

## Press Release

### Central Board of Indirect Taxes & Customs (CBIC)

15<sup>th</sup> November 2019

**New Delhi:** Central Board of Indirect Taxes & Customs (CBIC) today clarified that salaries are not subject to GST and no GST has been demanded on salaries paid to CEOs or employees. CBIC said that the media report in this regard alleging that tax authorities want to impose GST on salaries paid to employees is factually incorrect and misrepresents tax authorities.

CBIC emphasised the GST law position which clearly states under Section 7(2) read with Schedule III of the Central Goods and Services Act, 2017 (CGST Act) that the salaried services by an employee to the employer shall be treated neither as a supply of goods nor as a supply of services. So, salaries as such cannot be subject to GST. CBIC said that in this regard no notice has been issued to any companies demanding GST on salaries whatsoever.

CBIC further clarified that it has already been made amply clear vide its press release dated 10<sup>th</sup> July, 2017 that the services by an employee to the employer in the course of or in relation to his employment is outside the scope of GST (neither supply of goods nor supply of services). [<https://pib.gov.in/newsite/PrintRelease.aspx?relid=167285>]

CBIC said that the GST charged on the prices/charges by any supplier of goods or services from his consumers does comprise all costs including cost of raw material, capital goods, input services and employee costs, etc. But this does not mean that salaries paid to the employees by the employer are being taxed under GST.

It must also be made clear that offices of an organisation in different States are regarded as distinct persons under Section 25 of CGST Act. Hence, what is taxable under GST is supply of goods and services by the head office to its branch office/s and vice versa. Any tax charged on such supplies is available to the recipient as input tax credit. This is not any additional cost to the organisation. Also, it is a worldwide practice under GST laws.

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