

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA  
UNSTARRED QUESTION NO. 856  
ANSWERED ON TUESDAY THE 30<sup>TH</sup> JULY, 2024**

**TAX LIABILITY ON HAIRCUTS**

**QUESTION**

**856. Shri Sanjeev Arora:**

Will the Minister of CORPORATE AFFAIRS be pleased to state:

whether in case of companies, that are resolved as per provisions of Insolvency and Bankruptcy Code 2016, would be liable to pay tax on the haircuts taken by banks, financial institutions and other creditors?

**ANSWER**

**MINISTER OF STATE OF THE MINISTRY OF CORPORATE AFFAIRS AND MINISTRY  
OF ROAD TRANSPORT AND HIGHWAYS**

**[HARSH MALHOTRA]**

Central Board of Direct Taxes, Department of Revenue, Ministry of Finance has informed as under:

As per provisions of clause (iv) of section 28 of the Income-tax Act, 1961 ("the Act"), waiver of loan amount is in the nature of benefit or perquisite, arising from business or the exercise of a profession, whether convertible into money or not or in cash or in kind or partly in cash and partly in kind and is thus chargeable to income-tax as income from profits and gains of business or profession.

Section 194R of the Act provides for deduction of tax at source on benefit or perquisite provided to a resident arising from business or exercise of a profession at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite.

Vide CBDT Circular no 18 of 2022 (dated 13.9.2022) for removal of difficulty it has been clarified that one-time loan settlement with borrowers or waiver of loan granted on reaching settlement with the borrowers by the Financial institutions specified therein would not be subjected to tax deduction at source under section 194R of the Act. However, taxability of such settlement/waiver in the hands of the beneficiary will continue to be governed by the relevant provisions of the Act.

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