



CIRCULAR NO. 02 of AD Dated.08-06-2021

Sub: INCOME TAX – TDS on Purchase of any goods – Introduction of new section 194Q, Income Tax Act-1961- Communication - Reg.

Ref: Circular No.03 of AD Dated.11-09-2020.

Vide circular at reference cited, detailed guidelines with regard to Tax Collection at Source(TCS) u/s 206C(1H) have been issued to all the Unit officers of the Corporation so as to comply with the provisions of Income Tax Act,1961.

At present, APSRTC is paying TCS u/s 206C (1H) w.e.f., 01-10-2020, towards Purchase of Goods such as HSD oil receipts, Chassis, Stores & Spares and Tyres etc to the suppliers (Sellers) as per the provisions of Income Tax Act,1961 and the amount of TCS paid has been accounted under AH.2475 and vide circular at reference cited, it was requested to send a Debit Advice for the amount of TCS paid along with Form-27D to AO(STORES), Head Office, Vijayawada.

The Government of India has introduced Section 194Q with regards to “Tax Deduction at Source (TDS)” vide Finance Bill, 2021.

As per Sec 194(Q), ‘Any person, being a buyer who is responsible for paying any sum to any resident for **purchase of any goods** of the value or aggregate of such value **exceeding Rs. 50 Lacs** in any previous year, shall, 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, **deduct an amount equal to 0.10 per cent of such sum exceeding fifty lakh rupees as income-tax.**’

If the seller has not provided PAN or Aadhar number, then the buyer has to collect **a sum equal to 5 per cent** of the value exceeding fifty lakh rupees as income-tax.

The provision of this section (194Q) will be applicable from **01st July, 2021.**

Post budget 2021, there will be two sections which will deal on same transaction of sales/purchase above 50 lakhs from party whose turnover in Previous Year (P.Y) exceeds Rs 10 crore. i.e.,

- a) **Section 206C(1H)** deals with TCS to be collected by Seller and
- b) **Section 194Q** deals with TDS to be deducted by Buyer.

The confusion is whether TCS u/s 206C (1H) of Income Tax Act is to be collected on sales of goods above 50 lakh or TDS u/s 194Q is to be deducted by the buyer?

In the Memorandum explaining the provisions in the Finance Bill, 2021 it is clarified that if on a transaction TCS is required under section 206C(1H) as well as TDS under section 194Q, then in respect of that transaction only TDS under section 194Q shall only be carried out i.e., **the responsibility has been shifted to the Buyer of the goods, to deduct TDS u/s 194Q, whose total sales, gross receipts or turnover from the business exceeds Rs. 10 crores during the financial year immediately preceding the financial year. If the turnover of the buyer does not exceed Rs. 10 crores, then the seller has to collect TCS u/s 206C(1H) subject to satisfying conditions described in the table given below.**

Examples – TDS SECTION 194Q vs – TCS Section 206C (1H)

S.No	Buyer' Turnover	Seller' turnover	Transaction Value	Applicability of Section	Explanation
1	5 Cr	11 Cr	55 Lakhs	206C (1H)	Buyer T.O. is < 10 Cr
2	15 Cr	7 Cr	58 Lakhs	194 Q	Seller T.O. is < 10 Cr
3	12 Cr	13 Cr	54 Lakhs	194 Q	Exclusion u/s 206C(1H)
4	7 Cr	5 Cr	58 Lakhs	NA	Both Buyer & Seller T.O is < 10 Cr
5	12Cr	15Cr	45 Lakhs	NA	Transaction Value < 50 L

Since, the turnover of APSRTC is more than Rs.10 Crores in a year, **Seller should not collect TCS u/s 206C (1H) for the sales made to APSRTC w.e.f., 01-07-2021**, the provisions under section 194Q will apply to the Corporation and APSRTC is liable to deduct TDS under section 194Q at applicable rates towards payment any sum to the Seller towards purchase of any goods **including electricity**, of the value or aggregate of such value exceeding Rs. 50 Lacs in a financial year.

Corporation is holding single PAN, all the transactions in the Units of the Corporation collecting may crosses threshold limit of Rs. 50 lakhs for each seller. Hence it is advised to collect TDS u/s 194Q for all the payments made without allowing threshold limit of Rs. 50 lakhs individually from the suppliers who are supplying many no. of units to Corporation viz., IOCL, BPCL, Reliance Industries Limited, J.K. Tyres, MRF limited, Apollo Pharmacies ltd etc and Head Office Purchase orders.

JE to be passed in the books of Accounts of the Depots

- 1 It is aware that HSD oil JE is being generated in VEMAS for every month as per the details given in the module. Hence, no need to pass separate entry for HSD oil receipts.

Debit AH	Nomenclature	Rs.		Credit AH	Nomenclature	Rs.
2101	INV-HSD Oil	XXXXXXXX		0832	C/L-HSD-Indian Oil Corporation	XXXXXXXX
				2108	INV-HSD OIL-OUT Depot Receipts	XXXX

- 2 For accountal of TDS on HSD oil received during the month on the Value of HSD oil receipts.

Debit AH	Nomenclature	Rs.		Credit AH	Nomenclature	Rs.
0832	C/L-HSD-Indian Oil Corporation	XXXX		1035	NDR-Income Tax-Contractors etc	XXXX
				(TDS @ 0.10% on the value debited to AH.2101)		

Note: AH.1035 shall be cleared along with the other TDS amounts through CIR by releasing s within due date in the succeeding month as done at present.

- 3 Issuance of Credit Advice to Regions as the payments are made at Regions towards HSD OIL

Debit AH	Nomenclature	Rs.		Credit AH	Nomenclature	Rs.
0832	C/L-HSD-Indian Oil Corporation	XXXXXXXX		3284	Inside Credit Advices	XXXXXXXX

(Balance after TDS)

JE to be passed in the books of Accounts of the Regions

- 1 Acceptance of Credit Advice from Depots for payments made towards HSD OIL

Debit AH	Nomenclature	Rs.		Credit AH	Nomenclature	Rs.
3284	Inside Credit Advices	XXXXXXXX		0832	C/L-HSD-Indian Oil Corporation	XXXXXXXX

(Balance after TDS)

In this regard, all Accounts Supervisors of Depots are instructed to affix an encasement on the HSD oil Invoices showing Gross Amount, Deduction of TDS @ 0.10 % on total value and Net Amount before sending the HSD oil Invoices to the Regional office for arranging payment.

In view the above, all Accounts officers are requested to put their personal attention to verify the correctness of Gross Amount, TDS amount (AH.1035) and Net amount on the Invoices before arranging payment to the Supplier. Every care shall be taken to arrange payment for Net Amount only as TDS deducted amount paid by Depots.

To have a uniformity across the Corporation, it is advised that the balance under the Account Head 0830,0831,0832 and 0834 shall be nullified in the books of Accounts of Depots by sending a Credit Advice to the Regions for the Net amount after deducing TDS.

In turn, the balance shown under the Account Head 0830,0831,0832 and 0834 in the Regional Accounts represents the HSD oil invoices received but not paid during the month.

Procedure to be followed by Zones.

In respect of the payments towards procurement of Stores, Spares and Tyres etc at Zones, TDS u/s 194Q is to be deducted as and when the amount shown as liability in their books of accounts.

Other Important Points:

- a) Everyone should ensure that the seller shall not collect any TCS amount under section 206C(1H) on their invoices w.e.f., 01-07-2021.
- b) TDS is deductible even for advance payments made towards purchase of Goods.
- c) Since, TCS u/s 206C(1H) was collected on total value including GST, TDS also is to be made on total Invoice value including GST till further clarification by CBDT.
- d) Collection of TCS @ 1% on Sale of Scrap and TCS @ 2% on Parking lots u/s 206C shall be continued.

In view of the above, all Unit officers are requested to follow the above procedure with regard to TDS u/s 194Q scrupulously so as to comply with the provisions of Income Tax Act,1961.


Financial Advisor &
Chief Accounts Officer