

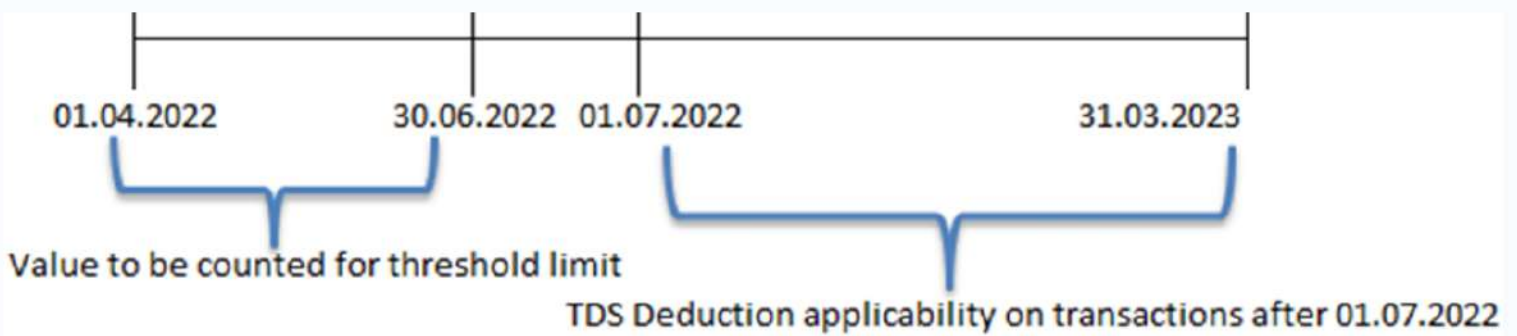


Applicability

Deductor	Company, Partnership, Individual/HUF having Turnover > Rs. 1 crore, Receipts > Rs. 50 lakhs
Deductee	Resident
Rate of TDS	10%
Rate of TDS (If no PAN)	20%
Threshold Limit	Rs. 20,000 per annum
Benefit/Perquisite in cash/kind	In any form cash or kind



Applicability



Issue 1: What if benefit/perquisite in kind or partly in kind



Deductor



Deductee



Gift car ₹ 8,00,000
Cash ₹ 1,00,000

or

- Deduct TDS before release of benefit or perquisite.
- Deduct TDS ₹ 80,000 and pay cash ₹ 20000 along with car.

- Pay advance tax and give declaration along with advance tax challan copy to deductor.
- Pay advance tax amounting to ₹ 80000.



Issue 2: If benefit/ perquisite in kind used as capital asset for business purpose by deductee?

Deductor



Deductee



Car used as capital asset by deductee

Deductee can claim depreciation



Issue 3: Is benefit to employee u/s 17(2) covered under 194R

Employer

Employee



Perquisite u/s 17(2)

Section 194R





**Issue 4: Whether deductor needs to check benefit/perquisite amount
taxability in hands of recipient u/s 28(iv)?**

Deductor

Deductee

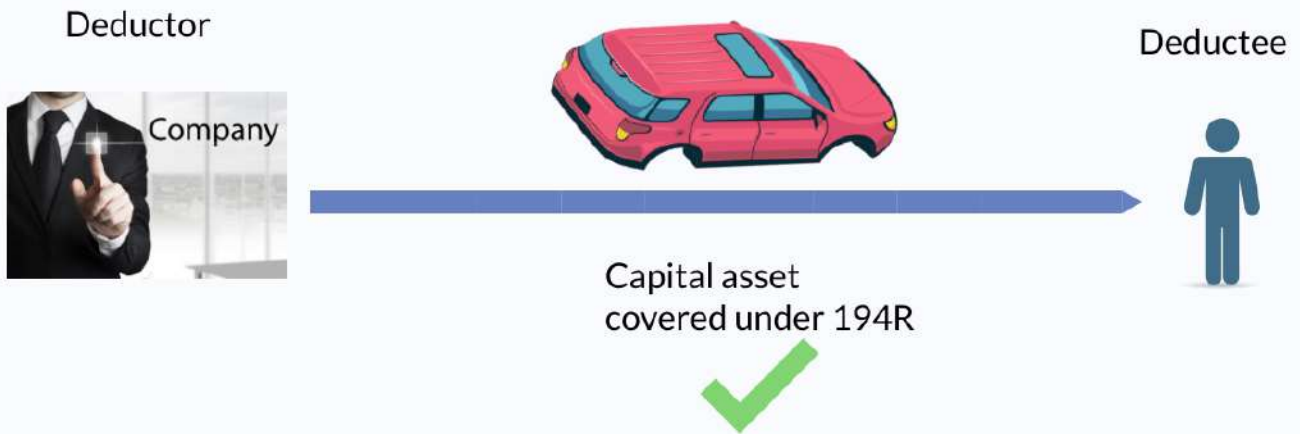


Income in hands of deductee





Issue 5: Whether capital assets covered under purview of section 194R?





Issue 6: Is waiver/ settlement of loans by bank covered under 194R?





Issue 7: Are sale discount/cash discount/rebate covered 194R?

Deductor



Deductee





Issue 8: TDS Implications on seller giving incentive

Car,TV,Sponsored trips,free tickets,medical samples to medical practioners

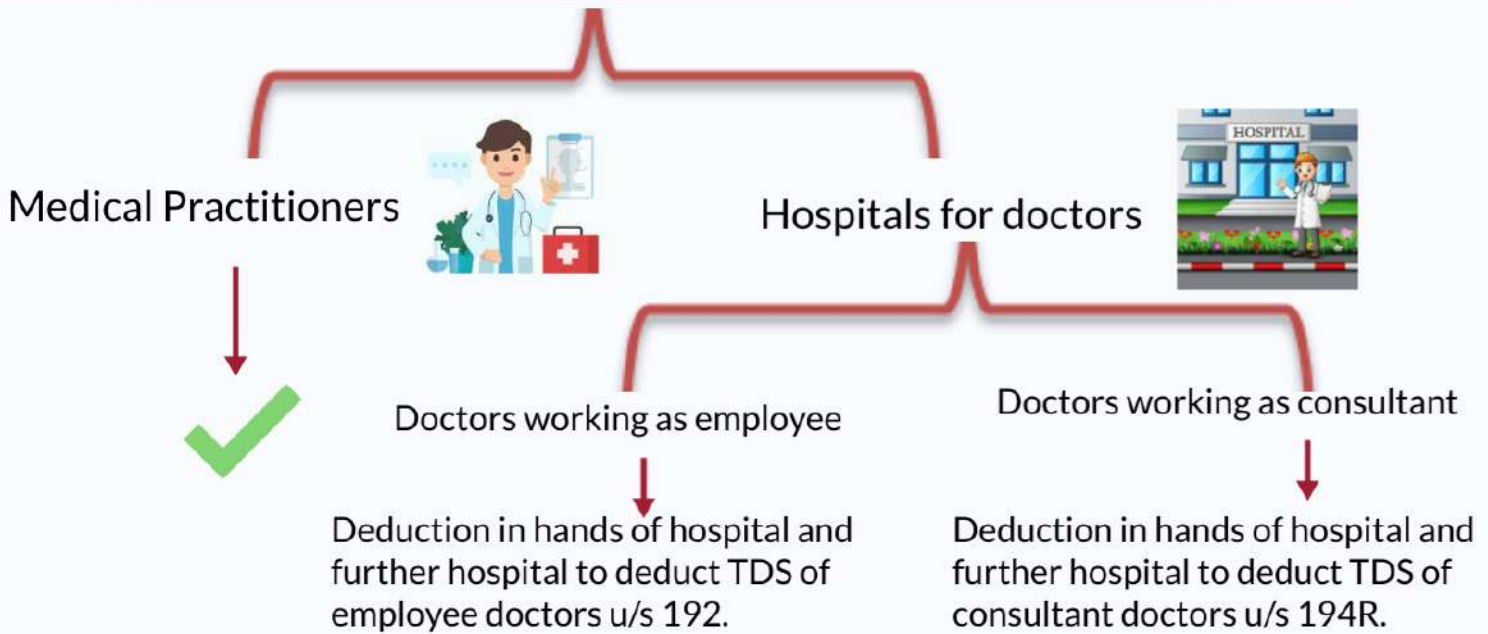


Incentives on target completion





Issue 9: TDS Implications of free samples to medical practitioners





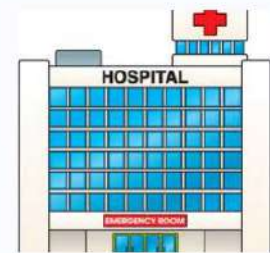
Issue 10: Is 194R applicable to government entity?



Doctors for hospitals



194R not applicable



Government Hospital



Issue 11: Valuation of benefit/perquisite?

At Fair Market Value, except in case of:

- **Already purchased benefit/perquisite** :
Purchase Price of benefit/perquisite
- **Manufacturer of product**
Sale price of benefit/perquisite
(All values excluding GST)



Issue 12: Treatment of Reimbursement of Expenses

Situation 1

Deductor



Company



Deductee



194R



Amount payment
Invoice
ITC availment

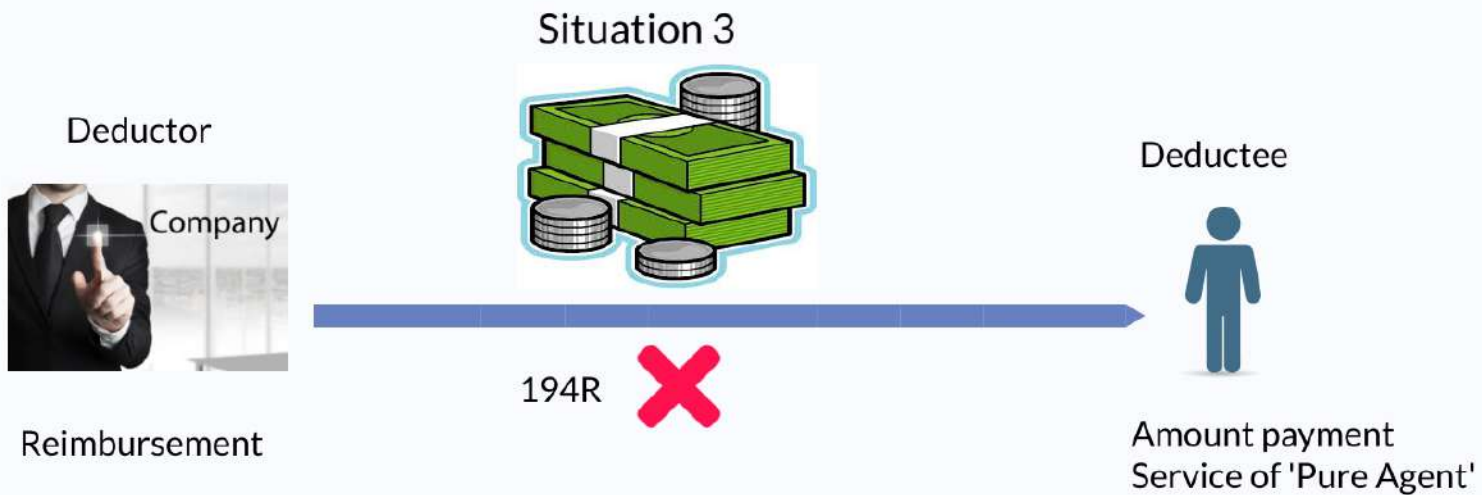


Issue 12: Treatment of Reimbursement of Expenses





Issue 12: Treatment of Reimbursement of Expenses





Issue 13: Effect of Section 194R on circular 715 dated 8th August 1995

Circular says that TDS u/s 194C or 194J to be deducted on out of pocket expenses.

This circular remains unaffected after introduction of section 194R.

These out of pocket expenses will not be doubly taxed.



Issue 14: Benefit/Perquisite paid to social media influencer



Product returned to
manufacturer after audio/video

194R ❌

Product retained by influencer
after audio/video

194R ✅



Issue 15: Benefit/Perquisite provided for dealer conference





Issue 16: Deduction of TDS by Embassy/High Commission

TDS u/s 194R not applicable

Issue 17: Are bonus shares or right shares benefit/perquisite, if issued by a company in which public is substantially interested?

No, as no change in ownership or overall value. Also, Cost of Acquisition is NIL