

2963124 - FAQ on Tax Collected at Source (TCS)

Version	9	Type	SAP Note
Language	English	Master Language	English
Priority	Recommendations / Additional Info	Category	FAQ
Release Status	Released for Customer	Released On	30.09.2020
Component	XX-CSC-IN-SD (Sales and Distribution)		

Please find the original document at <https://launchpad.support.sap.com/#/notes/2963124>

Symptom

Important Note:

Please ensure that below note is implemented for section code to be updated against customer line for TCS documents.

If the section code is not updated then those TCS documents will not be fetched for reporting.

[2949714](#) - Section code needs to be updated for TCS billing document

For direct FI postings FB70/75 section code should be filled in the header of the screen.

Section code inturn is associated with the TAN no, so ensure that items belonging to different Plant (associated to different section code/TAN) must not be billed in the same invoice as this will lead to issue in quarterly returns filing.

Example:

Company code	Section code	TAN No
IN01	SE01	TAN123455
IN01	SE02	TAN567890

Company code	Plant	Section code
IN01	IN01	SE01
IN01	IN02	SE02

Single invoice with Plant IN01 and IN02 is not recommended as they belong to different section code. Two separate invoices should be created in this case.

Q1. What are the modules supported for TCS solution?

Q2. TCS for advance payments

Q3. TCS solution for Procurement/Buyer/Accounts payable side

Q4. Are credit notes and Sales returns processes supported?

Q5. Is excise scenario supported?

Q6. Will the existing TCS solution via WHT route become obsolete?

Q7. What is the condition type JTC2 for?

- Q8. Can we post TCS from sale of 206C other goods like scrap, timber, tendu etc to actual TCS G/L directly instead of intermediate G/L?
- Q9. Why is Material tax classification required?
- Q10. Why is Billing document with 2 step process(release to accounting via VF02 or VFX3) not supported?
- Q11. FB70/75 only supports TCS calculation on net amount and not gross amount.
- Q12. What are transaction codes supported for TCS?
- Q13. If Billing document is posted in current month and credit note is posted in the subsequent month after remittance, how will it be processed?
- Q14. For direct FI postings FB70/75 how to handle TCS along with GST?
- Q15. Creating Cancellation/Credit memo/Debit memo on 1st of october for documents posted prior to 1st Oct, 2020?
- Q16. Why do we need two tax codes and two G/L accounts for TCS?
- Q17. How will the tax amount be transferred from intermediate G/L to Final G/L?
- Q18. Is TCS applicable on Intercompany/Inter Unit Sales?
- Q19. Is TCS applicable on export sale?
- Q20. TCS applicability on Buyer who is Central govt, State govt, embassy, High commission, legation etc.?
- Q21. For 50 Lacs threshold check the sale consideration should be from 01.04.2020 or 01.10.2020? How to handle it?
- Q22. Can we change/update PAN no or Aadhar no in between once the transactions have happened?
- Q23. What about TCS applicability on composite supply?
- Q24. What about TCS applicability on job work?

Solution

Q1. What are the modules supported for TCS solution?

- A1. 1. SD (Sales and Distribution)
- 2. FI (Financials)

Q2. TCS for advance payments

A2. TCS on advance payments is not supported as of now.

There is ambiguity on calculation of TCS at the time of advance payment receipt. TCS on advance is applicable on 206c(1H) goods but for goods under 206C others the rule says TCS is applicable at the time of advance payment/invoice whichever is earlier. Also Advance payment received can be adjusted against 206c(1H) goods, Services etc.

Now if TCS is to be charged at the time of advance payment then what is the guarantee that the advance received will be adjusted against 206C(1H) goods only?

So if the advance is cleared against any TCS invoice the liability will be picked up for payment due 7th of

subsequent month.

Q3. TCS solution for Procurement/Buyer/Accounts payable side

A3. It is Legally not required to capture TCS in the incoming side as the seller will be depositing the collected tax against PAN/Aadhar of the buyer and the same can be adjusted by the buyer against his/her income tax liability. Here there is no Tax credit adjustment against payable and receivables unlike GST.

As a workaround please follow below steps-

1. You can create a new Tax condition for TCS using OBYZ Transaction.
2. Assign GST or your custom access sequence to this condition and maintain condition record. This is purely based on your Business therefore you can choose the access sequence or the combinations in it which suits your business.
3. Assign this condition type to the tax procedure and choose the applicable Base by assigning respective step no.
4. Create a new accounting key and assign it to this condition in tax procedure. Maintain G/L account for the accounting key.

We are planning to provide a possible solution for customers to capture TCS the TCS in the incoming side as well.

More details on the delivery of the same can be found in the below link-

<https://launchpad.support.sap.com/#/legalchangenotification/NoteInforSet/jira=GSREQAPJ-1129/TwoColumnsMidExpanded/0>

Q4. Are credit notes and Sales returns processes supported?

A4. Yes credit notes and Sales return processes are supported

Q5. Is excise scenario supported?

A5. Yes the current solution supports TCS postings for excisable goods as well

Q6. Will the existing TCS solution via WHT route become obsolete?

A6. No we continue to support existing TCS solution via WHT route till end of the financial year. And customers who are currently using WHT route for TCS on scrap, motor vehicles, timber etc can continue using the same.

Q7. What is the condition type JTC2 for?

A7. JTC2 condition type is for TCS others like Sale of Alcoholic liquor, timber, tendu leaves etc. JTC2 if for goods other than 206c(1H) where threshold check of 50 Lacs is not required

Q8. Can we post TCS from sale of 206C other goods like scrap, timber, tendu etc to actual TCS G/L directly instead of intermediate G/L?

A8. Yes TCS from JTC2 can be posted to actual TCS G/L.

Q9. Why is Material tax classification required?

A9. As per the standard behavior if tax category is introduced in OVK1 then the same will by default appear in customer tax classification and material tax classification.

Customers tax classification option is used to identify whether TCS is applicable for the customer or not.

TCS is not applicable for central government, state government, high commission, embassy, foreign customer so with this identifier TCS applicability will be considered.

Material classification here has no significance but by default it will appear if the user creates a new material or changes existing material. In that case please maintain any of the given classification. This is not used in the TCS solution.

Q10. Why is Billing document with 2 step process(release to accounting via VF02 or VFX3) not supported?

A10. Accumulation table will get updated with the total accumulation/sales amount and TCS amount only once the posting hits accounting.

If the billing document is posted and not released to accounting then tables J_1I_ACCUMHDR and J_1IG_ACCUMDTL will not be updated; meanwhile if subsequent documents are posted the accumulation would have been increased/decreased and if you now try to release the billing document to accounting at this point TCS will not be correct. So in order to have the right accumulation value and calculation of correct TCS amount, document should be posted to accounting.

For any reason if the document could not be released to accounting because of some error then you will have to retrigger pricing before "Release to Accounting".

This will ensure that correct TCS calculation will happen and accumulation tables will be updated correctly.

Q11. FB70/75 only supports TCS calculation on net amount and not gross amount.

A11. As per the rule for TCS, tax is to be collected only when the sale consideration has exceeded 50 Lacs. In order to achieve this, we accumulate the total sale value with the documents that are posted. If the gross amount is checked for tax calculation, then arriving at the correct taxbase amount on which TCS has to be computed is not possible due to technical limitations. So currently FB70/75 only supports TCS calculation on net amount

Q12. What are transaction codes supported for TCS?

A12. VF01

VF11

VF04

FB70

FB75

FB08

Q13. If Billing document is posted in current month and credit note is posted in the subsequent month after remittance, how will it be processed?

A13. The Credit Memo will be posted with reference to the invoice and even if remittance of tax liability to tax

authority is done while doing reporting the tax liability will be adjusted against subsequent invoice accordingly and reported.

Q14. For direct FI postings FB70/75 how to handle TCS along with GST?

A14. Direct FI postings are tax code based and MWST access sequence should be used.
For TCS calculation along with GST new tax codes with tax rates against TCS and GST conditions should be created for FB70/75 postings

Q15. Creating Cancellation/Credit memo/Debit memo on 1st of october for documents posted prior to 1st Oct, 2020?

A15. Ensure that all the likely cancellations/credit /debit notes for documents prior to 1st oct, 2020 are completed before go live of new solution. And you are passing the correct sale consideration value taking into account all your invoices, cancellations, credit notes, debit notes as on 1st oct, 2020. This is to ensure that there is no inconsistency in accumulation and TCS calculation.

Q16. Why do we need two tax codes and two G/L accounts for TCS?

A16. As per the TCS rule, any seller who receives any amount as consideration for sale of goods of value or aggregate of such value exceeding 50 lacs at the time of receipt of such amount should collect TCS at the rate of 0.1%(0.075% till 31.03.2021). So when the bills/invoices are raised TCS amount is posted to intermediate G/L and on receipt of such amount from the buyer, the TCS amount will be transferred from intermediate G/L to actual/final G/L.

Two tax codes are associated with two different G/L accounts

Q17. How will the tax amount be transferred from intermediate G/L to Final G/L?

A17. Use RFUMSV50 report to transfer the tax amount from intermediate G/L to Final G/L upon Payment receipt.

Refer to Below Note to understand how to run RFUMSV50

[2971824](#) - Execution steps- Deferred tax transfer program (RFUMSV50) for TCS

[1800344](#) - How to start using deferred tax report RFUMSV50

Q18. Is TCS applicable on Intercompany/Inter Unit Sales?

A18. In an intercompany Sale/InterUnit sale if the PAN of the selling unit and buying unit are the same then TCS is not applicable

Q19. Is TCS applicable on export sale?

A19. No TCS is not applicable on export sale.

Q20. TCS applicability on Buyer who is Central govt, State govt, embassy, High commission, legation etc.?

A20. TCS is not applicable for buyers like central govt, state govt, embassy, local authority etc.
We have provided an option in customer tax classification to classify such buyers as "TCS not Applicable".

For quarterly returns filing via Form 27EQ it is required to report transactions which are not subject to TCS from above classified buyers.

So it is mandatory that condition record is maintained with 0% TCS for such customers/buyers and the Final TCS G/L is associated with the tax code that you assign with 0% rate.

Else those documents will not be fetched for reporting

Q21. For 50 Lacs threshold check the sale consideration should be from 01.04.2020 or 01.10.2020? How to handle it?

A21. For 50 Lacs check, the sale consideration should be considered from 01.04.2020.

In the note- [2948539](#), attachment "TCS_Process.pdf" page 7

Also in the attachment "Pre_Implementation_Steps.pdf" page 5
BADI method implementation help is given

We have provided details on BADI to be used, you will have to create Z implementation and pass the total sale value from 01.04.2020 till 30.09.2020 taking into account all your billing docs, Fb70 invoices, cancelations, credit notes, debit notes, disputed documents if any that you want to exclude.

The value that you pass through BADI will be read and considered when the first invoice is posted on 01.10.2020 and thereafter we will take care of the accumulation part.

Q22. Can we change/update PAN no or Aadhar no in between once the transactions have happened?

A22. No. This is not supported as of now.

Changing/updating the PAN/Aadhar no in between once the transactions are posted is not supported

Q23. What about TCS applicability on composite supply?

A23. In case of composite supplies, principal supply holds good.

If there is combination of goods and services then if the principal supply is for goods then TCS will be applicable.

Q24. What about TCS applicability on job work?

A24. If there is a composite bill for job work charges and material value then TDS u/s 194c will be applicable and no TCS is charged/collected.

If the job work charges and material value are posted as separate items then TCS u/s 206c is applicable on material.

Software Components

Software Component	Release
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SAP_APPL	600 - 600
SAP_APPL	602 - 602
SAP_APPL	603 - 603
SAP_APPL	604 - 604
SAP_APPL	605 - 605
SAP_APPL	606 - 606
SAP_APPL	616 - 616
SAP_APPL	617 - 617
SAP_APPL	618 - 618
S4CORE	100 - 100
S4CORE	101 - 101
S4CORE	102 - 102
S4CORE	103 - 103
S4CORE	104 - 104
S4CORE	105 - 105

Other Components

Component	Description
XX-CSC-IN-FI	Financial Accounting

This document refers to

SAP Note/KBA	Title
2960994	Corrections to enable Tax Collected at Source in FI Customer Invoices
2949714	Section code needs to be updated for TCS billing document
2948539	Corrections to enable Tax Collected at Source in Outgoing Invoices
2948240	Data Dictionary Activity for Budget Change 2020 on Tax Collected at Source

This document is referenced by

SAP Note/KBA	Title
2898812	[WEBINAR] Amendment to Section 206C TCS - Updates

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