



JUDGEMENT

GST is not applicable on the recovery of joining bonus, retention bonus, Work From Home (WFH) allowance, and expenses under the Tuition Assistance Program (TAP)

Issued By:	Karnataka AAR
In Case Of:	M/s. Fidelity Information Services India (P.) Ltd
Order No:	KAR/ADRG/31/2024
Order Date:	02 nd July 2024

FACTS & OBSERVATIONS

- M/s. Fidelity Information Services India Private Limited ("the Applicant") is engaged in providing software development and IT-enabled services. The company offers retention bonuses, joining bonuses, WFH allowances, and TAP to employees as incentives to retain them.
- These benefits are recovered if the employee voluntarily exits the company within a stipulated period, as outlined in the terms and conditions associated with each benefit.
- The Applicant sought an advance ruling to clarify whether GST would apply to the recovery of these bonuses and allowances when employees exit early.

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- The AAR referred to Circular No. 172/04/2022-GST and Circular No. 178/10/2022-GST, which clarify that perquisites provided by an employer to its employees, under a contractual agreement, do not qualify as a taxable supply under GST.
- According to Schedule III of the CGST Act, services rendered by employees to their employers in relation to employment are not considered a supply of goods or services and therefore do not attract GST.
- The AAR ruled that the recovery of joining bonuses, retention bonuses, WFH allowances, and TAP expenses is similar to the forfeiture of salary or recovery of bond amounts when an employee leaves early.
- These recoveries are in line with the contractual terms between employer and employee and are not subject to GST.

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