DRS MARINE SERVICES PRIVATE LIMITED

Authority for Advance Ruling — Maharashtra

NO.GST-ARA- 34/2018-19/B- 99 Dated **24.08.2018**

Q Questions Before the Authority

- Whether GST is applicable on Reimbursement of salary on behalf of foreign entity.

F Facts

The applicant is a crew recruitment and placement agency operating in India that selects and recruits shipping personnel on behalf of a foreign ship owner, M/s Reefership Marine Services Limited (RMS), Bermuda. The applicant receives administrative fees for its recruitment services and pays GST on those fees. Under an addendum to their agreement, RMS transfers salary funds for the crew as a single remittance into the applicant's designated foreign currency bank account, which the applicant instructs the bank to disburse directly to crew members' accounts without any deduction or mark-up. For handling this salary disbursement, the applicant charges a separate fixed administrative fee on which GST is duly discharged.

H Ruling

Reimbursement of salary on behalf of foreign entity	**Answered in the negative as per detailed facts of the present case discussed above.**	Excluded from value of supply subject to pure agent conditions under Rule 33 of CGST Rules, 2017.

The Authority held that GST is **not applicable on the reimbursement of salary** received from the foreign principal for disbursement to crew members. The applicant acts strictly as a **pure agent** under Rule 33 of the CGST Rules, 2017 for the disbursement of crew salaries, provided separate agency service charges are subject to GST.

R Reasoning

The Authority observed that the entire salary amount received from RMS is disbursed directly to the crew members without the applicant retaining any portion or using the funds for its own interest. The applicant charges a separate fixed service fee (US $1250 per month) for administering the salary disbursement, on which GST is paid. Since all conditions specified under **Rule 33 of the CGST Rules, 2017** are satisfied, the applicant acts as a pure agent of the foreign ship owner, and the salary reimbursements are excluded from the taxable value of supply.

P Provisions Relied On

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Rule 33 of CGST Rules, 2017	Section 98 of CGST Act, 2017
Section 98 of MGST Act, 2017	
Regulation 6 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000	
A.P. (DIR Series) Circular No. 48 dated April 30, 2007	RBI Circular No. 15 dated 24.09.2015

! For the Practitioner

This ruling benefits manning and recruitment agencies that disburse crew salaries on behalf of foreign ship owners. It establishes that salary reimbursements routed through banking channels as a **pure agent** are non-taxable under GST, provided the agency charges separate administrative fees subject to tax. It does not protect arrangements where the intermediary marks up salaries or fails to satisfy all pure agent conditions under Rule 33.

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 -> maha-gst-ara-34_dt.24.08.18_drsspl.pdf

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