



Detailed Clarification on Notification No. 25/2024-Central Tax– (TDS under GST on Metal Scrap Purchase)

Applicability of Deduction TDS on Registered Persons Involved In The Supply Of Metal Scrap.

Summary: The Ministry of Finance issued Notification No. 25/2024-Central Tax on October 9, 2024 broadens the scope of TDS by including registered persons receiving metal scrap, classified under Chapters 72 to 81 of the Customs Tariff Act, 1975. The changes specify that TDS at a rate of 2% must be deducted for transactions where the taxable value exceeds ₹2,50,000. The buyer must obtain a separate GST registration (Form REG-07) to deduct TDS, and the supplier will receive the TDS credit in their cash ledger monthly.

The notification also replaces the third proviso, confirming that while supplies between certain entities remain exempt from TDS, transactions involving metal scrap are not exempt.

This amendment, effective from **October 10, 2024**, requires both buyers and sellers to ensure compliance with the updated GST TDS provisions, including timely filing of GSTR-7 and obtaining TDS certificates (GSTR-7A).

Key Highlights of the Notification:

1. Applicability of TDS:

- Effective from 10th October 2024, a TDS of 2% is required to be deducted by the recipient (buyer) of goods, under GST, when purchasing metal scrap.

Condition: The taxable value of the supply must exceed ₹2,50,000 per transaction.

TDS Rate Breakdown:

- CGST = 1% SGST = 1% (for intra-state transactions)
- IGST = 2% (for inter-state transactions)

TDS on Metal Scrap Purchases

The new TDS rule specifically applies to the purchase of metal scrap. The TDS rate of **2% will be calculated on the taxable value** of the metal scrap being purchased, not on the total invoice value (which includes GST).



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Important Note:

TDS under this rule is **only applicable** to transactions where the **taxable value exceeds ₹2,50,000** per transaction.

Chapters of the Customs Tariff Act to Which This Rule Applies:

The new TDS rule is applicable to metal scraps falling under Chapters 72 to 81 of the First Schedule to the Customs Tariff Act, 1975. These chapters include the following materials:

- Chapter 72 – Iron and Steel
- Chapter 73 – Articles of Iron and Steel
- Chapter 74 – Copper and Articles thereof
- Chapter 75 – Nickel and Articles thereof
- Chapter 76 – Aluminum and Articles thereof
- Chapter 78 – Lead and Articles thereof
- Chapter 79 – Zinc and Articles thereof
- Chapter 80 – Tin and Articles thereof
- Chapter 81 – Other Base Metals; Cermets; Articles thereof

This means that buyers purchasing any metal scrap categorized under these chapters must deduct GST TDS on qualifying transactions.

Separate GST Registration for TDS Deduction:

To deduct GST TDS, the buyer of the metal scrap must obtain a separate GST registration for TDS deduction. The form for this registration is Form REG-07.

Documents Required for Registration:

While the notification does not specify the exact documents required for this registration, generally, the following may be required:

- PAN card of the entity.
- Proof of Business Address (such as utility bills, property tax receipts).
- Bank Account Details.
- Authorization Letter in case of a company/LLP.

Once registered under Form REG-07, the buyer can begin deducting GST TDS on qualifying transactions.



Credit of TDS for the Supplier:

The supplier or seller of the metal scrap will receive the credit of the TDS deducted by the buyer. This credit will be reflected in the **cash ledger of the supplier on a monthly basis after accepting TDS/TCS credit received on GST Portal.**

Benefits for the Supplier:

Unlike Income Tax, where TDS credit is available only after the end of the assessment year, under GST, the credit of the TDS is available monthly. The supplier can utilize this credit to:

- Offset their GST liability.
- Claim a refund in case of excess credit.

This mechanism provides flexibility to the supplier to manage their cash flow effectively under GST.

Monthly Filing of GSTR-7:

The buyer (who has deducted the TDS) is required to file Form GSTR-7 monthly, no later than the 10th of the subsequent month. GSTR-7 filing is mandatory for every month i.e GSTR-7 is required to be file even in case of Nil Transaction

Filing Process:

- The buyer needs to report the TDS deducted in GSTR-7.
- Payment of TDS liability must be discharged along with this filing.

GSTR-7A: TDS Certificate

After the GSTR-7 has been filed, the GSTR-7A certificate will be automatically generated. This certificate acts similarly to Form 16A under the Income Tax Act, and serves as a confirmation to the supplier that TDS has been deducted and deposited.

Exemptions and Exclusions:

TDS on metal scrap under GST is not applicable **to the import of metal scrap**. This means if the recipient (buyer) is importing metal scrap from a foreign country, no TDS deduction is required under GST.

Important Note :- However if Metal scrap (HSN Codes 72 to 81) purchased from Unregistered Dealer than RCM under GST is required to be deposit by Buyer. (As per Notification 06/2024-CT® w.e.f. 10th October 2024)



Key Provisions of the Notification:

The notification is issued under the powers conferred by Section 51 of the CGST Act, 2017, which deals with the mechanism of Tax Deduction at Source (TDS), and sub-section (3) of section 1 of the CGST Act, 2017, which empowers the Central Government to appoint the date for the applicability of certain provisions. This notification brings two significant changes to Notification No. 50/2018-Central Tax:

1. Amendment to Clause (c):

A new clause (d) has been added after clause (c) and before the first proviso. This clause extends the scope of TDS to include: “(d) any registered person receiving supplies of metal scrap falling under Chapters 72 to 81 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), from other registered persons”

Key Points: This clause makes TDS applicable to registered persons involved in receiving supplies of metal scrap. The metal scrap refers to products falling under Chapters 72 to 81 of the First Schedule to the Customs Tariff Act, 1975. These chapters cover various metals and their scraps, such as iron, steel, copper, nickel, aluminum, lead, zinc, tin, and other base metals. The amendment ensures that registered persons involved in the purchase of metal scrap from other registered persons will now be liable to deduct TDS under Section 51 of the CGST Act, 2017.

2. Substitution of the Third Proviso: The third proviso of the notification has been substituted with the following: “Provided also that nothing in this notification shall apply to the supply of goods or services or both, which takes place between one person to another person specified under clauses (a), (b), (c) and (d) of sub-section (1) of Section 51 of the said Act, except the person referred to in clause (d) of this notification.”

Explanation of the Change: This substitution clarifies that the TDS provisions under Section 51 of the CGST Act shall not apply to the supply of goods or services between certain categories of persons specified in clauses (a), (b), (c), and (d) of sub-section (1) of Section 51, except for those specified in clause (d). This means that while supplies between specified persons (such as government departments, local authorities, etc.) remain exempt from TDS, this exemption does not apply to registered persons receiving metal scrap (as specified in the new clause (d)).

Therefore, metal scrap transactions between registered persons are now specifically included under the TDS provisions, while other exempt categories of transactions remain unaffected.