



PMC Cell – MM

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Corporate Materials Management

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Circular No. 48 /2020-Cum- BL Amendment No. BL/01/121 and BL/02/96

No: MAT/PMC/13(29)/2/87

Dated: 26.10.2020

Sub: Introduction of Tax Collected at Source (TCS) under Section 206C (1H) of Income Tax Act, 1961.

- 1.0 The Finance Act, 2020, has inserted a new sub-section (1H) in section 206C of the Income Tax Act, 1961, which deals with collection of tax at source (TCS).

As per the pre-amended provisions, TCS was applicable only on sale of certain specified goods such as tendu leaves or other forest produce, scarp, minerals being coal or ignite or iron ore, motor vehicle. The aforesaid section 206C (1H) has extended the scope of TCS to provide for collection of TCS on sale of goods other than goods already covered within the ambit of TCS. Thus, barring the aforesaid specified categories of goods already covered under different sub-sections of section 206C, TCS u/s. 206C (1H) would be applicable on sale of all other goods.

The above amendment is effective from 01st October, 2020.

A document containing salient features of section 206C (1H) and certain clarifications in regard thereto in the form of FAQs as received from Corporate Tax Department are enclosed as Annexure-1.

The provision of TCS u/s 206C (1H) would not be applicable, if ONGC is required to deduct TDS under any other provision of the Act on the sum payable by it for goods purchased from the seller and has deducted such TDS.

- 2.0 In view of the above, wherever purchase orders have already been placed, work center will intimate the suppliers that the applicable TCS u/s 206C (1H) of Income Tax Act, 1961 will be paid provided they are claiming it in their invoice and on submission of following undertaking along with the invoice stating that:
- TCS is applicable on supply of goods invoiced to ONGC as turnover of the supplier in previous year was more than Rs.10 Cr. and
 - Total supply of goods to ONGC in FY 2020-21 exceeds Rs. 50 Lakh and
 - TCS as charged in the invoice has already been deposited (duly indicating the details such as challan No. and date) or would be deposited with Exchequer on or before the due date and
 - TCS certificate as provided in the Income Tax Act will be issued to ONGC in time.

However, Security deposit will be released only after the TCS certificate for the amount of tax collected, is provided to ONGC. Supplier will extend the performance

bank guarantee (PBG), wherever required, till the receipt of TCS certificate or else the same will be forfeited to the extent of amount of TCS, if all other conditions of Purchase order are fulfilled.

The above payment condition is applicable only for release of TCS amount charged by supplier u/s 206C (1H) of Income Tax Act, 1961. Other payment terms and conditions of the purchase order shall remain unchanged.

- 3.0 Finance section will make the payment to the supplier towards TCS as per process guide attached at Annexure-2. No amendment in Purchase order is require to be made.
- 4.0 Following provisions with regard to 'Corporate Tax' in General Terms and Conditions (Annexure-II) of Standard Booklet- ONGC/MM/01 and ONGC/MM/02 stands modified, for all the tenders and POs yet to be placed, as under:

Para No.	Existing Provisions	Modified Provisions
40.9 of ONGC/MM/01 and 30.4 of ONGC/MM/02 (existing clause 30.4 will be renumbered as 30.5)	No Provisions	<p>Tax Collectible at Source (TCS) applicable under the Income-tax Law and charged by the SUPPLIER shall also be payable by the CORPORATION along with consideration for procurement of goods/materials/equipment. If TCS is collected by the SUPPLIER, a TCS certificate in prescribed Form shall be issued by the SUPPLIER to the CORPORATION within the statutory time limit.</p> <p>Payment towards applicable TCS u/s 206C (1H) of Income Tax Act,1961 will be made to the supplier provided they are claiming it in their invoice and on submission of following undertaking along with the invoice stating that:</p> <ol style="list-style-type: none"> a. TCS is applicable on supply of goods invoiced to ONGC as turnover of the supplier in previous year was more than Rs. 10 Cr. and b. Total supply of goods to ONGC in FY ... exceeds Rs. 50 Lakh and c. TCS as charged in the invoice has already been deposited (duly indicating the details such as challan No. and date) or would be deposited with Exchequer on or before the due date and d. TCS certificate as provided in the Income Tax Act will be issued to ONGC in time. <p>However, Security deposit will be released only after the TCS certificate for the amount of tax collected, is provided to ONGC. Supplier will</p>

		<p>extend the performance bank guarantee (PBG), wherever required, till the receipt of TCS certificate or else the same will be forfeited to the extent of amount of TCS, if all other conditions of Purchase order are fulfilled.</p> <p>The above payment condition is applicable only for release of TCS amount charged by supplier u/s 206C (1H) of Income tax Act, 1961.</p>
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Suitable provisions in this regard may be added in General Terms and Conditions of other type of tenders as per the applicability of the TCS.


(A P Tripathi) 26/10/2020
ED-Chief MM Services

Distribution: (Through ONGC's intranet website 'ongcreports.net').

All concerned may download the circular from the site. Hard copies are not distributed separately.

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1. EO to CMD, ONGC, New Delhi.
2. CEA to Director (T&FS) / Director (Offshore) / Director (HR) / Director (Exploration)/Director (Onshore) / Director (Finance), ONGC, New Delhi.
3. CVO, ONGC, New Delhi.

Salient features of section 206C (1H)

1. **Rate-** TCS u/s. 206C(1H) is applicable at the rate of 0.1% on sale (purchase) of goods. However, as per Press Release dated 13th May'20 issued by Ministry of Finance, from 1st October 2020 to 31st March, 2021, the rate of TCS stands reduced to 0.075%.

If the buyer does not furnish its PAN/ Aadhaar Number to the seller, TCS would be collectible @ 1% of sale consideration.

2. **Time of Collection-** TCS is collectible by the seller of goods at the time of receipt of consideration. Accordingly, any consideration received by the seller on or after 01st October, 2020, would be subject to TCS u/s. 206C(1H) of the Act.

3. **Threshold-** The requirement of TCS u/s. 206C(1H) arises only if the amount of sale consideration received by a seller from a buyer during a financial year exceeds Rs. 50 lakh. In such a case, TCS would be collectible on sale consideration received from a buyer in excess of Rs. 50 Lakh.

4. **Non-applicability-**

TCS u/s 206C (1H) would not be applicable in the following cases:

- (i) When goods are exported outside India or imported into India.
- (ii) If the buyer is required to deduct TDS under any other provision of the Act on the sum payable by him for goods purchased from the seller and has deducted such TDS.
- (iii) If the buyer is a Central Govt., State Govt., an embassy, a High Commission, legation, Commission, consulate, trade representation of a foreign State or a local authority as defined u/s 10(20) of the Act or any other person as notified by the Central Govt.
- (iv) If total sales, gross receipts or turnover of the seller from the business carried on by it does not exceed Rs. 10 crore during the financial year immediately preceding the financial year in which the sale of goods is carried out;
- (v) The seller is a person who has been exempted from the applicability of Section 206(1H) by the Central Govt. by way of a notification issued in this regard

Frequently Asked Questions

1. Individual invoice value or sum total of total invoices for a customer/supplier to be considered?

Section 206C (1H) of the Income-tax Act, 1961 (Act) envisages "value or aggregate value of consideration". Accordingly, for the purpose of determining the applicability or otherwise of TCS, the total amount of sales consideration paid to the supplier during a financial year has to be considered.

It is, however, pertinent to mention that, if the amount of consideration received by a supplier from a customer during a financial year exceeds the threshold prescribed by section 206C(1H) i.e., Rs. 50 lakh, TCS would be applicable on consideration received in excess of Rs. 50 lakh.

2. TCS is applicable at the time of billing or payment of sale consideration?

Section 206C(1H) specifically provides that, TCS has to be collected at the time of receipt of consideration from the buyer. Thus, unlike other sections dealing with TCS which require TCS to be collected at the time of debiting the account payable by the buyer or at the time of receipt of payment, whichever is earlier, the provisions of section 206C(1H) would trigger only at the time of payment of sale consideration.

Now the question arises whether or not TCS would also be applicable on consideration payable in respect of sales effected on or before 30th September, 2020. While different interpretations could be possible, we are of the view that, since the trigger for TCS is the actual payment of sale consideration, the same should be applicable on every consideration paid on or after 1st October, 2020, despite the fact that same pertains to the sale effected prior thereto.

3. Base value for applying TCS percentage.

The term "consideration" has not been defined under the Act; in common parlance, the same is defined to mean compensation, payment or reward.

As regards inclusion of VAT, GST or any other indirect taxes, in the amount of consideration for the purpose of TCS, it is relevant to mention that, as per FAQ issued earlier by the Income-tax Department in the context of section 206C (1) of the Act, if the amount debited to the account of buyer or payment received by seller is inclusive of VAT/ excise/GST, TCS has to be collected on the amount inclusive of such taxes. Further, in terms of section 145A of the Act, the valuation of purchase and sale of goods or services would be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location.

Thus, in light of the above, we are of the view that, unless and until the Central Board of Direct Taxes (CBDT) comes out with a specific clarification regarding inclusion/non-inclusion of VAT, GST or any other indirect tax in sale consideration for the purpose of section 206C (1H), the amount of such indirect levies billed and payable to the supplier should be treated as forming part of consideration and should be subject to TCS accordingly.

4. Products and transactions on which TCS is applicable.

Section 206C (1H) of the Act deals with applicability of TCS on sale of any goods other than the goods already covered within the ambit of section 206C. Thus, barring the specified categories of goods already covered under different sub-sections of section 206C such as tendu leaves or other forest produce, scarp, minerals being coal or ignite or iron ore, motor vehicle, TCS u/s. 206C(1H) would be applicable on sale of all other goods.

Hence, for the purpose of section 206C (1H), the term "goods" is of wide import; anything which comes to the market may be covered within the meaning thereof.

Accordingly, TCS u/s. 206C (1H) would be applicable on purchase of goods/materials. Payments towards services are, however, not covered within the ambit thereof.

5. Applicability of TCS in the cases of composite contracts

In the cases of composite payments or LSTK contracts, we are of the view that, if material procurement component is identifiable then, the sums payable there against should be subject to TCS. If, however, it is not feasible to segregate the materials component, then, the pith and substance of the contract has to be seen; if contract is for procurement of materials/goods and the services rendered are merely incidental thereto, then, TCS would, in our view, be applicable on entire sums payable under the contract.

The aforesaid clarifications are based on our own understanding and interpretation of the statutory provisions. This being a new provision, there are certain issues which may be subject to differential interpretations. It is, therefore, expected that, the CBDT may come out with certain clarifications in the form of FAQs or otherwise to operationalize the scheme of TCS. If any such communication is issued by the CBDT, the same would be duly circulated.

Process Guide on TCS payable on Purchases made by ONGC

The Finance Act, 2020, has inserted a new sub-section (1H) under section 206C of the Act to provide for collection of TCS on sale of goods other than goods already covered under any other sub-section of section 206C of the Act.

The aforesaid amended provisions would come into force with effect from 1st October, 2020.

In the view of the above, Invoices raised by vendors to ONGC on or after Oct 01, 2020 may have TCS amount included in total invoice amount.

Process for the same is explained below:

Following 2 GL a/c has been created:

1. 102109 - TCS Certificate Receivable Account
2. 102123 - Advance Tax-Tax Collected At Source

Execute T-code MIR7 – Enter all details like Purchase order, Posting date, section code, Business place, IMS no. etc.

New tab G/L Account along with PO reference has been added.

The screenshot displays the SAP 'Park Incoming Invoice' screen for Company Code MUM. The 'Basic Data' tab is active, showing the following details:

- Transaction: Invoice
- Balance: 250,000.00 INR
- Invoice date: 06.10.2020
- Posting Date: 06.10.2020
- Reference: 4010071973
- Vendor: 0000134621
- Vendor Name: AGMATEL INDIA PRIVATE LIMITED11
- Vendor Address: NIRMAN VIHAR-012389ABC, 123 E-376, 2ND FLOOR, 110092 DELHI
- Bank acct: 047300301119
- Bank Name: ICICI BANK LTD, Chennai - Cenotaph Roa

The 'G/L Account' tab is also visible, showing a table with the following columns: H-, S., G/L acct, Short Text, D/C, Amount in doc.curr., Loc.usr amount, T., Tax jurisdctn code, Assignment, and Text. The table contains three rows, all with 'Debit' in the D/C column and '0.00V0' in the Amount in doc.curr. column.

H-	S.	G/L acct	Short Text	D/C	Amount in doc.curr.	Loc.usr amount	T.	Tax jurisdctn code	Assignment	Text
				Debit	0.00V0					
				Debit	0.00V0					
				Debit	0.00V0					

Enter TCS GL a/c 102109 in GL Account tab, enter TCS amount payable to vendor as per Invoice, Business Area, Profit Centre

Park Incoming Invoice: Company Code MUM

Show PO structure Show worksheet Hold Simulate Save as Completed Messages Help

Transaction Invoice **Net Balance 250,000.00** IRR

Vendor: 0000134621
 AGMATEL INDIA PRIVATE LIMITED11
 NIRMAN VIHAR-012389ABC
 123 E-376, 2ND FLOOR
 110092 DELHI
 9969220028
 Bank acct: 047300301115
 ICICI BANK LTD, Chennai - Cenotaph Roa

Invoice date: 06.10.2020 Reference: 4010071973
 Posting Date: 06.10.2020
 Amount: THR Calculate tax
 Tax Amount: V0 (Input Tax code for...)
 Bus. place/sectn: DB / DB
 Text: 4010071973
 Paymt terms: Due Immediately
 Baseline Date: 06.10.2020

PO Reference G/L Account

Layout: Standard 4

EF	S...	G/L acct	Short Text	D/C	Amount in doc.curr.	Pa...	Cost center	Order	Sales order	Item ...	Profit center	WBS e
		102109		Debit	188						MUM02000	
				Debit								

PO Reference G/L Account

Layout: Standard 4

EF	S...	G/L acct	Short Text	D/C	Amount in doc.curr.	B...	Acty ...	Co...	Personn...	Earmarked...	E...	S Func. Area	Busine
		102109	TCS Certific	Debit	188.00			ONGCO		MUMR020000			
				Debit									
				Debit									

Rest other details will remain same.

Simulate Document.

Change Invoice Document 5105647399 2020, Complete for Posting

Show PO structure Show worksheet Simulate Save as Completed Post Messages Help

Simulate Document in IR (Document currency)

Position	A/G/L	Art/Short/Art/Year	Amount	Cl.	Purchasing	Item	Jurid. Code	Tax Date	It...	Co
1K	130101	AGMATEL INDIA PRIV	250,000.00	30R	**					00
2S	130112	GR/R-Indigenous-Star	250,000.00	30R		4010071973.2	TG			00
2S	102109	TCS Certificate Receiv	188.00	30R						00
12000000005	130281	Statutory Liability For	5,704.00	30R						00

Debit: 250,188.00 Credit: 250,188.00 Bal: 0.00

Back Save Posted Document Save as Completed Post

Vendor Credit will be increased by the amount enter in GL A/C 102109.

Save Document.

Document Posted.

Display Document: Data Entry View

Taxes Display Currency General Ledger View

Data Entry View

Document Number	722000062	Company Code	MUM	Fiscal Year	2020
Document Date	06.10.2020	Posting Date	06.10.2020	Period	7
Reference	4010071973	Cross-Comp.No.			
Currency	INR	Texts exist	<input type="checkbox"/>	Ledger Group	

CoCt Item PK TTy S Account Description Amount Amount in LC Curr. Tx Real Estate Key Ref.

MUM	1	31		134621	AGMATEL INDIA PRIVATE L	289,284.00-	289,284.00-	INR	**		
	2	86		190112	GR/IR-Ind-Store&Spar	295,000.00	295,000.00	INR	TG		
	3	40		102109	TCS Certificate RecA	188.00	188.00	INR			
	4	50		190281	STLB-TDS-OththanEmp	5,904.00-	5,904.00-	INR			

Amount in lying in GL A/c 102109 needs to be transferred to DDN in GL a/c -102123 - Advance Tax- Tax Collected at Source after receipt of TCS certificate from the Vendor.