

Tax Deducted at Source (TDS) under Goods and Service Tax

In the case of intra-state supply of goods/services:

- **Central GST** that goes in Central Government account
- **State GST** that goes in State Government account

In the case of inter-state supply i.e supply of goods/services between states

- **Integrated GST (IGST)** where the revenue is shared by the state government and central government as per the rates fixed by the authorities.

In addition, as per the model GST law, certain categories of registered persons will be required to deduct taxes while making payments to supplier i.e TDS and deposit it with the government. Let's try to understand TDS related procedures under the revised law.

Rate of TDS and who shall collect it:

TDS is to be deducted at the **rate of 1 percent** on payments made to the supplier of taxable goods and/or services, where the total value of such supply, under an individual contract, exceeds two lakh fifty thousand rupees.

No tax deduction required where the location of supplier and place of supply is different from the State of the registration of the recipient.

As per [GST law](#) following people/entities need to deduct TDS:

1. A department or establishment of the Central or State Government, or
2. Local authority, or
3. Governmental agencies, or
4. Persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council,

Value of supply on which TDS shall be deducted:

For purpose of deduction of TDS, the value of supply is to be taken as the amount excluding the tax indicated in the invoice. This means TDS shall not be deducted on the CGST, SGST or IGST component of invoice.

To whom would you pay the TDS?

TDS shall be paid within 10 days from the end of the month in which tax is deducted. The payment shall be made to the **appropriate government** which means:

- The Central Government in case of the [IGST and the CGST](#)
- The State government in case of the SGST.

Further, deductors need to follow these listed procedural compliances:

1. Such deductor needs to get compulsorily registered under section 23
2. Obtaining TAN issued under income tax act is MANDATORY
3. They need to remit such TDS collected by the 10th day of the month succeeding the month in which TDS was collected and reported in GSTR 7.
4. The amount deposited as TDS will be reflected in the electronic cash ledger of the supplier.
5. They need to issue a certificate of such TDS to the deductee within 5 days of deducting TDS mentioning therein the contract value, rate of deduction, amount deducted, the amount paid to the appropriate Government and such particulars as may be prescribed.
6. Non-deduction / short deduction / non-payment or short payment of TDS is an offence under the act for which a minimum penalty of Rs 10000/- is prescribed under the act.

How can the deductee claim benefit of TDS?

The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the return of the deductor furnished under sub-section (3) of section 34, in the manner prescribed. Any amount deducted as TDS and reported in GSTR – 7 will automatically reflect in electronic cash ledger.

- **In case the amount is claimed by deductee in electronic cash ledger:**

Refund to deductor is not possible in such a case. However, deductee can claim a refund of tax subject to refund provisions of the act. Practically it is not possible to claim any erroneous deduction of TDS by the deductor.

- **In case the amount is not so claimed by deductee:**

Refund of erroneous excess TDS deducted is possible to deductor, subject to refund provision and procedure of the act.