



Around section 194Q

GPSV & CO.,
CHARTERED ACCOUNTANT

Introduction:

❖ Effective Date: 01st July 2021

❖ Person responsible:

Buyer is responsible for making payment of a sum to the **resident seller**

Such payment is to be done for the **purchase of goods** of the value/ aggregate of the value exceeding INR 50 Lakhs.

❖ Buyer means:

Person having total sales/ gross receipts/ turnover exceeding INR 10 Crores in immediately preceding FY

Shall not include any person notified by government

Introduction:

- ❖ Time of deduction : payment or credit to the account of payer, whichever is earlier
- ❖ Rate of TDS : 0.1% of the purchase value above INR 50 Lakhs, 5% if PAN is not available
- ❖ Exemption from applicability:
 - Transaction is subject to TDS under any other provisions (or)
 - TCS is collectable as per provisions of section 206C
- ❖ Noncompliance would attract disallowance under section 40 (ia)

Clarifications issued

..... Circular no. 13 of 2021



194Q shall not be applicable for



A. Transactions in securities and commodities traded through recognized SE or clearing corporations



B. Transactions in electricity, renewable energy certificates and energy saving certificates traded through power exchanges

Clarifications issued Circular no. 13 of 2021

Computation of threshold of Rs. 50 Lakhs:

All sums credited or paid from
01st April 2021 shall be
considered

Illustration



Advance or purchases from 01.04.2021 to 30.06.2021	Purchases or Advances - Jul'21	Purchases or Advances - Aug'21	194Q applicability	Reason
52,00,000	4,00,000	6,00,000	Jul'21 – 400/- Aug'21 – 600/-	As on 01 st Jul purchases (400000*0.1%) or gross payment has already crossed Rs. 50 Lakhs, all credits or payments after 01 st Jul 21 attracts TDS
45,00,000	4,00,000	6,00,000	Jul'21 – nil Aug'21 – 500/- (5,00,000*0.1%)	Purchases or gross payment exceeding Rs. 50 Lakhs in Aug'21

Payment Date	Invoice Date	Accounting Date	194Q applicable	Reason
25.05.2021	05.07.2021	07.07.2021	No	One of the event payment has occurred prior to 01 st Jul
10.07.2021	30.05.2021	23.06.2021	No	One of the event payment has occurred prior to 01 st Jul
10.07.2021	30.05.2021	07.07.2021	Yes	Both accounting and payment is after 1 st Jul

Clarifications issued

..... Circular no. 13 of 2021

If one of event payment or purchase is recorded prior to 01st Jul 2021 – 194Q is not applicable

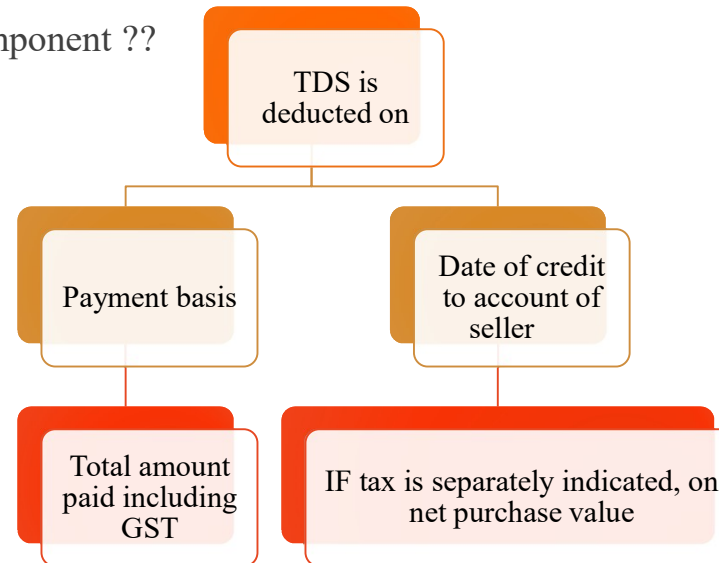


Illustration

Clarifications issued

..... Circular no. 13 of 2021

194Q TDS on GST component ??



Clarifications issued

..... Circular no. 13 of 2021

What happens to Purchase returns?

- Tax deducted purchases may be adjusted against next purchase value

Implication of Replacement of goods by seller ?

- No adjustment is required, since tax is already deducted on purchase value of transaction

Clarifications issued

..... Circular no. 13 of 2021

Case of nonresident buyer ?

Nonresident buyer who purchases goods from resident seller, if not in connection with PE of such nonresident buyer in India, then no TDS is applicable

Seller is exempt from Income tax?

Seller as a person is exempt from Income tax under section 10 of the Act or under any Act passed by the Parliament

- 194Q is not applicable

Only part of the income is exemption

- 194Q is applicable

Clarifications issued

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First year of incorporation

- 194Q shall not apply to buyer in first year of incorporation

Eligible limit of Rs. 10 Crores

- To compute threshold of Rs. 10 Crores , gross receipts or turnover from business carried on by him has to be considered
- Turnover or receipts from nonbusiness need not be considered

Clarifications issued

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Interplay of section 194-O, 206C (1H) and 194Q

194O

- Applicable for e commerce operators
- To deduct TDS @ 1% on amount of sales or services on account of e commerce participant

206C (1H)

- If turnover of seller exceeds Rs. 10 Cr during PY
- Gross receipts from a customer exceeds Rs. 50 Lakhs during the CY, TCS @ 0.1% is applicable

194Q

- If turnover of buyer exceeds Rs. 10 Cr during PY
- Gross payments or purchase value from a customer exceeds Rs. 50 Lakhs during the CY, TCS @ 0.1% is applicable

Clarifications issued

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Transaction is liable for both 194-O & 194Q

- 194-O shall prevail over 194Q

Transaction is liable for both 194-O & 206C (1H)

- 194-O shall prevail over 206C (1H) (refer note 1)

Transaction is liable for both 194Q & 206C (1H)

- 194Q shall prevail over 206C (1H) (refer note 2)

Clarifications issued

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Note 1: Primary responsibility is on e commerce operator. Even if TCS is collected by seller under section 206C (1H), lapse cannot be condoned

Note 2: If for any reason TCS is collected by seller u/s 206C (1H) before deduction of tax by buyer, such transaction will not be subject to TDS again



THANK YOU

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