



# Tax Collected at Source

TCS as seen in,

The Income Tax Act, 1961 and

The Goods and Service Tax Act, 2017.



# Tax collected at source (TCS)

- ❖ Tax Collected at Source (TCS) refers to the collection of tax at source by the seller (collector) from the buyer (collectee/payee) on trading of the goods and services. It is collected when accrued or paid, whichever is earlier.
  - i. As per section 206 of Income Tax Act, 1961
  - ii. As per section 52 of The CGST, IGST, SGST, UTGST act, 2017
  - iii. **Example:** *If purchase value of goods is **Rs.10,000/-**, the buyer will pay an amount of **Rs.10,000/- + X** (X being the value of TCS as prescribed under Income Tax Act, 1961) to the seller. The seller will deposit the **Tax Collected at Source (TCS)** at any of the designated branches of the authorised banks.*



# TCS: Nature of Goods

- As per section 206C (1) of Income Tax Act, 1961, the list of goods covered under TCS and the Rate of tax is as shown:
  1. Alcoholic liquor for human consumption 1%
  2. Tendu leaves 5%
  3. Timber obtained under a forest lease 2.5%
  4. Timber obtained by any mode other than under a forest lease 2.5%
  5. Any other forest produce not being timber or Tendu leaves 2.5%
  6. Scrap 1%



# TCS: on Transfer of Rights

- As per Sec 206C (1C), every person who grants a lease or license or enters into a contract or otherwise transfers any right or interest, either in whole or in part, in any parking lot or toll plaza or mine or quarry to another person, other than a public sector company (referred as licensee or lessee) for business shall, at the time of debiting of the amount or on actual receipt, whichever is earlier, collect from the licensee TCS at the rates specified in the following:
  1. Parking Lot 2%
  2. Toll Plaza 2%
  3. Mining or Quarrying 2%



# Keywords to Know

- **Meaning of Seller:** Seller means
  - Central Government
  - State Government
  - Any local authority
  - Corporation or authority established by or under a Central, State or Provincial Act
  - Any company
  - Firm
  - Co-operative society



# Keywords to Know (Continued)

- **Meaning of Buyer**

- Buyer means a person who obtains in any sale, by way of auction, tender, or any other mode, goods of the nature specified above or the right to receive any such goods, but does not include
  - A public sector company, the central government, a state government, an embassy, a high commission, legation, commission, consulate and the trade representation of a foreign state and a club; or
  - A buyer in the retail sale of such goods purchased by him for personal consumption.



# Keywords to Know (Continued)

## **Issue of TCS Certificate,**

As per Sec. 206C (5), any person responsible for collecting the tax is required to issue a certificate of collection of tax at source in Form No. 27D to the buyer (or licensee or lessee) within a period of one month of the end of the month during which the amount is debited to the account of the buyer (or licensee or lessee) or the payment received from the buyer, as the case may be. However, where more than one certificate is required to be furnished to a buyer (or licensee or lessee) for tax collected at source in respect of the period ending on the 30th September and the 31st March in each financial year, the person collecting the tax, may on request from such buyer (or licensee or lessee), issue within one month from the end of such period, a consolidated certificate in Form No. 27D for tax collected during whole of such period.



# Keywords to Know (Continued)

## **Returns under TCS,**

Every person collecting tax in accordance with provisions of section 206C in respect of financial year, is required to furnish returns in the prescribed manner as detailed below (Figure 1.3) with the Income Tax Department. The returns ensure proper checks and balances on TCS collections and subsequent credit taken there of by the collectee/ payee. TCS returns contain details of collectors (like TAN, Name, Address), tax deposited at the bank (like amount, challan identification number) collectee details (like PAN, Name, Amount paid, Tax collected at source) in the form prescribed by Income Tax Department.





# TCS Return Form 27EQ

- It is mandatory to mention the TAN in this form.
- The declaration is a Quarterly statement of collection of (TCS) tax at source.
- The form is made under the section 206C of the Income Tax Act.
- It is compulsory for non-Government deductors to mention the PAN in the form.
- For Government deductors, "PANNOTREQD" has to be mentioned.
- The deductor category needs to be indicated based on the Annexure 1.
- If the deductors are Central Government, the Ministry/Department has to be mentioned. The same goes for the State Government.
- TCS is basically the tax that is collected by Seller from Buyer of certain goods when debiting the amount payable to the account of buyer by buyer or when receiving the amount from the buyer in the form of cheque, cash, demand draft or other modes of payment for selling certain prescribed goods as per Section 206C (1) for the purpose of business and not for personal use.



# Configuring Tally.ERP 9 for TCS

- Go to **Gateway of Tally > F11: Features > Statutory and Taxation** .
- In the **Company Operations Alteration** screen, set **Enable Tax Collected at Source (TCS)** to **Yes** .
- Enable the option **Set/alter TCS details** .
- Press **F12** .
  - Set **Enable surcharge and cess details for TCS** to **Yes** .
- Enable the option **Set/alter details of person responsible** to display the **Person Responsible Details** screen.



# Configuring Tally.ERP 9 for TCS

- Press **Enter**. The **TCS Collector Details** screen appears.
- Set **Ignore IT Exemption Limit** to:
  - **Yes** , if you don't want to consider the IT exemption limit.
  - **No** , if you want to consider the IT exemption limit.
- Set **Provide surcharge and cess details** to **Yes** . This option appears only when you have set **Enable surcharge and cess details for TCS** to **Yes** in the configuration screen.
- Enter the surcharge and cess details for each collectee status.
- Press **Ctrl+A** to save the details.



# TCS Ledger

- Go to **Gateway of Tally > Accounts Info. > Ledgers > Create .**
- Enter the **Name**
- Select **Duties and Taxes** as the group name in the **Under** field.
- Select **TCS** as the **Type of Duty/Tax .**
- Select a **Nature of Goods/Contract/License/Lease** from the **List of Nature of Goods .**
- Press **Enter .**



# Create Nature of Goods (TCS)

- Go to **Gateway of Tally > Accounts Info. > Statutory Info. > TCS Nature of Goods > Create** .
- Press **Ctrl+C** to view the list of **Nature of Payment** .
- Select the required **Nature of Goods** . The **Section** and **Payment code** are displayed automatically.
- Enter the **Rate** of TCS for **With PAN** and **Without PAN** . The same appears in **Rate for other deductee types** .
- Enter the **Threshold/exemption limit** as applicable .



# Party Ledger (TCS)

- Go to **Gateway of Tally > Accounts Info. > Ledgers > Create**
- Press **F12** and set the option **Allow advanced entries in TCS masters** to **Yes** .
- Enter the **Name** and select **Sundry Debtors** in the **Under** field.
- Enable the option **Maintain bill-by-bill** , to track the TCS bills.
- Enable the option **Is TCS Applicable** , to allow TCS collection for the ledger.
- Select a **Buyer/Lessee Type** from the list.



# Party Ledger (TCS)

- Set **Use Advanced configurations for TCS** to **Yes** .
  - You can set the ledger to ignore income tax and/or surcharge exemption limits.
  - Enable the option **Set/alter zero/lower rate of collection** to **Yes** .
  - Select the required **Nature of Payment** for **Zero/Lower Collection Details** , enter the **Certificate No./Date** and the applicable dates.

On selecting Section Number 206C and entering the certificate details, the transactions recorded using these ledgers will appear in the relevant sections of **Form 27EQ** .



# Party Ledger (TCS)

- Enter the **Mailing Details** . Enable **Provide Bank Details** , to enter the bank details for the ledger.
- Enter the **PAN/IT No.** under **Tax Information** .
- Enable the option **Provide PAN Details** , if required.
- Press **Enter** to save the details.





# Sales Ledger (TCS)

- Go to **Gateway of Tally > Accounts Info. > Ledgers > Create**
- Enter the **Name** .
- Select **Sales Accounts** as the group name in the **Under** field.
- Set **Inventory values are affected** to **Yes** .
- Set the option **Is TCS Applicable** to **Applicable** .
- Select the **Nature of Goods** from the **List of Nature of Goods** .
- Press **Enter** to save the details.



# Stock Item (TCS)

- Go to **Gateway of Tally > Inventory Info. > Stock Item > Create .**
- Enter the **Name .**
- Select a stock group from the **List of Stock Groups** in the **Under** field.
- Select a unit of measurement in the Units field.
- Set the option **Is TCS applicable** to **Applicable .**
- Select the **Nature of Goods** from the **List of Nature of Goods .**
- Press **Enter** to save the details.



# Sale and Purchase (TCS)

- Go to **Gateway of Tally > Accounting Vouchers**
  - **F8: Sales > Item Invoice**
  - **F9: Purchase > Item Invoice**

You can record purchase of stock items attracting TCS. If it attracts TCS, the tax gets auto-calculated. If it has TCS and non-TCS items, enter the tax amount manually in the invoice.



# Payment Transaction (TCS)

- Go to **Gateway of Tally > Accounting Vouchers > F5: Payment**
- Click **S: Stat Payment** button.
- Select **TCS** as the **Tax Type** .
- Enter the **Period From** and **To** dates.
- Enter the **Collected Till Date** .
- Select the **Section** from the **List of Section** .
- Select the **Nature of Good(s)** .
- Select the **Collectee Status** .
- Select the **Residential Status** .
- Select either bank or cash ledger in the **Cash/Bank** field.
- Press **Enter** .



# Form 27EQ (TCS)

- Go to **Gateway of Tally > Display > Reports > Statutory Reports > TCS Reports > Form 27 EQ .**

Statistics of Vouchers displays the total number of transactions pertaining to a period which are categorised as **Included** , **Excluded** and **Uncertain Transactions** . The drill-down report of Total Number of Transactions displays the **Statistics** report comprising of voucher types with the corresponding voucher count.



# Form 27EQ : Included Transactions

- **Booking Voucher:** Displays the count of booking voucher that are recorded without TCS deduction to book the expenses.
- **Booking with Collection Voucher:** Displays the count of booking voucher that are recorded with TCS collection details.
- **Collection Voucher:** Displays the count of all the collection entries passed during the report period.
- **Advance Receipt:** Displays the count of all the advanced receipts made from the party against the service that will be provided in the future.
- **Reversals:** Displays the count of all the entries recorded for TCS reversal.
- **Overridden by User:** Displays the count the TCS vouchers that were recorded and saved by overwriting the pre-defined tax details.