

ಚಾಮುಂಡೇಶ್ವರಿ ವಿದ್ಯುತ್ ಸರಬರಾಜು  
ನಿಗಮ ನಿಯಮಿತ  
(ಕರ್ನಾಟಕ ಸರ್ಕಾರದ ಸ್ವಾಮ್ಯಕ್ಕೆ ಒಳಪಟ್ಟಿದೆ)  
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Company Identity Number[CIN]:- **U40109KA2004SGCO35177**

No: CESC/Tax/01/09/2021-22/*Cys-450*

Date: *28-6-2021*

### Circular

**Sub:** Applicability of **New** sections of Income tax TDS and TCS (194Q  
206AB & 206CC) with effect from 01.07.2021 – Reg.

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The Finance Act 2021 had introduced certain amendments in TDS and TCS provisions which will have onerous responsibility in the hands of Tax deductor.

### Section 194Q -Tax Deduction at source(TDS) on Purchase of Goods

A new Section 194Q will be applicable with effect from 01.07.2021.

Section 194Q is applicable on any person who is a **buyer** of goods whose **turnover** or sales during immediately preceding financial year **exceeds Rs.10 Crores**. Section provides that if such buyer makes **purchase** from any resident (seller) during the year of **value** or aggregate value **exceeding Rs. 50 Lakhs**, then such buyer shall deduct **TDS @ 0.1%** at the time of credit to the account of seller or at the time of payment, whichever is earlier.

As per Memorandum explaining the provisions, proposed to amend section 206AA (**Higher Rate when deductee fails to furnish his PAN**) of the Act, where the tax is required to be deducted **under section 194Q** and Permanent Account Number (PAN) is not provided, the **TDS** shall be at the rate of **5%**. These amendments will take effect from 1st July, 2021.

Broadly, the section mandates, every buyer whose total turnover in the Previous FY exceeds Rs.10 Crores such buyer will have to deduct TDS on payment or crediting the account of payee whichever is earlier, at the rate of 0.1%.

Another condition to be satisfied is the purchase value of the goods from any single vendor should exceed Rs.50 Lakhs p.a. The TDS to be made is Assesse based and not TAN based.

For instance, CESC is having one PAN and is running accounting units. Each unit is having its own TAN. So the aggregate purchase by all the units put together from a single vendor exceeds Rs.50 Lakhs then, the provisions of TDS under this Section is attracted. The purchases made may be consumables to run the branches, or

materials purchased for Repairs and Maintenance, Equipment's or Furniture Purchases. It is immaterial what items will be purchased on recurring expenses or capital expenses, but the stress is on purchase of goods. It is immaterial as far as IT Act is concerned, whether the purchases are made from Company's General funds or Specific funds or out of CSR funds.

The total purchases made by Company as a whole is Rs.54Lakhs then, it is the responsibility of Company to deduct TDS at 0.1% on Rs.4,00,000 while making payment. If PAN not provided, TDS rate is 5%.

The provision for 194Q TDS Section is almost similar to Provisions of TCS Section 206C(1H). Section 206(1H) collection of tax (TCS) was the responsibility of the **seller**. Whereas, under this new section **194Q** the responsibility falls on the **buyer**.

#### **Non Applicability of TDS u/s 194Q:**

If **TDS** is required to be **complied** under **any other provision** of this Income Tax Act, then TDS shall not be deductible under section 194Q. But there is one **exception** to this. If any transaction is liable for TCS under section 206C(1H) and also TDS under section 194Q, then on such transaction, only TDS shall be deducted under section 194Q.

#### **Applicability of 206C(1H) and 194Q in CESC:**

- ✓ *Earlier, since CESC's turnover exceeds 10 crores (being a **seller**), CESC was **collecting** 0.1% **TCS** on the **receipt** (in excess Rs.50Lakhs) of HT bill amount (U/s **206C(1H)**).*

*Due to exception under new section **194Q** (w.e.f **1.7.2021**), liability shifted to buyer i.e., when both 206C(1H) and 194Q are applicable, **HT Consumer (Buyer)** will **deduct TDS @ 0.1%** on the HT bill amount and pay the balance amount to CESC.*

- ✓ *Earlier, since CESC's turnover exceeds 10crores (being a **seller**), When any accounting unit **purchased** (**Energy / materials**) from any resident buyer and the value of supply exceeds 50 Lakhs, supplier was collecting **TCS @ 0.1%** (i.e., **CESC** was paying TCS amount with the bill amount) on amount of payment under section **206C(1H)**.*

*Due to exception under new section **194Q** (w.e.f. **1.7.2021**), liability shifted to buyer when both 206C(1H) and 194Q are applicable. when any accounting unit **purchased** (**Energy /Materials**) from any resident buyer and the value of supply exceeds 50 Lakhs, then that particular accounting unit **has to deduct TDS** on value of the supply.*

*(Note: TDS on the value of supply in excess of 50Lakhs means the Aggregate purchase amount by **CESC** as a whole from any single vendor. )*

- ✓ *Since TCS on **Sale of scrap** has been done under section 206(C), the TCS section 206(1H) will not applicable. In case, **any sale other than scrap** (ex: Inter ESCOM/KPTCL sale transaction in excess of 50 Lakhs if any), TDS has to be done by CESC.*

## Accounting of TDS :

### > TDS by HT consumer:

While payment of the HT bill, consumer will deduct the TDS amount u/s 194Q. The TDS amount deducted by the consumer has to be debited to account code 28.821. Subdivisions has to submit to divisions the consumer wise TDS payment details duly obtaining (through mail/letter from consumer) the TDS payment confirmation. After confirmation, the following accounting entry has be passed to give effect the TDS amount as collection from consumer.

Debit A/c Code	Credit A/c Code	Particulars	Debit Amount	Credit amt.
28 series		New account head will be issued	XXX	
	47.609	Revenue collection pending classification over sundry debtors		XXX

After obtaining the Form 16A from the consumer, division has to send the AT to Corporation Office.

### > TDS by CESC on sale other than Scrap:

When TDS deducted by CESC on sale other than scrap, following accounting entry has to be passed:

Debit A/c Code	Credit A/c Code	Particulars	Debit Amount	Credit amt.
28.821		Income Tax paid in Advance	XXX	
	46.922	Advance received for sale of stores scrap etc.		XXX

After obtaining the Form 16A from the buyer, division has to send the AT to Corporation Office.

### > TDS by CESC on purchase of Electricity / materials:

- ✓ To account the TDS amount on purchase of electricity new credit account code will be issued.
- ✓ To account the TDS on purchase other than electricity has to be credited to the account code 46.9248. (Since, RAPDRP project has completed, this account head can be used to track the TDS amounts which are other than salary).

Sold goods	Sellers annual turnover (Rs.)	Buyers Annual Turnover (Rs.)	Aggregate value of sale (Rs.)	Taxable amt. (Rs.)	Applicable IT Section	Rate of TDS/TCS ( If PAN )	Rate of TDS/ TCS ( If No PAN )	Responsibility of TDS/TCS
Sale of Electricity / other than Scarp	More than 10Crores	Less than 10crores	55	5	206C (1H)	0.10%	1.00%	Seller (CESC)
		More than 10 crores	55	5	194Q	0.10%	5%	Buyer (Supplier of CESC)

## **Section 206AB - Higher rate of TDS for the non-filers of income tax return:-**

A new Section 206AB is introduced with effect from 01.07.2021.

New Section 206AB of the Act would apply on any sum or income or amount **paid** or payable or credited, by a person (herein referred to as Deductor) to a **specified person**, the proposed TDS rate in this section is **higher** of the followings rates:-

- twice the rate specified in the relevant provision of the Act; or
- twice the rate or rates in force; or
- the rate of five per cent

### **Specified person:**

- Person who has not filed the Income Tax Return (ITR) for 2 previous years immediately before the previous year in which tax is required to be deducted;
- The time limit of ITR filing under sub-section (1) of Section 139 is expired; **and**
- The aggregate tax deducted at source (TDS) or tax collected at source (TCS), is Rs. 50,000 or more in each of the 2 previous years.

This Section mandates the Tax deductor to verify whether the payee has filed his IT Return for the past two years and whether the TDS in his Account is more than Rs.50,000 p.a.

Let us say, on Mr.XYZ, an individual contractor has been given the work of construction of a compound wall. During FY 2021-22. The value of contract say Rs.20Lakhs. The normal rate of TDS is 1% and the normal TDS is Rs.20,000.

Before making TDS, deductor has to verify whether the contractor Mr.XYZ has filed IT Return for FY 2019-20 and 2020-21 or deductor has to obtain FORM-16 if any from him and if the total value of TDS is more than Rs.50,000 in each year.

If the recipient is a specified person, then the TDS rates will be as under:

SI No.	Particulars	Rate Specified	Twice the Rate Specified
1	Normal rate	1%	2%
2	Rates in force	1%	2%
3	At 5%	-	5%

Then, the TDS is required to be made at 5% (higher of above).

If Mr. XYZ is a specified person, the rate of taxation is still 5%.

### **Another example,**

Company takes a residential house on rent or a building for Company use. Let us assume the landlord is an individual and rent is fixed at Rs.50,000 p.m. If the landlord specified person, the tax rates will be as under:

SI No.	Particulars	Rate Specified	Twice the Rate Specified
1	Normal rate	10%	20%
2	Rates in force	10%	20%
3	At 5%	-	5%

Then, the TDS is required to be made at 20% (higher of above).

The above instances will also hold Good, where the payment is made to a contractor, professional charges including legal fees, rent, on purchase of immovable property.

It is suggested to obtain copies of ITR V filed for Financial Years 2019-20 and 2020-21 from each vendor for each year. A master files to be maintained to verify the above details

Failure to comply with the above provisions attracts payment of interest at 1% p.m. or part of month. Further, the deductor will be liable to pay maximum penalty of amount equal to TDS supposed to be deducted.

#### **Non applicability of Section 206AB:**

1. Section 192 (i.e., Salary),
2. Section 192A (i.e., Premature withdrawal of employees provident fund),
3. Section 194B (i.e., Winnings from lottery or crossword puzzle),
4. Section 194BB (i.e., Winnings from horse race.),
5. Section 194LBC (i.e., Income from investment in securitization trust) or
6. Section 194N (i.e., Payment of certain amounts in cash).

#### **If Applicability of Section 206AB(Non filing of return) and 206AA(No PAN) both:**

If the provision of section 206AA(TDS on payments made to non-residents and **residents not having a PAN**) of the Act is applicable to a specified person, in **addition** to the provision of section 206AB, then tax shall be deducted(TDS) at **higher** of the two rates provided in this section **206AB and** in section **206AA** of the Act.

#### **Section 206CCA -Higher rate of TCS for the non-filers of income tax return:-**

A new Section 206CCA is introduced with effect from 01.07.2021.

New section 206CCA of the Act would apply on any sum or amount **received** by a person (i.e., collectee) from a **specified person** (explained above), the TCS rate in this section is **higher** of the following rates:-

- twice the rate specified in the relevant provision of the Act; or
- 5%

If the scrap buyer is a **specified person**, then the TCS rates will be as under:

SI No.	Particulars	Rate Specified	Twice the Rate Specified
1	Rate specified	1%	2%
2	At 5%	-	5%

Then, the TDS is required to be made at 5% (higher of above).

**If Applicability of Section 206CCA(Non filing of return) and 206CC(No PAN) both:**

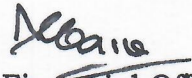
If the provision of section 206CC (higher Rate of TCS on collection from whom **not having a PAN**) of the Act is applicable to a specified person, in addition to the provision of this section 206CC, the tax shall be collected at **higher** of the two rates provided in this section **206CCA and** in section **206CC** of the Act.

**The impact of noncompliance of above section is in 2 folds:**

First, the assessee, i.e., Company will be deemed to be assessee in default, and department can proceed to collect TDS and Interest & penalty on default amount.

Secondly, 30% of such expenses will be disallowed in the computation of Income of Company, will be liable to pay tax thereon.

Therefore, all Accounting Units has to comply the above provisions with effect from 01-07-2021 without fail.

  
Chief Financial Officer.

**Copy to:-**

- The Chief General Manager (I/A), CESC, Corporate Officer, Mysuru.
- The Chief Engineer (Ele), Mysuru Zone/ Hassan Zone, CESC.
- All General Manager, CESC, Corporate Office, Mysuru.
- All SEEs O&M Circles, CESC.
- All Deputy General Manager, CESC, Corporate Office, Mysuru.
- Deputy General Manager (MIS) Corporate- for publication official website of CESC.
- All Executive Engineer (Ele) O&M Division, CESC- **Hereby directed to intimate this provision to concerned all subordinate offices under your jurisdiction.**
- The Deputy General Manager(Projects)- **Hereby directed to include in all Purchase Order that TDS will be deducted from suppliers who are covered under U/s 194Q.**
- The Asst. General Manager, (EBC)/(Finance)/(Revenue)/(IM), CESC, Corporate Office, Mysuru.
- All Account Officers-I/A, CESC.
- MF.

