

M/s. Sundaram Clayton Limited

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No.108/AAR/2023 Dated:05.09.2023

Q Questions Before the Authority

- Whether recovery of subsidised value from employees for providing canteen facility would (a) amount to 'supply' under the CGST Act and (b) whether the recovery would attract GST?

F Facts

The applicant operates a factory with over 250 workers and is mandated by the Factories Act, 1948 to provide canteen facilities. The applicant provides food to employees at concessional rates, recovering a portion of the cost from them while bearing the remaining cost. The applicant contends that this recovery is not a supply of services but a reimbursement of costs incurred for a statutory obligation.

H Ruling

Whether recovery of subsidised 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.

The ruling applies specifically to the amount recovered from employees.

The Authority ruled that the recovery of subsidised value from employees for providing canteen facilities amounts to a supply of services under the CGST Act. Consequently, the amount recovered by the applicant from its employees is liable to GST.

R Reasoning

The Authority determined that the provision of food by the employer to employees for a consideration constitutes a supply of service under Section 7(1)(a) of the CGST Act, 2017. It held that the recovery of charges from employees is a 'consideration' as defined in Section 2(31) of the CGST Act. The Authority distinguished this from perquisites excluded from GST, noting that the circulars regarding perquisites apply to services provided free of cost, whereas here, a recovery is made. Therefore, the activity is considered a **supply of service** in the course or furtherance of business.

P Provisions Relied On

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

Section 2(17) of the CGST Act, 2017

Section 2(31) of the CGST Act, 2017

Section 2(83) of the CGST Act, 2017

Schedule II of the CGST/SGST Act, 2017

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



For the Practitioner

This ruling clarifies that any recovery of canteen charges from employees, even if subsidised, is subject to GST. It serves as a warning to employers that such recoveries are treated as a **taxable supply of service**. Practitioners should note that this ruling is binding only on the applicant and contradicts other AAR rulings that have held such canteen recoveries to be non-taxable.

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 -> 108_sundram_clayton.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