



PUNJAB STATE TRANSMISSION CORPORATION LIMITED

(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)

Corporate Identity Number - U40109PB2010SGC033814,

Office of CFO, AO/Taxation, Shakti Sadan, Patiala

E-mail: ao-taxation@pstcl.org

Taxation Circular 05/2021

To

All Addl. SEs/Sr. Xens/AOs (DDOs),
Under PSTCL {Through Website Only}

Memo No: 636-678/CFO/Taxation-11

Dated:21.06.2021

Subject: - Introduction of Section 194Q – ‘Deduction of tax at source on payment of certain sum for purchase of goods’ under Income Tax Act, 1961 by Finance Act, 2021.

Section 194Q of the Income Tax Act has been introduced by Finance Act, 2021 to **expand the Scope of TDS** on payment of certain sum for purchase of goods. The newly introduced Section 194Q which is **applicable w.e.f. 1st July, 2021** reads as follows:

194Q (1) Any person, being a buyer who is responsible for paying any sum to any resident (hereafter in this section referred to as the seller) for purchase of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount equal to 0.1 per cent of such sum exceeding fifty lakh rupees as income-tax.

Explanation.—For the purposes of this sub-section, “buyer” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out, not being a person, as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

(2) Where any sum referred to in sub-section (1) is credited to any account, whether called “suspense account” or by any other name, in the books of account of the person liable to pay such income, such credit of income shall be deemed to be the credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

(3) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty.

(4) Every guideline issued by the Board under sub-section (3) shall, as soon as may be after it is issued, be laid before each House of Parliament, and shall be binding on the income-tax authorities and the person liable to deduct tax.

(5) The provisions of this section shall not apply to a transaction on which— (a) tax is deductible under any of the provisions of this Act; and (b) tax is collectible under the provisions of section 206C other than a transaction to which sub-section (1H) of section 206C applies.'

Analysis of the above newly introduced Section – 194Q

Finance Act, 2021 has introduced a new section 194Q which is related to payment of certain sum for purchase of goods. This section will be applicable w.e.f. 1st July, 2021. As per this section, any person, being a buyer who is responsible for paying any sum to any resident (hereafter in this section referred to as the seller) for purchase of any goods of the value or aggregate of such value exceeding Rs. 50 lakhs (fifty lakh Rupees) in any financial year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount equal to 0.1 percent of such sum exceeding fifty lakhs rupees as income-tax.

Time of Deduction of TDS under Section 194Q

(i) At the time of credit of such sum to the account of the seller; or

(ii) At the time of payment thereof by any mode,

Whichever is earlier.

“**Buyer**” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed Ten Crore Rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out, not being a person, as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein

Where any sum is credited to any account, whether called “suspense account” or by any other name, in the books of account of the person (Buyer) liable to pay such income, such credit of income shall be deemed to be the credit of such income to the account of the payee (Seller) and the provisions of this section shall apply accordingly.

Exception to TDS Deduction under Section 194Q:

The provisions of this section shall not apply to a transaction on which;

(a) Tax is deductible under any of the provisions of this Act; and

(b) Tax is collectible under the provisions of section 206C other than a transaction to which sub-section (1H) of section 206C applies.

TDS Rate under Section 194Q of Income Tax Act, 1961

- i. 0.1% on sum exceeding Rs. 50 lakhs in any previous year
- ii. 5% in case PAN number of Seller is not available (section 206AA).

It implies that if on a transaction a TDS or tax collection at source (TCS) is required to be deducted under any other provision, then it would not be subjected to TDS under this section. **However, there is one exception to this general rule is that if on a transaction TCS is required under sub-section (1H) of section 206C as well as TDS under this section, then on that transaction only TDS u/s194Q shall be deducted.**

Non-compliance of section 194Q

As per section 40a(ia) of Income Tax Act 1961, disallowance to the extent of 30% of the value of transaction. It means that if the buyer fails to deduct and deposit TDS as applicable then **disallowance shall be restricted to 30% of the amount of expenditure on which TDS is not deducted** and deposited.

Kindly ensure the meticulous compliance with the provisions of newly introduced section 194Q.

This is for your information and necessary action.

This issue with the approval of competent authority.

Harmandeep Singh
Accounts Officer/ Taxation
PSTCL, Patiala.

Endst No: - 679-711/CFO/Taxation/11

Dated: - 21.06.2021

Copy of the above is forwarded to the following for information and further necessary action please.

1. All Chief Engineers under PSTCL.
2. CAO/F&A, PSTCL Patiala.
3. Company Secretary, PSTCL, Patiala.
4. All Dy.CEs/SEs under PSTCL.
5. All Joint/Dy. CAOs / Dy. CAs/Dy. FAs under PSTCL.
6. All AOs under PSTCL (except DDOs).

Harmandeep Singh
Accounts Officer/Taxation,
PSTCL, Patiala.