



SVSR E-Connect

TDS 194 O

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Q1. What is Section 194O?

Section-194O of the Income Tax Act, 1961, is a TDS provision introduced in the 2020 Finance Bill, which mandates E-Commerce operator (Amazon, Flipkart, Vakkil search, etc.) to deduct TDS at the rate of 1% (or 5% for not providing PAN or Aadhar) for transactions with E-Commerce participant being resident India at the time of credit or at the time of payment, whichever is earlier, from 01/10/2020 (originally planned as 01/04/2020, postponed due to Covid-19 Pandemic).

Q2. Who is called as E-commerce Operator and Participant?

E-Commerce Operator:

An e-Commerce operator is a person who owns, operates, or manages a digital/electronic facility for the sale of goods and services. He is responsible for making payments to the e-Commerce participant on such sales.

E-Commerce Participant

An e-Commerce participant is a person who sells goods, services, or both through an electronic facility provided by an e-Commerce operator. He must be a resident of India.

Q3. What are the applications and compliances in relation to Section 194O?

This Section is applicable to all E-Commerce participators, who are residents (As per Section-6 of the Act) and they may sell goods/ provide services, except in cases where the E-Commerce operator has not paid or credited an amount in excess of Rs. 5,00,000/- to a E-Commerce participant, who is an Individual or HUF in the previous year.

Further this section provides that if a buyer of goods or service has made payment directly to e-commerce participant it shall be deemed that payment has been made by e-commerce operator or account has been credited by e-commerce operator and same shall be added in gross amount for the purpose of deduction of tax.

The TDS is to be paid by E-Commerce operator for facilitation service of selling of goods/provision of service provided by it through its digital or electronic facility or platform. In other words, burden of payment of TDS is kept on mediator between buyer and seller. There are no differences in terms of payment & filing compliances in comparison with other provisions of Section-194.

Q4. Why Section 194O is introduced?

This Section is introduced in order to bring the e-commerce participants within the tax ambit i.e. there will be more transparency on the income earned by seller of goods/provider of service through digital platforms. It should be noted that in this case even goods have been included, which is not prominent in other Section 194 provisions. There is no proviso in terms of transaction value, except the eligibility exception given to Individuals & HUFs, which shows that the government aims at a larger tax ambit. The burden of this Section in terms of compliance is going to lay on the E-Commerce operators, and in terms the cash flow restriction is going to lay on the E-Commerce participators.