

Tax Collected at Source

October 1, 2020

In News

Till now, Tax Collection at Source (TCS) applied to selected transactions involving prescribed goods and services whereas Tax Deduction at Source (TDS) applied to numerous transactions. The Finance Act 2020 has now brought in three new provisions of TCS that will be applicable from October 1, 2020.

More About New Provisions

- **5% TCS would apply on amounts exceeding Rs 7 lakh in a financial year (FY) for foreign remittances under the Liberalised Remittance Scheme (LRS) of Reserve Bank of India.** Restricted TCS of 0.5% would apply in case for remittances towards loans for pursuing education.
- **5% TCS is applicable on purchase of overseas tour packages**, irrespective of its value.
- **TCS at 0.1% on sale of goods for over Rs 50 lakh in a year.**
- Inflated rates of TCS have been prescribed for non-PAN/Aadhaar cases.

Features of Tax Collected at Source

Parameters	TDS	TCS
Definition	Tax deducted on payments made by companies and individuals if the payment exceeds a threshold.	Tax collected by a seller when selling goods to a buyer

<p>What does it apply to?</p>	<p>TDS deductions are made on payments including salary, rent, brokerage, professional fees, commission, interest etc.</p>	<p>TCS deductions are made on the sale of goods such as scrap, timber, mineral wood, tendu leaves etc</p>
<p>When does it apply?</p>	<p>On payments above a specified limit</p>	<p>On the sale of certain goods (barring those used for manufacturing or production)</p>
<p>Who does it apply to?</p>	<p>A person making a specified payment over and above a certain limit can deduct TDS according to the Income Tax Act 1961</p>	<p>A person selling specific goods can collect TCS according to the Income Tax Act, 1961</p>