

## Tax Deducted At Source

### SECTION 51 INCGST

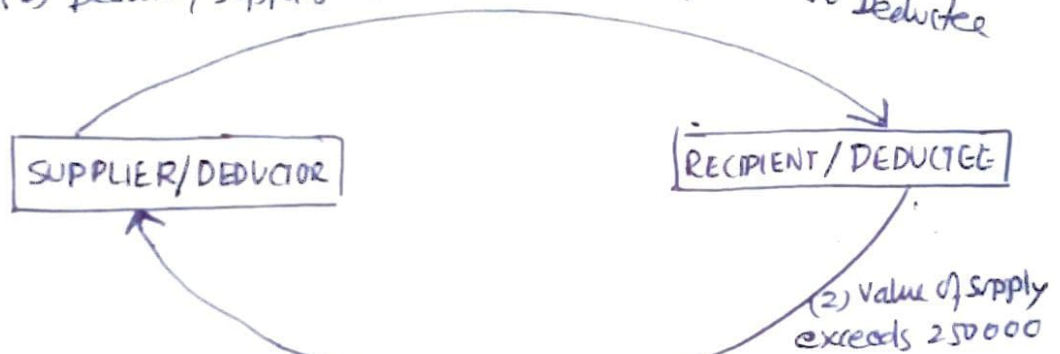
GST provides for tax to be deducted at source, a concept hitherto prevalent under Income tax. Section 51 of the CGST Act 2017 provides that:

- (i) Whenever goods or services or both are supplied under a contract exceeding ₹ 250,000/=
- (ii) The supplies have been made to:
  - (a) a department or establishment of the Central Government or State Government (such as Department of Revenue, Economic Affairs, Insurance and Policy etc)
  - (b) Local Authority [such as Panchayat, municipality, Municipal Committee, Zilla Parishad, District Board, Development Board etc]
  - (c) Governmental Agencies or
  - (d) Such persons or categories of persons as may be notified, by the central

or State Govt. on the recommendations of the GST Council.

- (iii) The TDS shall be deducted @ 1% from the payment made to the supplier or credited to the account of the supplier.
- (iv) TDS shall be deducted by the recipient of taxable goods or services or both, here ~~retiree~~ referred as deductee. The return shall be filed by the deductee of the TDS so deducted by him in form GSTR-7.
- (v) The Supplier shall claim ITC for TDS paid to the deductee. ITC shall be available in the ECL of the Supplier.

(1) Deductor/supplier supplies goods/service/both to Deductee



- ③ Deductee makes payment to supplier & deduct TDS @ 1%.
- ④ " file return for TDS deducted in Form GSTR-7
- ⑤ ~~the~~ Deductor shall claim ITC in his ECL for TDS paid to the deductee.

## PROVISIONS

The following provisions

Regarding TDS

- \*1. A TDS deductor has to compulsorily register without any threshold limit. A deductor has a privilege of obtaining registration under GST without PAN. He can ~~not~~ obtain registration using his TAN issued under ITA 1961.

②. The amount of tax deducted at source should be deposited to the Govt. account by the deductor by 10th of the succeeding month. The deductor would be liable to pay interest if the tax deducted is not deposited within the prescribed time-limit.

③. A TDS certificate is required to be issued by deductor in FORM GSTR-7A to the deductee within 5 days of crediting the amount of the Government, failing which the deductor would be liable to pay a late fee of ₹ 100/- per day ~~not less than ₹ 5000~~ from the expiry of the 5th day till the certificate is issued. This late fee would not be more than 5000. For the purpose of deduction of tax specified above, the value of supply shall be taken as the amount excluding the central tax, state tax, Union territory tax, integrated tax and cess indicated in the <sup>in</sup>voice.

④ ~~TDS~~ The deductor is also required to file a return in FORM GSTR-7 within 10 days from the end of the month. If the supplier is unregistered, name of the supplier rather than GSTIN shall be mentioned in the return. The details of TDS furnished by the deductor in FORM GSTR-7 shall be made available to each of the supplier in Part C of Form GSTR-2A electronically through the Common Portal and said supplier may include the same in Form GSTR-2. The amount deducted by the deductor get reflected in his electronic cash ledger and use the same for payment of tax or any other liability.

## Q. 10. Example

### EXAMPLE

(A) Govt has entered into a contract of Repair amount ₹ 30000. Govt official has deducted TDS from the payment. Is the deduction is justifiable?

Ans: NO, as the amt of contract is less than 2.5 lakh. Hence no deduction of tax at source is required.

(B) A Govt Agency has entered a contract amount 3 lakhs. Whether there is any provision of TDS over the same. If yes, what is the rate?

Yes, Govt agency also covered by the provision of TDS under GST. As the amount of contract is more than 2.5 lakh. Hence Govt agency is required to deduct TDS @ 1%.

(1% of CGST and 1% of SGST)

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