



Deduction of tax at source on payment of certain sum for purchase of goods [Sec.194Q]

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Applicability

- With Effect from 01st July 2021
- on Purchase of GOODS from a person with aggregate value exceeding Rs 50 lakhs , in a Financial Year from a SELLER who is Resident in India as per provision of Income Tax Act

Who is liable to deduct TDS u/s 194Q

Buyer is liable to deduct TDS – if

- his Turnover/sales/gross receipts from business exceeds Rs 10 crores in immediately preceding financial year ; and
- the aggregate value of Goods Purchased exceeds Rs 50 lakhs in the financial year



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Rate of TDS u/s 194Q

The tax shall be deducted by the **buyer of goods** at the rate of 0.1% of the purchase value exceeding Rs.50 lakhs if the seller has furnished his PAN, otherwise, the tax shall be deducted at the rate of 5%.

Important Points to remember

- Applicable at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier.
- Advance for payment of goods will also attract TDS U/s 194Q

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Important Points to remember

- Lower deduction Certificates Not Allowed
- TDS u/s 194Q is not applicable on Services
- Section 194Q will also be applicable for barter exchange of goods, also payment/adjustment in kind since payment can be in any mode.
- Section 194Q shall override Sec. 206C(1H)



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Practical FAQ

- What if, seller is liable to collect TCS under sec 206C(1H) and buyer is liable to deduct TDS under sec 194Q?
Sec 194Q shall override sec 206C(1H) and hence in such a case only buyer is need to deduct TDS and seller need not to required deduct TCS under sec 206C(1H).
- Purchasing Limit for 50Lakhs to be check from 1April,2021 or 1 July,2021?
For purchasing limit of Rs. 50 Lakhs Sec 194Q clearly mentioned PREVIOUS YEAR, hence purchasing limit of Rs. 50Lakhs to be consider from 1 April,2021 and not from 1 July,2021.
- If Purchase amount exceed 50 Lakhs, then TDS to be calculate on complete amount or amount exceeding 50 Lakhs.
For Example, Mr. Buyer buy goods from Mr. Seller amounting Rs. 85 Lakhs and he is liable to deduct TDS under sec 194Q. Now in this case TDS to be deduct on Rs. 35 Lakhs (85-50 Lakhs) @ 0.1%



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Practical FAQ

- TDS to be deducted on Total Invoice Value or Taxable Value (before GST)?

CBDT has clarified through Circular No. 23/2017 that if GST on services has been indicated separately in the invoice, then no tax would be deducted on GST component. However, whether this benefit will be extended to GST on services is need to clarify by the CBDT. Hence will update this point as soon as CBDT issue any notification or circular.

- Due date of payment of TDS- 7th of following month
- TDS Return- Form 26Q to be revise to incorporate this section and return to be file quarterly.