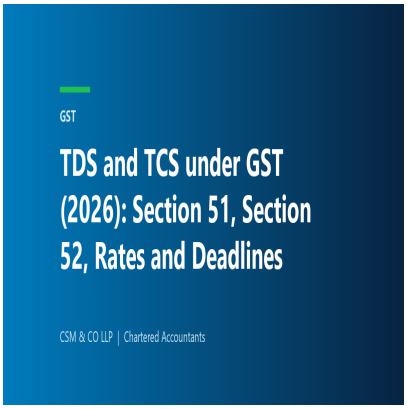


TDS and TCS under GST (2026): Section 51, Section 52, Rates and Deadlines

Description

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Quick summary

- TDS under GST (section 51) applies to Government departments, local authorities and notified persons, who must deduct 1% CGST plus 1% SGST (2% IGST) from payments on a contract worth over Rs 2.5 lakh.
- TCS under GST (section 52) applies to e-commerce operators, who must collect tax on the net value of taxable supplies made through their platform - currently notified at 0.25% CGST plus 0.25% SGST (0.5% IGST), reduced from 1% in July 2024.
- Both the TDS deductor and the TCS-collecting e-commerce operator must pay the amount to the Government within 10 days of the end of the month in which it was deducted or collected.
- The deductee or supplier gets credit for the TDS or TCS automatically in their electronic cash ledger, once the deductor files their own monthly return.
- An e-commerce operator must also file an annual TCS statement by 31 December following the end of the financial year, on top of the monthly statement.

TDS and TCS exist under income tax too, but GST has its own, separate versions - section 51 (tax deducted at source) and section 52 (tax collected at source) - aimed at two different groups: large government-linked buyers, and e-commerce platforms. Neither has anything to do with income tax TDS/TCS, and compliance for one does not cover the other.

New to terms such as “deductee” or “electronic cash ledger”? See the technical terms explained in simple words further down.

TDS under GST: who must deduct it

Under section 51 of the CGST Act, 2017, the Government can require these categories (the “deductor”) to deduct TDS:

- A department or establishment of the **Central or State Government**
- A **local authority**
- A **Governmental agency**

- Any other **notified person or category of persons** on the GST Council's recommendation

Over time, this has also been extended by notification to public sector undertakings, societies set up by a Government and registered under the Societies Registration Act, 1860, and authorities or boards set up by Parliament, a State Legislature, or a Government with majority government ownership.

TDS rate, threshold and deadline

- **Rate**: 1% CGST plus 1% SGST (total 2%), or 2% IGST on an inter-State payment, deducted from the payment made or credited to the supplier (the "deductee").
- **Threshold**: applies only where the **total value of the supply under a contract exceeds Rs 2.5 lakh** - the value is taken excluding any GST or cess shown on the invoice.
- **No TDS** is deducted if the supplier's location and the place of supply are in a different State or Union Territory from where the recipient is registered.
- **Deposit deadline**: the deductor must pay the deducted amount to the Government **within 10 days after the end of the month** in which the deduction was made, reported in **FORM GSTR-7**.
- **Credit to the deductee**: once the deductor files GSTR-7, the TDS is credited automatically to the deductee's **electronic cash ledger** - the deductee does not separately apply for it.

Example: A State Government department awards a road-repair contract worth Rs 10 lakh to a civil contractor. Since the contract value exceeds Rs 2.5 lakh, the department deducts 1% CGST + 1% SGST (Rs 20,000 total) from each payment made under the contract, and must deposit it by the 10th of the following month, reported through GSTR-7.

Why TDS matters for sub-contracted work

Government contracts, especially large civil works, are routinely sub-contracted down through several layers - a main contractor to a sub-contractor, and often again to a smaller local contractor or labour supplier. Before GST, many of these smaller sub-contractors stayed outside the tax net entirely. Because TDS is deducted at the first payment point and flows through the contract chain, it pushes every tier of a sub-contracted project toward GST registration and compliance, since a sub-contractor needs to be registered to claim the TDS credit sitting in their electronic cash ledger.

TCS under GST: who must collect it

Under section 52 of the CGST Act, 2017, every **electronic commerce operator** (not acting purely as an agent) must collect TCS, where it collects the payment on behalf of other suppliers selling through its platform - this covers marketplaces such as Amazon, Flipkart and similar platforms, on behalf of the sellers using them.

TCS rate, basis and deadlines

- **Rate**: currently **0.25% CGST plus 0.25% SGST** (total 0.5%), or **0.5% IGST** - reduced from the earlier 1% rate with effect from **10 July 2024**.
- **Basis**: calculated on the **net value of taxable supplies** made through the platform in a month - the total value of taxable supplies by all registered sellers through the operator, reduced by the value of supplies returned in that month.
- **Deposit deadline**: within **10 days after the end of the month**, reported in **FORM GSTR-8**.
- **Annual statement**: in addition to the monthly GSTR-8, every e-commerce operator must file an **annual TCS statement by 31 December following the end of the financial year**.
- **Credit to the supplier**: once the operator files GSTR-8, the TCS is credited to the supplier's electronic

cash ledger automatically.
- Sellers on such platforms must register for GST **even if their turnover is below the normal registration threshold** - see our Taxable Person guide for the full section 24 compulsory-registration list, which includes this category.

Example: A seller on an e-commerce platform receives a Rs 10,000 order inclusive of tax, with a platform commission of Rs 200, and a Rs 1,000 return in the same month. TCS is calculated on the net value - the order amount including the commission, less the return - at the current notified rate, and credited to the seller's electronic cash ledger once the operator files GSTR-8.

Why TDS and TCS exist under GST

Both provisions exist to bring hard-to-track parts of the economy - unorganised sub-contracting chains, and the fast-growing e-commerce sector - under closer tax visibility, without adding a separate tax. The deducted or collected amount is not an extra cost to the supplier; it is simply collected in advance and credited back against their own GST liability once the deductor or operator reports it.

How CSM & Co LLP can help

Whether you are a government contractor dealing with TDS deductions on your payments, or an online seller trying to reconcile TCS credited by a marketplace against your own GSTR-3B, getting the monthly matching right avoids cash flow surprises and notices later. Please reach out to our team and we will be happy to assist with TDS/TCS compliance, GSTR-7 and GSTR-8 filing, and reconciliation.

Technical terms explained in simple words

Term	What it means
Deductor	The person or entity (a government body, in the TDS context) required to deduct tax from a payment before making it.
Deductee	The supplier from whose payment TDS is deducted.
Net value of taxable supplies	The total value of taxable sales made through an e-commerce platform in a month, minus the value of any goods or services returned in that same month - the figure TCS is actually calculated on.
Electronic cash ledger	The online account on the GST Portal that holds a taxpayer's cash deposits and TDS/TCS credits, used to pay GST liabilities.
FORM GSTR-7	The monthly return filed by a TDS deductor, reporting the tax deducted and deposited.
FORM GSTR-8	The monthly statement filed by an e-commerce operator, reporting TCS collected and deposited.

Frequently asked questions

Who must deduct TDS under GST?

A department or establishment of the Central or State Government, a local authority, a Governmental agency, or any other person or category of persons the Government notifies - collectively called “the deductor” under section 51 of the CGST Act.

What is the rate of TDS under GST, and when does it apply?

1% CGST plus 1% SGST (or 2% IGST on an inter-State payment), deducted from the payment to a supplier of taxable goods or services, where the total value of the supply under a contract exceeds Rs 2.5 lakh. No deduction is made if the supplier’s location and the place of supply are in a different State or Union Territory from where the recipient is registered.

Who must collect TCS under GST?

Every electronic commerce operator (other than one acting purely as an agent) that collects the payment on behalf of other suppliers selling through its platform, under section 52 of the CGST Act.

What is the current TCS rate?

0.25% CGST plus 0.25% SGST (or 0.5% IGST), on the net value of taxable supplies made through the platform in a month. This was reduced from the earlier 1% rate with effect from 10 July 2024.

By when must TDS or TCS be deposited with the Government?

Both TDS (section 51) and TCS (section 52) must be paid to the Government within 10 days after the end of the month in which the deduction or collection was made - TDS is reported in FORM GSTR-7, and TCS in FORM GSTR-8.

How does the supplier get credit for TDS or TCS deducted from them?

Automatically, in their electronic cash ledger, once the deductor files their GSTR-7 (for TDS) or the e-commerce operator files their GSTR-8 (for TCS) - the supplier does not need to separately claim it.

Official sources

- CBIC Tax Information Portal – Section 51, CGST Act, 2017 (Tax deduction at source)
- CBIC Tax Information Portal – Section 52, CGST Act, 2017 (Collection of tax at source)
- GST Portal

Related reading

- Taxable Person under GST (2026): Who Must Register, Who is Exempt, and Special Categories

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Date
01/11/2026
Date Created
20/04/2026
Author
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