

**No TDS on GST component included in an amount paid or payable to a resident,  
as per CBDT Circular**

The Central Board of Direct Taxes (CBDT) has issued Circular No.23 of 2017, dt.19.7.2017 [396 ITR (St) 6], relating to the issue of TDS on GST (Goods and Services Tax) component, comprised in the payments made to residents. The aforesaid Circular has been issued, in view of the introduction of GST on services by the Government, with effect from 1.7.2017, in which the erstwhile Service Tax has been included.

The subject of the aforesaid Circular is as follows :

**“Modification of Circular No.1 of 2014 in view of substitution of Service Tax by Goods and Services Tax (GST)”.**

2. In this regard, in the first place, it will be relevant to refer to the earlier Circular No.1 of 2014, dt.13.1.2014, regarding TDS on Service Tax component. As per the aforesaid Circular, if the Service Tax component comprised in the amount payable to a resident is indicated separately, **then tax shall be deducted at source under Chapter XVII-B of the Income-Tax Act, 1961 (the Act), on the amount paid / payable without including Service Tax component.**
3. Now that the Service Tax has been included in the newly introduced Goods and Services Tax (GST), the aforesaid Circular No.23 of 2017, dt.19.7.2017, has been issued by the CBDT, in order to clarify the position regarding TDS on GST component, comprised in the amount payable to a resident.

As per the aforesaid Circular No.23, if the component of “*GST on services*” comprised in the amount payable to a resident is indicated separately, **then tax shall be deducted at source under Chapter XVII-B of the Act, on the amount paid or payable without including “*GST on services*” component.**

In this regard, it has to be emphasized that in order to avoid TDS on GST component in the bill raised for a payment to a resident, GST components should be separately indicated.

It has also been clarified in the aforesaid Circular that GST for the aforesaid purpose shall include Integrated Goods and Services Tax (IGST), Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST) and Union Territory Goods and Services Tax (UTGST).

4. It may also be stated here that vide paragraph 5 of the aforesaid Circular No.23, any reference to “*Service Tax*” in an existing agreement or contract, which was entered prior to 1.7.2017, shall be treated as “*GST on services*”, with respect to the period from 1.7.2017, onwards, till the expiry of such agreement or contract.
5. A copy of the aforesaid Circular No.23 of 2017, dt.19.7.2017, is enclosed herewith, for your ready reference.

You are advised to make use of the aforesaid Circular as per the aforesaid guidelines.

Place : Pune

Date : 4.9.2017

(S.K.Tyagi)

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