

## **GST: Gifts by employer up to Rs 50,000 exempt**

Gifts from an employer to her/ his employee worth up to Rs 50,000 during a year are exempt from the GST (Goods and Services Tax) ambit, the Finance Ministry said on Monday.

"It is being reported that gifts and perquisites supplied by companies to their employees will be taxed under GST. Gifts upto a value of Rs 50,000 per year by an employer to his employee are outside the ambit of GST, " the ministry said.

However, gifts of value more than Rs 50,000, "made without consideration are subject to GST, when made in course or furtherance of business", it added.

ClearTax CEO Archit Gupta explained the implication in detail to timesofindia.com and said, "What they mean is that if an employer allows use of any business goods or assets which are used for a private purpose or which are used for a purpose which is not business related whether there is a payment involved or not, it will be treated as a supply and if something is treated as a supply it means that it will attract GST. And what they've said now is that up to Rs 50,000 there is no (tax) implication."

However, as far as the employee is concerned the income tax threshold is Rs 5,000, beyond which she/ he is liable to pay tax on the gift received from the employer, whether in cash or kind, Gupta said.

The Finance Ministry also explained what constitutes a gift. "The question arises as to what constitutes a gift. Gift has not been defined in the GST law. In common parlance, gift is made without consideration, is voluntary in nature and is made occasionally. It cannot be demanded as a matter of right by the employee and the employee cannot move a court of law for obtaining a gift," it said.

The ministry also clarified about other employer-employee transactions and dealings.

Services by an employee to the employer in the course of or in relation to her/ his employment is outside the scope of GST, the North Block- housed ministry said.

"Supply by an employer to an employee in terms of contractual agreement entered into between employer and employee, will not be subjected to GST," it said.

The Finance Ministry also said that Input Tax Credit (ITC) Scheme under GST does not allow ITC of membership of a club, health and fitness centre. The taxes paid by a manufacturer, while buying raw materials and/or services, are known as input tax.

"It follows that if such services are provided free of charge to all the employees by the employer then the same will not be subjected to GST. These services will not be subjected to GST provided appropriate GST was paid when procured by the employer," it said.

Same would hold true for free housing to employees, when it is provided in contract between employer and employee, and is part of Cost to Company (CTC).

*(Times of India)*