



## **TDS obligations for Purchases of Goods in India**

### **1. Applicability of the TDS provisions @ 0.1%**

- (i) It's applicable from **1<sup>st</sup> July 2021** against the purchases of goods from **Indian resident seller**.
- (ii) It's applicable where **purchaser** is purchasing of goods from Indian resident seller for minimum of Rs. **50 Lakhs** during the Financial year (FY) ending on March **31, 2022** and also purchaser turnover is minimum Rs. **10 crore** during the FY ending on March **31, 2021**.

### **2. 'Non-Applicability' of the TDS provisions @ 0.1%**

- (i) It's **not** applicable on the following transactions:-
  - (a) Transactions for securities and commodities as being traded through recognized stock exchange or being cleared and settled through recognized clearing corporation **including** those are located in International Financial Service Centre (IFSC)
  - (b) Transactions in electricity, renewable energy certificates and energy saving certificates as being traded through registered power exchanges.
- (ii) (a) It's **not** applicable where purchaser is purchasing of goods from Indian Resident seller and has already credited and paid (both) Rs.**50 lakh** or more up to **30<sup>th</sup> June 2021**. Hence these TDS provisions are **not** applicable up to **30<sup>th</sup> June 2021** beside that purchase are exceeding Rs. **50 Lakhs**
  - (b) However these TDS provisions are applicable for the purchases from **1<sup>st</sup> July 2021** even for Rs. **1** where purchases are already exceeded Rs. 50 Lakhs up to **30<sup>th</sup> June 2021**.

- (iii) (a) It's **not** applicable for the purchase of goods from **non-resident seller**.
- (b) However these provisions are applicable for the purchase of goods from **non-resident seller** where non-resident seller has **taxable** Permanent Establishment (PE) in India.
- (iv) (a) It's **not** applicable for the purchase of goods from a **seller** whose income is Fully (**100%**) exempted under section **10** or **11** of the Income Tax Act, **1961**.
- (b) However these provisions are applicable for the purchase of goods from a seller whose income is **partly** (not 100%) exempted under section 10 or 11 of the Income Tax Act, 1961.
- (v) It's **not** applicable for the purchase of goods where purchaser has **not** incorporated his entity/ company during the FY ending on **31<sup>st</sup> March 2021**.
- (vi) (a) It's **not** applicable for the purchase of goods, gross receipts or turnover where same is although exceeding **10** crore during the FY ending on **31<sup>st</sup> March 2021** but same is **not** from **100%** 'business activities'.
- (b) It's applicable for the purchases of goods, gross receipts or turnover where same is exceeding 10 crore during the FY ending on 31<sup>st</sup> March 2021 from **100% business activities**.
- (vii) (a) It's **not** applicable for the purchase of goods through E-commerce platform like Amazon or Flipkart where TDS @ **1%** has already been deducted under section **194-0**.
- (b) Hence TDS provisions are **not** applicable under section 194Q @ 0.1% where TDS has already been deducted under section 194-0 @ 1%.
- (viii) It's **not** applicable for the **purchase of services**. Hence it's applicable for the **purchase of goods** only.

### **3. Important Clarifications**

- (i) Amount of GST is to be **excluded** for applicability of TDS provisions where TDS is being deducted at the time of credit*
- (ii) Amount of GST if any is to be **included** for applicability of TDS provisions Where TDS is being deducted at the time of making advance payments and also amount of GST is **not** known at the time of making advance payments.*
- (iii) (a) Amount of GST is **not** to be adjusted against purchase returns. However TDS is to be adjusted against next purchase from the **same seller**.*
  - (b) Amount of GST is **not** to be adjusted against purchase return where it replaced by the goods.*

## *Published By*



**CA. Satish Agarwal**

*B.com (Hons) FCA*

*+919811081957*

*9/14 (First Floor) East Patel Nagar, New Delhi- 110008*

*Email: [satishagarwal307@yahoo.com](mailto:satishagarwal307@yahoo.com)*

*Website: [www.femainindia.com](http://www.femainindia.com)*

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**March – 2022**