

Circular No. 23/2016

F. No.370142/17/2016-TPL  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes  
(TPL Division)

New Delhi, dated the 24<sup>th</sup> June, 2016

**Subject:** Amendment in Section 206C of the Income-tax Act vide Finance Act 2016 - Clarifications regarding.

In order to curb the cash economy, Finance Act 2016 has amended section 206C of the Income-tax Act to provide that the seller shall collect tax at the rate of one per cent from the purchaser on sale in cash of certain goods or provision of services exceeding two lakh rupees. Subsequent to the amendment, a number of representations were received from various stakeholders with regard to the scope of the provisions and the procedure to be followed in case of the amended provisions of Section 206C of the Act. The Board, after examining the representations of the stakeholders, issued FAQs vide circular.No.22/2016 dated 8<sup>th</sup> June, 2016. The Board has further decided to clarify the issue as regards applicability of the provisions relating to levy of TCS where the sale consideration received is partly in cash and partly in cheque by issue of an addendum to the above circular in the form of question and answer as under:

**Question 1:** Whether tax collection at source under section 206C(1D) at the rate of 1% will apply in cases where the sale consideration received is partly in cash and partly in cheque and the cash receipt is less than two lakh rupees.

**Answer :** No. Tax collection at source will not be levied if the cash receipt does not exceed two lakh rupees even if the sale consideration exceeds two lakh rupees.

## Tax Scan - Simplifying Tax Laws

**Illustration:** Goods worth Rs. 5 lakhs is sold for which the consideration amounting to Rs.4 lakhs has been received in cheque and Rs.1 lakh has been received in cash. As the cash receipt does not exceed Rs.2 lakh, no tax is required to be collected at source as per section 206C (1D).

**Question 2:** Whether tax collection at source under section 206C (1D) will apply only to cash component or in respect of whole of sales consideration.

**Answer:** Under section 206C (1D), the tax is required to be collected at source on cash component of the sales consideration and not on the whole of sales consideration.

**Illustration:** Goods worth Rs. 5 lakhs is sold for which the consideration amounting to Rs.2 lakhs has been received in cheque and Rs.3 lakh has been received in cash. Tax is required to be collected under section 206C (1D) only on cash receipt of Rs.3 lakhs and not on the whole of sales consideration of Rs.5 lakh.



(Pitambar Das)  
Director (TPL-III)

Copy to:-

1. The Chairman, Members and officers of the CBDT of the rank of Under Secretary and above.
2. OSD to Revenue Secretary.
3. All Principal Commissioners of Income-tax & all Director General of Income-tax with the request to bring to notice of all officers.
4. The Pr. Director General of NADT, Nagpur.
5. The Pr. Director General of Systems, ARA, Jhandewalan Extension, New Delhi.
6. The Pr. Director General of Vigilance.
7. The ADG (PR, PP & OL), Mayur Bhawan, New Delhi for printing in the quarterly tax bulletin and for circulation as per mailing list.
8. Comptroller and Auditor General of India.
9. ADG (Systems) for uploading on ITD website.
10. The Guard File.



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