

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/o the VC & MD Audit Wing
Mushirabad Hyderabad

No SA/IT/206C/2003 04

Date 1st Sept 03

To
The COSs of all Zonal Stores
The Dy CAOs of all Zones
A P S R T C

Sub Income Tax - Tax collection at source (TCS) on sale of scrap - Reg

Ref 1) Accounts Circular No 9/2003 dt 10 7 03

2) This Office Lr No even dt 1 9 03

Further to the above a copy of the opinion obtained from Tax Consultant on applicability of Section 206 C of Income Tax Act 1961 is appended herein for information and necessary action

Sd/ (K Nageswara Rao)
DY CHIEF ACCOUNTS OFFICER (S P & A)

Extracts from M/s J B R K & Co Chartered Accountants Lr dt 3rd sep 03

Queries Raised

1 OBSOLETE STORES

The Stores & Spares items due to passage of time get obsolete to be put to use Such items are also sold as it is in the open market Would this item constitute scrap and fall within the ambit of Section 206C and attract tax?

2 BARRELS

After removing the content viz grease oil etc the empty barrels are being sold as scrap which can be put to use for some more time

Opinion

The words used both in Section 206 C as well as in the Explanation for the word scrap given below the said Section have been used in such a manner that under its ambit every person if he is a seller is covered irrespective of the fact whether he is a dealer or not Similarly the word waste used in the explanation covers under its ambit not only the scrap that results in the activity of any manufacture or processing but also all things which become a waste to the Seller in carrying out any business or other activity For example barrels in your case are a waste but not scrap as they are not generated out of any manufacturing or processing activity

Similarly in case of the Stores & Spares which have become obsolete and are no longer of any use to the Corporation will also be considered as waste and attract collection of tax at source under section 206 C

In view of the wider applicability of the Section and also the Explanation given below the said Section we advise you to collect tax at source from the parties whenever you sell any scrap/waste or unserviceable goods

The Section also empowers the Assessing Officers with a power to issue a Certificate on receiving an application from any buyer stating that the goods referred to in the Table are used by the said buyer in the process of manufacture or processing of other goods by the said buyer and not for trading purposes Therefore if any of your buyers are in a position to produce a certificate issued by the Assessing Officer clearly stating that the Barrels Obsolete Stores & Spares etc sold by you are used by the said buyer for the purposes of manufacture or processing in such cases no tax needs to be collected at source

Therefore you are advised to collect tax at source @ 10 % from all the parties whenever you sell any scrap/waste or unserviceable goods whoever is not producing a Certificate issued by his Assessing Officer If any buyer is producing a Certificate issued by his Assessing Officer then you need not collect tax at source on such sale of scrap/waste or unserviceable goods to such Buyers