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Section – 194R – Tax on benefits/perquisites subject to TDS @ 10% w.e.f 01.07.2022

Sec No.	Nature of Payment	Limit for Deduction	Payer (Person making Payment)	Payee (Receiver)	Rate of TDS
194 R	Benefits or perquisites arising out of business or exercise of profession provided in cash or kind. (gifts, perks or benefits etc)	Above Rs. 20,000	Any person (Other Than Individual/HUF) and Individual/ HUF having Turnover above Rs.1 crore or professional receipts above Rs. 50 lacs. ***(ie. Resident or Non Resident)***	Resident Person	10%

(a) Employer-Employee exists between giver and receiver - The benefit and perquisite is taxable u/s 17 and TDS applicable u/s 192

(b) Employer-Employee does not exist between giver and receiver - The benefit and perquisite arising out of business/exercise of profession, is taxable u/s 28(iv) and TDS applicable u/s 194R.

Examples of perquisites u/s 28(iv) and 194R given below

Item	Whether perquisite	194R Applicable
Capital assets such as car, land, scooter etc. given	YES	YES
Free Samples given	YES	YES
When a person gives medicine samples free to medical practitioners	YES	YES
Incentives such as car, TV, phone, gold coin, furniture, goodies	YES	YES
Rent free accommodation, furniture and fixtures given to non-executive director	YES	YES
Sponsoring vacations/trip for recipient or his/her relatives	YES	YES
Providing free tickets to events	YES	YES
Medicine samples free to medical practitioners	YES	YES
Social media influencer if they retain the product	YES	YES
Social media influencer if they return the product	NO	NO
Out of pocket expenses incurred by service provider with invoice in name of service PROVIDER	YES	YES
Out of pocket expenses incurred by service provider with invoice in name of service RECIPIENT	NO	NO
Dealer conference for specific participants selected on the basis of achievement of targets, etc.	YES	YES
Leisure component of general dealer conferences	YES	YES
Expenses of accompanying family at general dealer conferences	YES	YES
Expenses of prior/subsequent stay of participants at general dealer conferences	YES	YES
Value of car was given to an assessee by his disciple, who had been benefited from his preaching	YES	YES
Sales discount/Cash discount/Rebates to customers	NO	NO
Offering more items at the price of fewer items [such as sales of 12 pcs at price of 10]	NO	NO
All Dealer GENERAL conferences to educate dealers/customers for new products, teaching sales techniques, addressing queries, reconciliation of accounts, etc.	NO	NO

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Reference

Circular : 12 of 2022/16.06.2022 - F. No. 370 I 42/27/2022-TPL - issued by CBDT as guidelines for removal of difficulty u/s 194R and clarifying various aspects relating thereto.

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