

## **Exit Without Serving Notice Period to Attract 18% GST**

**New Delhi:** The Gujarat Authority of Advance Ruling has held that an employee exiting a company without completing notice period would be liable to pay 18% goods and services tax on recovery of pay for the duration of notice period.

"We hold that the applicant is liable to pay GST at 18% under the entry of services not elsewhere classified, on recovery of notice pay from the employees who are leaving the company without completing the notice period as specified in

the appointment letter issued as per the contract entered between them," the authority said in an order.



The ruling was issued in a case involving Amneal Pharmaceuticals, a 100% export oriented unit (EOU) engaged in the manufacturing of pharmaceuticals products based out of Ahmedabad. One of the employees had sought an advance ruling on the issue. The notice period in question was three months.

The authority has held that recovery of amount from an employee for breach in serving the stipulated notice period would qualify as "tolerating an act" on the part of the employer and would be liable to GST.

The authority has also held that the said transaction would not be covered under the exemption provided to employer-employee relationship under the GST Act.

**—Gulveen Aulakh**