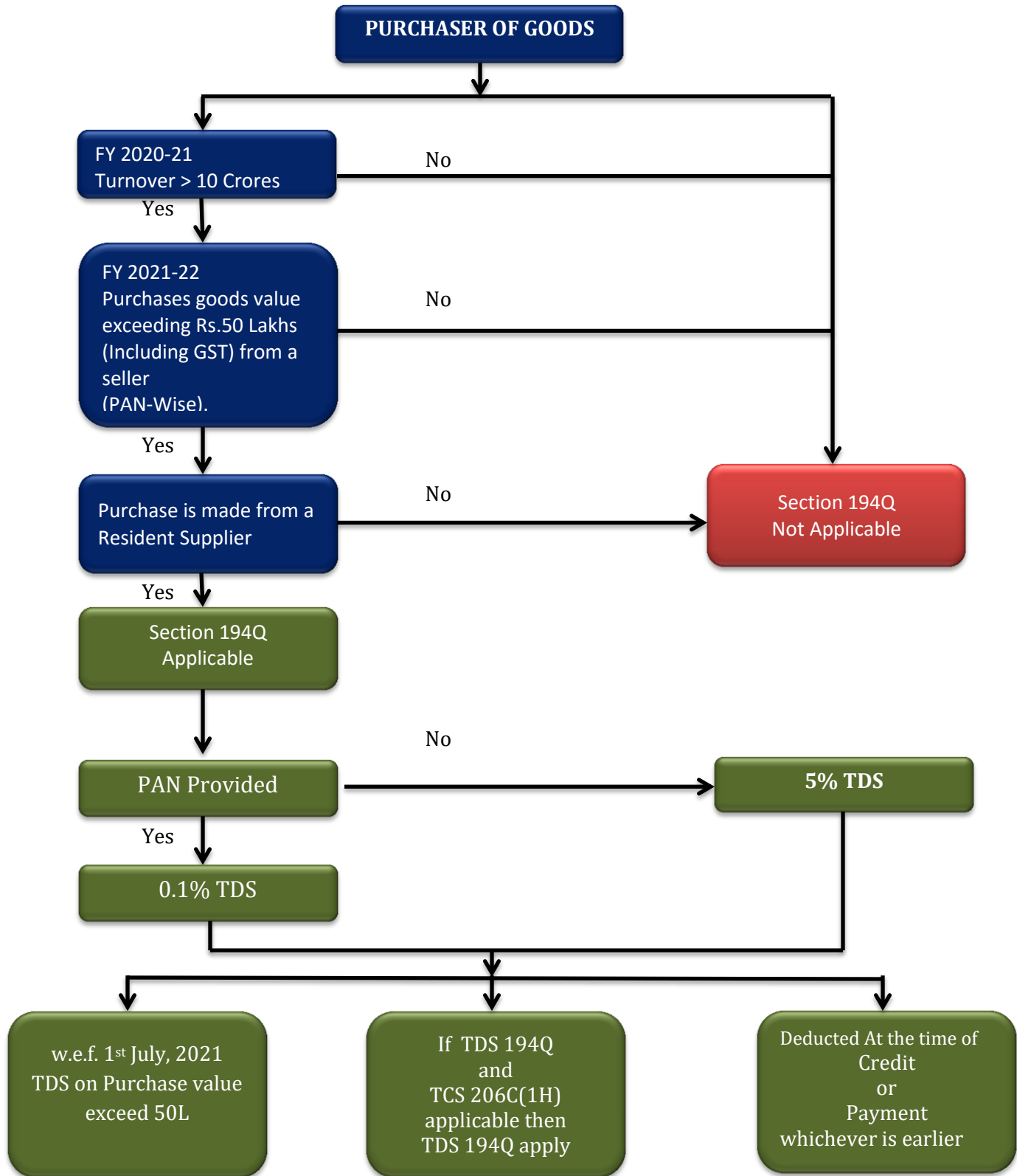


# TDS ON PURCHASES OF GOODS



TAX DEDUCTED AT SOURCE (TDS) UNDER SECTION 194Q OF THE INCOME TAX ACT, 1961

**APPLICABILITY OF TDS U/S 194Q**



Finance Act 2021 has introduced a new section 194Q TDS on purchases of Goods which shall be effective from the 1st day of July, 2021

### **WHO WILL DEDUCT TDS**

Purchaser will be liable to deduct TDS if-

- His Turnover during last year exceeds Rs.10 crores.  
AND
- Purchaser purchases of goods of value exceeding Rs.50 Lakhs (Including GST) in the current year from a Seller (PAN-Wise).  
AND
- Purchase is made from a Resident Supplier.

### **TIME OF DEDUCTION OF TDS**

Tax to be deducted at the earliest of the following dates:

- At the time of credit of such sum to the account of the seller  
or
- At the time of payment thereof by any mode,

### **RATE OF TDS**

- i. Buyer of all goods will be liable to deduct tax at source
  - @ 0.1% of sale consideration
  - exceeding INR 50 Lakhs in a Financial Year
- ii. Tax to be deducted @ 5%
  - if the seller does not provide PAN

### **NON-COMPLIANCE OF THIS SECTION**

- If purchaser fails to deduct TDS, 30% of the expenditure will be disallowed.

## NO REQUIREMENT OF TDS UNDER THIS SECTION

- if TDS is deductible under any other provision  
or
- TCS is collectible under section 206C [excluding 206C(1H)]

TDS U/S 194Q or TCS 206C (1H)

- TDS u/s 194Q will apply  
and
- TCS u/s 206C(1H) will not apply

### Illustration

Turnover of Seller (in crore)	Turnover of Buyer (in crore)	Amt. recd. or paid for sale or purchase of Goods in previous year (in lakhs)	Taxable amt.	Whether PAN is available	TDS or TCS	Liabe Person	Applicable Section	Excluded Section	Explanation
12	8	55	5	Buyers PAN available	TCS @0.1%	Seller	206C(1H)	194Q	Buyer Turnover less than 10 Cr.
12	8	55	5	Buyers PAN not available	TCS @1%	Seller	206C(1H)	194Q	Buyer Turnover less than 10 Cr.
7	15	55	5	Sellers PAN available	TDS @ 0.1%	Buyer	194Q	206C(1H)	Sellers Turnover less than 10 Cr
7	15	55	5	Sellers PAN not available	TDS @ 5%	Buyer	194Q and 206AA	206C(1H)	Sellers Turnover less than 10 Cr and PAN not available
12	15	55	5	Sellers PAN available	TDS @ 0.1%	Buyer	194Q	206C(1H)	Exclusion Provided under Sec 206C(1H)
12	15	55	5	Sellers PAN not available	TDS @ 5%	Buyer	194Q and 206AA	206C(1H)	Exclusion Provided under Sec 206C(1H)

## COMPARISON OF SEC 194Q AND 206C(1H) OF INCOME TAX ACT, 1961

PARTICULARS	SECTION 194Q	SECTION 206C(1H)
Applicable to	Buyer/Purchaser	Seller
When Applicable	<ul style="list-style-type: none"> <li>➤ His Turnover during last year exceeds Rs.10 crores.</li> <li style="text-align: center;">AND</li> <li>➤ Purchaser purchases of goods of value exceeding Rs.50 Lakhs (Including GST) in the current year from a Seller (PAN-Wise).</li> <li style="text-align: center;">AND</li> <li>➤ Purchase is made from a Resident Supplier.</li> </ul>	<ul style="list-style-type: none"> <li>➤ His Turnover during last year exceeds Rs.10 crores.</li> <li style="text-align: center;">AND</li> <li>➤ Sales of goods of value exceeding Rs.50 Lakhs (Excluding GST) in the current year.</li> </ul>
Purpose	TDS	TCS
From	w.e.f 1 <sup>st</sup> July 2021	w.e.f 1 <sup>st</sup> October 2020
Time of Deduct or Collect	Payment or credit, whichever is earlier	At the time of receipt
On Advance	TDS shall be deducted on advance payments made	TCS shall be collected on advance receipts
Rate of TDS/TCS	0.1%	0.1% (0.075% for FY 2020-21)
PAN not available	5%	1%
Exclusions	<p><i>The provisions of this section shall not apply to a transaction on which—</i></p> <ul style="list-style-type: none"> <li>➤ <i>tax is deductible under any of the provisions of this Act; and</i></li> <li>➤ <i>tax is collectible under the provisions of section 206C other than a transaction to which sub-section (1H) of section 206C applies.</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or</li> <li>➤ a local authority as defined in the Explanation to clause (20) of section 10; or</li> <li>➤ a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;</li> </ul>
When to deposit/collect	Tax so deducted shall be deposited with government by 7th day of subsequent month	Tax so collected shall be deposited with government by 7th day of subsequent month
Quarterly statement to be filed	26Q	27EQ
Certificate to be issued to seller/buyer	FORM 16A	FORM 27D