

Date: 21<sup>st</sup> June 2021

Dear Business Partner,

Sub: About TDS u/s 194Q of Income Tax Act on Purchase of Goods and Section 206AB

As you are aware, w.e.f. 01<sup>st</sup> July 2021, the Finance Act, 2021 has introduced Section 194Q to provide for deduction of tax (TDS) by a buyer on purchase of goods. You are requested to take a note that turnover in FY 2020 -21 of Freudenberg Filtration Technologies India Private Limited (FFTI) is greater than the threshold limit (i.e. INR 10 Crore) specified in Section 194Q of Income Tax Act, 1961.

Therefore, we are liable to deduct tax (TDS) under section 194Q of the Income-tax Act, 1961 ('the Act') on purchases with effect from 01-07-2021. Therefore, you are not required to collect TCS under section 206C(1H) of the Act on sales invoices raised on us from 01<sup>st</sup> July 2021. In case such TCS is charged, FFTI shall not be under any obligation to make payment towards such TCS portion.

Further, FFTI will deduct TDS under section 194Q on all the invoices received post 30th June 2021. The higher TDS rate of 5% will be applicable u/s 206AB instead of 0.1% if the conditions mentioned in below paras are not satisfied. Pursuant to the provisions of section 206AB of the Income-tax Act, 1961 ('the Act') where the specified person entitled to receive the money:

- has not filed income tax returns for two Assessment Years ('AYs') relevant to the two Previous Years ('PYs') immediately prior to the PY in which tax is deducted;
- Time limit to file the returns under section 139(1) of the Act for both the PYs has expired; and
- Aggregate TDS and TCS in his case are INR 50,000 or more in the each of these two PYs.

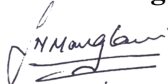
In such case, the higher rates of TDS for the purpose of section 206AB of the Act will be as follows: The TDS rate for payments made to the specified persons stated above, shall be the higher of the following:

- at twice the rate specified in the relevant provision;
- at twice the rate in force; or
- at the rate of 5%.

If the provision of section 206AA of the Act (deduction of tax at higher rate for non-furnishing of PAN by the deductee) is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.

In view of above, you are requested to fill up the details in enclosed declaration and take its print on your letter head and revert its signed scan copy on or before 30<sup>th</sup> June 2021. If we have not received your declaration in prescribed format on or before 30th June 2021, we shall deduct the TDS@5% on your payment. Kindly take a note of it.

Thanking you,  
**For Freudenberg Filtration Technologies India Private Limited**



**Authorised Signatory**