

NDA Update on GST on Director's remuneration

Central Board of Indirect Taxes and Customs has issued a very important clarification in respect of levy of GST on Director's remuneration on 10/06/2020 vide Circular No: 140/10/2020 – GST.

Remuneration paid to Independent directors and other directors **who are not employees of the company** is **taxable** in hands of the company, on reverse charge basis.

The remuneration paid to directors who are employee of the company is **not liable to GST** if it is declared as “Salaries” in the books of the company and subject to TDS under Section 192 of the Income Tax Act. However, any part of remuneration which is not declared as “salaries” in the Company's accounts and subject to TDS under Section 194J of the Income Tax Act as Fees for professional or Technical Services **is liable to GST** and the company is liable to pay GST on reverse charge on such cases.

To sum up

Type of Director	Whether remuneration liable to GST	GST payable by	Further Conditions
Directors who are not employee of the company	Yes	Company under reverse charge	
Employee Directors getting salary subject to TDS u/s 192 of Income Tax Act	No	Not Applicable	The remuneration should be declared as salaries in the books of the company
Employee Directors getting remuneration other than salary and subject to TDS u/s 194J of Income Tax Act	Yes	Company under reverse charge	The remuneration should be declared as “other than salaries” in the books of the company

https://www.cbic.gov.in/resources/htdocs-cbec/gst/Circular_Refund_140_10_2020.pdf