

Tax deduction at source

51. ^[1] Tax deduction at source ^[2].

(1) ^[3] Notwithstanding anything to the contrary contained in this Act, the Government may mandate,—

a. a department or establishment of the Central Government or State Government; or

b. local authority; or

c. Governmental agencies; or

d. such persons or category of persons as may be notified by the Government on the recommendations of the Council, (hereafter in this section referred to as “the deductor”), to deduct tax at the rate of one per cent. from the payment made or credited to the supplier (hereafter in this section referred to as “the deductee”) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees: *Provided that* no deduction shall be made if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Explanation.—For the purpose of deduction of tax specified above, the value of supply shall be taken as the amount excluding the central tax, State tax, Union territory tax, integrated tax and cess indicated in the invoice.

(2) The amount deducted as tax under this section shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made, in such manner as may be prescribed ^[4].

(3) The deductor shall furnish to the deductee a certificate mentioning therein the contract value, rate of deduction, amount deducted, amount paid to the Government and such other particulars in such manner as may be prescribed ^[5].

(4) If any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount so deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five day period until the failure is rectified, subject to a maximum amount of five thousand rupees.

(5) The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the return of the deductor furnished under sub-section (3) of section 39, in such manner as may be prescribed ^[6].

(6) If any deductor fails to pay to the Government the amount deducted as tax under sub-section (1), he shall pay interest in accordance with the provisions of sub-section (1) of section 50, in addition to the amount of tax deducted.

(7) The determination of the amount in default under this section shall be made in the manner specified in section 73 or section 74.

(8) The refund to the deductor or the deductee arising on account of excess or erroneous deduction shall be dealt with in accordance with the provisions of section 54:

Provided that no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee.

^[1] Refer Cir. No. 65/2018- GST, dt. 14.9.2018 & 67/2018- GST, dt. 28.9.2018 & Cir. No. 76/2018- GST, dt. 31.12.2018.

^[2] Enforcement with effect from 1.10.2018- Not. No. 50/2018- CT, dt. 13.9.2019.

^[3] Refer Not. No. 33/2017-CT, dt. 15.9.2017; Not. No. 50/2018-CT, dt. 13.9.2018; Not. No. 57/2018-CT, dt. 23.10.2018; Not. No. 61/2018-CT, dt. 5.11.2018 & Not. No. 73/2018-CT, dt. 31.12.2018.

^[4] Refer rule 85 of the CGST Rules, 2017.

[\[5\]](#) Refer rule 66 of the CGST Rules, 2017.

[\[6\]](#) Refer rule 87 of the CGST Rules, 2017.