.r.t 206C(1F)]

RESPONSIBILITIES OF THE TAX COLLECTOR

- Pay the TCS within 1 week from the end of every month [Rule 37CA read with Section 206C(3)].
- File the quarterly TCS return in Form 27EQ
- Due dates – 15 July, 15 October, 15 January, 15 May
- Issue certificate in Form 27D to the buyers within 15 days of the date of filing the TCS returns

IMPLICATIONS OF NON-COMPLIANCE

- Section 271CA is attracted
- Penalty can be imposed only by the Joint Commissioner of Income Tax
- The defaulter is liable to pay the penalty to the extent of a sum equal to an amount of tax not collected
- 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 delayed payment of TCS, the criminalization provisions **have been removed in Budget 2025, provided the TCS is paid on / before the prescribed time / due date for filing the TCS statement**

Thank You