

M/s Clay Craft India Pvt. Ltd.

Authority for Advance Ruling — Rajasthan

ADVANCE RULING NO. RAJ/AAR/2019-20/33 dated 20/02/2020

Q Questions Before the Authority

- Whether GST is payable under Reverse Charge Mechanism (RCM) the salary paid to Director of the company who is paid salary as per contract.
- Whether the situation would change from (a) above if the Director also is a part time Director in other company also.

F Facts

The applicant is a private limited company that pays remuneration to its directors, which is booked as salary in its accounts. The applicant contends that these directors are employees of the company and that such payments are not liable to GST under the reverse charge mechanism. The applicant sought a ruling on whether this remuneration is subject to GST under RCM.

H Ruling

GST on salary paid to Director under RCM	Yes, it attracts GST under reverse charge mechanism	Covered under entry No. 6 of Notification No. 13/2017 Central Tax (Rate)
Applicability if Director is also a part-time Director elsewhere	Situation remains the same and will attract GST under reverse charge mechanism	None

The Authority ruled that the consideration paid to the directors by the applicant company attracts GST under the reverse charge mechanism. It concluded that the services provided by the directors are not covered under Schedule III of the CGST Act as they are not employees of the company. Consequently, the company is liable to pay GST on such remuneration under RCM.

R Reasoning

The Authority observed that the consideration paid to directors is for services provided to the company and does not fall under the employer-employee relationship described in Schedule III of the CGST Act. It relied on Notification No. 13/2017-Central Tax (Rate) issued under Section 9(3) of the CGST Act, which specifically includes services supplied by a director of a company to the said company under the reverse charge mechanism. The Authority held that the applicant is the recipient of services and the director is the supplier, making the transaction liable to tax under RCM. It further noted that the case laws cited by the applicant were not relevant to the interpretation of the specific GST provisions.

P Provisions Relied On

Section 9(3) of the CGST Act, 2017

Schedule III of the CGST Act, 2017

Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017

! For the Practitioner

This ruling confirms that **remuneration paid to directors** is subject to GST under the **reverse charge mechanism** in the hands of the company. It clarifies that the Authority does not view directors as employees for the purpose of the Schedule III exclusion. Practitioners should note that this ruling rejects the argument that director remuneration is merely salary exempt from GST.

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 -> raj_aar_33_2019-20_20.02.2020_ccipl.pdf

Prepared 20-10-2026.

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