

GST not leviable on employees' portion of canteen charges collected by employer and paid to canteen service provider: AAR

Facts of the case - Authority for Advance Rulings, Gujarat Zydus Lifesciences Ltd., In re - [2022] (AAR - GUJARAT)

The applicant was engaged in manufacture, supply and distribution of pharmaceutical products and approx. 1200 employees were working in its factory. It provided canteen facility to its employees at subsidized rate. It filed an application for advance ruling to determine whether GST would be required to be paid on such subsidized deduction.

Decision of the case:

- The Authority for Advance Ruling observed that part of charge would be borne by applicant and balance amount would be deducted from salary of employees and paid to canteen service provider. However, no profit margin shall be retained by the applicant and the applicant would be providing canteen facility to its permanent employees as per contractual agreement between employee-employer relationship.
- As per CBIC Circular No. 172/04/2022-GST, prerequisites provided by employer to employee in terms of contractual agreement would not be subjected to GST. Therefore, it was held that GST would not be leviable on employees' portion of canteen charges deducted/collected by employer and paid to canteen service provider.