



**CBDT issues guidelines on TDS under S.194R**

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The central board of direct taxes on Thursday had issued guidelines addressing the concerns relating to the newly introduced section 194R of the Income Tax Act. The section dealt with withholding 10% TDS for the benefits or perquisites for non-salary sources. This new section is part of the Finance Act 2022. It will be effective from July 1.

The guidelines state that the payer/deductor doesn't need to check the taxability of the amount that lies with the payee before the deduction of TDS. Therefore, it is different from the provisions governing TDS under Section 195 of the TDS 194R.

With an idea to impose the TDS liability on the payer, CBDT uses the term “of whatever nature” in the section. The benefits under section 194R can either be made in cash or kind or party through cash or party through kind. The nature of the asset that is given as a benefit is not important, according to the section.

CBDT has given customers sales discounts, cash discounts and rebates by excluding them from Section 194R because if they are allowed, it will put the seller into difficulty. Section 194 shall be applicable to the seller for the purposes of giving various types of incentives other than discounts or rebates.

While speaking on the issue Sudin Sabnis, Partner, Nangia Andersen LLP, said “The guidelines have been issued in time considering the section is effective from July 1 and seeks to provide clarity on multiple fronts. Certain aspects, particularly applicability of withholding tax on reimbursement of OPE’s, benefits provided in cases of the recipient not engaged in business or profession etc. could open up a host of practical issues which taxpayers should brace themselves with,”.



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