

# 1% tax at source only on retail sales of motor vehicles: CBDT

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The one per cent tax collection at source introduced in this year's Budget on motor vehicles sold with value exceeding ₹10 lakh will apply only on retail sales transactions, the CBDT has said.

It will not cover motor vehicles sold by manufacturers to dealers/distributors, the Central Board of Direct Taxes (CBDT) said in a clarificatory circular here.

The circular, which has

come in the form of 'frequently asked questions' (FAQs), also made it clear that the obligation to collect the tax would rest only with 'individuals' who are subjected to tax audit (under Section 44AB), not on all individuals.

Besides this, the tax will apply when Central or State governments and companies, firms and cooperative societies sell motor vehicles exceeding ₹10 lakh.

The tax, to be collected at source at the rate of one per

cent on sale of a motor vehicle exceeding ₹10 lakh, is applicable to each sale, and not to the aggregate value of sale made during the year, the circular added.

The CBDT also clarified that the tax provision was not dependent on whether part of the payment is made in cash or by cheque.

## Experts' take

Amit Singhanian, Partner, Shardul Amarchand Mangaldas & Co, a law firm, said the circu-

lar was helpful, as it gave a clear indication that the CBDT wanted tax only on cash transaction above ₹2 lakh and sale of motor vehicles above ₹10 lakh (irrespective of mode of payment).

"Further, it is also clarified that the tax is not applicable for sale of motor vehicles by manufacturers. This will reduce the compliance burden for them," he said.

Rakesh Nangia, Managing Partner, Nangia & Co, a CA firm, said the CBDT has put to

rest the numerous questions arising in the minds of those impacted by the provision of Section 206C.

"Some were speculating that even dealers buying motor vehicles from manufacturers would be hit by the tax, others misunderstood the provisions that even an individual selling a luxury car to another individual would have to collect the tax," he said, adding that CBDT had nipped the bud by coming out with FAQs on the issue.