



# TAX COLLECTION AT SOURCE (TCS)

**Consequences  
of non-  
compliance**

**TCS  
Obligations**

**TCS  
Payments  
How to  
Pay TCS**



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**Income Tax Department**  
**Central Board of Direct Taxes**



1. Tax collection at source (TCS) is an extra amount collected as tax 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 8 below) at the time of receipt of amount from their **buyers or at the time of debiting of the account of the buyer whichever is earlier**. 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 buyer, who is resident of India, if such buyer furnishes to the collector the declaration in writing to the effect that the goods are to be utilized for the purpose of manufacturing, processing or producing article or things (all for the purpose of generation of power) and not for trading purpose. One copy of such declaration is required to be submitted to the Chief Commissioner or Commissioner on or before 7 days of immediate to next month.
3. Besides sale of goods, every person who enters into an 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 and 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 follows.

## 6. 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.

## 7. TCS is not necessary for the following buyers:

1. Public Sector Companies
2. Central Government
3. State Government
4. Embassy of High commission
5. Consulate and other Trade Representative of a Foreign Nation.
6. Clubs such as Sports clubs and Social Clubs

## 8. Goods and transactions covered under TCS provisions and rates applicable to them

The rate of TCS is different for goods specified under different categories:

Nature of Goods	Rate
Liquor of alcoholic nature, made for consumption by humans	1%
Timber obtained under a forest lease	2.5%
Tendu leaves	5%
Timber obtained by any other mode than forest leased	2.5%
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%

## 9. Surcharge and Health & Education Cess on TCS Rates

Payee Status	Payment Exceeds	Surcharge Rates
Non Resident Individuals/HUF	Payment more than Rs. 50 lakh but not more than Rs. 1 crore	10%
	Payment more than Rs. 1 crore	15%
Non Resident – Co-operative society/firm	Payment more than Rs.1 crore	12%
Non-domestic company	Payment more than Rs. 1 crore but not more than Rs. 10 crore	2%
Non-domestic company	Payment more than Rs. 10 crore	5%

### Health & Education Cess @ 4% on TCS + Surcharge

## 10. TCS Payments

- The seller deposits the TCS amount in Challan 281 within one week of the last day of the month in which the tax was collected. This payment can be made in any branch of RBI, SBI or any other authorized bank or the same can also be paid electronically.
- All sums collected by an office of the Government should be deposited on the same day of collection.

## 11. Failure to make payment to Government Account

- 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.
- The person would also be liable for penalty u/s 271CA of the Act, which would be equal to amount of tax liable to be collected.
- The person will also be liable to prosecution u/s 276BB of the Act, term of which is upto 7 years of imprisonment.

## 12. TCS Returns & Certificate of TCS

It is mandatory for all collectors of tax to furnish **Quarterly TCS returns** (Form 27EQ) online to **CPC-TDS** in in electronic form within the prescribed time. The collector can also file correction statement for rectification of any mistake, 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 Collector of TCS has to provide a TCS certificate in Form 27D to the purchaser of the goods.

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

Quarter Ending	Due Date of filing return	Date for generating Form 27D
30th June	15th July	30th July
30th September	15th October	30th October
31st December	15th January	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.





### **13. TCS Exemptions**

Tax collection at source is exempted in the following cases :

1. When the eligible goods are used for personal consumption
2. The purchaser buys the goods for manufacturing, processing or production and not for the purpose of trading of those goods.

### **14. Lower Rate of TCS**

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

# **DIRECTORATE OF INCOME TAX**

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