

NATIONAL CONFEDERATION OF BANK OF INDIA STAFF UNIONS

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Lucknow Main Branch
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Circular 2025/01

Date: 02-01-2025

To
All Unit/Members

TDS on Perquisites Under Section 194R of the Income Tax Act

We reproduce our Letter No NCBISU/2025/01 dated 01-01-2025 addressed to MD & CEO of our bank.

With warm Greetings

Y.K. Arora
General Secretary

We write on behalf of the staff members of our esteemed Bank to bring to your attention the significant financial burden imposed on employees due to the deduction of Tax Deducted at Source (TDS) on perquisites. This matter warrants the Bank's intervention to align with industry best practices, alleviate the challenges faced by employees, and ensure compliance with statutory requirements.

As you are aware, Section 194R of the Income Tax Act, 1961, mandates the deduction of TDS at 10% on benefits or perquisites exceeding Rs20,000 in a financial year. This provision, upheld by the Hon'ble Supreme Court, includes non-monetary benefits such as concessional staff loans (home, vehicle, etc.) & reimbursement of other expenses as referred in our Bank's IOM No. HO/HT/SS/HBV/2024-25/101 & 102 Dated 23-12-2024 .

In light of these implications, we humbly propose that the Bank adopt a proactive approach by bearing or managing the TDS obligations on perquisites provided to employees. This initiative would ease the financial strain on employees while fostering goodwill and enhancing morale.

To support this proposal, the following examples from peer institutions are noteworthy:

State Bank of India: Through Circular No. CDO/P&HRD-PM/87/2022-23, SBI has undertaken the decision to bear the TDS liability on perquisites for its employees, ensuring compliance alongside employee satisfaction.

Bank of Baroda: The Bank has recently implemented structured guidelines to remit TDS on employee perquisites, prioritizing employee welfare while adhering to tax laws.

Furthermore, CBDT Circular No. 12/2022, dated 16th June 2022, emphasizes the employer's responsibility in accounting for TDS on non-monetary benefits. Implementing a similar policy within our Bank would showcase a strong commitment to employee welfare while safeguarding compliance with statutory requirements.

Absorbing the TDS liability on perquisites would:

1. Reduce the financial and administrative burden on employees, especially those in junior grades.

2. Centralize responsibility for TDS deductions, ensuring accurate and timely compliance with income tax regulations.
3. Establish Bank of India as a progressive employer committed to employee welfare and industry leadership.

While we understand that this initiative may involve additional administrative costs for the Bank, the positive impact on employee satisfaction, morale, and loyalty far outweighs these expenses.

In light of the above, we kindly request your favorable consideration to:

1. Implement a policy whereby the Bank bears the TDS liability on perquisites provided to employees.
2. Issue detailed guidelines for the uniform application of this policy to ensure seamless compliance and transparency.

Your decisive action on this matter would reinforce Bank of India's commitment to employee welfare and set a benchmark for the industry. We also request the issuance of a formal communication to all employees, providing assurance that the Bank will bear the tax liability on perquisites. This would address prevailing uncertainties and reaffirm the Bank's commitment to employee-centric policies.

We remain confident in your leadership and vision in addressing this critical issue and eagerly await your kind response.

With Warm Regards
Y.K. Arora
General Secretary

