

# No GST on canteen charges recovered from staff: AAR

New Delhi, Aug. 22: GST will not be levied on the amount paid by employees for availing of canteen facilities provided by their employers, the AAR has ruled.

Tata Motors had approached the Gujarat bench of the Authority for Advance Ruling (AAR) seeking a ruling on whether goods and services tax (GST) is applicable on the nominal amount recovered by it from employees for the usage of canteen facility.

The company also sought a ruling on whether or not input tax credit (ITC) is available on GST charged by the service provider on the canteen facility provided to employees working in the factory.

In its ruling, the AAR observed that Tata Motors has arranged a canteen for its employees, which is run by a third party canteen service provider. As per their arrangement, part of the canteen charges is borne by Tata Motors whereas the remaining part is borne by its employees.

The employees' portion



of canteen charges are collected by the company and paid to the canteen service provider.

Also, Tata Motors submitted that it does not retain with itself any profit margin in this activity of collecting employees' portion of canteen charges.

In its ruling the AAR said that the ITC on GST paid on canteen facility is blocked credit under the GST Act and inadmissible to applicant.

"GST, at the hands of the applicant, is not leviable on the amount representing the employees portion of canteen charges, which is collected by the applicant and paid to the can-

teen service provider," the AAR said.

AMRG & Associates senior partner Rajat Mohan said currently corporates providing subsidised food facilities are charging 5 per cent tax on food recoveries made from employees.

"The Authority has ruled that where canteen charges are borne by the employer and only a nominal part is charged from employees, no GST would be payable on such recoveries. This ruling has enough persuasive value for all the corporate taxpayers to take a tax-efficient tax position," Mohan added.

— PTI