

Important amendment on Tax Collection at Source (TCS):

W.E.F 01.06.2016, if payment consideration (or any part of it) is received in cash of sale of ANY goods/ provision of any service (exceeding Rs. 2. lac), TCS @ 1% should be deducted:

Mr. A purchases goods from distributor for Rs. 8.00 lac on dated 10.06.2016, payment of Rs. 795000/- has been made by cheque/RTGS on dated 11.06.2016, balance 5000/- has been paid in Cash on dated 12.06.2016. **Please note that Seller has to collect TCS @ 1% on Rs. 800000/- (i.e Rs. 8000/-).**

This TCS is applicable regardless of the fact whether A is dealer in goods or A purchased for his personal consumption.

This new provision is going to seriously affect business cash transactions.

Section 206C (1D)

If any part amount is received in cash (even a small sum of say Rs. 100) against a Single Invoice of Rs. 2 Lakh or more, towards sale of goods or services (except in case of jewellery where this limit is 5 lakh) then 1% TCS has to be collected from customer.

Further in case of sale of car exceeding Rs. 10 Lakh either in cash or cheque 1% TCS will be collected.

These rules are applicable from 1st Jun 2016.

Gold jewellery and bullion's were already covered since year 2012.

Applicable on Single Bill.

If single party is having multiple bills each less than 2 Lakh, then any amount collected in cash will not be liable to TCS.

If any payment is liable to TDS, then there will be no TCS under this section for the same payment.

Even a patient making payment to any hospital is also covered in this rule. Even government hospital is also liable to collect TCS from patients.

Definition of buyer and seller is already there in the section.

If seller is state and central government department, any company, firm or individual or HUF liable to Tax Audit, then they are liable to collect TCS.

It means no cash payment to be made even in part against Single Bill exceeding 2 Lacs, otherwise Seller has to deduct TCS. Or clients better to prefer each bill below Rs. 2 Lacs.