



**CBDT Clarification
Circular No 20/2023
dated 28 December 2023**

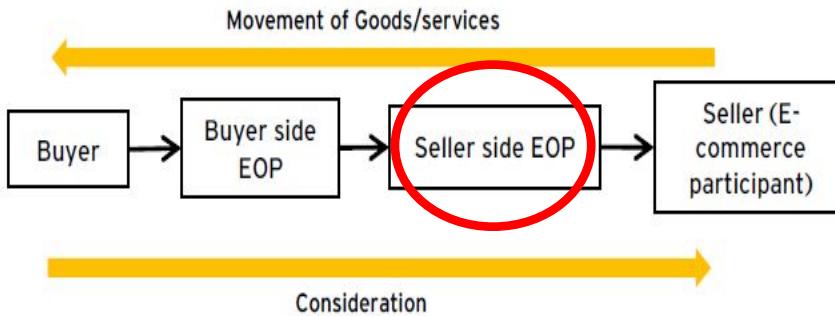
***Guidelines for applicability
of Section 194O, Income
Tax Act in multi-ECO model***

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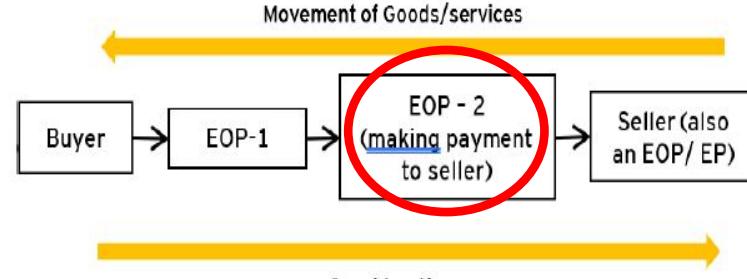
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Guidelines 3.1 : Who is liable to undertake TDS compliance under Section 194O in following situations?

Situation 1: Multiple EOPs are involved in a single transaction of sale of goods and seller-side EOP is not the actual seller of goods or provider of services, but a facilitator to the actual seller (e-commerce participant)



Situation 2: Multiple EOPs are involved in a single transaction of sale of goods and actual seller of goods or provider of services also uses their own electronic or digital platform for sale



TDS compliance to be undertaken by seller-side EOP (E-commerce Operator) who is responsible or deemed to be responsible for payment to e-commerce participant

TDS compliance to be undertaken by the intermediary EOP who is responsible for making payment Seller e-commerce participant

Guidelines 3.2 to 3.6 : Inclusions and exclusions from the “gross amount” for the purposes of TDS (as per examples provided in the circular)

Component	Whether to be included in ‘gross amount of sale’ for the purpose of 194-O ?
Packing fees, shipping fees and convenience charges invoiced by the seller to the buyer (Para 3.2 of the Circular)	Yes – to be subject to 194O
GST/ any state levy and taxes indicated separately (Para 3.3 of the Circular)	No - However, TDS under Section 194O may apply on GST component where (i) GST component is not included on the invoice (ii) If the taxes are to be deducted on payment basis (if it is earlier than credit)
Purchase returns (Para 3.4 of the Circular)	Purchase return leading to refunds : Where tax is already deducted on purchase, it can be adjusted against the next transaction vis-à-vis the same seller in the same FY Purchase returns leading to replacement : Where tax is already deducted at the time of original purchase, no TDS upon replacement
Seller discount (Para 3.5(a) of the Circular)	No – TDS to be undertaken on net sales price ie the sales price less the seller discount
Buyer EOP or Seller EOP discount (Para 3.5(b) of the Circular)	Yes – TDS is to be undertaken on gross sales price (without reducing discount) as seller receives full consideration and discount is borne by the e-commerce platform

Guidelines 3.2 : Exclusion under 194O(3) on convenience fee/ platform charges of e-commerce operators/ ONDC

Component	Whether TDS under Section 194H to be deducted? [where TDS under Section 194O is already deducted on gross sales (inclusive of all fees charged by the intermediaries)]
Seller app fees and buyer app fees (charged by the seller from the buyer and forming part of gross sales for 194O calculation) (ie convenience fees or commission, etc)	No TDS since its linked to the main transaction of sale of goods/ provisions of services are referred to 194O(1)
Platform fees (ONDC fees) <ul style="list-style-type: none">- Where included in billing to the buyer (by the seller) and linked to transaction- Where made on lumpsum basis and not linked to specific transaction	No TDS since its linked to the main transaction of sale of goods/ provisions of services are referred to 194O(1) Yes

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References

- Guidelines on applicability of Section 194-O, Income Tax Act in multi-ECO model,

<https://incometaxindia.gov.in/communications/circular/circular-20-2023.pdf>