



# THE WORLDONOMICS TIMES

## NURTURING GROWTH

From Workshops to Societal Initiatives, Witness Real Change in Action.

## EMPOWERING INDIVIDUALS

INSPIRING ACTION  
DRIVING CHANGE  
SHAPING A BRIGHTER FUTURE

## POWERING CHANGE

*"Join hands with us as we catalyze positive change for individuals, businesses, and communities."*

SHRI NAVEEN MATHUR

DIRECTOR  
COMMODITIES, CURRENCIES & GIFT CITY, IFSC  
ANAND RATHI GROUP



# THE CHANGING LANDSCAPE OF GLOBAL ECONOMIES: A WINDOW INTO THE DYNAMIC WORLD OF WORLDONOMICS

In today's interconnected world, the dynamics of global economics continue to evolve rapidly. As nations strive to navigate the challenges and opportunities in this ever-changing landscape, Worldonomics plays a crucial role in bringing insights and analysis to the forefront. With its reputable position as a leading informational hub, the Worldonomics Times US website ([worldonomics.in](http://worldonomics.in)) serves as an invaluable reference for anyone seeking a deeper understanding of the world economy.

One of Worldonomics' notable strengths is its ability to provide comprehensive coverage and insights on a wide array of economic topics. From macroeconomics to sector-specific analyses, readers can explore a myriad of articles written by renowned economists and industry experts. Whether one is interested in exploring the impact of geopolitical events on financial markets or dissecting the implications of emerging technologies, Worldonomics covers it all.

## Advancements in Technology:

Technology undeniably stands at the forefront of societal progress. Across a broad spectrum of articles, discussions on technological progress and its implications on various aspects of life have taken the spotlight. Subjects such as artificial intelligence, blockchain, virtual reality, and quantum computing have consistently attracted attention. These articles feature groundbreaking research, real-world applications, and ethical considerations, captivating readers with a glimpse into the future.

## Sustainable Development and Climate Change:

The pressing need to tackle climate change and promote sustainable development has been a recurring theme in our publication. Articles centered on renewable energy sources, eco-friendly practices, and the shift towards a low-carbon economy have maintained a steady presence. The convergence of technology and sustainability has also been a notable focus, with discussions on smart cities, circular economy, and sustainable transportation solutions.

## Education and Lifelong Learning:

The significance of education and continuous learning has been a prominent theme in our publication. Articles exploring innovative teaching methods, the integration of technology in education, vocational training, and online learning have appealed to readers adapting to a knowledge-based economy. The focus on empowering individuals to acquire new skills and knowledge has remained consistent.

## Social Justice and Equality:

In a world where social issues demand ongoing attention, our publication has presented numerous insightful articles on social justice and equality. Topics such as gender equality, racial justice, LGBTQ+ rights, and socio-economic disparities have sparked meaningful dialogues. These articles delve into the challenges faced by marginalized communities while proposing solutions to foster a fair and inclusive society.



*Sandeep Kumar*

EDITOR-IN-CHIEF

**Worldonomics Times**

# SECTION 194R – TDS ON BENEFITS OR PERQUISITE PROVIDED



Finance Act 2022 inserted a new section 194R in the Income-tax Act, 1961 (hereinafter referred to as "the Act") with effect from 1<sup>st</sup> July 2022 and issue circular no 12 of 2022 (Guidelines on 194R) and another circular no 18 of 2022 (Additional guidelines of 194R)

The new section mandates a person, who is responsible for providing any benefit or perquisite to a resident, to deduct tax at source @ 10% of the value or aggregate of the value of such benefit or perquisite, before providing such benefit or perquisite. The benefit or perquisite may or may not be convertible into money but should arise either from carrying out of business or from exercising a profession, by such resident.

This deduction is not required to be made, if the value or aggregate of value of the benefit or perquisite provided or likely to be provided to the resident during the financial year does not exceed twenty thousand rupees.

Deductor is under no obligation to check whether the benefit provided is taxable as business income for the recipient or not.

The responsibility of tax deduction also does not apply to a person, being an Individual/Hindu undivided family (HUF) deductor, whose total sales / gross receipts / gross turnover from business does not exceed one crore rupees, or from profession does not exceed fifty lakh rupees, during the financial year immediately preceding the financial year in which such benefit or perquisite is provided by him.



TDS u/s 194R is to be deducted on fair market value of the benefit or perquisite, however if deductor has purchased the benefit/perquisite before providing it to the recipient. In that case, the purchase price (Actual cost) shall be the value for such benefit/perquisite. Further, if the deductor manufactures such item then the price that it charges to its customers for such item shall be the value for such benefit / perquisite.





### A. Some Practical scenarios and applicability:

1. Capital assets like car, land etc. given as benefit or perquisite would be covered within the ambit of deduction of TDS u/s 194R and the receiver can get the depreciation on fulfillment of other conditions for claiming depreciation.
2. Section 194R shall apply to sellers giving incentives, other than discounts or rebates, which are in cash or kind e.g., car, TV, sponsored trips, free tickets, medicine samples to medical practitioners.
3. Section 194R shall apply on the gift to the supplier on celebrate successful completion of project. festival occasions, marriage occasion etc. only those benefit/perquisite, which arise out of business/ profession

#### 4. Medical practitioners:

a. TDS u/s 194R required to be deducted by the company in the hands of the hospital when distribution of free samples to the hospital for doctors receiving free samples of medicines while employed in a hospital. The hospital as an employer may treat such samples as a taxable perquisite for employees and deduct tax under Section 192. For those, the threshold of ₹20,000 has to be seen concerning the hospital.

b. TDS u/s 194R required to be deduct While for doctors working as consultants with a hospital and receiving free samples, TDS would apply to the hospital first as a recipient, then hospital may again deduct TDS u/s 194R to the consultant for providing the same benefit or perquisite.

### 5. TDS implication on reimbursement expenses.

- a. Expenses paid by the service provider are incurred wholly and exclusively for the purpose of rendering service and the invoice is in the name of the company (service recipient) and then reimbursement made by the company being the service recipient will not be considered as a benefit/prerequisite so TDS u/s 194R not attract.
- b. If the reimbursement invoice is in the name of the service provider and payment is made by the company directly or reimbursement, it is the benefit/ perquisite provided by the company to the service provider for which TDS u/s 194R required to deduct.
- c. Section 194R will not apply if the condition of Pure Agent is given under the GST Valuation Rules 2017.
- d. Clarification under additional guidelines via circulars no 18 of 2022 that no deduction u/s 194R if the TDS has already been deducted u/s 194C/194J on the entire consideration including out-of-pocket expenses/reimbursement.

### 6. Section 194R shall apply on the following other

- Free sample
- sponsors a trip for the recipient and his/her relatives upon achieving a certain target
- provides a free ticket for an event
- Insurance coverage for the dealer and his employee/ family
- Rewards (cash back)/ prepaid vouchers in the form of discount on future purchases

### B. 194 R is Not applicable on the following:

1. The provision of section 194R shall not apply to a government entity like a government hospital that is not carrying on business or profession.
2. The provision of section 194R shall not apply to benefits to employees under 17(2) covered because it is covered only in the course of business or profession.
3. The provision of section 194R shall not apply to Sales discounts, cash discounts, or rebates.
4. The provision of section 194R shall not apply to be deducted on the issuance of bonus or right shares by a company in which the public are substantially interested as defined in clause (18) of section 2 of the Act, where bonus shares are issued to all shareholders by such a company or right shares are offered to all shareholders by such a company, as the case may be.

5. Provision of section 194R is not applicable on benefit/perquisite provided by, an organization in scope of The United Nations (Privileges and Immunity Act) 1947, an international organization whose income is exempt under specific Act of Parliament (such as the Asian Development Bank Act 1966), an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign state.



6. one-time loan settlement with borrowers or waiver of loan granted on reaching settlement with the borrowers by the following would not be subjected to tax deduction at source under section 194R of the Act:

- i. Public Financial Institution
- ii. Scheduled Bank
- iii. Cooperative bank
- iv. Primary co-operative Agricultural and Rural Development Bank
- v. State Financial Corporation
- vi. State Industrial Investment Corporation
- vii. Deposit-taking Non-Banking Financial Company
- viii. Systemically Important Non-deposit Taking Non-Banking Financial Company
- ix. Public company engaged in providing long-term finance (guidelines/directions issued by NHB)
- x. Asset Reconstruction Companies

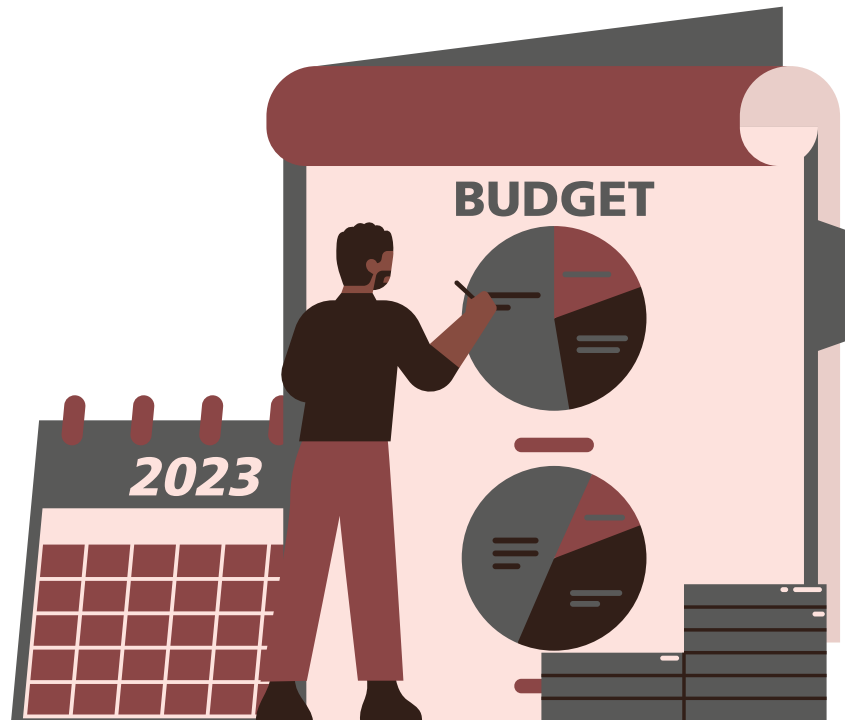
**Note: GST is to be excluded from the Purchase Value or Fair Market Value of such Benefit or Perquisite, for the Purpose of TDS Deduction**

#### Disclaimer

**This document has been prepared for academic use only, to understand the provisions of the section 194-R of the Income Tax Act, 1961 in the perspective of seeking relief against adverse processing and sharing the same with fellow professionals and all concerned. Though every effort has been made to avoid errors or omissions in this document yet any error or omission may creep in. Therefore, it is notified that I shall not be responsible for any damage or loss to anyone, of any kind, in any manner therefrom. I shall also not be liable or responsible for any loss or damage to anyone in any manner due to differences of opinion or interpretation in respect of the text. On the contrary, it is suggested that to avoid any doubt the user should cross check the status from the original relevant provisions of the Act.**

**BILL No. 18 OF 2022**

**THE FINANCE BILL, 2022**



**CA. AMIT AGRAWAL**

Practicing Chartered Accountant