Luxury Products above ₹10L to Attract 1% TCS

Our Bureau

New Delhi: Purchase of luxury handbags, wrist watches, footwear and sportswear, priced above ₹10 lakh, will now attract 1% tax collected at source (TCS). The CBDT has notified the items in the provision, introduced in the July budget, which makes collection of 1% tax mandatory for purchases including sunglasses, collectibles such as coins, stamps and antiques, yacht, sportswear, including golf kits and ski-wear, and horses used for racing and polo, among others.

The new provision, effective immediately, aims to curb the use of black money in luxury goods items, promote transparency and improve regulatory oversight, an official said.

"Tracking high-value luxury purchases remains a challenge as the market remains opaque, with 'price at request' tag masking the real value," a senior tax official said.

The official added that sometimes purchases were made using crypto or cash, making tracking difficult. "With TCS, it will now be able to track transactions," the official said.

Experts say this will strengthen the audit trail in the luxury goods segment.

"Sellers will now be required to ensure timely compliance with TCS provisions, while buyers of notified luxury goods may experience enhanced KYC (know your customer) requirements and documentation at the time of purchase," said Sandeep Jhunjhunwala, tax partner at Nangia Andersen LLP.

Luxury goods to attract 1% TCS

OUR SPECIAL CORRESPONDENT

Calcutta: The ultra-rich and fashion aficionados looking to expand their luxe collection must keep in mind the 1 per cent tax that the seller will collect on behalf of the government on the next purchase of a Patek Philippe watch or a Hermes Birkin bag.

DEAR DEAR! A list of 10 items includes wrist watches, art pieces such as antiques and paintings, collectables like coins and stamps, sunglasses, handbags and purses, shoes, sportwear and equipment such as golf kits, home theatre systems and horses for racing and polo

The Central Board of Direct Taxes on April 22 has notified a list of 10 items where, if their value exceeds ₹10 lakh, there will be a 1 per cent tax collected at source. The list includes wrist watches, art pieces such as antiques, paintings, sculptures, collectables like coins and stamps, sunglasses, handbags and purses, shoes, sportwear and equipment such as golf kits, home theatre systems and horses for racing and polo.

TCS is collected from the buyer at the time of sale of specified goods and can be adjusted against the tax liability of the purchaser at the time of filing of IT returns. TCS helps trace high-value spending as PAN details have to be submitted at the time of purchase.

The 1 per cent TCS comes into effect from April 22. Already, under Section 206C(1F) of the IT Act, introduced as part of the Budget presented in July, 2024, TCS of 1 per cent rate is being levied on motor vehicles costing above ₹10 lakh effective January 1, 2025.

The section also mandates a 1 per cent TCS on any other goods, as may be specified by the government by notification in the official gazette. These items have now been specified.

Nangia Andersen LLP tax partner Sandeep Jhunjhunwala said this notification operationalises the government's intent to enhance monitoring of high-value discretionary expenditure and strengthen the audit trail in the luxury goods segment.

It reflects a broader policy objective of expanding the tax base and promoting greater financial transparency.

"Sellers will now be required to ensure timely compliance with TCS provisions, while buyers of notified luxury goods may experience enhanced KYC requirements and documentation at the time of purchase. Although the luxury goods sector may undergo some transitional challenges, this measure is expected to promote formalisation and improved regulatory oversight over time," Jhunjhunwala said.

AKM Global tax partner Amit Maheshwari said that by bringing high-value items into the TCS framework with a 1 per cent rate, the government is widening the tax net beyond just motor vehicles. "This will enhance the traceability of luxury spending," he said.

Now, pay 1% TCS on luxury goods over ₹10 lakh

MONIKA YADAV
New Delhi, 23 April

The Central Board of Direct Taxes (CBDT), operating under the finance ministry, has significantly broadened the ambit of tax collected at source (TCS) under Section 206C of the Income Tax Act, extending it to a wide range of high-end luxury goods.

The decision, which comes into effect from April 22, is aimed at curbing tax evasion and improving the traceability of high-value discretionary spending, while also offering the government a potential additional stream of revenue at a time of growing global economic uncertainty.

Under the revised rules, sellers will be required to collect TCS at a rate of 1 per cent on the sale of specified luxury items where the value exceeds ₹10 lakh. The list of goods includes wrist watches,

‘Move reflects a policy push to use TCS as tool’

Previously, TCS under Section 206C (1F) applied primarily to the sale of motor vehicles priced above ₹10 lakh. However, with the Finance Act 2024, the provision has been expanded, giving the government authority to notify additional categories of luxury goods that fall within this threshold.

These changes have been codified under the Income-tax (Eleventh Amendment) Rules, 2025. To help compliance and reporting, the updated Form 27EQ now features dedicated codes – ranging from MA to MJ – for each new category.

Tax specialists say the move reflects a broader policy push to use TCS as a tool to monitor luxury consumption and bring more such buyers into the tax net.

Samir Kanabar, tax partner at EY India, said the new rule aims to widen the tax base and assess whether buyers' declared income aligns with their spending patterns. "That said, luxury boutiques now face a significant compliance burden of convincing buyers to shell out tax in addition to the value of goods, collect relevant tax data from buyers, and file periodic returns as well as ensure timely deposit of TCS," he noted.

Sandeep Jhunjhunwala, tax partner at Nangia Andersen LLP, said the notification puts into effect the government's wider goal of increasing scrutiny on high-end purchases and tightening regulatory oversight. "Although the luxury goods sector may undergo some transitional challenges, this measure is expected to promote formalisation and improved regulatory oversight over time," he added.

Watches, handbags, paintings, other luxury items to attract 1% tax collected at source

AANCHAL MAGAZINE
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WRIST WATCHES, handbags, antiques, paintings, sculptures, sunglasses, home theatre systems, shoes and sportswear priced over Rs 10 lakh will now face a Tax Collected at Source (TCS) levy of 1 per cent at the point of sale effective Tuesday.

Though this announcement to bring in some goods, apart from motor vehicles, into the ambit of TCS was announced in the July 2024 Budget and was to be implemented from January 1 this year, the Income Tax Department has notified the categories of other items now. The move is expected to help the tax authorities to trace the sale of such luxury goods and match it with the income tax profile of taxpayers to detect any case of possible evasion. In a notification dated April 22, the Income Tax Department has notified the new rules for the levy of TCS on sales of these luxury items priced over Rs 10 lakh. As per the list by the Department, sale of any wrist watch; any art piece such as antiques, painting, sculpture; any collectibles such as coin, stamp; any yacht, rowing boat, canoe, helicopter; any pair of sunglasses; any bag such as handbag, purse; any pair of shoes; any sportswear and equipment such as golf kit, skiwear; any home theatre system; and any horse for horse racing in race clubs, horse for polo, will now attract a 1 per cent TCS.

I-T DEPT NOTIFIED RULE ON APRIL 22

In a notification dated April 22, the Income Tax Department has notified the new rules for the levy of TCS on sales of these luxury items priced over Rs 10 lakh

"This notification operationalises the government's intent to enhance monitoring of high-value discretionary expenditure and strengthen the audit trail in the luxury goods segment. It reflects a broader policy objective of expanding the tax base and promoting greater financial transparency. Sellers will now be required to ensure timely compliance with TCS provisions, while buyers of notified luxury goods may experience enhanced KYC requirements and documentation at the time of purchase. Although the luxury goods sector may undergo some transitional challenges, this measure is expected to promote formalisation and improved regulatory oversight over time," Sandeep Jhunjhunwala, tax partner at Nangia Andersen LLP said.

The Budget for 2024-25, presented in July 2024, had mentioned amendment of Section 206C of the Income-tax Act. The Finance Act, 2024 had stated that a seller of a motor vehicle priced above Rs 10 lakh or any other goods, as may be specified by the central government by notification, will have to collect a 1 per cent TCS from the buyer on the sale consideration as income-tax.

I-T dept says

Luxury items above ₹10 lakh to attract 1% TCS

PTI

NEW DELHI

Handbags, wrist watches, footwear and sportswear, priced above Rs 10 lakh will now attract 1 per cent Tax Collected at Source (TCS), as per a notification issued by the Income Tax department.

TCS at 1 per cent rate is currently being levied on motor vehicles costing above Rs 10 lakh effective January 1, 2025.

The Income Tax department on April 22 notified the list of specified luxury goods and collectibles on which 1 per cent TCS will apply henceforth.

The list includes wrist watches, art objects such as paintings, sculptures, and antiques, collectible items including coins and stamps, yachts, helicopters, luxury handbags, sunglasses, footwear, high-end sportswear and equipment, home theatre systems, and horses intended for racing or polo.

TCS is collected from the buyer at the time of sale of specified goods and can be adjusted against the tax liability of the purchaser at the time of filing of I-T returns.

TCS does not garner any additional revenue, but helps the tax department to trace high value spending as PAN details have to be submitted at the time of purchase.

The TCS provision for luxury goods as well as motor vehicles costing above Rs 10 lakh was introduced via Finance Act, 2024, as part of the Budget presented in July, 2024.

The obligation to collect TCS shall be on the seller in respect of the notified goods such as wrist watches, art objects such as paintings, sculptures, and antiques, collectible items including coins and stamps, yachts, helicopters, luxury handbags, sunglasses, footwear, high-end sportswear and equipment, home theatre systems, and horses intended for racing or polo.

Nangia Andersen LLP Tax Partner Sandeep Jhunjhunwala, said this notification operationalises the government's intent to enhance monitoring of high-value discretionary expenditure and strengthen the audit trail in the luxury goods segment.

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From watches to handbags, and paintings: Income Tax dept notifies luxury items on which taxpayers will have to pay 1% TCS

The move is expected to help the tax authorities to trace the sale of such luxury goods and match it with the income tax profile of taxpayers to detect any possible evasion.

How will TCS help in expanding tax base?

Tax experts said the move to levy TCS on luxury goods will help expand the tax base. Buyers of luxury goods may face extra KYC requirements, they said.

“This notification operationalises the government’s intent to enhance monitoring of high-value discretionary expenditure and strengthen the audit trail in the luxury goods segment. It reflects a broader policy objective of expanding the tax base and promoting greater financial transparency. Sellers will now be required to ensure timely compliance with TCS provisions, while buyers of notified luxury goods may experience enhanced KYC requirements and documentation at the time of purchase. Although the luxury goods sector may undergo some transitional challenges, this measure is expected to promote formalisation and improved regulatory oversight over time,” Sandeep Jhunjhunwala, tax partner at Nangia Andersen LLP said.