

Income Tax Act 1961 s 206C - Profits and gains from the business of trading in alcoholic liquor, forest produce, etc

(1) Every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of any goods of the nature specified in column (2) of the Table below, a sum equal to the percentage specified in the corresponding entry in column (3) of the said Table, of such amount as income-tax.

TABLE

Sl. No. Nature of goods Percentage

(1) (2) (3)

(i) Alcoholic liquor for human consumption One per cent

(ii) Tendu leaves Five per cent

(iii) Timber obtained under a forest lease Two and one-half per cent

(iv) Timber obtained by any mode other than under a forest lease

Two and one-half per cent

Footnote No. 4 Contd.

Table

Sl. No. Nature of goods Percentage



(1) (2) (3)

(i) Alcoholic liquor for human consumption (other than Indian made foreign liquor)

Fifteen per cent

(ii) Timber obtained under a forest lease Fifteen per cent

(iii) Timber obtained by any mode other than under a forest lease ‡[Five per cent]

(iv) Any other forest produce not being timber Fifteen per cent:

Provided that where the Assessing Officer, on an application made by the buyer, gives a certificate in the prescribed form that to the best of his belief any of the goods referred to in the aforesaid Table are to be utilised for the purposes of manufacturing, processing or producing articles or things and not for trading purposes, the provisions of this subsection shall not apply so long as the certificate is in force.’.

In the Table, the words put within the parentheses marked ‡ were substituted, for “Ten per cent”, by the

Direct Tax Laws (Amendment) Act, 1989 (3 of 1989), s. 34(a) (w.r.e.f. 1-6-1988).

1. Subs. by the Taxation Laws (Amendment) Act, 2003 (54 of 2003), s. 9(a)(i) (w.e.f. 8-9-2003), Circular

No. 7 of 2003, September 5, 2003, 263 ITR (St.) 62, for the following:—

“TABLE

Sl. No. Nature of goods Percentage





(1) (2) (3)

**(i) Alcoholic liquor for human consumption and tendu leaves
Ten per cent**

(ii) Timber obtained under a forest lease Fifteen per cent

**(iii) Timber obtained by any mode other than under a forest
lease Five per cent**

**(iv) Any other forest produce not being timber or tendu
leaves Fifteen per cent**

(v) Scrap Ten per cent.”

**The above Table was substituted by the Finance Act, 2003 (32
of 2003), s. 87(a) (w.e.f. 1-6-2003), for the following:—**

‘Table

Sl. No. Nature of goods Percentage

(1) (2) (3)

**(i) Alcoholic liquor for human consumption (other than
Indian made foreign liquor) and tendu leaves**

Ten per cent

(ii) Timber obtained under a forest lease Fifteen per cent

**(iii) Timber obtained by any mode other than under a forest
lease Five per cent**

**(iv) Any other forest produce not being timber or tendu
leaves Fifteen per cent]’.**



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**1. Subs. by the Finance (No. 2) Act, 1996 (33 of 1996), s. 52 (w.e.f. 1-10-1996), for the following Table:—**

**‘Table**

**Sl. No. Nature of goods Percentage**

**(1) (2) (3)**

**(i) Alcoholic liquor for human consumption (other than Indian made foreign liquor)**

**Fifteen per cent**

**(ii) Timber obtained under a forest lease Fifteen per cent**

**(iii) Timber obtained by any mode other than under a forest lease Five per cent**

**(iv) Any other forest produce not being timber Fifteen per cent.’.**

**(1) (2) (3)**

**(v) Any other forest produce not being timber or tendu leaves**

**Two and one-half per cent**

**(vi) Scrap One per cent**

**(vii) Minerals, being coal or lignite or iron ore One per cent:**

**Provided that every person, being a seller shall at the time, during the period beginning on the**

**1st day of June, 2003, and ending on the day immediately preceding the date on which the Taxation**

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**Laws (Amendment) Act, 2003, comes into force, of debiting of the amount payable by the buyer to the account of the buyer or of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of any goods of the nature specified in column (2) of the Table as it stood immediately before the 1st day of June, 2003, a sum equal to the percentage, specified in the corresponding entry in column (3) of the said**

**Table, of such amount as income-tax in accordance with the provisions of this section as they stood immediately before the 1st day of June, 2003.**

**(1A) Notwithstanding anything contained in sub-section (1), no collection of tax shall be made in the case of a buyer, who is resident in India, if such buyer furnishes to the person responsible for collecting tax, a declaration in writing in duplicate in the prescribed form and verified in the prescribed manner to the effect that the goods referred to in column (2) of the aforesaid Table are to be utilised for the purposes of manufacturing, processing or producing articles or things or for the purposes of generation of power not for trading purposes.**

**(1B) The person responsible for collecting tax under this section shall deliver or cause to be delivered to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner one copy of the declaration referred to in sub-section (1A) on or before the seventh day of the month next following the month in which the declaration is furnished to him.**

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(1C) Every person, who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest either in whole or in part in any parking lot or toll plaza or mine or quarry, to another person, other than a public sector company (hereafter in this section referred to as “licensee or lessee”) for the use of such parking lot or toll plaza or mine or quarry for the purpose of business shall, at the time of debiting of the amount payable by the licensee or lessee to the account of the licensee or lessee or at the time of receipt of such amount from the licensee or lessee in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the licensee or lessee of any such licence, contract or lease of the nature specified in column (2) of the Table below, a sum equal to the percentage, specified in the corresponding entry in column (3) of the said Table, of such amount as income-tax.

TABLE

Sl. No. Nature of contract or licence or lease, etc. Percentage

(1) (2) (3)

(i) Parking lot Two per cent

(ii) Toll plaza Two per cent

(iii) Mining and quarrying Two per cent.

Explanation 1.—For the purposes of this sub-section, “mining and quarrying” shall not include mining and quarrying of mineral oil.

Explanation 2.—For the purposes of Explanation 1, “mineral oil” includes petroleum and natural



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**(1F) Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as income-tax.**

**(1G) Every person,—**

**(a) being an authorised dealer, who receives an amount, for remittance out of India from a buyer, being a person remitting such amount out of India under the Liberalised**

**Remittance Scheme of the Reserve Bank of India;**

**(b) being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package, shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to five per cent of such amount as income-tax:**

**Provided that the authorised dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than seven lakh rupees in a financial year and is for a purpose other than purchase of overseas tour program package:**

**Provided further that the sum to be collected by an authorised dealer from the buyer shall be equal to five per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, where the amount being remitted is for a purpose other than purchase of overseas tour program package:**

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**Provided also that the authorised dealer shall collect a sum equal to one half per cent of the amount or aggregate of the amounts in excess of seven lakh rupees remitted by the buyer in a financial year, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education:**

**Provided also that the authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by the seller:**

**Provided also that the provisions of this sub-section shall not apply, if the buyer is,—**

**(i) liable to deduct tax at source under any other provision of this Act and has deducted such amount;**

**(ii) the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the Explanation to clause (20) of section 10 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.**

**Explanation.—For the purposes of this sub-section,—**

**(i) “authorised dealer” means a person authorised by the Reserve Bank of India under subsection**

**(1) of section 10 of the Foreign Exchange Management Act, 1999 (42 of 1999), to deal in foreign exchange or foreign security;**

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**(ii) “overseas tour program package” means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.**

**(1H) Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section**

**(1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax:**

**Provided that if the buyer has not provided the Permanent Account Number or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of section 206CC shall be read as if for the words “five per cent”, the words “one per cent” had been substituted:**

**Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.**

**Explanation.—For the purposes of this sub-section,—**

**(a) “buyer” means a person who purchases any goods, but does not include,—**

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**(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or**

**(B) a local authority as defined in the Explanation to clause (20) of section 10; or**

**(C) 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;**

**(b) “seller” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a 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.**

**(1-I) If any difficulty arises in giving effect to the provisions of sub-section (1G) or sub-section**

**(1H), the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty.**

**(1J) Every guideline issued by the Board under sub-section (1-I) shall be laid before each House of Parliament, and shall be binding on the Income-tax authorities and on the person liable to collect the sum.**

**(2) The power to recover tax by collection under this section shall be without prejudice to any other mode of recovery.**

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**(3) Any person collecting any amount under this section shall pay within the prescribed time the amount so collected to the credit of the Central Government or as the Board directs:**

**Provided that the person collecting tax on or after the 1st day of April, 2005, in accordance with the foregoing provisions of this section shall, after paying the tax collected to the credit of the Central Government within the prescribed time, prepare such statements for such period as may be prescribed and deliver or cause to be delivered to the prescribed income-tax authority, or the person authorised by such authority, such statement in such form and verified in such manner and setting forth such particulars and within such time as may be prescribed.**

**(3A) In case of an office of the Government, where the amount collected under sub-section (1) or sub-section (1C) has been paid to the credit of the Central Government without the production of a challan, the Pay and Accounts Officer or the Treasury Officer or the Cheque Drawing and Disbursing Officer or any other person, by whatever name called, who is responsible for crediting such tax to the credit of the Central Government, shall deliver or cause to be delivered to the prescribed income-tax authority, or to the person authorised by such authority, a statement in such form, verified in such manner, setting forth such particulars and within such time as may be prescribed.**

**(3B) The person referred to in the proviso to sub-section (3) may also deliver to the prescribed authority under the said proviso, a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under the said proviso in such**

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form and verified in such manner, as may be specified by the authority.

(4) Any amount collected in accordance with the provisions of this section and paid to the credit of the Central Government shall be deemed to be a payment of tax on behalf of the person from whom the amount has been collected and credit shall be given to such person for the amount so collected in a particular assessment year in accordance with the rules as may be prescribed by the Board from time to time.

(5) Every person collecting tax in accordance with the provisions of this section shall within such period as may be prescribed from the time of debit or receipt of the amount furnish to the buyer or licensee or lessee to whose account such amount is debited or from whom such payment is received, a certificate to the effect that tax has been collected, and specifying the sum so collected, the rate at which the tax has been collected and such other particulars as may be prescribed:

Provided that the prescribed income-tax authority or the person authorised by such authority referred to in sub-section (3) shall, within the prescribed time after the end of each financial year beginning on or after the 1st day of April, 2008, prepare and deliver to the buyer referred to in subsection (1) or, as the case may be, to the licensee or lessee referred to in sub-section (1C), a statement in the prescribed form specifying the amount of tax collected and such other particulars as may be prescribed.

(5A) Every person collecting tax before the 1st day of April, 2005 in accordance with the provisions of this section shall prepare within the prescribed time after the end of each

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**financial year and deliver or cause to be delivered to the prescribed income-tax authority or such other authority or agency as may be prescribed such returns in such form and verified in such manner and setting forth such particulars and within such time as may be prescribed:**

**Provided that the Board may, if it considers necessary or expedient so to do, frame a scheme for the purposes of filing such returns with such other authority or agency referred to in this sub-section.**

**(5B) Without prejudice to the provisions of sub-section (5A), any person collecting tax, other than in a case where the seller is a company, the Central Government or a State Government, may at his option, deliver or cause to be delivered such return to the prescribed income-tax authority in accordance with such scheme as may be specified by the Board in this behalf, by notification in the**

**Official Gazette, and subject to such conditions as may be specified therein, on or before the prescribed time after the end of each financial year, on a floppy, diskette, magnetic cartridge tape,**

**CD-ROM or any other computer readable media (hereinafter referred to as the computer media) and in the manner as may be specified in that scheme:**

**Provided that where the person collecting tax is a company or the Central Government or a State Government, such person shall, in accordance with the provisions of this section, deliver or cause to be delivered, within the prescribed time after the end of each financial year, such returns on computer media under the said scheme.**

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(5C) Notwithstanding anything contained in any other law for the time being in force, a return filed on computer media shall be deemed to be a return for the purposes of sub-section (5A) and the rules made thereunder and shall be admissible in any proceedings made thereunder, without further proof of production of the original, as evidence of any contents of the original or of any facts stated therein.

(5D) Where the Assessing Officer considers that the return delivered or caused to be delivered under sub-section (5B) is defective, he may intimate the defect to the person collecting tax and give him an opportunity of rectifying the defect within a period of fifteen days from the date of such intimation or within such further period which, on an application made in this behalf, the Assessing Officer may, in his discretion, allow; and if the defect is not rectified within the said period of fifteen days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, such return shall be treated as an invalid return and the provisions of this Act shall apply as if such person had failed to deliver the return.

(6) Any person responsible for collecting the tax who fails to collect the tax in accordance with the provisions of this section, shall, notwithstanding such failure, be liable to pay the tax to the credit of the Central Government in accordance with the provisions of sub-section (3).

(6A) If any person responsible for collecting tax in accordance with the provisions of this section does not collect the whole or any part of the tax or after collecting, fails to pay the tax as required by or under this Act, he shall, without

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prejudice to any other consequences which he may incur, be deemed to be an assessee in default in respect of the tax:

Provided that any person responsible for collecting tax 3[in accordance with the provisions of sub-section (1) and sub-section (1C), who fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee shall not be deemed to be an assessee in default in respect of such tax if such buyer or licensee or lessee—

- (i) has furnished his return of income under section 139;**
- (ii) has taken into account such amount for computing income in such return of income; and**
- (iii) has paid the tax due on the income declared by him in such return of income, and the person furnishes a certificate to this effect from an accountant in such form as may be prescribed:**

Provided further that no penalty shall be charged under section 221 from such person unless the Assessing Officer is satisfied that the person has without good and sufficient reasons failed to collect and pay the tax.

(7) Without prejudice to the provisions of sub-section (6), if the person responsible for collecting tax does not collect the tax or after collecting the tax fails to pay it as required under this section, he shall be liable to pay simple interest at the rate of one per cent per month or part thereof on the amount of such tax from the date on which such tax was collectable to the date on which the tax was actually paid and such interest shall be paid before furnishing the quarterly statement for

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each quarter in accordance with the provisions of sub-section (3):

Provided that in case any person responsible for collecting tax in accordance with the provisions of this section, fails to collect the whole or any part of the tax on the amount received from a buyer or licensee or lessee or on the amount debited to the account of the buyer or licensee or lessee but is not deemed to be an assessee in default under the first proviso to sub-section (6A), the interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer or licensee or lessee.

(8) Where the tax has not been paid as aforesaid, after it is collected, the amount of the tax together with the amount of simple interest thereon referred to in sub-section (7) shall be a charge upon all the assets of the person responsible for collecting tax.

(9) Where the Assessing Officer is satisfied that the total income of the buyer or licensee or lessee justifies the collection of the tax at any lower rate than the relevant rate specified in sub-section (1) or sub-section (1C), the Assessing Officer shall, on an application made by the buyer or licensee or lessee in this behalf, give to him a certificate for collection of tax at such lower rate than the relevant rate specified in sub-section (1) or sub-section (1C).

(10) Where a certificate under sub-section (9) is given, the person responsible for collecting the tax shall, until such certificate is cancelled by the Assessing Officer, collect the tax at the rates specified in such certificate.

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(11) The Board may, having regard to the convenience of assesses and the interests of revenue, by notification in the Official Gazette, make rules specifying the case in which, and the circumstances under which, an application may be made for the grant of a certificate under subsection

(9) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.

Explanation.—For the purposes of this section,—

(a) “accountant” shall have the meaning assigned to it in the Explanation to sub-section (2) of section 288;

(aa) “buyer” with respect to—

(i) sub-section (1) means a person who obtains in any sale, by way of auction, tender or any other mode, goods of the nature specified in the Table in subsection

(1) or the right to receive any such goods but does not include,—

(A) a public sector company, the Central Government, a State Government, and an embassy, a High Commission, legation, commission, consulate and the trade representation, of a foreign State and a club; or

(B) a buyer in the retail sale of such goods purchased by him for personal consumption;

(iii) sub-section (1F) means a person who obtains in any sale, goods of the nature specified in the said sub-section, but does not include,—

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(A) the Central Government, a State Government and an embassy, a High

Commission, legation, commission, consulate and the trade representation of a foreign State; or

(B) a local authority as defined in Explanation to clause (20) of section 10; or

(C) a public sector company which is engaged in the business of carrying passengers.

(b) “scrap” means waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons;

(c) “seller” with respect to sub-section (1) and sub-section (1F) means the Central

Government, a State Government or any local authority or corporation or authority established by or under a Central, State or Provincial Act, or any company or firm or cooperative society and also includes an individual or a Hindu undivided family whose total sales, gross receipts or turnover from the business or profession carried on by him exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the financial year immediately preceding the financial year in which the goods of the nature specified in the Table in sub-section (1) are sold.

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