



Newsletter

Sharp View

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Contents

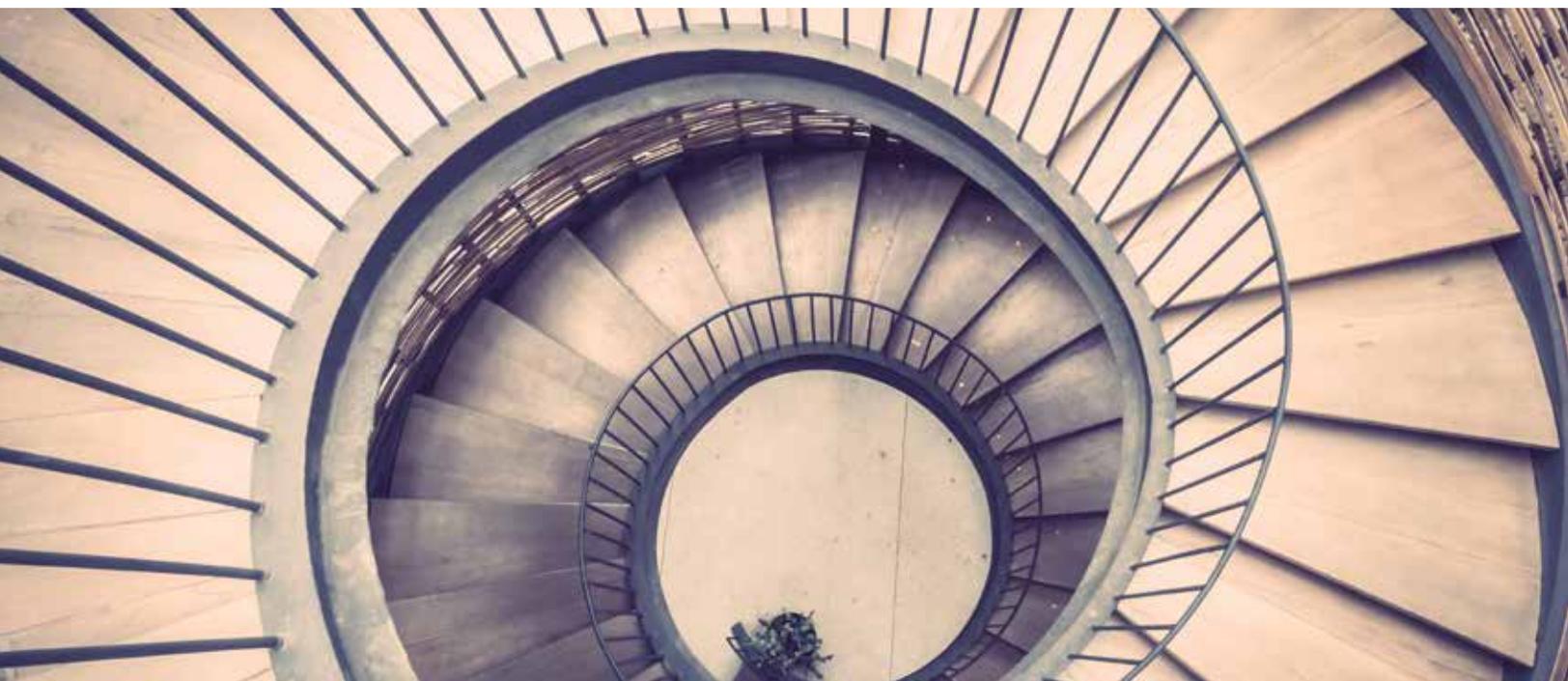
Executive Summary 1

Assurance 3

SEBI LODR regulations – Related party amendments and other significant changes

Taxation 15

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis



Executive Summary

Assurance

SEBI LODR regulations – Related party amendments and other significant changes

In December 2024, the Securities and Exchange Board of India ('SEBI') vide its notification No SEBI/LAD-NRO/ GN/2024/218 made certain amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'). We cover the significant amendments as those relating to

- Related Party Transactions
- Compliance and Corporate Governance
- Directors, shareholders and audit committees

Taxation

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

Understanding the implications of GST on employee benefits is crucial for maintaining competitive employee compensations. The present article provides an insight into the key GST provisions from an employer's perspective having a bearing on employment contracts.



ASSURANCE

SEBI LODR regulations - Related party amendments and other significant changes

In December 2024, the Securities and Exchange Board of India ('SEBI') notified various amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Amendments were proposed throughout the LODR regulations, the prominent ones being the related party transactions, compliances and corporate governance regulations. Ms. Aarti Joshi (Pune office) provides a snapshot of the amendments.

Introduction

The Securities and Exchange Board of India ('SEBI') vide its notification No SEBI/LAD-NRO/GN/2024/218 made certain amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'). The present article throws light on certain significant changes.

A. Related Party Transactions ('RPT')

Background:

- In terms of regulation 23(1), a listed entity ('LE') is required to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors ('BOD'). The policy so formulated must be reviewed and updated at least once every 3 years.
- All the related party transactions (and modifications thereto) require prior approval of the independent directors of the audit committee.

1. **Audit committee approval no longer required for directors' remuneration – new clause (e) inserted in the second proviso to regulation 23(2)**

The amendment inserts a new clause (e) after the second proviso to regulation 23(2)(d). Accordingly, remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

In other words, the remuneration and sitting fees paid by a listed entity or its subsidiary to the directors will require the audit committee ('AC') approval only if the same exceeds the thresholds mentioned under regulation 23(1).

Threshold limits:

The transaction entered individually or together with all the transactions in a financial year ('FY') exceeds

- a. INR 1,000 crore or

SEBI LODR regulations – Related party amendments and other significant changes

- b. 10% of the annual consolidated turnover of the listed entity as per the latest audited financial statements

whichever is lower.

Our comment:

Before the amendment, the regulation was silent. This did not clarify enough whether repetitive sums like remuneration and sitting fees would require a sanction of the audit committee ('AC'). The insertion of the new clause clears the ambiguity and also does away with routine approval of the said remuneration unless it exceeds the materiality thresholds.

2. Ratification of the non-material RPTs by the audit committee - new clause (f) inserted in regulation 23(2)

Hitherto, there was no provision to ratify the related party transactions. The extant regulation 23(2) specified that any related party transaction (or any material modification thereto) **would require prior approval of the AC.**

A new clause (f) is inserted in regulation 23(2) - second proviso to allow flexibility to the AC to ratify certain RPTs within 3 months from the date of the transaction or in the immediate next AC meeting, whichever is earlier, subject to the following conditions:

- i The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed INR 1 crore;
- ii The transaction is not material in terms of the provisions of regulation 23(1).
- iii At the time of seeking ratification, the rationale for the inability to seek prior approval for the transaction should be placed before the AC;
- iv The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) i.e. submitting the disclosure of RPTs to the stock exchange and publishing the same on the LE's website.
- v Any other condition as specified by the audit committee.

Failure to seek a ratification shall render the transaction voidable at the option of the AC. Also, if the RPT is entered into with a director or is authorised by a director, the

SEBI LODR regulations – Related party amendments and other significant changes

concerned director/(s) shall indemnify the LE against any loss incurred from such transactions.

Our comment:

The audit committee is given adequate authority to ratify certain related party transactions within the allowable thresholds and timelines. By allowing ratifications, business continuity does not get interrupted owing to want of timely approvals and procedural glitches.

It is pertinent to note that such ratifications also need to be disclosed to SEBI and simultaneously disclosed on the entity's website, thus ensuring accountability.

3. Omnibus approvals for RPTs - insertion of the term 'subsidiary' in regulation 23(3)

Hitherto, the audit committee was allowed to grant an omnibus approval for related party transactions proposed to be entered into by the listed entity subject to certain conditions.

The amendment now allows such omnibus approvals towards its subsidiaries too.

Our comment:

Hitherto, there was no provision for grant of omnibus approval to the RPT entered into by subsidiaries of the LE. This amendment will ensure time saving and smoother flow of transactions within the group.

4. Transactions outside the purview of RPT [regulation 2(1)zc]

According to the amendment, following transactions are henceforth not considered as RPT:

- i Acceptance of current account deposits, savings account deposits and payment of interest thereon by banks in compliance with the directions issued by the Reserve Bank of India ('RBI').
- ii Retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the term uniformly applicable/offered to all employees and directors.

Our comment:

The above amendment will bring major compliance relief to banks and other LEs where routine transactions like accepting deposits, interest payments, and retail sales are entered round the year.

B. Compliance and Corporate Governance

5. Expanding the role of Compliance Officer [regulation 6(1)]

Hitherto, a compliance officer of a LE was required to be a qualified company secretary. The amendment requires that the compliance officer will be in the whole-time employment of the LE, will be 'not more than one level below the board of directors' and shall be designated as a 'Key Managerial Personnel.'

Further, any vacancy in the office of the Compliance Officer of an LE in respect of which a resolution plan under section 31 of the Insolvency Code has been approved, shall be filled within 3 months of such approval. Till such vacancy is filled, such LE should have at least one KMP managing its day-to-day affairs.

Our comment:

A prescribed rank to the compliance officer brings authority and responsibility to the role. Also, filling up the vacancy during the resolution process ensures that the day-to-day functions are being carried out with due diligence.

Being designated as KMP, the compliance officer will henceforth be bound by the relevant RPT and other provisions of the SEBI-LODR, that are applicable to KMP.

6. Corporate governance by LEs [regulation 15(2)]

Presently the provisions of regulations 17 to 27, para 46 and Part C, D and E of Schedule V (relating to corporate governance) are applicable to LEs whose:

- paid-up equity share capital exceeds INR 10 crores **and**
- net worth exceeds INR 25 crores (as on the last day of the preceding financial year)

Thus, if any one of the above parameters fall below the threshold for three consecutive years, then the corporate governance provisions cease to apply.

SEBI LODR regulations – Related party amendments and other significant changes

The amendment now replaces the term **'and'** with the term **'or'**.

Hence, the corporate governance requirements will cease to apply only if both the parameters remain below the threshold for three consecutive years.

Our comment:

A huge/substantial reduction in book values of assets or increased liabilities will not absolve the LE from complying with the corporate governance requirements mentioned under regulations no. 17 to 27, para 46 and Part C, D and E of Schedule V, unless there is a real erosion of shareholders' worth for 3 consecutive years.

7. Secretarial report by a 'Peer Reviewed Company Secretary' – new provision for LEs and unlisted material subsidiaries [regulation 24A]

The regulations required an LE and its unlisted material subsidiaries to undertake secretarial audit and annex a secretarial audit report by a practising company secretary with the annual report.

The amendment requires that the secretarial audit report and the secretarial compliance report to the LE or its material unlisted subsidiary now need to be issued by a 'Peer Reviewed Company Secretary' ('PRCS').

Effective date: 1 April 2025

Eligibility: PRCS can be either an individual/proprietor or as a partner of a Peer-Reviewed Practice Unit, holding a valid certificate of peer review issued by the Institute of Company Secretaries of India. If the firm appointed as a 'secretarial auditor' is an LLP, then, only the partners who are Peer Reviewed Company Secretaries shall be authorised to act and sign on behalf of the firm.

Appointment/re-appointment can be made on recommendations of the BOD and by shareholders' approval.

Term of the secretarial auditor:

- Individual secretarial auditor - not more than one term of 5 consecutive years
- Secretarial Audit firm - not more than 2 terms of 5 consecutive years

5 years cooling off period: For both, i.e. individual or a firm, the reappointment cannot be

SEBI LODR regulations – Related party amendments and other significant changes

made for a term of 5 years in the same entity after the completion of the term(s).

Casual vacancy: Casual vacancy arising from death, disqualification, resignation of the secretarial auditor can be filled by the BOD within 3 months and such appointment will be valid till the conclusion of the next AGM.

Prior association of the secretarial auditor with the LE: Any prior engagement /association of the individual/firm as the secretarial auditor of the LE before 31 March 2025 shall not be considered for the purpose of calculating the term/tenure of the PRCS. This is because the provisions of appointment, reappointment, tenure, etc. will become effective from 1 April 2025.

8. Disclosure of events or information [regulation 30(6)]

As per regulation 30 every LE must disclose any events or information which, in the opinion of the BOD are material. As per regulation 30(6)(i), the LE must first disclose to the stock exchanges all events or information that are material as soon as reasonably possible but not later than 30 minutes from the closure of the meeting of the BOD in which decision pertaining to the event or information has been taken.

New proviso after regulation 30(6)(i): In case the board meeting closes after normal trading hours but more than 3 hours before the beginning of normal trading hours of the next trading day, the listed entity must disclose the decision within 3 hours from the closure of the board meeting.

Further, in case the board meeting continues for more than 1 day the company must disclose the financial results within 30 minutes or 3 hours, as applicable, from the closure of the meeting for that particular day on which it has been considered.

30(6)(iii): Relevant information in respect of claims against LE under litigation or a dispute (other than tax litigations/disputes), if maintained in the structured digital database in terms of provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015, such disclosure needs to be made within 72 hours of receipt of the notice by the LE.

9. Submission of financial results by a company under resolution: [regulation 33(3)(a)]

An LE in respect of which a resolution plan under section 31 of the Insolvency Code has

SEBI LODR regulations – Related party amendments and other significant changes

been approved, shall disclose its financial results within 90 days from the end of the quarter in which such resolution plan was approved, except in case such resolution plan has been approved in the last quarter of a financial year.

10. Advertisement in the newspaper regarding the financial results [regulation 47(1)]

Prior to the amendment, the listed entity was required to publish its financial results (specified in regulation 33) in the newspaper along with the modified opinions/reservations, if any, expressed by the auditors.

A new sub-regulation (1) is inserted to provide that a LE shall publish an advertisement in the newspaper, within 48 hours of conclusion of the BOD meeting at which the financial results were approved, containing a Quick Response ('QR') code and the details of the webpage where complete financial results of the listed entity, (as specified in regulation 33, along with the modified opinion(s) or reservation(s), if any, expressed by the auditor), are accessible to the investors.

However, a company may choose **not to publish** the financial results (in terms of regulation 33) along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor.

11. Disclosure of information on the website [regulation 46(2)]

Apart from the requirements mentioned in regulation 46(2), the website of the LE should also disseminate the following information under a separate section:

46(2)(aa): Memorandum of Association and Articles of Association;

46(2)(ab): Brief profile of board of directors including directorship and full-time positions in body corporates.

Regulation 46(2)(oa) is amended: The manner of communicating the audio/video calls and transcripts of post-earnings/quarterly calls stands modifies as below:

1. No need to submit the audio/video recordings
2. Audio recordings: To be made available on the LE's website on the next trading day or latest within 24 hours of the conclusion of the call

SEBI LODR regulations – Related party amendments and other significant changes

3. Video recordings: Within 48 hours of the conclusion of the call
4. The transcripts of the calls to be submitted to be made available on the website along with simultaneous submission to the stock exchange within 5 working days of the conclusion of the call.

12. Financial results - Amendment in regulation 52(2)

Hitherto, the Board of Directors was required to take the quarterly financial results on record which were then required to be signed by the managing director/executive director.

The amendment has revisited clause 52(2)(b) – which now requires that the quarterly financial results submitted (to the stock exchange) shall be approved by the board of directors.

Approval of the financial results (for submission to the stock exchange) renders authenticity and increases the confidence of the stakeholders.

A new clause (ba) is inserted as follows: The financial results submitted to the stock exchange shall be signed by the chairperson/managing director/a whole-time director or in the absence of all of them, it shall be signed by any other director of the listed entity who is duly authorized by the BOD to sign the financial results.

The above clause applies to both quarterly and annual financial results. The amendments in regulation 52 will increase accountability of the results submitted to the stock exchanges.

13. Disclosure of certain events/information without applying the materiality guidelines (Schedule III, Part A)

1. Disclosures of Arrangement/schemes

- a. Hitherto, the LE was required to disclose to the stock exchange the acquisitions, schemes of arrangements (mergers, demergers, amalgamation, restructuring) sale/disposal of units/undertakings subsidiary/sale of stake in a associate company if
 - i. The LE held shares/voting rights of 5% or more in the said company
 - ii. If there is change in the shareholding/voting rights of more than 2% since the last disclosure.

SEBI LODR regulations – Related party amendments and other significant changes

b. The limits for the above disclosures are now raised to 20% and 5% respectively.

Our comment:

The disclosure to the stock exchange will not be required until the above above-said thresholds are achieved.

2. Disclosures of frauds/defaults

A new explanation is added to sub-para 6 requiring the disclosure of fraud by senior management, other than who is promoter, director or key managerial personnel, only if it is in relation to the listed entity.

3. Schedule III, part B, clause A, para (17):

The hitherto disclosure requirement is widened to cover the following: Fraud or defaults, in terms of paragraph 6 of clause A of Part-A of Schedule III, by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the listed entity, whether occurred within India or abroad;

C. Directors, shareholders and audit committees**14. Shareholders' approval for appointment/reappointment of BOD and Managers [regulation 17(1C)]**

Prior to the amendment, an appointment/reappointment of persons on BOD or as 'Manager' had to be approved by the shareholders in the next general meeting or 3 months from the appointment, whichever is earlier. As per the amendment, the said time period is excluded if the appointment/reappointment is subject to the approval of regulatory, government or statutory authorities. Similarly, the shareholders' approval will not be required for the persons nominated by a financial sector regulator, Court or Tribunal to the board of the listed entity.

15. Appointment of non-executive director on attaining the age of 75 [regulation 17(1A)]

It is clarified that the special resolution for appointing a non-executive director attaining 75 years of age can now be moved prior to his attainment of 75 years of age.

SEBI LODR regulations – Related party amendments and other significant changes**16. Frequency of board meetings and audit committee meetings [regulations 17(2) and 18(2)]**

The meetings of the board and audit committee will now need to be conducted at least 4 times in a financial year with a maximum time interval of 120 days between two consecutive meetings.

17. Frequency of various committee meetings [regulations 19, 20, 21]:

- a. Nomination and Remuneration Committee meetings: At least once in a financial year
- b. Stakeholders Relationship Committee meetings: At least once in a financial year
- c. Risk Management Committee meetings: At least twice in a financial year

18. Record Date (Regulation 60):

The record date (for payment of interest, dividend, redemption, repayment and other corporate actions) will now be fixed at 15 days as specified by the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. The LE is required to give an advance intimation to the stock exchange of at least 3 working days (hitherto 7 working days).

19. Independent directors and women directors [Schedule II, Part E]

As per the amendment, independent directors of the top 2000 listed entities as per market capitalization shall endeavour to hold at least two meetings in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall endeavour to be present at such meetings.

Listed entities ranked from 1001 to 2000 as per the list prepared by recognized stock exchanges in terms of regulation 3(2) shall endeavour to have at least one woman independent director on its board of directors.

20. Disclosure of remuneration and sitting fees to stock exchange [regulation 23(9)]:

A new provision is added to regulation 23(9). Accordingly, the sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material in terms of the provisions of sub-regulation (1).

SEBI LODR regulations – Related party amendments and other significant changes

In other words, the remuneration and sitting fees to directors/KMP senior management (being promoters or belonging to the promoter group), even if below the materiality thresholds will now need to be disclosed.

21. Filling up of the vacancy of independent directors [regulation 25(6)]:

A vacancy on resignation/removal of the independent director was required to be made up by 3 months. This provision of regulation 25(6) is now omitted.

To conclude

Through these amendments, SEBI has brought flexibility and a practical approach in various corporate governance areas. Certain crucial decisions (e.g. strengthening the role of the compliance officer, mandatory secretarial report by a peer-reviewed secretarial auditor, mandatory meetings of independent directors of top 2,000 LEs), ensure greater accountability towards the stakeholders. At the same time, doing away with routine and repetitive compliances relieves the senior management's time.



A magnifying glass is positioned over a laptop keyboard and a spiral-bound notebook. The notebook is open to a page with the letters 'GST' written in large, bold, black font. The background is a wooden desk.

TAXATION

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

Transactions between an employer and the employee in the course of employment do not fall within the ambit of GST unless they fall within the specific exceptions. Understanding the implications of GST on employee benefits is crucial for maintaining competitive compensation packages while ensuring compliance with evolving tax laws. Ms. Shivanshi Tripathi (Vadodara office) provides an insight of the key legal provisions along with a snapshot some landmark judgements.

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

Introduction

The implementation of the Goods and Services Tax ('GST') in India has brought significant changes to the taxation of employee benefits and fringe benefits, reshaping how organisations manage compensation. GST consolidates multiple indirect taxes into a single framework, but it also introduces complexities for employers regarding the taxability of various benefits. Many common employee perks, such as free meals, transportation services, and gifts, may be at risk of being considered taxable supplies unless explicitly provided in the employment contract and terms of employment. As businesses adapt to this new regulatory environment, understanding the implications of GST on employee benefits is crucial for maintaining competitive compensation packages while ensuring compliance with evolving tax laws. This article explores these key considerations, providing insights into how GST impacts employee benefits.

Definitions and applicability

Employee Benefits refer to any goods or services provided by an employer to an employee as part of their employment contract. This can include a wide range of offerings such as:

- Free meals or canteen facilities
- Transportation services
- Medical insurance
- Gifts and bonuses

According to the Central Goods and Services Tax (CGST) Act, transactions between an employer and employee in the course of employment are generally treated as neither a supply of goods nor a supply of services (by virtue of explicit mention in Schedule III of the CGST Act), and hence not attracting GST, unless they fall within specific exceptional situations when they may be treated as outside the ambit of Schedule III and hence treated as taxable

Key legal provisions

- 1. Section 7(1)(c) of the CGST Act:** This section defines what constitutes a supply. It states that any supply made without consideration in the course or furtherance of business is deemed a supply. Thus, many fringe benefits provided by employers can fall under this definition.

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

2. Schedule III of the CGST Act: This schedule outlines activities that do not constitute a supply. Notably, services provided by an employee to an employer during their employment are excluded from GST. Perks and fringe benefits are also covered by the afore-cited Schedule III and thus not a 'Supply' attracting GST, they are in the course of employment and provided for explicitly in the employment contract, as part of the terms of employment (CBIC press release dated 10 July 2017, para 5 of CBIC Circular no 172/4/2022 dated 6/7/22, followed in North Shore Technologies Pvt Ltd (AAR UP).

Implications for different types of employee benefits

1. Fringe benefits

Fringe benefits such as free meals and transportation services will not be subject to GST if provided in the course of employment and covered explicitly in the employment contract as a part of the overall remuneration and employment contract.

- **Free meals:** If explicitly provided as part of a contractual obligation (e.g., canteen facilities), these will not attract GST.
- **Transportation services:** If transportation is explicitly mentioned in the employment contract as a benefit, it may not attract GST. Conversely, if it is not specified, it is treated as a service subject to GST.

2. Gifts and bonuses

Gifts provided to employees up to INR 50,000 per financial year are exempt from GST. However, any value exceeding this threshold will attract GST at applicable rates. Employers must maintain detailed records of all gifts distributed to ensure compliance with tax regulations.

3. Notice pay recovery

The Authority for Advance Ruling ('AAR') has clarified that payments made by employees for not serving their notice period are subject to GST. For instance, if an employee resigns without completing the notice period and pays a penalty or notice pay, this transaction is considered a supply and is liable for GST.

Input Tax Credit ('ITC') considerations

One of the significant aspects of GST compliance for employers is understanding the ITC eligibility concerning employee benefits:

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

– **ITC on employee benefits:** Employers may face restrictions on claiming ITC for certain employee benefits. For example, while ITC can be claimed on expenses related to canteen facilities if they meet specific criteria, (if the employer has to statutorily provide the same facility as per provisions of the Factories Act) ITC on personal expenses (like gifts exceeding INR 50,000) is typically disallowed.

– **Documentation requirements:** Employers must ensure proper documentation is maintained for all transactions involving employee benefits to substantiate claims for ITC where applicable.

– Recent Circulars and Notifications

- **Circular No 172/2024 (para 5)**

Recently issued by the CBIC, this circular clarifies that GST is not applicable on perks provided to employees when these perks form part of the contractual agreement. It emphasises that any consideration payable by an employer to an employee in the course of employment is outside the scope of GST. This guidance helps clarify the applicability of GST on various employee benefits.

- **Section 17(5) of the CGST Act**

This section outlines blocked credits where Input Tax Credit (ITC) is restricted for certain services unless they are part of a composite or mixed supply. The circular reiterates that employers cannot claim ITC on personal goods/services but can claim ITC for services like canteen facilities if mandated by law.

– Landmark case laws

Several landmark case laws have clarified how GST applies to employee benefits:

1. Tata Motors Limited AAR Order (2019)

- **Scenario:** Payments made by employees for not serving their full notice period.
- **Key findings:** These payments are subject to GST as they are considered taxable supplies under the GST framework. Employers must account for these transactions appropriately.

2. Daimler India Commercial Vehicles Pvt. Ltd., In re (2020) [AAR Tamil Nadu]

- **Scenario:** Payments made by employees in lieu of serving their notice period.

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

- **Key findings:** Like previous rulings, these payments attract GST, reinforcing that certain payments related to employment contracts are taxable supplies.

3. North American Coal Corporation India Pvt. Ltd., In re (2021) [AAR Madhya Pradesh]

- **Scenario:** Transportation services provided by an employer to employees at a nominal price.
- **Key findings:** Such services do not attract GST if they are part of an employment contract and provided uniformly to all employees, indicating that specific benefits can be exempt from taxation based on their nature.

4. Posco India Pune Processing Center Pvt. Ltd., In re (2021) [AAR Maharashtra]

- **Scenario:** Provision of perquisites as part of employment contracts.
- **Key findings:** Certain perquisites do not fall under GST if they comply with existing laws governing employee benefits, illustrating how statutory compliance can influence taxability.

5. Caltech Polymers Pvt. Ltd., In re (2018) [AAR Kerala]

- **Scenario:** Canteen facilities provided as mandated by law.
- **Key findings:** If an employer provides canteen facilities as required by law (e.g., under the Factories Act), then Input Tax Credit ('ITC') can be claimed on such services, demonstrating how compliance with statutory obligations can influence GST applicability.

Treatment of directors' remuneration

In 2023, discussions around directors' remuneration under GST highlighted that remuneration paid to directors is generally considered a supply of service and is subject to GST. The treatment may vary based on whether directors are classified as employees or independent contractors. If directors are treated as employees providing services under an employment contract, their remuneration may not attract GST; however, if they operate as independent contractors or consultants, their remuneration would be subject to GST.

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

Compliance challenges for employers

- 1. Contractual clarity:** Employment contracts must be meticulously drafted to specify which benefits attract GST and which do not. Ambiguities can lead to unintended tax liabilities.
- 2. Record-keeping:** Employers need robust systems for tracking the value of gifts and other non-monetary benefits provided to employees throughout the financial year.
- 3. Training HR personnel:** Human Resources departments must be well-informed about GST implications on employee benefits to ensure accurate communication with employees regarding their compensation packages.
- 4. Legal interpretations:** Given that AAR rulings provide guidance but are not universally binding, employers should be cautious in interpreting these rulings when structuring their benefit programs.

Strategic recommendations for employers

To effectively navigate the GST complexities of employee benefits, organisations can consider implementing the following strategies:

- 1. Regular compliance audits:** Conduct periodic audits to ensure adherence to GST regulations concerning employee benefits.
- 2. Consultation with tax experts:** Engage tax professionals who specialise in GST compliance to provide insights into structuring employee benefits efficiently while minimising tax liabilities.
- 3. Employee education programs:** Develop training programs for employees regarding how their benefits are affected by GST, enhancing transparency and understanding within the workforce.

Impact of GST on employee benefits and fringe benefits: A comprehensive analysis

Conclusion

The impact of GST on employee benefits and fringe benefits in India presents both challenges and opportunities for organisations. Understanding the nuances of how different types of employee benefits are treated under GST becomes critical. By proactively addressing compliance requirements through clear contractual terms and diligent record-keeping practices, employers can navigate this complex landscape effectively while ensuring that they retain talent through competitive benefit offerings.

While GST has certain complicated aspects of employer-employee transactions, it also provides an opportunity for organisations to streamline their processes and enhance transparency in compensation structures.



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