



## JUDGEMENT

# Sales-Linked Non-Monetary Incentives Such as Free Gifts and Tours are Taxable under GST

<b>Issued By:</b>	Tamil Nadu AAR
<b>In Case Of:</b>	Karthick and Co.
<b>Order No:</b>	AR No. 46/ARA/2025
<b>Order Date:</b>	17th Nov 2025

## FACTS & OBSERVATIONS

- The applicant, a registered paint dealer operating under a dealership/franchise arrangement, **received non-monetary incentives such as gifts and domestic or foreign tour packages from its principal manufacturers** upon achievement of sales targets and promotional milestones.
- These benefits were extended not only to the dealer but also to painters associated with the dealer, with the **clear objective of increasing sales volumes, brand promotion and market penetration of the manufacturer's products**.
- The **incentives were linked to business performance and were not given voluntarily or without obligation**; they arose directly from sales-driven activities undertaken by the dealer in the course of business.
- The manufacturers treated such benefits as **business perquisites and deducted TDS under Section 194R of the Income-tax Act**, recognising that the incentives had a determinable monetary value. Not they approached the AAR to understand the GST application.

# JUDGEMENT

- The AAR observed that the **dealer had actively contributed to sales promotion and target achievement for the manufacturer, and the incentives received were in return for these activities**, establishing a clear business connection.
- It was held that **consideration under GST is not limited to cash; benefits received in kind, when linked to business activities, are equally covered** within the scope of supply under Section 7 of the CGST Act.
- The **deduction of TDS by the manufacturer was seen as reinforcing the position that such incentives carry monetary value** and cannot be treated as mere free gifts outside the GST framework.
- Accordingly, the **receipt of non-monetary incentives was held to be a taxable supply of service by the dealer**, requiring payment of GST and issuance of a valid tax invoice charging CGST and SGST.



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