

M/s. Sundaram Clayton Limited

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 107/AAR/2023 Dated: 05.09.2023

Q Questions Before the Authority

- Whether recovery of subsidized value from employees for providing canteen facility would amount to 'supply' under the CGST Act
- Whether the recovery would attract Goods and Services Tax (GST), under the following two models: (i) Canteen operated by the Applicant within the factory premises (ii) Canteen run by Applicant's subsidiary company operating within common premises for which the subsidiary company recovers charges from the Applicant.

F Facts

The applicant is a manufacturer of die-casting parts that provides canteen facilities to its employees in compliance with the Factories Act, 1948. The applicant operates two models: one where they run the canteen directly, and another where a subsidiary company provides the service. In both models, the applicant recovers a portion of the food costs from employees at subsidized rates.

H Ruling

Whether recovery of subsidized value from employees for providing canteen facility amounts to 'supply' and attracts GST

Yes, it amounts to 'supply' and GST is to be levied on the amount recovered from employees.

Applicable to both models: canteen operated by the applicant and canteen run by a subsidiary.

The Authority ruled that the recovery of subsidized amounts from employees for canteen services constitutes a supply of services under the GST Act. Consequently, the applicant is liable to pay GST on the amounts recovered from employees for the provision of these canteen facilities in both models.

R Reasoning

The Authority determined that providing canteen facilities is an activity in the **furtherance of business** and is mandated by the Factories Act. It held that the recovery of charges from employees constitutes **consideration** for the supply of services under Section 7(1)(a) of the CGST Act. The Authority rejected the applicant's argument that this was a non-taxable perquisite, stating that the exemption for perquisites only applies when the service is provided free of cost. Furthermore, it held that the applicant cannot claim to be a 'pure agent' in the subsidiary model because the service is provided by the applicant to the employees.

P Provisions Relied On

Section 7(1)(a) of the CGST Act, 2017

Section 2(17) of the CGST Act, 2017

Section 2(83) of the CGST Act, 2017

Section 2(105) of the CGST Act, 2017

Section 15 of the CGST Act, 2017

Schedule II of the CGST Act, 2017

Section 46 of the Factories Act, 1948

! For the Practitioner

This ruling clarifies that any recovery of costs from employees for canteen services, even if subsidized, is **taxable under GST**. It settles the debate against the view that such recoveries are merely non-taxable perquisites or reimbursements. Practitioners should note that this ruling is specific to the Tamil Nadu AAR and contradicts some other state-level rulings on the same subject.

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 -> 107_sundram_clayton.pdf

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