

TCS u/s 206C, r.w.s 206CC & 206CCA

Tax Collection at Source

This article provides a detailed overview of the Tax Collection at Source (TCS) provisions under Section 206C of the Income Tax Act, 1961. It covers:

- ☐ The applicable TCS rates for various categories of goods.
- ☐ The TCS rate applied when a PAN is not provided or PAN is inoperative.
- ☐ The TCS rate applicable to specified persons, particularly non-filers of income tax returns.

Section 206C of Income Tax Act 1961 deals with the provisions of tax collection at source (TCS) by certain sellers from certain buyers. TCS is a mechanism to collect tax at the source from the buyers of specified goods or services. The objective of TCS is to ensure that the government gets its revenue at the earliest point of time and also to track transactions of high value. The seller who collects the tax must deposit it with the government and file quarterly returns. The buyer who pays the tax can claim credit for it while filing his income tax return.

Sec. 206CC Tax collection at higher rate - Collectee shall furnish his PAN to the person responsible for collecting such tax at source. If PAN is not intimated, tax shall be collected at the twice the normal rate or at the rate of 5 per cent, whichever is higher. However, if PAN is not submitted in the case of tax collection under section 206C(1H) (i.e. TCS on Sale of any other Goods), tax will be collected at the rate of 1 per cent.

Sec. 206CCA Tax collection at higher rate on Specified persons - When tax is required to be collected under any provision of section 206C from a specified person, tax shall be collected (with effect from July 1, 2021) at twice the normal rate or at the rate of 5 per cent, whichever is higher. If, however, the provisions of section 206CC are applicable to a specified person (in addition to the provisions of section 206CCA), tax shall be collected at higher of two rates provided in section 206CC and in section 206CCA).

Nature of goods	Rate of TCS as per Sec 206C	Rate as per Sec. 206CC	Rate as per Sec. 206CCA
Category A (sale of the following) – A1. Alcoholic liquor for human consumption (other than Indian made foreign liquor)	1	5	5
A2. Indian made foreign liquor	1	5	5
A3. Tendu leaves	5	10	10
A4. Timber obtained under a forest lease	2.5	5	5
A5. Timber obtained by any mode other than under a forest lease	2.5	5	5
A6. Any other forest produce not being timber or tendu leaves	2.5	5	5
A7. Scrap	1	5	5
A8. Minerals, being coal or lignite or iron ore	1	5	5
Category B (grant of lease/license of the following)- B1. Parking lot, toll plaza, mining and quarrying (other than mining and quarrying of mineral oil, petroleum and natural gas)	2	5	5
Category D (sale of the following whether payment is received by cheque or by any other mode)- D1. Motor vehicle of the value exceeding Rs. 10 lakh	1	5	5
Category E (foreign remittance through LRS and overseas tour package) (applicable from October 1, 2020) - E1. Foreign remittance through Liberalised Remittance Scheme (LRS) of Rs. 7 lakh or more in a financial year. E2. Selling of overseas tour package.	5	10	10

Category F (sale of any other goods) (applicable from October 1, 2020) F1. Sale of any other goods of the value (or aggregate of such value) exceeding Rs. 50 lakh in a previous year by a person whose total sale/gross receipts/turnover from business exceeds Rs. 10 crore during the immediately preceding financial year (tax to be collected on sale consideration exceeding Rs. 50 lakh).	0.1	1	5
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Requirement to furnish PAN by collectee [Sec. 206CC]

In order to strengthen the PAN mechanism, section 206CC has been inserted with effect from April 1, 2017. The provisions of section 206CC are given below –

- *Tax collection at higher rate* - Collectee shall furnish his PAN to the person responsible for collecting such tax at source. If PAN is not intimated, tax shall be collected at the twice the normal rate or at the rate of 5 per cent, whichever is higher. However, if PAN is not submitted in the case of tax collection under section 206C(1H) (*ie, Category F*), tax will be collected at the rate of 1 per cent.
- *Declaration without PAN under section 206C(1A) not valid* - The declaration filed under section 206C(1A) shall not be valid unless the person filing the declaration furnishes his PAN in such declaration.
- *Lower tax collection certificate* - Lower tax collection certificate shall not be granted unless application in Form No. 13 by the collectee contains his PAN.
- *PAN to be quoted in all correspondence* - The collectee shall furnish his PAN to the collector and both shall indicate the same in all correspondence, bills and vouchers exchanged between them.
- *Invalid PAN* - Where the PAN provided by the collectee is invalid or it does not belong to the collectee, it shall be deemed that PAN has not been furnished to the collector.
- *Not applicable if collectee is non-resident* - The above provisions of section 206CC shall not apply in the case of a non-resident collectee who does not have any permanent establishment in India.

Special provision for TCS for non-filers of income-tax return [Sec. 206CCA]

When tax is required to be collected under any provision of section 206C from a specified person, tax shall be collected (with effect from July 1, 2021) at twice the normal rate or at the rate of 5 per cent, whichever is higher. If, however, the provisions of section 206CC are applicable to a specified person (in addition to the provisions of section 206CCA), tax shall be collected at higher of two rates provided in section 206CC and in section 206CCA).

➤ *Specified person* - For the purposes of section 206CCA, "specified person" means a person

Applicable during July 1, 2021 and March 31, 2022	Applicable after March 31, 2022
Who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be collected [for which the time-limit of filing return of income under section 139(1) has expired) and the aggregate amount of TDS/TCS in his case is Rs. 50,000 (or more) in each of these two previous years*.	Who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be collected [for which the time-limit of filing return of income under section 139(1) has expired] and the aggregate amount of TDS/ TCS in his case is Rs. 50,000 (or more) in the said previous year

However, the specified person shall not include a non-resident who does not have a PE in India.

Literary Quote:

“Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful.”

Albert Schweitzer

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