

F No 275/86/2011-IT(B)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 18th May 2012

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To
All Commissioners of Income Tax (TDS)/ Director of Income Tax (TDS)

Subject: Liability of Old Iron (Scrap) Dealers cum traders under section 206C of the Income Tax Act 1961 - regarding

Representations were received from certain Associations of Old Iron Scrap Dealers cum Traders alleging wrong interpretation of law regarding applicability of provisions of Section 206C of the Income Tax Act 1961 in their case.

The Income Tax Act, 1961 as per Section 206C requires a seller of goods of specified nature (defined in the Act and includes scrap) to collect Tax at source at specified percentage of the receipt from the buyer and deposit the same in the Government account. The term scrap is clearly defined in the explanation to this section and there is no requirement that the goods to be eligible for scrap should be produced/manufactured by the seller itself. Further the term buyer is also defined in the same Explanation and *means a person who obtains in any sale, by way of auction, tender or any other mode, goods of the specified nature*. Thus a buyer is not restricted to a person who buys the specified goods in an auction or tender and thus includes a buyer in the retail sale of specified goods as well. As per Taxation Laws (Amendment) Act 2003, w.e.f. 08-09-2003, if a buyer in the retail sale of such goods buys it for personal consumption and furnishes before the seller such declaration in prescribed Form 27C, then the Seller is not liable to collect tax on the same.

Thus all Sellers of Scrap, within the meaning of Section 206C, including those trading in scrap are liable to collect tax at source from the buyers of such scrap. However if the buyer declares by furnishing Form 27C before the seller its purpose for obtaining such goods being manufacturing/processing/producing articles and not trading purpose then the seller is exempted from collecting such tax from such buyer.

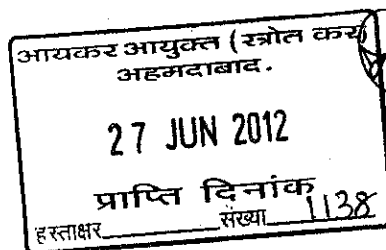
It may be added that Sellers as defined in the explanation to Section 206C only are liable to collect tax at source. It may further be added the Act as per section 206C (9) allows any buyer to approach the Assessing Officer for obtaining a certificate of lower rate of collection of TCS.

I have been directed to bring the matter to your kind notice so that appropriate action in such cases can be taken, if necessary.

Yours faithfully

Tajbir Singh 21/5/2012
(Tajbir Singh)

Under Secretary to the Govt. of India



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