

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,
CHENNAI 600 006.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND
UNDER SECTION 98(4) OF THE TNGST ACT, 2017

Members present:

Shri C. Thiyagarajan, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.	Shri B. Suseel Kumar, BE., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No.46/ARA/2025, dated 17.11.2025

1. *Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*

2. *In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-*

- (a) *On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.*
- (b) *On the concerned officer or the Jurisdictional Officer in respect of the applicant.*

3. *In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*

4. *Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*

5. *The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the Act) are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	33AAGFK0960K1ZD
Legal Name of Applicant	KARTHIK AND CO
Trade Name of Applicant	KARTHIK & CO
Registered Address/ Address provided while obtaining User id	No.133, Dharapuram Road, Tiruppur - 641 604.
Details of Application	Application Form GST ARA-01 received from the applicant on 28.02.2025.
Jurisdictional Officer	State – Tiruppur Division, Tiruppur Bazaar Circle. Center – Madurai Commissionerate, Madurai-I Division.
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for A. Category B. Description (in brief)	Wholesale Business and Retail Business The applicant is a wholesale and retail dealer of paints and related products and obtained franchise from the principal, who are Paint manufacturers. They have been receiving non-monetary benefits (Perquisites) in the form of free gifts, Compliments and tour packages for them as well as their Customers (Painters) who bought their products. For the said non-monetary benefits provided, manufacturers have deducted TDS under Section 194R of Income Tax Act. So, the applicant has raised Tax invoice for the value and charges CGST and SGST. But, the Principal (Paint Manufacturers) are in the view that the applicant need not required to raise any Tax Invoice for the non-monetary benefits received from them and they opined that such are not considered as SUPPLY under GST Act.
Issues on which advance ruling required	Determination of the liability to pay tax on any goods or service or both

Question(s) on which advance ruling is required	<ol style="list-style-type: none"> 1. Whether the TAX INVOICE raised by us for the non-monetary benefits/perquisites received is valid under GST Act? 2. Whether value on which TDS deducted under section 194R of Income Tax Act should be considered as SUPPLY? 3. If the same termed as SUPPLY, then let us know whether it is being construed as supply through any Notification or under any section of GST Act?
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M/s KARTHIK & CO, No. 133, Dharapuram Road, Tiruppur - 641 604. (hereinafter called as the "Applicant") are registered under the GST Act with GSTIN 33AAGFK0960K1ZD. The applicant has sought advance ruling on the following question:

1. *Whether the TAX INVOICE raised by us for the non-monetary benefits/perquisites received is valid under GST Act?*
2. *Whether value on which TDS deducted under section 194R of Income Tax Act should be considered as SUPPLY?*
3. *If the same termed as SUPPLY, then let us know whether it is being construed as supply through any Notification or under any section of GST Act?*

The Applicant has made a payment of application fees of Rs.5,000/- each towards SGST and CGST under sub rule (1) of Rule 104 of CGST Rules, 2017 and SGST Rules, 2017.

2. The applicant, is a wholesale and retail dealer for paints and related products and obtained franchise from the principal, who are Paint manufacturers. They have been receiving non-monetary benefits (Perquisites) in the form of free gifts, compliments and tour packages for them as well as their Customers (Painters) who bought their products. For the said non-monetary benefits provided, manufacturers have deducted TDS under Section 194R of Income Tax Act. So, the applicant has raised Tax invoice for the value and charges CGST and SGST. But, the Principal (Paint Manufacturers) are of the view that the applicant need not require to raise any Tax Invoice for the

non-monetary benefits received from them and they opined that such transactions are not considered as SUPPLY under GST Act.

3. The applicant has informed that they have received gifts and/or perquisite (in the nature of foreign tour packages etc.), provided to them as well as to their customers, namely Painters, who purchases their product. The manufacturer deducts TDS for the value of Gifts/perquisite under section 194R of the Income Tax @ 10%. Therefore, the value of such gifts/perquisites provided by the manufacturers and the TDS deducted by them got reflected in their Form 26AS.

4. The applicant has raised TAX INVOICE on the supplier of such Gifts/perquisites including GST on the value of perquisites. However, the manufacturer supplier is hesitant to accept the invoice and are of the view that such perquisites provided are not considered as supply as it is a non-monetary consideration for the purpose of GST.

5. On interpretation of law, the applicant has stated that TDS deducted under Section 194R for the non-monetary benefits/perquisites received and same is declared in Form 26 AS. Hence, when a benefit is considered as an income under the Income Tax Act, then the same should be implied as nature of supply under GST Act.

6. So, they need a clarification for treatment of such transactions under GST Act so that both Income Tax and GST Act should be in consonance with each other.

Personal Hearing

7. The applicant was given an opportunity to be heard in person on 01.09.2025. Sri. P. Rajavel, Advocate in High Court of Madras and Authorised Representative of the applicant appeared for the personal hearing. AR reiterated the submissions made in their application for advance ruling. AR further explained that the applicant is a dealer and distributor of paints and paint related products for several paint manufacturers. The paint manufacturers provide them non-monetary considerations such as gifts, complements, tour packages etc. The paint manufacturers deduct TDS under

section 194R of the income Tax for the above non-monetary consideration given to the applicant (dealer/distributor).

8. AR stated that the manufacturers claim that the said supply would neither fall under supply of goods nor services. AR sought whether the said supply attracts GST. The members requested AR certain documents and details which may be useful for making a decision. AR informed that he will ascertain all the clarification relating to the issue from the applicant and submit all the details asked by members within a week's time along with a short write-up and documentary evidences whatever available with the applicant.

Discussions and Findings:

9. We have carefully considered the facts and submissions made by the applicant in their application and submissions made during the personal hearing. The applicant has not submitted any details or documents as assured during the personal hearing except sample invoices. However, the clarification to the query of the applicant is analysed based on the available facts and details submitted by them.

10. The applicant has stated in the application that they are franchisees of paint manufacturers. However, they have not produced any documents in support of their claim during and after the hearing. Secondly, members enquired whether the applicant has entered into any agreement with the manufacturers for which AR assured to inform, if there is any. Further, the members sought clarification on accounting of the Gifts/perquisites/tour packages etc, by the applicant and the manufacturers. Even after a lapse of more than a month, the applicant is reluctant to submit the clarification and documentary evidences on the said query. In the absence of facts and circumstances, the Authority for Advance Ruling is handicapped in providing the correct clarification for the query sought by the applicant. However, considering the time limit to dispose off the application, we are taking the facts submitted by the applicant on record and are deciding the issue.

11. The applicant states that TDS is deducted under Section 194R of the Income Tax by the paint manufacturers. One should understand the Section 194R of the Income Tax Act. The concept of TDS was introduced by the Income

Tax department with an aim to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor. The concept of Tax Deducted at Source (TDS) under Section 194R of Income Tax Act mandates that any person providing a resident with a benefit or perquisite related to their business or profession must deduct tax. The purpose of this concept is to widen the tax base and plug any scope of tax evasion.

12. Thus, TDS deducted by a supplier under Section 194R of the Income Tax Act creates a GST liability for the recipient who receives non-cash incentives to promote business, such as free products, trips, or other perks. Section 194R mandates a supplier to deduct 10% TDS on any benefit or perquisite provided to a resident business or professional if the value exceeds ₹20,000 in a financial year. From a GST perspective, this transaction can be interpreted as a service provided by the recipient (e.g., promotional services) in exchange for the perquisite received from the supplier. This transaction can be interpreted as a service provided by the recipient (e.g., promotional services) in exchange for the perquisite received from the supplier under GST.

13. The manufacturer is supplying goods namely, Paints to the applicant (distributor). The applicant in turn supplies the same in wholesale or retail to the contractors or individuals (painters). The manufacturer is providing non-monetary consideration to the applicant in the form of free gift, perquisites tour packages etc. and deduct TDS on the same.

14. The applicant informed that they have not entered into any form of agreement with any of the manufacturers who provide them the free gift, perquisites and tour packages. The transaction between the manufactures and the applicant is in the nature of 'business to business'. In any business, providing anything free is next to impossible. In the application submitted by the applicant for clarification, they have stated that they are franchisees of

principal who are paint manufacturers. However, the applicant has not submitted any franchisee agreement in support their claim. In the additional submissions of the applicant, dated 8th Oct, 2025, they have stated that the incentives were provided taking into consideration the performance of the applicant and that the applicant has no prior agreement with the manufacturers. Since TDS has been deducted, the applicant is raising invoice on the manufacturers who is providing free gifts, perquisites or tour packages etc., charging GST. Various questions arise under GST on the said transaction between the applicant and the manufacturer.

- Whether the transaction falls under any forms of supply?
- What is the nature of supply? Whether supply of goods or supply of services?
- In whose hands that shall be taxable?
- What is the value of supply?
- Whether it is treated as income for the applicant?
- At what rate this shall be taxable?
- If invoice is to be raised by the applicant, whether the amount is inclusive of tax or the tax should be over and above the value.

15. As per Section 7 of the Act, the expression supply includes "supply" includes-

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

¹[(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.

16. There are three terms to be discussed to infer whether the said transaction is supply or not.

-for a consideration

-by a person; and

-in the course of furtherance of business

17. "Consideration" has been defined under Section 2(31) to mean

(31) "consideration" in relation to the supply of goods or services or both includes-

(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

Provided *that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;*

From the above definition, it is clear that consideration can be in money or otherwise also. In the instant case, benefit is flowing from Manufacturer to the applicant in the form of free gift/Tour package etc., that is not in money but in kind. There has to be *quid pro quo*, consideration should flow from the applicant to the manufacturer also. The applicant is providing supply of 'augmentation of sales' for the manufacturer. So, it is clear from above that consideration is there from manufacturer to the applicant in kind.

18. The next term is 'by a person'. Section 2(84) of the Act defines 'person' as

(84) "person" includes-

(a) an individual;

(b) a Hindu Undivided Family;

(c) a company;

(d) a firm;

(e) a Limited Liability Partnership;

(f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;

(g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013 (18 of 2013);

(h) any body corporate incorporated by or under the laws of a country outside India;

(i) a co-operative society registered under any law relating to co-operative societies;

(j) a local authority;

(k) Central Government or a State Government;

(l) society as defined under the Societies Registration Act, 1860 (21 of 1860);

(m) trust; and

(n) every artificial juridical person, not falling within any of the above;

19. The definition of 'person' is so vast that it includes all forms of legal entities. Hence, manufacturer would also be covered under clause (c) or (e) the said definition.

20. The next term to be considered is 'in the course of furtherance of business'. This term is not defined in the law. But generally, all the activities relating to business and developing or growing the business shall fall under this phrase. This tour package is given on account of sales promotion and the 'Supply of augmentation of sales' for Manufacturer by the applicant is also in the course of business. Therefore, this criterion also gets fulfilled.

21. Now, as all the conditions of becoming a transaction as supply gets fulfilled under this scenario, and hence can be classified as supply. There is no doubt about the fact that this transaction is supply of services. Now comes the taxability of this service. For any transaction to be taxable, one has to check exemption Notification No. 12/2017 Central Tax (Rate) for exemption. As per that notification, no such exemption is provided to the transaction in question. Therefore, this is inferred as 'supply' as well as taxable.

22. Here, the applicant is providing supply of augmentation/promotion /business support of sales to the Manufacturer in the form of desired action/target achieved as per the expectations of the manufacturer. Therefore, the applicant is the supplier and the manufacturer is the recipient. Accordingly, the applicant shall be the taxable person who shall charge tax over this transaction. Hence, the applicant should raise invoice for this on the manufacturer.

23. The consideration for the taxable supply is not wholly in money. So value cannot be determined as per Sec 15 of the Act. To determine the value of taxable supply, Rule 27 comes into play.

Rule 27. Value of supply of goods or services where the consideration is not wholly in money. -

Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall, -

(a) be the open market value of such supply;

(b) if the open market value is not available under clause (a), be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;

(c) if the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality;

(d) if the value is not determinable under clause (a) or clause (b) or clause (c), be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by the application of rule 30 or rule 31 in that order.

24. As per this rule, if consideration is not wholly in money, then one has to resort to Open market value of such supply of service from the applicant to the manufacturer. In the instant transaction, TDS under Section 194R has been deducted at the rate of 10% of the value of gifts/perquisites/tour packages and therefore, the value of service rendered by the applicant will be

the value of benefit such as gift/perquisites etc, determined by the manufacturer in the TDS certificate issued by them. Hence, the applicant need to raise invoice on the value reflecting in the TDS certificate issued to them by the manufacturers.

25. TDS under section 194R of the Income Tax act is deducted on this particular amount and it reflects in the 26AS of the applicant. It clearly becomes income in the hands of applicant and very much taxable. The value of the benefit received by the applicant shall be added to their income. As discussed earlier, this transaction is 'supply of service' and therefore rightly be termed as 'support services' rendered to the manufacturer. The rate of tax shall be 18% which is generally applicable to supply of support services.

26. If invoice is to be raised by the applicant to manufacturer, whether the tax charged shall be over and above the value or to be considered as including the tax. As per the copy of invoices provided by the applicant as requested, it could be seen that the applicant is paying GST over and above the value reflecting in the TDS certificate issued by the manufacturers. As the applicant is not receiving any other amount in cash or kind other than the one reflecting in the TDS certificates, we are of the view that the invoices can be issued inclusive of tax as prescribed under rule 35 of Valuation provisions which is as under.

Rule 35. Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax. -

Where the value of supply is inclusive of integrated tax or, as the case may be, central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner, namely,-

Tax amount = (Value inclusive of taxes x tax rate in % of IGST or, as the case may be, CGST, SGST or UTGST) (100+ sum of tax rates, as applicable, in %)

27. From the above deliberation, the applicant is required to issue invoice for the said 'supply of service' and the benefit of gift/perquisites/tour packages received by them in reruns is treated as 'consideration'. However, the

applicant can raise invoice and charge GST inclusive of tax for the consideration received by them in the form of gift/perquisites/tour packages.

28. In view of the above, we rule as under:

Ruling

1. *Whether the TAX INVOICE raised by us for the non-monetary benefits/perquisites received is valid under GST Act?*


The tax invoice raised by the applicant is valid under GST Act, as the benefits received by the applicant is 'consideration' for the service rendered as discussed in paras supra.

2. *Whether value on which TDS deducted under section 194R of Income Tax Act should be considered as SUPPLY?*


The consideration received by the applicant is towards 'supply of support service' and since TDS is deducted under Section 194R of the Income Tax, the value of gift/perquisites/tour packages is income to the applicant for the services rendered and hence to be considered as supply.

3. *If the same termed as SUPPLY, then let us know whether it is being construed as supply through any Notification or under any section of GST Act?*

The transaction between the applicant and the manufacturer falls within the definition and scope of supply defined under Section 7 of the Act as discussed supra.


(B. Suseel Kumar)
Member (SGST)




(C. Thiagarajan)
Member (CGST)

To

M/s. KARTHIK & CO,
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Tiruppur - 641 604. (By RPAD)

Copy submitted to

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2. The Commissioner of Commercial Taxes,
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3. The Commissioner of GST and Central Excise,
Madurai Commissionerate,
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Bibikulam, Madurai-625 002.

Copy to

1. The Assistant Commissioner (ST),
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2. Stock File – A1.