

**TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED
(ACCOUNTS BRANCH)**

From K.Malarvizhi, B.A.(Corp), ACA., PGDHRM, Chief Financial Controller/General, 144, Anna Salai, Chennai-600 002.	To	All Chief Engineers, All Superintending Engineers, All Financial Controllers, All Drawing & Disbursing Officers/HQs.
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Circular No.CFC/GL/FC/TAXATION/AAO/F.TCS/D. /2020, dt. .09.2020.

Sub: Income Tax compliance – TCS on sale of goods u/s.206C(1H) of
Income Tax Act 1961–Adoption of new provisions in TANGEDCO –
Both as a seller and as a purchaser – Instructions issued.

Ref: CMD/TANGEDCO's note approval dated 15.09.2020.

The Finance Act 2020 has introduced Section 206C(1H) with effect from 01.10.2020. The implications on TANGEDCO and applicability of TCS u/s.206C(1H) as a seller and as a buyer of goods are detailed below:-

As per this section, the suppliers whose total sales, gross receipts or turnover from the business carried on by him exceed Rs.10 crores during the financial year immediately preceding the financial year needs to additionally collect TCS u/s.206C(1H) from Buyers. However, the TCS will be applied only on consideration for sale of any goods exceeding Rs.50 lakhs in any financial year.

Consequently, the suppliers of goods to TANGEDCO liable to collect TCS u/s.206C(1H) @ 0.1% (reduced to 0.075% upto 31.03.2021) along with their bills settlement. Similarly, TANGEDCO, seller of power / fly ash, will have to collect TCS 0.1% (reduced to 0.075%) from applicable HT & LT consumers/ any companies.. If PAN/Aadhar number of consumer or contractor is not available, higher rate of TCS @1% is to be collected.

TCS Rates:

There are 2 TCS rates prescribed in section 206C (1H).

For consumer with valid PAN	:	0.075%
No PAN / Wrong PAN	:	1%

1. TANGEDCO as a Seller under section 206C(1H) :

(a) TCS on sale of electrical energy/electricity to LT/HT consumers:

As per this section, TANGEDCO has to collect TCS @ 0.1% (reduced rate 0.075% upto 31.03.2021) on sale of electricity from the LT/HT consumers at the time of receipt of consideration if the sale consideration from April 2020 i.e. Revenue from sale of power (including all other tariff and non tariff charges along with Energy sale) received exceeds fifty lakh rupees in FY 2020-21 at any time. TCS will also not apply on the wheeling charges and banking charges as not pertains to sale of power and such amount will not also be included for arriving at the threshold limit of Rs.50 lakhs.

TANTRANSCO's income not consideration for sale of goods :

Similarly, the TANTRANSCO's income viz. Transmission charges, Scheduling and system operating charges, Operation & Maintenance charges etc. are also being collected in HT invoices along with TANGEDCO's income. Such quantum is not sales consideration of TANGEDCO and also that are not consideration for sale of goods. Thus, **TCS need not be applied on such portion.**

(b) TCS on Advance, Adjustment of EMD and Security Deposit, Tax portion:

Advance receipts and adjustment of Earnest Money Deposit/Security Deposit on sale consideration if any carried out will also be treated as sale consideration and if the total collection inclusive of above adjustment and advance receipts exceeds the limit prescribed u/s.206C(1H), TANGEDCO has to collect TCS. The Taxes & duties like GST, E.Tax will also be included for arriving at the threshold limit for sale consideration and on exceeding Rs.50 lakhs, TCS need to be applied.

(c) Non-availability of PAN or wrong PAN:

If PAN/Aadhar number of consumer or contractor is not available, TCS @1% is to be collected instead of TCS rate of 0.1% (reduced rate 0.075% upto 31.03.2021).

Some times, TCS rates would be applied based on wrong PAN. Quoting of wrong PAN will be reflected as short collection of Tax in TANGEDCO's defaulters' report (Form 26 AS). Hence, **special attention shall be given to ensure the correctness of the PAN by the circle by duly collecting PAN card copy by intimating the consumers about the above provisions.** Otherwise, higher rate of 1% shall be collected so as to avoid TDS/TCS defaults to TANGEDCO.

(d) TCS on excess over Rs.50 lakhs:

The provisions of section 206C(1H) is applicable from 1st October 2020 if the receipt of sale consideration from a buyer exceeds Rs.50 lakhs in a financial year. For such purpose, the following may be noted;

- Receipts of consideration from 1.10.2020 are to be collected along with TCS.
- Onlyif Receipts from April 2020 exceeds Rs.50 lakhs, TCS on such excess alone to be collected.
- Even though receipts exceeded Rs.50 lakhs prior to 30.09.2020, TCS shall be applied only for the receipts from 1.10.2020 onwards.

It is suggested that provision is to be given in the packages itself to show the total collection for electrical energy (excluding TANTRANSCO income and not affecting adjustments elements) from 01.04.2020 onwards and TCS has to be collected in the bill on the amount received in excess of Rs.50 lakh (after 1.10.2020) including all tariff/non-tariff charges and E.Tax & GST components, if any, collected .

Illustration 1: Sales made to a buyer is less than Rs. 50 Lakhs upto 30-09-2020

1.	Sales up to 30-09-2020	Rs. 35 Lakhs
2.	Consideration received upto 30-09-2020	Rs. 30 Lakhs
3.	Invoices raised from 01-10-2020 & collected	Rs. 25 Lakhs

TCS shall be applicable beyond receipts of Rs.50 Lakhs during the year and thus, on the initial receipt of Rs.20 Lakhs after 01-10-2020, TCS shall not be applicable. Consequently, TCS shall be applicable as and when remaining Rs.5 Lakhs (Rs.30 Lakhs + Rs.25 Lakhs - Rs.50 Lakhs limit) is received.

Illustration 2: Sales made to a buyer is more than Rs. 50 Lakhs up to 30-09-2020

1.	Sales up to 30-09-2020	Rs. 65 Lakhs
2.	Consideration received upto 30-09-2020	Rs. 30 Lakhs
3.	Receipts collected from 01-10-2020	Rs. 20 Lakhs

Though sales made prior to 30.9.20 exceeds Rs.50 lakhs, TCS liability will not arise in the above illustration. The collection during the Financial Year 2020-2021 does not exceed Rs. 50 Lakhs & as such the receipts collected from 01.10.2020 of Rs. 20 Lakhs will

not be subjected to TCS.

Illustration 3: Consideration received from a buyer is more than Rs. 50 Lakhs up to 30-09-2020

1.	Sales up to 30-09-2020	Rs. 65 Lakhs
2.	Consideration received upto 30-09-2020	Rs. 55 Lakhs
3.	Invoices raised from 01-10-2020 & received	Rs. 20 Lakhs

TCS u/s 206(C)(1H) shall be effective from 01-10-2020. Therefore, TCS cannot be charged on consideration (excess of Rs.50 lakhs) received prior to 01-10-2020. Hence, TCS shall be charged on the consideration received on or after 01-10-2020 only ie; Rs. 20 Lakhs.

(e) TCS is PAN based not Service connection based:

It may be noted that TCS is PAN based applicability and not service connection based. If a consumer has more than one service in the same Circle/Region or some other Region either as HT consumer or LT consumer, the threshold limit of Rs.50 lakhs should be taken for all services together. For, such compliance, the consumers has to be properly mapped with respective PAN in LT & HT package by IT wing, which is under progress.

(f) Non-applicability of TCS :

The following consumers/buyers do not attract TCS on sale of goods:

- (i) The Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and trade representation of a foreign state; or
- (ii) A local authority as defined in the Explanation to clause (20) of section 10; or Local authority means Panchayat, Municipality, Municipal Committee and District Board, Cantonment Board.
- (iii) A person importing goods into India or any other 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.

Therefore, sale of power to the service connections of above consumers would not be subject to TCS u/s.206C(1H).

(g) Remittance guidelines/Tax Compliances to be done:

- (i) TCS monthly collection report shall be enabled in the HT and LT billing packages to Circle office for HT services and Division office for LT services. The levied/collected TCS amount for each month will have to be remitted by the respective Circle/Office within 7 days from the last day of the month in which the tax was collected, just like TCS on scrap sales. Division offices to be sensitised about such TCS payments on LT within due date and about timely filing of Form 27EQ.
- (ii) As per the section 206C(7) of Income Tax Act 1961, if TANGEDCO does not collect tax or does not remit the tax after collection, TANGEDCO shall be liable to pay simple interest at the rate of 1% per month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was actually paid. **Therefore, care should be taken to remit the amount within due date.**
- (iii) Quarterly statement of TCS in Form 27EQ shall be filed through online within the due date. The due date for filing of Form 27EQ is ;

Quarter	Original due date	Revised due date for FY 2020-21
Quarter ending June (Q1)	15 th July	31 st March 2021
Quarter ending September (Q2)	15 th October	31 st March 2021
Quarter ending December (Q3)	15 th January	15 th January 2021
Quarter ending March (Q4)	15 th May	15 th May 2021

- (iv) Certificate of TCS in Form 27D as per section 206C(5) of Income Tax Act 1961 has to be issued to the Consumers/Contractors. The due date for issuing Form 27D is ;

Quarter	Original due date	Revised due date for FY 2020-21
Quarter ending June (Q1)	30 th July	15 th April 2021
Quarter ending September (Q2)	30 th October	15 th April 2021
Quarter ending December (Q3)	30 th January	30 th January



Quarter ending March (Q4)	30 th May	30 th May
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- (v) Delay in filing of TCS return will attract Late filing fee u/s.234E i.e. Rs.200/- for every day of delay until the late payment charges equal to the amount of TCS and not more than that.
- (vi) Form 27EQ is presently used for filing of TCS collected on scrap sales, wherein TCS u/s 206C (1H) shall also be incorporated.

(h) Accounting guidelines for TCS on TANGEDCO's Receipts:

Since the TCS shall be applied on collection of any revenue on sale of goods, TCS may be brought into books at the time of actual collection made or any adjustment made. Similar to TDS on Income Tax, TDS on GST, TCS on Scraps, etc., this TCS u/s.206C(1H) shall also be credited in a particular account heads on recovery of TCS and the same will be debited on its remittance to Government. Such that closing balance at the month end would be equivalent to Tax liability pending to be remitted. The timing of TCS recovery is only at time of actual collection of consideration and not at time of invoicing the sale of goods.

I. Sale of power :

Both in case of HT & LT, the recovery of TCS may be enabled through package itself, such that at time of demand itself, this TCS will also be levied, depending on eligibility & threshold limit of consumers.

- Journalising at time of LT Demand/HT Invoice itself :

A/c 23.100 Sundry Debtors	Dr	xxxx
TO		
A/c 61.100 or 61.200 or 61.300		xxxx
A/c 46.925 TCS recovery		xxxx

II. Sale of Fly Ash :

In case of sale of fly ash, TANGEDCO is collecting advance amount, and subsequently issuing invoice for actual despatch of fly ash. Thus at time of such collection of advance from suppliers / Companies, TCS has to be collected as per provisions, & Threshold limit and journalised as below:

- During the collection of revenue subject to TCS :

24.300	Bank A/c.	Dr.	xxxxx
	To		
46.922	Advance on sale of scrap, fly ash		xxxxx
46.925	TCS Recovery		xxxxx

(being the collection of advance receipts on fly ash and its related TCS recovered from suppliers -----)

III. Sale of Scraps :

Since the collection of advance towards scraps was already covered under TCS provisions, sec 206C (1H) need not be applied again.

- At the time of remittance of TCS recovery – regular JV

46.925	Income Tax deducted at source on other payments	Dr.	xxxxx
	To		
24.300	Bank A/c.		xxxxx

(being the remittance of TCS)

(i) Making provisions in HT/LT/IMS package by IT wing/Head Quarters:-

In the above scenario, it is necessary to make provisions in LT, HT & IMS package for inclusion of TCS u/s.206C(1H) from 1st October 2020. In this regard, IT wing is requested to make necessary provisions in LT & HT package for ;

- Inclusion of TCS u/s.206C(1H) at time of collection from 1st October 2020
- Showing up the total collection for electrical energy including all other tariff/non-tariff charges (excluding TANTRANSCO income and not affecting adjustments elements) from 01.04.2020 onwards along with the workings for levy of TCS of 0.075%.
- Enabling the package to identify the consumers' liability to TCS u/s.206C(1H) based on PAN of consumers as a whole in TANGEDCO.
- Collecting TCS in the bill on the amount received in excess of Rs.50 lakh including all other tariff/non-tariff charges along with the report of TCS effected in the Bill for the month.
- Making provisions in the packages for entering the TCS payment details and acknowledgement numbers on filing of TCS Returns of every quarter.

2. TANGEDCO as a buyer of goods under section 206C(1H) :



TANGEDCO is purchasing Electricity/Power from various Private power plants, Co-generation units and also purchasing Meters, Transformers, Conductors, Cables etc. However, TCS will not apply on purchase of power from Power Exchanges, being dealt in HQ.

(a) Components of suppliers Bills :

Accordingly, there will be additional pay out by TANGEDCO @ 0.075% as TCS u/s.206C(1H), when payment is released to those suppliers to whom 206C(1H) applies. Though, the recovery of TCS is the responsibility of suppliers, TANGEDCO has to verify the correctness of the claim of TCS rates, TCS quantum etc. While calculating the value of consideration of Suppliers' bills, the entire value of bills including its GST component etc. has to be considered. As such, any recoveries of retention money, Security Deposit adjustment, Liquidated Damage recovery etc. shall not be deducted for arriving at the value of sales consideration u/s.206C(1H).

(b) Accounting guidelines for TCS at time of Payments:

Since TCS will have to be brought into account only at time of making payment and not at time of passing of suppliers' bills, the following accounting procedure may be adhered:

(i) At time of passing of bills :

Regular Journal Voucher of creation of liability will be made

A/c.14.000 Capital work in progress	Dr.	xxxxx	
A/c.22.000 Material		Dr.	xxxxx
A/c.76.000 Expenses	Dr.	xxxxx	

To

A/c.42.110 Liability for supply of materials (capital)	xxxxx
A/c.43.110 Liability for supply of materials/works (O&M)	xxxxx
A/c.46.104 Retention money from supplier/contractor	xxxxx

(Admission of supplier's bills with its deductions brought into accounts)

(ii) At time of Pass order :

In addition to "net liability to supplier", Advance tax heads may also be indicated separately for proper accounting.

Passed for payments:

A/c. 42.110	Dr.	xxxxx
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A/c. 27.425 Dr. xxxxx (only if paid before 31.03.2021)

Total

(Rupees
to Supplier's name.....)

This should be indicated clearly in Red ink in the pass order made in respective invoices / or in LOAs made in case of C.P. mode of payment. Since the threshold limit of receipts exceeding Rs.50 lakhs will be accounted afresh from April, TCS will be paid, only if payment released before 31st March of any financial year.

(iii) Payment Journal Entry :

A/c. 42.110 Dr. xxxxx

A/c. 27.425 Dr. Xxxxx

To

Bank A/c

xxxxx

(Being the payment of suppliers claim with the TCS due made through Bank account)

Though payment to suppliers is made as one transactions together for supply value and TCS applicable, proper booking shall be made in separate account heads, for effective reconciliation of vendor liability as well as TANGEDCO's Advance tax for obtaining refund later. The APS wing may be advised to **account purchases without TCS portion for vendor liability** in IMS Package, and the entry for TCS has to be paid and accounted in Cash section.

Subsequent to the payment to suppliers, details of bill amount & TCS amount paid have to be intimated clearly for account balance reconciliation.

(c) SPECIAL ATTENTION IN RESPECT OF PASSED LOAs PAID IN SUBSEQUENT YEAR

Due attention should be given for suppliers/Contractors' payments made after the end of the financial year since the application of 206C(1H) has to be reworked for the next financial year.

Example :

In the pass order TCS amount has been indicated while passing bill in December 2020. But if payment is made in April 2021 only, TCS u/s.206C(1H) has to be



reworked and remittance to be made only if the threshold limit exceeds Rs.50 lakhs in the next financial year.

Since the additional payment of TCS on suppliers' is based on their claim, it is a kind of advance tax payment for TANGEDCO (like TDS recovered by bankers u/s.194N), these TCS payments shall be maintained in advance tax account heads separately. TANGEDCO has to collect TCS certificates from suppliers and pass journal entries in the books of accounts. All the Purchase Order placing authorities (either Circle or Head Quarters Offices) need to track TCS certificates from Suppliers and has to be reported to Head Quarters in a format which will be communicated later.

It may also be noted that if any payments are subject to TDS under any section & the same was deducted by TANGEDCO, TCS u/s.206C(1H) will not apply and cannot be collected by suppliers.

The officials are hereby instructed to have internal discussion on this circular for tax compliance both on receipt of consideration on sale of goods and on payment to suppliers for any supply of goods to TANGEDCO, in the ensuing period.

Any queries/clarification shall be immediately brought to Taxation wing then and there.

CHIEF FINANCIAL CONTROLLER/GL.

Copy to the Chief Engineer/Information Technology – for making suitable provisions in HT/LT packages.

Copy to the Chief Financial Controller/Revenue – for information and necessary action.

Copy to the Financial Controller/Purchase – for information and necessary action.

