



GST & Income Tax treatment of Diwali Gifts



GST Implications

- Input Tax Credit on purchase of gifts is restricted as per Section 17(5)(h) of GST Act, irrespective whether such gifts are provided in the course of business or not.
- Accordingly, GST element on Diwali festive gifts provided by businesses to its customers, vendors, associates, etc will be an additional cost.
- For e.g. Sweets/ Dry Fruits/ hampers/ mobile phones/etc purchased by a business house (value 1,00,000 + 18,000 GST)
- The entire value of Rs. 1,18,000 will be debited to P&L account. ITC of Rs. 18,000/- will not be available as set-off to the tax-payer.



Income Tax Implications

- Finance Act 2022 inserted new Section 194R which requires person to deduct TDS @ 10% on any benefit/ perquisite provided to a resident in excess of Rs. 20,000/- in a financial year.
- Therefore, if a business is providing Diwali gifts exceeding Rs. 20,000 to a single person, it is liable to deduct TDS @ 10%.
- For e.g. Mobile phones/ laptops (value of Rs. 25,000) provided as gift to a single customer/ supplier, the person/ deductor would be liable to obtain PAN of the deductee and pay 10% TDS i.e. Rs. 2,500/-.
- Such deduction of Rs. 2,500/- will be shown as income in the hands of deductee in its Form 26AS

THANK YOU



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