सत्यमेव जयते

कोष मूलो दण्डः

INCOME TAX DEPARTMENT

Income Tax Department

Central Board of Direct Taxes

TAX COLLECTED AT SOURCE (TCS)

1. **What is Tax Collected at Source (TCS) and when it is collected?**

   TCS is a tax that is collected by the seller from the buyer at the time of the sale of specified goods or services. It is an additional charge on the sale amount, collected at a specified rate, and remitted to the government. The collected tax is then accounted for against the buyer's tax liabilities.

   TCS is collected by the seller at the time of debiting of the amount payable by the buyer to the account of the seller or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, and is remitted to the Government Account.

2. **When is TCS applicable?**

   TCS is applicable on the sale of specified goods like alcoholic liquor, forest produce, scrap, minerals, and other prescribed items under Section 206C of the Income Tax Act, 1961.

3. **What are the TCS rates for various goods and services?**

   Here's a detailed rate chart for TCS applicable on different goods and services:

Section	Nature of Goods/Services	TCS Rate
Section 206C(1)	Alcoholic liquor for human consumption	1%
	Tendu leaves	5%
	Timber	2% (effective from 1st April 2025)
	Other forest produce (not being timber or tendu leaves)	1%
	Scrap	1%
	Minerals (Coal, Lignite, Iron Ore)	1%
Section 206C(1C)	Lease/License for parking lots, toll plazas, and mining/quarrying (excluding public sector companies)	2%
Section 206C(1F)	Sale of motor vehicles worth above Rs. 10 Lakhs and other specified goods	1%
Section 206C(1G)	Foreign remittance under LRS	20% (or NIL for specific cases)
	Remittance for education or medical treatment < Rs. 10 Lakhs	NIL
	Remittance for education or medical treatment > Rs. 10 Lakhs	5%

	Overseas tour program package	20%
Section 206CC(1)	Non-furnishing of Permanent Account Number (PAN) by the Collectee to the collector	Higher of the following- At twice of the rates as prescribed in the relevant provision; or 5%. Notably, the maximum rate of TCS should not exceed 20%.

4. What are the exemptions under TCS?

TCS is not applicable in the following cases:

- **Personal Consumption:** Goods purchased for personal consumption are exempt from TCS.
- **Manufacturing or Processing:** Goods purchased for manufacturing, processing, or production are exempt if the buyer provides a declaration in Form 27C stating that the goods will not be used for trading. This declaration must be submitted by the seller to the Pr. CCIT or CCIT or Pr. CIT or CIT on or before 7th day of the month next following the month in which the declaration is furnished to him.

5. Who is responsible for collecting TCS?

The seller is responsible for collecting TCS at the time of the sale. The seller must obtain a Tax Collection Account Number (TAN) and ensure that it is mentioned in all TCS-related documents.

6. Who are the eligible sellers and buyers?

(a) Under the TCS mechanism, a 'Seller' is defined as a person whose total sales, gross receipts, or turnover exceed 10 crore rupees in the financial year preceding the sale of goods.

Following are classified as sellers for tax collected at the source:

a) Central Government
b) State Government
c) Local Authority
d) Statutory Corporation
e) Company registered under the Companies Act
f) Partnership Firm
g) Co-operative Societies

h) Individual or HUF liable for tax audit under Income Tax Act, 1961 for a particular financial year

(b) A Buyer is classified as a person who obtains goods or the right to receive goods in any sale, auction, tender or any other mode.

Following buyers are exempted from TCS:

a) Central government
b) State Government
c) Embassy or High Commission
d) Consulate and other trade representation of a Foreign State
e) Local authority (as defined in section 10(20) of the I. T. Act, 1961.
f) A buyer in the retail sale of such goods purchased by him for personal consumption
g) Person importing goods into India

7. What are the obligations of the buyer?

- **Permanent Account Number (PAN):** The buyer must provide their PAN to the seller at the time of purchase.
- **Income Tax Return (ITR):** If the total TCS collected in a year exceeds Rs. 50,000, the buyer must file an Income Tax Return under Section 139(1).
- **Failure to Provide PAN:** If the buyer fails to provide their PAN, the TCS rate is increased to either twice the specified rate or 5%, whichever is higher.

8. What happens if TCS is not collected or remitted on time?

If the person responsible for collecting TCS fails to do so or fails to remit the collected tax:

- **Interest on Delayed Payment:** The seller will be liable to pay interest on the delayed amount. The interest rate is 1% per month until 31st March 2025 and 1.5% per month from 1st April 2025.
- **Penalty under Section 271CA:** The penalty will be equal to the tax amount liable to be collected, which the person failed to collect.
- **Prosecution under Section 276BB:** If the tax is collected but not deposited into the government account, the person may face imprisonment from 3 months to 7 years, along with a fine.

9. How are the TCS Payments deposited?

- The seller shall deposit the TCS amount in Challan 281 on or before 7th day of the subsequent month in which the tax was collected. This remittance can be made in any branch of RBI, SBI or any other authorized bank or the same can also be remitted electronically.

- All sums collected by any Government office should be deposited on the same day of collection.

10. TCS Returns and Certificates

- **Filing of TCS Returns:** The person responsible for collecting TCS must file Form 27EQ quarterly with the Centralized Processing Cell (CPC-TDS) as shown below. A late fee of Rs. 200 per day applies for delays in filing TCS returns, and penalties may apply for delays beyond one year but it shall not exceed the amount of tax collectible.
- **Issuing TCS Certificates:** The seller must issue a TCS Certificate (Form 27D) to the buyer within the specified due dates. Failure to issue the certificate could result in a penalty of Rs. 500 per day of delay but it shall not exceed the amount of tax collectible.

Quarter Ending	Due Date for Filing Return	Due Date for Form 27D
30th June	15th July	30th July
30th September	15th October	30th October
31st December	15th January	30th January
31st March	15th May	30th May

11. What is the procedure for obtaining a Lower TCS Rate?

A buyer or licensee can apply for a Lower TCS Certificate by filing Form 13 with the Assessing Officer (TDS). If the application is approved, the buyer will be issued a certificate that specifies a lower TCS rate. This certificate can be obtained online through the TRACES portal.

12. What is the new interest rate on delayed TCS payments?

With effect from 1st April 2025,

(a) For delay in collection of tax at source: interest at the rate of one per cent for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which such tax is collected;

(b) For delay in deposit of TCS to Government Account: interest at the rate of one and one-half per cent for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid, and such interest shall be paid before furnishing the quarterly statement for each quarter.

13. What has changed in the penalty for late filing of TCS returns?

From 1st April 2025, the penalty under Section 271H for late filing of TCS returns is applicable if the delay exceeds one month from the due date (earlier, it was one year).

Example: If the due date for the April–June quarter is 15th July, the return must be filed on or before 15th August to avoid the penalty.

14. Has TCS been extended to other luxury goods?

Yes. From 1st January 2025, Section 206C(1F) has been expanded to cover certain other luxury items beyond motor vehicles (value threshold to be prescribed). Sellers of such luxury goods must collect TCS at the applicable rate from the buyer at the time of sale.

15. What is the new time limit for filing TCS correction statements?

From 1st April 2025, the time limit for filing a correction statement for TCS returns is reduced to 6 years from the end of the relevant financial year in which statement u/s 200(3) is required to be delivered. (earlier, it was unlimited/longer period).

16. Has Section 206C(1H) (TCS on sale of goods) been removed?

Yes. From 1st April 2025, Section 206C(1H) has been omitted. This means that sellers with sales above ₹10 crore in the preceding financial year are no longer required to collect TCS at 0.1% on the sale of goods exceeding ₹50 lakh.

17. Has the higher TCS rate for non-filers of Income Tax Returns been removed?

Yes. From 1st April 2025, Section 206CCA has been omitted. The earlier requirement to collect TCS at twice the prescribed rate or 5% (whichever is higher) from certain non-filers of income tax returns no longer applies.

*****

सत्यमेव जयते

कोष मूलो दण्डः

INCOME TAX DEPARTMENT

Directorate of Income Tax

(Public Relations, Publications & Publicity)
6th Floor, Mayur Bhawan, Connaught Circus, New Delhi - 110001

Income Tax India | @incometaxindia.official | @incometaxindiaofficial
@IncomeTaxIndia | @Income Tax India Official

September, 2025