

# INTRODUCTION OF

## SECTION 194Q, 206AB & 206CCA

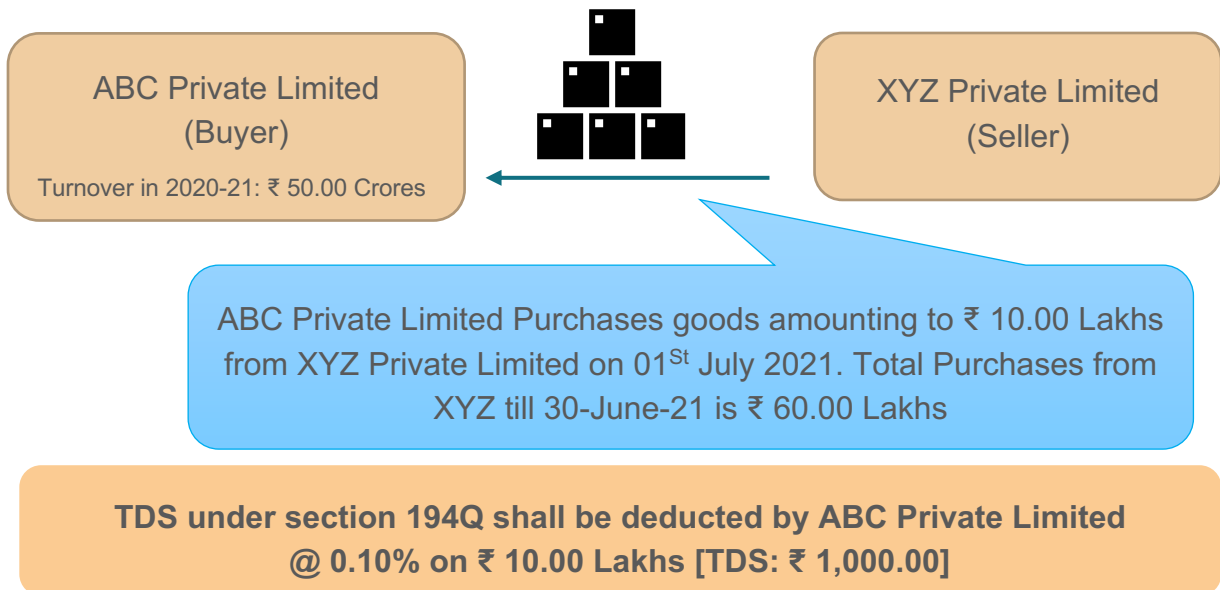
Dear All,

Hope you and your family are fine in the pandemic.

As you all are aware of introduction of new sections to the Income tax Act, 1961, ("the Act") namely Section 194Q, Section 206AB and Section 206CCA. These sections are effective for the application from 01<sup>st</sup> July 2021.

### 1. Tax Deduction at Source (TDS) under section 194Q - Deduction of tax at source on payment of certain sum for purchase of goods:

Applicability of the section 194Q arises only when the buyer (Turnover of the business of buyer is more than ₹ 10.00 crores) pays any sum to the seller for purchase of any goods value aggregating more than ₹ 50.00 Lakhs, has to deduct tax at source at a 0.10 % at the time of credit or payment of the sum whichever is earlier.



### Section is applicable only when

- Buyer turnover is more than ₹ 10.00 crores
- Aggregate Supply of goods received from the particular seller is more than ₹ 50 lakhs

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### 2. Section 206AB - Special provision for deduction of tax at source for non-filers of income-tax return:

This section provides rate of deduction of tax at source for a Deductor to deduct the tax from **SPECIFIED PERSON** on various sections of TDS excluding section 192, 192A, 194B, 194BB, 194LBC or 194N of the act,

The tax shall be deducted at higher of following rates

- At twice the rate specified in the section or
- At twice the rates in force or
- At the rate of 5%.

Specified Person: Person who has not filed returns of income for two previous years (for which 139(1) due date has been expired) and aggregate of TDS or TCS for the two years is more than ₹ 50,000.00.

ABC Private Limited  
(Deductor)

XYZ Private Limited  
(Sub-contractor)

ABC Private Limited receives services amounting to ₹ 10.00 Lakhs from XYZ Private Limited on 01<sup>st</sup> July 2021.

Normally, **ABC Private Limited will deduct at 2% under section 194C amounting to ₹ 20,000.00]**

**If XYZ Private Limited**

1. has not filed returns for the financial year 2019-20 and 2018-19 [due date for filing income tax return for FY: 2020-21 is 30-Sep-2021] and
2. Aggregate value of TDS or TCS for two years is ₹ 100,000.00.

As per section 206AB, **ABC Private Limited has to deduct at 5% under section 194C amounting to ₹ 50,000.00]**

Higher of the following:

- a. At twice the rate specified in the section [4%]
- b. At twice the rates in force [NA]
- c. At the rate of 5%.

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### 3. Section 206CCA - Special provision for collection of tax at source for non-filers of income-tax return.:

This section provides rate of collection of tax at source for a collector to collect the tax from **SPECIFIED PERSON** on various provisions of TCS

The tax shall be collected at higher of following rates

- At twice the rate specified in the section or
- At the rate of 5%.

Specified Person: Person who has not filed returns of income for two previous years (for which 139(1) due date has been expired) and aggregate of TDS or TCS for the two years is more than ₹ 50,000.00.



ABC Private Limited sells manufacturing scrap amounting to ₹ 10.00 Lakhs to XYZ Private Limited on 01<sup>st</sup> July 2021.

Normally, **ABC Private Limited will collect at 1% under section 206C amounting to ₹ 10,000.00]**

#### If XYZ Private Limited

1. has not filed returns for the financial year 2019-20 and 2018-19 [due date for filing income tax return for FY: 2020-21 is 30-Sep-2021] and
2. Aggregate value of TDS or TCS for two years is ₹ 100,000.00.

As per section 206CCA, **ABC Private Limited has to collect at 5% under section 206C amounting to ₹ 50,000.00]**

Higher of the following:

- a. At twice the rate specified in the section [2%]
- b. At the rate of 5%.

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For smooth and effective implementation of the above sections, the declaration has to be received from the all the suppliers stating the compliance with the reference to filing of returns, turnover of the business and amount of TDS and TCS.

The Format of declaration is being attached to this document and the mail for your reference. You are hereby advised to do the following

### 1. For all the Suppliers

#### **File Name: “Declaration for TDS & TCS”**

1. Send the declaration format to your suppliers;
2. Collect the signed copy of declaration from the suppliers in their letter head either hard copy or soft copy.

### 2. For Suppliers of Goods

#### **File Name: “Declaration for TDS & TCS”**

1. Take Print out of Letter for Declaration – Suppliers of Goods in your company letter head and get it signed and sealed by your authroized signatory.
2. Send the declaration format to your suppliers along with signed Letter for Declaration;
3. Collect the signed copy of declaration from the suppliers in their letter head either hard copy or soft copy.

### 3. For Customers

#### **File Name: “Declaration for TDS & TCS”**

1. Take Print out of Letter for Declaration – Customer of Goods in your company letter head and get it signed and sealed by your authroized signatory.
2. Send the declaration format to your suppliers along with signed Letter for Declaration;
3. Collect the signed copy of declaration from the customer in their letter head either hard copy or soft copy

**Applicability of the above sections are effective from 01<sup>st</sup> July 2021**

**Thanks & Regards**

**From,**

**Mani Srinivasan & Associates,  
Chartered Accountants,  
Hosur.**