

ZYDUS LIFESCIENCES LIMITED

Authority for Advance Ruling — Goa

GOA/GAAR/03 of 2023-24/3465

Dated 06.11.2025

Q Questions Before the Authority

- Whether the subsidized deduction made by the Applicant from the employees who are availing food in the factory would be considered as a "supply" by the Applicant under the provisions of Section 7 of Central Goods and Services Tax Act, 2017 and Goa Goods and Services Tax Act, 2017.
- In case answer to above is yes, whether GST is applicable on the amount deducted from the salaries of its employees?
- In case answer to above is no, GST is applicable on which portion i.e. amount paid by the Applicant to the Canteen Service Provider or only on the amount recovered from the employees?

F Facts

The applicant operates a factory and provides canteen facilities to its employees through a third-party Canteen Service Provider to comply with statutory requirements under the Factories Act, 1948. A portion of the meal cost is recovered from employees via salary deductions, while the applicant bears the remaining cost as a staff welfare expense. The applicant sought a ruling on whether these salary deductions constitute a taxable supply under the GST regime.

H Ruling

Whether subsidized salary deduction is a supply	No	Not considered a supply under GST Acts
Applicability of GST on deducted amount	Not applicable	Question did not survive due to negative answer on supply
Applicability of GST on specific portions	Not applicable	Question did not survive due to negative answer on supply

The authority ruled that the deduction of a portion of the cost from employee salaries for canteen facilities provided at the factory premises does not constitute a supply under the GST Acts. Consequently, such deductions are not liable to GST. The remaining questions were not addressed as they were contingent on an affirmative answer to the first question.

R Reasoning

The authority relied on Circular No. 172/04/2022-GST dated 06/07/2022, which clarifies that perquisites provided by an employer to employees in terms of a contractual agreement are not subject to GST. It noted that the canteen facility is provided to discharge a statutory obligation under Section 46 of the Factories Act, 1948. Since

the activity is a perquisite provided in accordance with the employment contract, it falls outside the scope of supply under the GST framework.

P Provisions Relied On

Section 7 of the Central Goods and Services Tax Act, 2017

Section 46 of the Factories Act, 1948

Circular No. 172/04/2022-GST dated 06/07/2022

! For the Practitioner

This ruling confirms that **subsidized canteen deductions** from employee salaries for facilities mandated by the Factories Act are not subject to GST. It provides significant relief to employers by aligning with the CBIC circular on perquisites. Practitioners can use this to argue against the levy of GST on similar employer-provided welfare facilities that are part of the employment contract.

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 -> 10-order_ara_zydus_lifesciences.pdf

Prepared 15-10-2026.

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