SHRI RAMJI

Section 194Q vis a vis Section 206C(1H)

Section	194Q	206C (1H)
Applicability	w.e.f 01-July-2021	w.e.f 01-Oct-2020
Who (Deductor/Collector)	Every Buyer whose turnover (Excluding GST) in Preceding F.Y. is More than Rs. 10 Crore (While Calculating this turnover value of goods and services both included)	Every Seller whose turnover (Excluding GST) in Preceding F.Y. is More than Rs. 10 Crore (While Calculating this turnover value of goods and services both included)
Which Transactions	Only Purchase of Goods not Services	Only Sale of Goods not Services
Whom (Deductee/Collectee)	Every resident supplier from whom value of purchases of goods exceeds Rs. 50 Lakh in a year	Every buyer from whom sum received against sale of goods in India (export of goods excluded) (advance against sale of goods also included) exceeding Rs. 50 Lakh in a year
Point of taxation	Credit or Payment whichever is earlier	At the time of receipt of sale consideration
Rate	If Pan Available – 0.10% If Pan Not Available – 5%	If Pan Available – 0.10% If Pan Not Available – 1%

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Due date of payment	**7th of next month in which tax deducted** **30th April in case of March Month**	**7th of next month in which tax collected**
Return	**Form 26Q**	**Form 27EQ**
Exemptions	**Provisions of section 194Q not applicable if –** • **Tax has been deducted under any other section of the act (Like 194C)** • **Tax has been collected under section 206C other than 206C(1H)**	**Provisions of section 206C(1H) not applicable if –** • **Buyer is Central or State Govt, Local Authority, Embassy or importer** • **Tax has been deducted under any other section of the act** • **Tax has been collected under section 206C**
Consequences of Non Compliances	• **Applicability of Section 40a (ia) disallowance of 30% of amount on which Tax was liable to be deducted i.e. if TDS not done on Rs. 50 Lakh you will have to penalize with disallowance of purchase Rs. 15 (Huge penalty for tiny mistake)** • **Simple Interest @ 1% or 1.5%**	• **Simple Interest @ 1%**

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Analysis of 194Q and Section 206C (1H) with examples

Mr. Buyer (Turnover in FY 20-21 Rs. 5 Crore	**Mr. Seller (Turnover in FY 20-21 Rs. 5 Crore**	**Neither Section 194Q nor Section 206C(1H) Applicable**	**Turnover of neither Buyer nor seller exceeds Rs. 10 Crore**
Mr. Buyer (Turnover in FY 20-21 Rs. 13 Crore	**Mr. Seller (Turnover in FY 20-21 Rs. 5 Crore**	**Section 194Q Applicable**	**Turnover of Buyer exceeds Rs. 10 Crore**
Mr. Buyer (Turnover in FY 20-21 Rs. 5 Crore	**Mr. Seller (Turnover in FY 20-21 Rs. 10 Crore**	**Section 206C(1H) Applicable**	**Turnover of Seller exceeds Rs. 10 Crore**
Mr. Buyer (Turnover in FY 20-21 Rs. 13 Crore	**Mr. Seller (Turnover in FY 20-21 Rs. 13 Crore**	**Section 194Q Applicable**	**Although both sections applicable but section 194Q overrides**

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Interplay Between 194Q and Section 206C (1H) with examples

S.No.	Turnover of Buyer in F.Y. 20-21 (in Crore)	Turnover of Seller in F.Y. 20-21 (in Crore)	Transaction Upto 30 June 2021 (in Lakhs)	Transaction after 1-July-2021 (in Lakhs)	Total Transaction (in Lakhs)	Section Applicable	Value to be charged on (in Crore)
1.	5	13	30	50	80	206C (1H)	30
2.	13	5	30	50	80	194Q	30
3.	5	13	60	30	90	206C (1H)	40 (As 206c(1H) applicable from 1.10.20)
4.	13	5	60	30	90	194Q	30
5.	13	13	70	40	110	194Q & 206C (1H)	40 & 20 (although section 194Q prevails over 206C(1H) but it is applicable from 1.7.21 so on turnover before 1-7-21 section 206C(1H) will be applied
6.	13	13	40	70	110	194Q	60 (section 194Q prevails over 206C(1H)
7.	13	13	20	20	45	NA	Both sections not applicable

Attention:

- **Although tax is not required to be collected u/s 206C(1H) if buyer is Central or State Govt or Local Authority or Embassy but transaction with these persons need to be disclosed while filing statements of TCS in form 27EQ otherwise we have to report these transaction in tax audit clause 34.**

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- **As per section 206C(1H) Tax is required to be collected on receipt of sale consideration in relation to sale of goods although practice has been developed in market to charge TCS at the time of Invoicing itself which is wrong in any manner.**
- TCS is **applicable to automobiles sector for selling of a Motor vehicle above Rs. 10 lakhs to the customer but it is not applicable from the manufacturer to the distributor, dealer or sub-dealer hence this sector is not free from this new TCS provision and this provision of TCS is applicable to automobile sector also**

THANKS
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