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CHARTERED ACCOUNTANTS

SUMMARY OF **CBDT CIRCULAR**

28.12.2023

Clarification regarding TDS on E-commerce transactions.

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Introduction

Section 194-O of Income Tax Act, 1961 pertains to tax deduction on payments made to E-commerce Operator ("ECO").ECO are required to Deduct TDS on gross amount received from Sale of products or services through their online platformat 1% at the time of credit of the amount of sale or at time of making payment to an ECO participant by any other mode whichever is earlier.

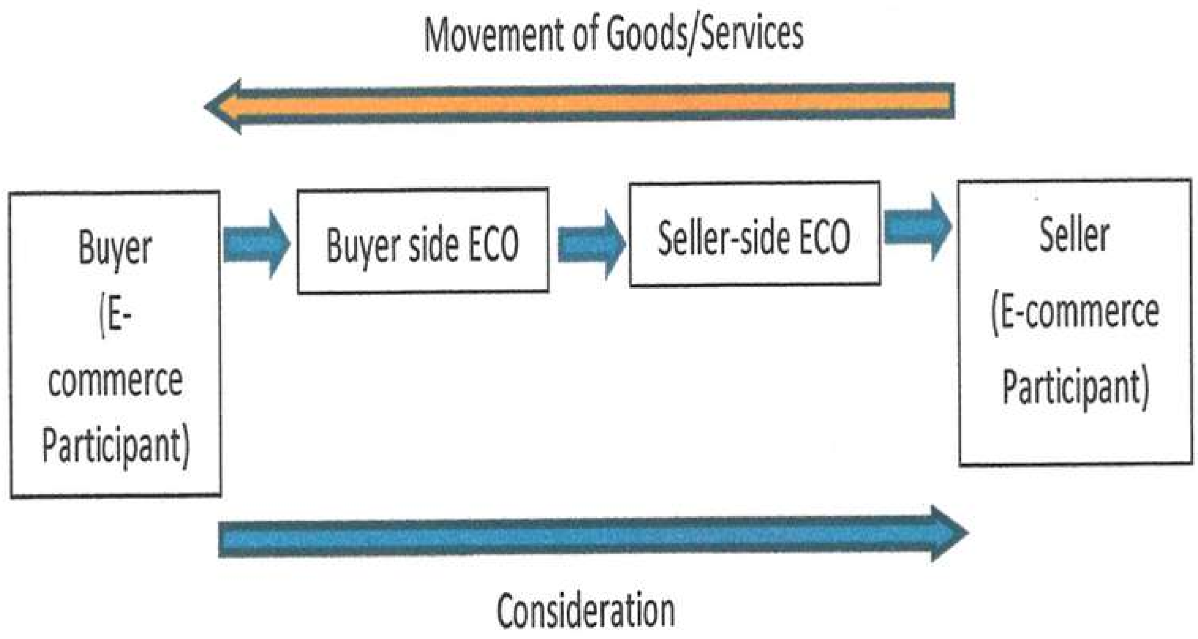
CBDT vide Circular No. 20 of 2023 dated 28th December 2023 issued guidelines for clarifications on certain issues pertaining to sub-section (4) of Section 194-O of Income Tax Act, 1961.

Who should Deduct TDS?

Situation 1:

Where multiple ECO's are involved in a single transaction of sale of goods or provision of services through ECO platform or network and where the seller-side ECO is not the actual seller of goods or services.

On the buying side, a buyer-side ECO could be providing an interface to the buyer and on the selling side, seller-side ECO could be providing an interface to seller.

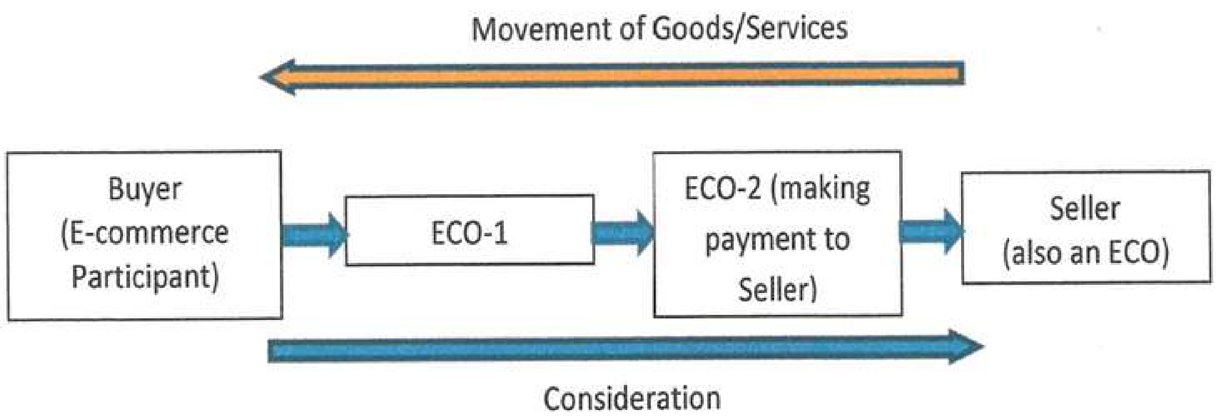


In this situation, seller-side ECO who finally makes the payment or deemed payment to the seller for goods sold or services provided should deduct TDS.

Situation 2:

Where multiple ECOs are involved in a single transaction of sale of goods or provision of services through ECO Platform or network and where the seller-side ECO is the actual seller of the goods or services

On the buying side, an ECO could be providing an interface to the buyer and on the selling side, the seller itself is an ECO and is directly interacting with an ECO.



In this situation, the ECO which finally makes the payment or deemed payment to the seller for goods or services sold, which in this case is ECO-2.

What does the Gross amount includes?

- Gross amount includes packing fees, shipping fees, convenience charges
- Platform fees are included only if it is linked to the specific transaction.

Does GST/Excise Duty/Cess/VAT/Sales Tax to be included in gross amount?

Tax deducted at time of credit of amount in account of seller.

Tax to be deducted on amount credited excluding taxes & duties.

Tax is deducted on payment basis which is earlier than credit of amount.

Tax would be deducted on whole amount as not possible to identify taxes& duties.

What is TDS treatment on purchase return?

- TDS amount to be adjusted in next transaction with same deductee in same financial year.
- No adjustment required if purchase return is replaced by goods.

What are treatment for discounts?

1

If Seller gives Discount
Then, TDS deducted on discounted price.

2

If Buyer ECO or Seller ECO gives discount
Then, TDS deducted on gross amount of Sales.

Thank you

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