



No GST on recovery from employees towards Notice Pay, Parental Insurance

Maharashtra AAR holds that GST wouldn't be payable on recoveries made from the employees by the Applicant towards parental insurance as such recovery doesn't amount to supply of service u/s 7 of CGST Act, since there is no supply of services there is no question of time and value of supply; Follows own decision in Jotun India Pvt Ltd. and POSCO India Pvt. Ltd.; Referring to ruling in Emcure Pharmaceuticals, observes that, GST would not be payable on the notice pay recoveries made from the employees on account of not serving the full notice period; Discerns that, employee opting to resign by paying amount equivalent to month of salary in lieu of salary has acted in accordance with the contract and that being the case, no question of any forbearance or toleranc arise, further, as per agreement, resignation by the employee is not subject to any acceptance or approval and employee is free to tender his resignation, make payment of notice period and leave; Hence, apprises that there is neither any activity nor any passive role played by the employer and there is no consideration within the meaning of Section 2(31)(b) of the CGST Act flowing from an act of forbearance in as much as there is no breach of contract.