

GST exigible on EPF, ESI, Salary, or Wages reimbursed by Hospital: AAR: The AAR, Telangana

Fact of the Case

The applicant, Bhagyalakshmi Devamma Vangimallu whose trade name is M/s. Versatile Resource Solutions has entered into a contract with M/s. Asian Institute of Gastroenterology Private Limited, Somajiguda, Hyderabad for providing Housekeeping services. As per the memorandum of Understand the applicant will provide Housekeepers and supervisors to maintain and assist the medical team of the Hospital in maintaining cleanliness, covering 24 Hours service on a shift basis.

It is the opinion of the applicant that as the salary or wages are fixed by the Hospital management and as EPF, ESI is statutory payments, therefore these amounts reimbursed by the Hospital management cannot form the value of supply.

The applicant has sought the advance ruling on the issue of whether the applicant is liable to pay tax on the number of wages/salaries, EPF/ ESI, etc., reimbursed by the client.

Decision of the Case

The applicant submitted that they are passing on the Salary, ESI, PF, etc., received from the contractee to the persons employed in housekeeping. The same is passed on to the persons employed. However, they are charging commission/charges against each such bill. Therefore in their view, they are pure agents of the contractee, and as such the amounts received by them and passed on to the employees do not form turnover at their hands.

The Coram ruled that the applicant is not a pure agent under GST Law. Further, the deductions available under Section 15 of the CGST Act do not include the amounts pertaining to EPF, ESI, Salary, or Wages. Therefore the entire amount received from the Hospital is exigible to CGST / SGST Act 2017.

The Telangana Authority of Advance Ruling (AAR) ruled that GST is exigible on EPF, ESI, Salary, or Wages reimbursed by Hospital.