

M/s. Aditya Auto Products & Engineering India Pvt. Ltd.

Authority for Advance Ruling — Karnataka

Order No. KAR.ADRG 25/2026

Dated 19.05.2026

Q Questions Before the Authority

- Whether input tax credit (ITC) is admissible to the applicant on GST charged by the CSP for providing catering services, which the applicant is mandatorily required to provide under Section 46 of the Factories Act, 1948?

F Facts

The applicant is a manufacturing entity registered under the Factories Act, 1948, which mandates the provision of canteen facilities for its employees. The applicant engages Canteen Service Providers (CSPs) to supply food to both regular employees and contract workers at its manufacturing locations. A portion of the canteen cost is recovered from regular employees via salary deductions and from contractors via invoices, while the applicant bears the remaining balance.

H Ruling

Admissibility of ITC on catering services

Admissible only for regular employees to the extent of costs borne by the applicant; inadmissible for contract workers.

Restricted to the portion of costs not recovered from employees and excludes services for contract workers.

The authority ruled that the applicant is eligible to claim ITC on GST charged by the CSP only to the extent of the cost of canteen services actually borne by the applicant for its regular employees. ITC is not admissible for the portion of costs recovered from employees, nor is it admissible for services attributable to contract workers due to the absence of a statutory obligation.

R Reasoning

The ruling relies on Section 17(5)(b) of the CGST Act, 2017, which restricts ITC on food and beverages but provides an exception where such services are **obligatory for an employer** to provide under any law. Since Section 46 of the Factories Act, 1948, mandates canteen facilities for regular employees, the exception applies to that extent. However, because there is no statutory obligation to provide canteen services to contract workers, the restriction under Section 17(5)(b) remains absolute for those services. Furthermore, the authority held that ITC is only available to the extent the cost is **actually borne by the applicant**, as the scheme of the Act contemplates ITC only for business costs incurred by the registered person.

P Provisions Relied On

Section 16 of the CGST Act, 2017

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

Section 46 of the Factories Act, 1948

Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017

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

! For the Practitioner

This ruling clarifies that employers can claim ITC on canteen services mandated by the Factories Act, but only for regular employees and strictly limited to the portion of the cost **not recovered from the employees**. It serves as a warning that ITC is unavailable for contract workers where no statutory mandate exists. Practitioners should note that the authority strictly enforces the principle that ITC is only available to the extent the cost is borne by the applicant.

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 -> 2-adithya_auto_products_and_engineering.pdf

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