

V.B.GAIKWAD & ASSOCIATES

328, 'E' Ward, D/10, Royal Plaza, Dabholkar Corner, Kolhapur-416 001.

14.10.2024.

To,

All

Sir,

Sub.- GST – Applicability of TDS provisions to the supplies of metal scrap falling under Chapters 72 to 81 of the GST Tariff – w.e.f. 10.10.2024 – Reg....

Under Notification No.50/2018-CT, dt.13.09.2018 (issued in terms of Sec.51 of the CGST/SGST Act, 2017 read with Sec.20 of the IGST Act, 2017) the Government has specified certain persons liable to deduct 2% TDS while making payment of the value of the goods/services to the suppliers.

- [2] Now, the Government vide its Notification No.25/2024-CT, dt.09.10.2024 has further amended the above said Notification No.50/2018-CT, dt.13.09.2018.

In result of the said amendment, now, w.e.f.10.10.2024, any registered person purchasing the metal scrap (falling under Chapters 72 to 81 of the GST Tariff) from another registered person, is under obligation to deduct 2% TDS while making payment of the value of the said metal scrap.

However, if the total value (i.e.value of scrap + GST) of the metal scrap purchased is not exceeding the limit of Rs.2.5 lakhs, the registered person purchasing the said metal scrap need not have to deduct 2% TDS while making payment of the value of the said metal scrap.

Further, in cases where the registered person is purchasing the metal scrap (falling under Chapters 72 to 81 of the GST Tariff) from any Local Authority or Public Sector Undertakings or Governmental departments also, the said registered person need not have to deduct 2% TDS while making payment of the value of the said metal scrap.

- [3] Accordingly, w.e.f.10.10.2024, the registered person purchasing the metal scrap (falling under Chapters 72 to 81 of the GST Tariff) from another registered person, -

- i) will have to get himself registered as “TDS deductor”;
- ii) will have to deduct and retain TDS equal to 2% of the basic value of the metal scrap and has to pay the remaining value as well as total GST (charged by the supplier);

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- iii) will have to file GSTR-7 return every month, within 10 days after the end of the month in which such TDS is deducted and has to declare the said TDS amount in the said GSTR-7 return and will have to pay the said declared TDS amount to the Government through Electronic Cash Ledger.
- iv) The TDS amount so deducted, declared and paid by the TDS deductor, will reflect in the GSTR-7A of the supplier's GST portal.
- v) Once the supplier accepts the said GSTR-7A, the said TDS amount will get credited into the suppliers Electronic Cash Ledger.
- vi) The said TDS amount got credited into the Electronic Cash Ledger, can be used by the supplier to discharge his GST liability and in case, if the said amount is remaining unutilised (for any reason), then the supplier even can claim cash refund of the said amount.

[4] Kindly refer following examples which will help you to understand the TDS concept, -

- i) *A' has purchased the metal scrap falling under Chapter 75 from B' worth value of Rs.2,00,000/- + GST Rs.36,000/-.*

As the total value of the scrap is Rs.2,36,000/- (i.e. below Rs.2.5 lakhs), A' need not have to deduct the 2% TDS while making payment for the said scrap.

- ii) *A' has purchased the metal scrap falling under Chapter 75 work value of Rs.4,00,000/- + GST of Rs.72,000/- from a Municipal Corporation of any city or Public Sector Undertaking such as Bharat Earth Movers Ltd./Bharat Electronics Ltd./Cochin Shipyard Ltd. or A Government Department such as Public Works Department (PWD).*

In such transaction though the value of the metal scrap is exceeding the limit of Rs.2.5 lakhs since the supplier is Local Authority/PSU/ Governmental Department, A' need not have to deduct 2% TDS while making payment for the said scrap.

- iii) *A' has purchased the metal scrap falling under Chapter 72 from B' worth value of Rs.5,00,000/- + GST Rs.90,000/-, then as the total value of the scrap is exceeding the limit of Rs.2.5 lakhs, A' will have to deduct TDS of Rs.10,000/- (i.e.2% of Rs.5,00,000/-) while making payment to B'.*

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A' will have to file the GSTR-7 return on or before 10th day after the end of the month in which such TDS is deducted and will have to declare and pay the said TDS amount of Rs.10,000/- through Electronic Cash Ledger.

The said TDS amount of Rs.10,000/- will get reflected in GSTR-7A on GST portal of B'. Once B' accepts the said GSTR-7A, the said TDS amount of Rs.10,000/- will be credited into the Electronic Cash Ledger of B'.

- iv) *A' has received the metal scrap falling under Chapter 74 from B' worth value of Rs.2,25,000/- + GST Rs.40,500/-, then as the total value of the scrap is exceeding the limit of Rs.2.5 lakhs, A' will have to deduct TDS of Rs.4,500/- (i.e.2% of Rs.2,25,000/-) while making payment to B'.*

A' will have to file the GSTR-7 return on or before 10th day of after the end of the month in which such TDS is deducted and will have to declare and pay the said TDS amount of Rs.4,500/- through Electronic Cash Ledger.

The said TDS amount of Rs.4,500/- will get reflected in GSTR-7A on GST portal of B'. Once B' accepts the said GSTR-7A, the said TDS amount of Rs.4,500/- will be credited into the Electronic Cash Ledger of B'.

- [5] Kindly take note of the above said important legal development and kindly implement the same at your end (w.e.f.10.10.2024) in case if you are purchasing the metal scrap from another registered person for captive use/for trading.
- [6] We hope we have clarified the matter. However, if you have any doubts about the issue, then kindly come for personal discussion to our office.

Thanking you,

Yours faithfully,
Sd/-
V.B.Gaikwad & Associates

Disclaimer – The above said circular/clarification is of general nature and not intended to address circumstances of any particular individual or party. The said circular/clarification is only for Private and Confidential circulation and any reliance to be placed thereon should be subject to further consultation and advice the matter.