

M/s KARTHIK & CO

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No.46/ARA/2025

Dated 17.11.2025

Q Questions Before the Authority

- Whether the TAX INVOICE raised by us for the non-monetary benefits/perquisites received is valid under GST Act?
- Whether value on which TDS deducted under section 194R of Income Tax Act should be considered as SUPPLY?
- 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?

F Facts

The applicant is a wholesale and retail dealer of paints who receives non-monetary benefits such as free gifts, compliments, and tour packages from paint manufacturers. These manufacturers deduct TDS under Section 194R of the Income Tax Act on the value of these benefits. The applicant sought a ruling on whether these benefits constitute a supply under GST and if they are entitled to raise a tax invoice for the same.

H Ruling

Validity of tax invoice for non-monetary benefits	Valid	The benefits are considered consideration for services rendered
Whether TDS-deducted value is supply	Yes	It is considered income for services rendered and thus a supply
Legal basis for supply classification	Falls under Section 7 of the Act	The transaction is a supply of support services

The Authority ruled that the non-monetary benefits received by the applicant constitute a supply of support services to the manufacturer. Consequently, the applicant is required to raise a tax invoice for these services, and the value of the benefits is considered as consideration for the supply. The transaction is taxable under the GST Act as it falls within the scope of supply.

R Reasoning

The Authority determined that the applicant provides **business support services** to the manufacturer in exchange for non-monetary benefits, which qualifies as a supply under Section 7 of the CGST Act. Since the consideration is not wholly in money, the value is determined under Rule 27 of the CGST Rules, based on the value reflected in the TDS certificate. The Authority concluded that the transaction is a **taxable supply of service** as it lacks any exemption under Notification No. 12/2017 Central Tax (Rate).

P Provisions Relied On

Section 7 of the CGST Act

Section 98(4) of the CGST Act

Section 103(1) of the CGST Act

Section 194R of the Income Tax Act

Rule 27 of the CGST Rules

Rule 35 of the CGST Rules

Notification No. 12/2017 Central Tax (Rate)

! For the Practitioner

This ruling clarifies that non-monetary incentives received by distributors, which are subject to TDS under Section 194R of the Income Tax Act, are treated as **taxable supplies of service** under GST. Practitioners should advise clients to issue tax invoices for such benefits, treating the TDS-deducted value as the consideration. It does not address specific valuation disputes beyond confirming the applicability of Rule 27.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> 2-ms-karthick_co.pdf

Prepared 15-10-2026.

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