

## **Tax Implication of Direct sellers**

Yogyta Life Pvt. Ltd. is a tax compliant company and strictly adheres to the laws of the land. The Finance Act 2022 inserted a new Section 194R in the Income Tax Act, 1961 with effect from 01.07. 2022 which casts an obligation on the company to deduct tax at source at applicable rates on benefits or perquisites given to a resident either in cash or in kind. The obligation of tax in both the options are detailed below:

### **Cash in lieu of perquisite/travel:**

- The company shall deduct TDS at applicable rate (10% in case of PAN provided with DSA or 20% in case of PAN not provided) on amount finalised against each travel and balance amount shall be remitted directly to bank account of respective DSA.
- TDS deducted shall be deposited in Government treasury and after filling of TDS return by the company, each DSA whose PAN is available with company can seek the benefit amount & tax thereon in his/her 26AS.

### **Perquisite/ travel availed**

- DSA opting for travel or alternate benefit in kind must be deposited to the tune of an amount equivalent to 10% of the trip cost/ gift item cost, towards TDS obligation under Section 194R of the Income Tax Act 1961 in the designated bank account of the Company.
- In case of multiple benefit (multiple travel like travelling with spouse or family member), all the costs and TDS thereon has to be borne by the DSA.
- Tax rate deduction shall be calculated according to the availability of PAN number.
- TDS so collected shall be deposited in Government treasury and after filling of TDS return by the company, each DSA whose PAN is available with company can seek the benefit amount & tax thereon in his/her 26AS.

The benefit amount & tax thereon as reflected in DSA's 26AS forms part of his/her income and needs to be added in income while filing income tax returns and is liable to pay tax according to tax slab applicable to respective income group.

As explained above, benefit whether in cash or kind forms part of one's income, it is obligatory on part of direct seller covered under GST to provide Tax invoice for the amount of benefit amount. GST amount so charged in invoice shall be re-imbursed to DSA as per existing terms.