

M/s Tata Motors Limited

Appellate Authority for Advance Ruling — Gujarat

GUJ/GAAAR/APPEAL/2022/23 dated 22.12.2022

Q Questions Before the Authority

- Whether input tax credit (ITC) available to applicant on GST charged by service provider on canteen facility provided to employees working in factory?
- Whether GST is applicable on nominal amount recovered by Applicant from employees for usage of canteen facility?
- If ITC is available as per question no. (1) above, whether it will be restricted to the extent of cost borne by the Applicant (employer)?

F Facts

The appellant is a manufacturing unit that maintains canteen facilities for its employees to comply with the mandatory requirements of Section 46 of the Factories Act, 1948. The appellant recovers a nominal amount from its employees for the usage of these canteen facilities, while the remaining expenditure is borne by the company. The appellant sought a ruling on the admissibility of Input Tax Credit on the GST charged by the canteen service provider.

H Ruling

ITC on canteen facility	Available	Restricted to direct employees and subject to the cost borne by the employer
GST on nominal recovery	Not addressed in the final ruling	The final ruling focused on the ITC eligibility and restriction
Restriction of ITC to cost borne	Yes	Proportionate credit to the extent of cost recovered from employees is disallowed

The Appellate Authority held that the appellant is eligible to claim Input Tax Credit on the GST charged by the canteen service provider for facilities provided to its direct employees, as such provision is mandatory under the Factories Act. However, this credit is restricted to the extent of the cost borne by the appellant and is not available for the portion of the cost recovered from employees. The ruling modifies the original Advance Ruling to allow this credit.

R Reasoning

The authority relied on the amendment to Section 17(5)(b) of the CGST Act, 2017, effective from 01.02.2019, which allows ITC for goods or services that are obligatory for an employer to provide under any law. Citing CBIC Circular No. 172/04/2022-GST, the authority clarified that the proviso to Section 17(5)(b) applies to the entire

clause, thereby enabling ITC for mandatory canteen services. Furthermore, applying the principle from the Bombay High Court in Ultratech Cement Ltd., the authority determined that ITC must be restricted to the cost borne by the employer, as the portion recovered from employees represents a cost borne by the consumer.

P Provisions Relied On

Section 17(5)(b) of the CGST Act, 2017

Section 46 of the Factories Act, 1948

CBIC Circular No. 172/04/2022-GST dated 06.07.2022

Gujarat Factory Rules, 1963

! For the Practitioner

This ruling provides **significant relief** to manufacturing entities by confirming that ITC is available on canteen services that are statutorily mandatory under the Factories Act. Practitioners should note that the credit is **strictly limited** to the portion of the cost borne by the employer and excludes services provided to contract workers or visitors. It settles the interpretation that the proviso to Section 17(5)(b) is not restricted to travel benefits but applies to the entire clause.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> 23 tata motors limited.pdf

Prepared 13-10-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com