

## **Income Tax Update**

**Some Important changes  
w.r.t TDS/TCS provisions  
from 1<sup>st</sup> July 2021**



## **Some Important Changes w.r.t TDS/TCS provisions from** **1<sup>st</sup> July 2021**

*(Assessee's may prepare for compliance to the extent applicable to them)*

The Finance Act, 2021 had brought in the following changes w.e.f 1<sup>st</sup> July 2021 in respect of TDS/TCS provisions:

- 1. Section 194Q – Deduction of tax at source on payment of certain sum for purchase of goods**

- As per Section 194Q of the Income Tax Act, 1961 ('the Act'), TDS is required to be deducted by a person (*whose total sales, gross receipts or turnover exceeds **Rs.10 Crore** during the financial year immediately preceding the financial year in which purchase of goods is carried out*) at the rate of **0.1 percent** at the time of credit or payment, whichever is earlier, to a resident seller for purchase of goods of value or aggregate of value in **excess of Rs 50 lacs** in the financial year.
- Where the Seller has not provided Permanent Account Number (PAN) to the buyer then the TDS would be deducted at 5 percent instead of 0.1 percent as per section 206AA.
- Section 194Q shall not apply where:

- a. Tax is deductible under any provisions of the Act;&
- b. Tax is collectible under the provisions of section 206C other than transaction to which section 206C(1H) is applicable. In case TCS u/s 206C(1H) is also applicable on the same transaction along with TDS under this section, then only TDS u/s 194Q shall be applicable. However, if buyer has not deducted TDS u/s 194Q then seller shall be required to comply with section 206C(1H).

## **2. Section 206AB – Deduction of tax at source for non-filers of income tax return**

- Section 206AB provides tax deduction at source on amounts paid or payable to the **specified person** at higher of the following rates:

- a. At twice the rate specified in the relevant provisions of Act; or
  - b. At twice the rate or rates in force; or
  - c. At the rate of 5%
- **Specified person** means:
    - a. a person who has not filed the tax return for both of the assessment years relevant to the previous years immediately prior to the previous year in which tax is required to be deducted, for which time limit for filing tax return has expired and aggregate of TDS and TCS is Rs. 50,000 or more in each of the 2 previous years.

b. shall not include a non-resident who does not have Permanent Establishment in India.

- Provisions of above section are not applicable only if tax is deductible under sections 192 (Salaries), 192A (Payment of accumulated balance from PF), 194B (Winning from lottery or cross word puzzle), 194BB (Winning from horse race), 194LBC (Income in respect of investment in Securitization Trust) and 194N (tax on cash withdrawals from banks)
- If both the provisions of section 206AA and section 206AB are applicable, that is, deductee has neither furnished his PAN to the deductor nor has he furnished his return of income for the specified

periods, the tax shall be deducted at the rates provided in section 206AA or section 206AB, whichever is higher.

### 3. Section 206CCA – Collection of tax at source for non-filers of income tax return

- Section 206CCA provides tax collection at source (where tax is required to be collected under Chapter XVII-BB) on amounts received from **specified person** at higher of the following rates:
  - a. At twice the rate specified in the relevant provisions of Act; or
  - b. At the rate of 5%

- Specified person means the same as defined above.
- If both the provisions of section 206CC and section 206CCA are applicable, that is, collectee has neither furnished his PAN to the collector nor has he furnished his return of income for the specified periods, the tax shall be collected at the rates provided in section 206CC or section 206CCA, whichever is higher.

**In view of above to the extent applicable, assessee's have to collect information / take declaration from each of the vendor / supplier / seller / buyer and persons from whose tax is required to be deducted/ collected in regard to applicability of provisions aforesaid provisions. Information is also required to be collected in respect of PAN,**



**residential status and filing of returns for last two previous years i.e. 2019-20 and 2020-21.**

***For detailed understanding of the aforesaid provisions and its applicability in your case, please refer section 194Q, 206AB & 206CCA of the Act.***

**DISCLAIMER:**

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