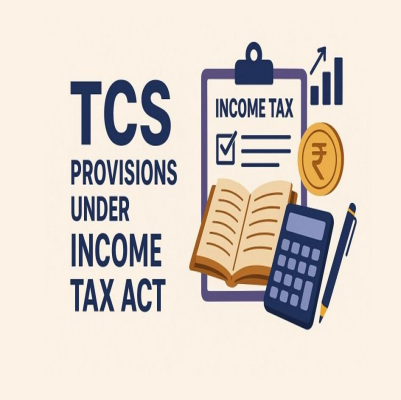

Luxury Items under the ambit of TCS – Income Tax

Description

TCS on luxury goods: Know the Rates, Rules & Applicability w.e.f April 22, 2025:

The Tax Collected at Source (TCS) provisions under the Income Tax Act, 1961, play a crucial role in ensuring tax compliance and transparency in high-value transactions. As per Section 206C, certain **sellers** are mandated to collect a specified percentage of tax from buyers at the time of sale of specified goods or receipt of sale consideration, provided the transaction exceeds prescribed thresholds.

Amendment in the section 206C which specifies the transactions on which TCS is applicable:

- Finance Act 2024 (No. 2) has amended the provisions of section 206 (1F) to expand the scope of applicability of TCS provision to include other goods under the ambit of TCS in addition to existing applicability on **sale of Car** for value **exceeding 10 lakh rupees.**
- Vide notification no 36/2025/F. No. 370142/11/2025-TPL dated 22-04-2025 Central government has notifed the following goods of the v**alue exceeding 10 lakh rupees** for collection of tax at source at **1%** :

Sr. No.	Nature of goods
1	any **wrist watch**
2	any **art piece** such as antiques, painting, sculpture
3	any collectibles such as coin, stamp
4	any **yacht, rowing boat, canoe, helicopter**
5	any pair of **sunglasses**
6	any bag such as **handbag, purse**
7	any pair of **shoes**
8	any **sportswear and equipment** such as golf kit, ski-wear
9	any **home theatre system**
10	any **horse for horse racing** in race clubs and horse for polo

- **The above amendment affects the ultra High Net Worth Individuals and traders or distributers of the above mentioned goods as TCS @ 1% will be collected by trader or distributer in addition to amount of goods so as to track the high value transaction by the Income Tax department.**

TCS on Goods and Services: The Basics

The table outlines two scenarios for TCS collection on goods and services including the criteria, applicable rates, sections of the Income Tax Act, and who it applies to. Let's dive into the details:

A. TCS on Specified Goods:

No.	Description of Goods	TCS Rate	Important Points to be considered

1	Alcoholic Liquor for human consumption	1%	
2	Tendu leaves	5%	
3	Timber obtained under a forest lease	2%	
4	Timber obtained by any mode other than under a forest lease	2%	
5	Any other forest produces not being timber or tendu leaves	2%	– No TCS is collected if goods are proc purpose of manufacturing, processing articles or things or for the purposes of of power.
6	Scrap	1%	-Srap means waste and scrap from the **manufacture or mechanical working** materials which is not usable as such
7	Minerals, being coal or lignite or iron ore	1%	
8	Motor Vehicle	1%	- Applicable if value of Car exceeds 10
9	Luxury Goods – as mentioned in above para of article	1%	- Applicable to seller if its turnover fron -Not applicable in case of sale of good Manufacturer to distributor **exceeds 1 crore** in previous year.

*__Note__ – Applicability of TCS on sale of goods other than mentioned above for more than 50lakh during the year as mentioned u/s. 206(1H) has been omitted w.e.f. 1st April 2025.

B. TCS on specified services

			-Applicable if rem **lakhs** during the
			-No TCS on remi educational purp
1.	Remittance by Authorised dealer under LRS Scheme for **medical and educational purpose**	5%	-Applicable if rem **lakhs** during the
2.	Remittance by Authorised dealer under LRS Scheme for **other purpose**	20%	
			If overseas tour p 5%
		5%	– If overseas tou **20%**
3.	Sale of Overseas Tour programme package	20%	
4.	Service of Granting right or lease or license in any **parking lot** or **toll plaza or mine or quarry** to any person other than PSU	2%	-mining and quar and quarrying of natural gas)

Compliances Required for TCS Provisions

• **Collect TCS at the Prescribed Time** – TCS must be collected at the earlier of debiting the buyer's account or receipt of payment.

• **Timely Deposit of TCS –** TCS collected must be deposited with the government by the **7th day of the following month (or by 30th April for collections in March)**

• **File Quarterly Returns –** Sellers are required to file quarterly TCS returns using **Form 27EQ** within the specified deadlines (15th day of the following Quarterly (or by 15th May for Jan-March Quarter).

•**Issue TCS Certificates –** After filing returns, a **TCS certificate (Form 27D)** must be issued to the buyer within 15 days from filling of TCS Return, serving as proof for the buyer to claim tax credit.

Consequences for Not Collecting TCS under the Income Tax Act

• **Penalty under Section 271CA –** If a seller fails to collect TCS, a penalty equal to the amount of tax not collected may be imposed by the Joint Commissioner. However, if the seller can prove there was a reasonable cause for the failure, the penalty may be waived under Section 273B.

• **Interest Liability –** In addition to penalties, interest at 1% per month or part thereof is charged from the date the tax was collectible until it is actually collected and deposited with the government.

• **Additional Penalties –** Non-deposit or delayed deposit of TCS, as well as late filing of TCS returns, can attract further penalties and fines, including ?100 per day for delayed return filing.

Conclusion

TCS provisions under the Income Tax Act, 1961, play a vital role in widening the tax base and promoting transparency in high-value transactions. Understanding the applicability, adhering to the prescribed compliances, and being aware of the consequences of non-compliance are essential for every business and professional dealing in specified goods and services. Timely collection, deposit, and reporting of TCS not only ensure legal compliance but also help avoid hefty penalties and interest liabilities.

By staying informed and proactive, you can ensure smooth transactions while fulfilling your tax responsibilities. Have questions about TCS Provisions? Drop them in the comments below, and let’s discuss!

Check out TCS Section 206C of the Income Tax Act, 1961.

Disclaimer:

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Date
25/11/2026
Date Created
30/04/2025
Author
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