

(On the Letterhead of the Buyer)

To,
(Supplier's/Seller Name & Address)

Sub: Regarding change in compliance due to insertion of new sections under Income Tax Act. Deduction of TDS u/s 194Q and non-applicability of TCS u/s 206C (1H) of Income Tax Act.

Dear Sir / Madam,

We, (name of buyer) , having PAN (PAN of buyer) hereby inform you that our total sales/gross receipts/turnover from Business during FY 2020-21 has been more than Rs.10 Crore. Therefore, provisions of Section 194Q inserted in the Income Tax Act vide **Finance Act 2021** with effect from 01.07.2021 are applicable to our company. Hence, we shall be deducting tax at source at per provisions of above section from purchase consideration paid/ credited on or after 01.07.2021 to you against supplies made by you at the rate 0.1 percent of purchase consideration paid / credited exceeding rupees 50 lacs during the current financial year.

Since, we are liable to deduct tax at source under section 194Q of the Act, you may ensure not to take any action to collect tax at source under section 206C (1H) of the Act w.e.f. 01.07.2021, in case provisions of section are applicable to you considering your amount of turnover and our purchases being of more than rupees 50 lacs.

You are also requested to intimate your **Permanent Account Number**. In case you fail to provide your PAN, tax will be deducted at a higher rate in terms of Section 206AA of the Act.

Further, you are also required to confirm that in your case amount of TDS/TCS was Rs.50,000/- or more in previous years relevant to Assessment Years 2019-20 and 2020-21 and you have filed your returns of income for these assessment years according to section 139(1), otherwise tax is required to be deducted at a higher rate in terms of Section 206AB of the Act.

Further, as per Rule 114AAA, higher of TDS/TCS will be applicable in case PAN and AADHAR is not linked. This is applicable only in case of Individual.

You may send to us your declaration in the enclosed draft on or before 25.06.2021 to enable us to take note of same and modify our accounting software accordingly. In case we do not receive your declaration by the above date, we will modify our software to deduct tax at the higher rate and it would be difficult for us to take corrective action to reduce the rate during the current financial year.

Further, we confirm that (name of buyer) has filed its Income Tax Return for the previous year 2018-19 & 2019-20. You may accordingly ensure that in case of applicability of Tax deduction u/s 194Q, TDS is deducted @ 0.1% on all purchases from us. The status of return of Income filed by (name of buyer) is as under: –

Assessment year	Acknowledgement No.	Filing Date
AY 2019-20		
AY 2020-21		

Important to note here, that any financial loss which (name of buyer) would incur, due to said non-compliance at your end, will have to be indemnified by you. We, therefore, look forward to your full cooperation in the process.

Thanks,

For (name of buyer)

Authorized Signatory

Then, on the below format vendor will confirm its details.

(On the letter head of the seller)

To,

(Buyer Name & Address)

Sub: Declaration / information for deduction of tax at source u/s 194Q of the Act.

Dear Sir,

This is with reference to your letter dated requiring our declaration / information in regard to deduction of tax at source u/s 194Q of the Act. The information is being provided hereunder:

1. Since your company is liable to deduct tax u/s 194Q of the Act, you may deduct the tax @0.1 % of sale consideration paid /credited by your company to us on the amount exceeding Rs.50 lacs during the current financial year. We also confirm that we will not take any action to collect tax at source under section 206C(1H) of the Act w.e.f. 01.07.2021.

2. Permanent Account Number of our company is (PAN of seller) . Further, we have duly filed our returns of income for Assessment Years 2019-20 and 2020-21 as per the information given hereunder:

Assessment year	Acknowledgement No.	Filing Date
AY 2019-20		
AY 2020-21		

3. Our PAN and AADHAR is linked. This is applicable only in case of Individual.

Please take note of the above information and confirmation and deduct tax at the appropriate rate-taking cognizance of the above information.

Thanks,

For (Seller Name)

Authorized Signatory