

**Income Tax Act 1961 s 194Q - Deduction of tax at source on payment of certain sum for purchase of goods**

**(1) Any person, being a buyer who is responsible for paying any sum to any resident (hereafter in this section referred to as the seller) for purchase of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, shall, at the time of credit of such sum to the account of the seller or at the time of payment thereof by any mode, whichever is earlier, deduct an amount equal to 0.1 per cent of such sum exceeding fifty lakh rupees as income-tax.\*i**

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

**(2) Where any sum referred to in sub-section (1) is credited to any account, whether called "suspense account" or by any other name, in the books of account of the person liable to pay such income, such credit of income shall be deemed to be the credit of such income to the account of the payee and the provisions of this section shall apply accordingly.**

**(3) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the previous approval of the Central Government, issue guidelines for the purpose of removing the difficulty.**

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**(4) Every guideline issued by the Board under sub-section (3) shall, as soon as may be after it is issued, be laid before each House of Parliament, and shall be binding on the income-tax authorities and the person liable to deduct tax.**

**(5) The provisions of this section shall not apply to a transaction on which—**

**(a) tax is deductible under any of the provisions of this Act; and**

**(b) tax is collectible under the provisions of section 206C<sup>ii</sup> other than a transaction to which sub-section (1H) of section 206C<sup>iii</sup> applies.**

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<sup>i</sup>**Comparison with GST TDS:**This may be compared with GST TDS under CGST Sec 51 wherein the buyer of goods is responsible to deduct tax from the payment being made to the supplier (seller). There two differences, however. First, under GST TDS even payment for supply of service is also subject to deduction of tax at source. Second, only the government agencies have been allowed to deduct tax from private enterprises supplying goods and services to such government agencies; and in this way GST TDS is of limited application compared with IT Sec 194Q wherein the only criterion is of turnover of the buyer.

<sup>ii</sup>**IT Sec 206C:** Collection of tax at source from profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.

<sup>iii</sup>**Comparison with IT Sec 206C(1H):** On comparison one may find that it is almost similarly worded with the only difference that in IT Sec 194Q it is the buyer who is responsible for deducting tax from seller whereas in IT Sec 206(1H) which was made effective from 1.10.2020 the seller is responsible for collecting tax from the buyer. It may also be noted through the second proviso to IT Sec 206C(1H) its application has been restricted to cases where the buyer of goods is liable to deduct tax at source from the seller and has deducted such amount. But through the explanation of ‘buyer’ in IT Sec 206C(1H), the tax is not required to be collected at source by the seller if the buyer is a government or a foreign representative or a local authority or importer of goods. So IT Sec 194Q appears more generic.

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