THE AUTHORITY FOR ADVANCE RULING IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009

F. No. KAR. AAR 25/2026
Order No. KAR.ADRG 25/2026 **Date: 19.05.2026**

Present:

1. **Shri. Kalyanam Rajesh Rama Rao**
Additional Commissioner of Customs & Indirect Taxes ...Member (**Central**)

2. **Shri. Sivakumar S Itagi**
Additional Commissioner of Commercial Taxes ...Member (**State**)

1.	Name and address of the applicant	M/s. Aditya Auto Products & Engineering India Pvt. Ltd. #13E, KIADB Industrial Area, Doddaballapur, Bangalore-561203.
2.	GSTIN or User ID	29AABCA7045H1ZO
3.	Date of filing of Form GST ARA-01	08.11.2023
4.	Represented by	M.V. Sridhar, Authorised Representative
5.	Jurisdictional Authority – Centre	The Commissioner of Central Tax, Bangalore North Commissionerate, Bengaluru.
6	Jurisdictional Authority – State	ACCT, LGSTO-153, Bengaluru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2911230028295 dated 08.11.2023.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 & UNDER SECTION 98(4) OF THE KGST ACT, 2017

M/s. Aditya Auto Products & Engineering India Pvt. Ltd., (herein after referred to as **'Applicant**) #13E, KIADB Industrial Area, Doddaballapur, Bangalore-561203., having GSTIN 29AABCA7045H1ZO, have filed an application for Advance Ruling under Section 97 of the CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. The applicant is engaged in the manufacture, sale and trading of automotive parts, classifiable under HSN 8708, and supplies such goods and related services to automotive Original Equipment Manufacturers (OEMs) as well as Tier-I suppliers.

3. The applicant submits that it operates three manufacturing locations within the State of Karnataka and employs approximately 1,288 employees

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across all locations, excluding contract employees. The applicant is registered under the provisions of the Factories Act, 1948. The applicant has engaged Canteen Service Providers (CSPs) for providing food facilities to its employees as well as contract employees at all three locations, through canteen facilities operated within the factory premises.

4. In view of the above facts, the applicant has sought an advance ruling on the following question:

(a) ***Whether input tax credit (ITC) is admissible to the applicant on GST charged by the CSP for providing catering services, which the applicant is mandatorily required to provide under Section 46 of the Factories Act, 1948?***

5. **ADMISSIBILITY OF THE APPLICATION**: - The applicant, under column 13 of the application ARA-01, selected the issue "Admissibility of input tax credit of tax paid or deemed to have been paid", which is covered under Section 97(2) (d) and hence the instant application is admissible.

6. **BRIEF FACTS OF THE CASE**: The applicant furnishes the following facts relevant to the issue:

6.1 The applicant is registered under the Factories Act, 1948 and is statutorily required to provide and maintain a canteen facility in terms of Section 46 of the said Act. Accordingly, the applicant provides canteen facilities to its regular employees as well as contract workers at a subsidized rate, with only a portion of the cost being recovered from them.

6.2 In respect of regular employees, the monthly amount recovered towards canteen facilities ranges between ₹200/- and ₹250/- per employee, which is deducted from their salaries. The remaining portion of the cost of such canteen services is borne by the applicant.

6.3 Further, in respect of contract workers, the applicant raises a monthly invoice on the respective contractors/suppliers for recovery of the same concessional amount, on which GST is discharged at the rate of 5%. The applicant submits that the recoveries made from employees and contractors are purely in the nature of partial cost recovery, without any commercial intent or profit motive, and that the balance cost of the canteen services continues to be borne by the applicant.

7. **Applicant's Interpretation of Law:** - The applicant contends that the provision of canteen facilities to its employees does not amount to a "supply" within the meaning of Section 7 of the CGST Act, 2017 and, therefore, is not exigible to GST, on the following grounds:

(i) The canteen facility is provided strictly in compliance with the statutory mandate prescribed under Section 46 of the Factories Act, 1948.

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(ii) The said facility is extended to employees in the course of and in relation to their employment and not in the course or furtherance of any independent business activity of providing canteen services.

(iii) There is no element of quid pro quo involved, nor is there any intention on the part of the applicant to undertake the business of providing canteen facilities.

(iv) The amount recovered from employees is nominal in nature and substantially lower than the actual cost incurred by the applicant and paid to the Canteen Service Provider (CSP), the balance cost being borne by the applicant.

(v) The applicant places reliance on Circular No. 172/04/2022-GST dated 06.07.2022, which clarifies that input tax credit is admissible in respect of goods or services which an employer is statutorily obligated to provide to its employees under any law for the time being in force. Accordingly, the applicant submits that it is eligible to avail input tax credit of the GST charged by the CSP.

(vi) The restriction imposed under Section 17(5) of the CGST Act, 2017 is not applicable in the present case, since the canteen facility is provided in discharge of the applicant's statutory obligation under the provisions of the Factories Act, 1948.

PERSONAL HEARING PROCEEDINGS HELD ON 16.01.2026

8. M.V. Sridhar, the Authorised Representative of the applicant, appeared for personal hearing held on 16.01.2026 before this Authority and reiterated the submissions and facts as narrated in the application. The applicant also placed reliance on Advance Ruling orders passed on similar issues.

FINDINGS & DISCUSSION

9. *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.*

10. *We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.*

11. ***The issue before this Authority is whether the applicant is entitled to avail input tax credit (ITC) of GST charged by the Canteen Service Provider (CSP) in respect of catering services provided in the factory***

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canteen, which the applicant is mandatorily required to provide and maintain under Section 46 of the Factories Act, 1948, or not?

12. Now, we examined the issue based on merits, the eligibility of input tax credit and restriction thereof governed under Section 16 and 17 of CGST Act, 2017 which is reproduced below for understating the issue on question.

12.1 Eligibility and condition for taking input tax credit.

Section 16 of the CGST Act, 2017 provides that -

(1) *"Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in Section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.*

(2) Notwithstanding anything contained in this section, no registered persons shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, -

(a).....

(3) ----------

(6) .....

12.2 Conditions and restrictions provided under Section 17 of CGST Act, 2017 which is as detailed below:

Section 17 of CGST Act, 2017 (Apportionment of Credit and blocked Credits) –

(1) *Where the goods or services or both are used by the registered persons partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.*

(2) .....

.....

(5) Notwithstanding anything contained in Sub Section (1) of Section 16 and Sub Section 18, input tax credit shall not be available in respect of the following namely: -

(a) Motor vehicle....

.....

(b) the following supply of goods or services or both-

(i) ***food and beverages****, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:*

Provided that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered persons for making an outward taxable supply of the same category of goods or services or both as an element of a taxable composite or mixed supply;

(ii)..

(iii)...

"Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force."

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12.3 *Section 46 of the Factories Act, 1948 stipulates as under:*

"The State Government may make rules requiring that in any specified factory ***wherein more than two hundred and fifty workers are ordinarily employed****, a canteen or canteens shall be provided and maintained by the occupier for the use of the workers."*

13. In the present case, it is an admitted and undisputed fact that the applicant is registered under the provisions of the Factories Act, 1948 and is, therefore, required to comply with all the obligations and responsibilities cast upon it under the said Act. One such obligation arises under Section 46 of the Factories Act, 1948, which mandates the provision and maintenance of canteen facilities. In order to discharge this statutory obligation, the applicant provides canteen facilities within its factory premises for its employees, including contractual workers. For this purpose, the applicant has engaged Canteen Service Providers (CSPs) to supply food at all three manufacturing locations. The engagement of CSPs is solely for the purpose of complying with the statutory requirement and not with any intention to carry on or promote an independent business of catering services.

14. It is further observed that the applicant recovers only a nominal and subsidised amount from its regular employees towards canteen facilities, which is deducted from their salaries. The substantial portion of the cost incurred towards the canteen services is borne by the applicant itself. Such recovery is merely incidental to the employer–employee relationship and does not impart any commercial character to the activity of providing canteen facilities.

15. In respect of contract workers, the applicant raises a monthly invoice on the respective contractors/suppliers for recovery of the same concessional amount, on which GST is discharged at the rate of 5%. It is pertinent to note that contractual workers are not employees of the applicant, as there is no direct employer–employee relationship between the applicant and such workers. Further, there is no statutory obligation cast upon the applicant under the Factories Act, 1948 to provide canteen facilities to contractual workers. Accordingly, the amount recovered in respect of contract workers constitutes a taxable supply, and the applicant has been discharging GST on such recoveries by issuing tax invoices to the respective contractors/suppliers.

16. It is also observed that the CSP raises taxable invoices on the applicant in respect of catering services provided to both categories of users, namely, regular employees and contract workers. Out of the total cost charged by the CSP, a portion is recovered from regular employees without charging GST, another portion is recovered from contractors of contract workers with applicable GST, and the remaining cost of the canteen services is borne by the applicant.

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17. The issue that now arises for consideration is whether the applicant is eligible to avail input tax credit of the GST charged by the CSP in respect of catering services provided to its employees as well as contract workers.

18. Section 17(5)(b) of the CGST Act, 2017 places a restriction on availment of input tax credit in respect of food and beverages, including canteen services. However, the provisos to the said provision clearly stipulates that such restriction shall not apply where

1. **It is an obligatory for an employer to provide such service under any law**, OR
2. **If the inward supply is used for making an outward taxable supply of the same category**.

19. *Further, the GST rate on catering services is notified under Serial No.7 (iv) of Notification No.11/2017-Central Tax (Rate) Dated 28.06.2017, as amended which is reproduced below:-*

Sl.No	*Chapter, Section or Heading*	*Description of Services*	*Rate (Per cent)*	*Condition*
7	*Heading 9963 (Accommodation, food and beverage Services)*	*(iv) Supply of outdoor catering , at premises other than specified premises provided by any person other than* *(a) suppliers providing 'hotel accommodation' at 'specified premises', or* *(b) Suppliers located in 'specified premises'.*	*2.5%*	***Provided that credit of input tax charged on goods and services used in supplying the service has not been taken.***

20. In the present case, the applicant is engaged in manufacturing activities and is required to provide canteen facilities in terms of Section 46 of the Factories Act, 1948. The statutory obligation to maintain a canteen arises once the prescribed threshold of workers is exceeded.

20.1 In respect of regular employees, the provision of canteen facility arises out of statutory mandate and forms part of the conditions of employment. Accordingly, in terms of the proviso to Section 17(5)(b) of the CGST Act, 2017, input tax credit on catering services is admissible, as the same is obligatory under law.

20.2 However, in respect of contractual workers, there exists no direct employer–employee relationship between the applicant and such workers. Further, no statutory obligation has been cast upon the applicant to provide canteen facilities to such contractual workers. The canteen facility extended to them is in the nature of a voluntary welfare measure and does not arise from any mandate under the Factories Act, 1948 or any other law for the time being in force.

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It is also pertinent to note that the applicant is not engaged in the business of supplying food or running a canteen. The principal business activity of the applicant is manufacturing of goods. Therefore, the inward supply of catering services is not used for making an outward taxable supply of the same category of goods or services. Consequently, the exception carved out under Section 17(5)(b) of the CGST Act, 2017, permitting input tax credit where such inward supply is used for making an outward taxable supply of the same category, is not applicable in the present case.

In view of the above, input tax credit attributable to catering services provided to contractual workers remains restricted under Section 17(5)(b) of the CGST Act, 2017 read with Notification No. 11/2017–Central Tax (Rate) dated 28.06.2017, as amended.

20.3 *Accordingly, ITC is admissible only to the extent of catering services provided to the applicant's regular employees in discharge of statutory obligation, and not in respect of services attributable to contractual workers.*

21. The next issue for determination is whether the applicant is eligible to avail input tax credit on the entire amount charged by the CSP in respect of catering services provided to its employees (regular), or only to the extent of the cost actually borne by the applicant.

22. As discussed in the preceding paragraphs, in terms of the proviso to Section 17(5)(b) of the CGST Act, 2017, read with Serial No. 7 of Notification No. 11/2017–Central Tax (Rate) dated 28.06.2017, as amended, and clarified vide Circular No. 172/04/2022–GST dated 06.07.2022, input tax credit in respect of food and beverage services is admissible only where such services are obligatory for an employer to provide to its employees under any law for the time being in force. The admissibility of ITC is, therefore, restricted to the extent of the statutory obligation and the expenditure incurred by the employer in discharge of such obligation.

23. In the present case, the applicant is statutorily required to provide canteen facilities to its employees under Section 46 of the Factories Act, 1948. However, it is observed that a portion of the cost of such canteen services is recovered from the employees. To the extent of such recovery, the applicant cannot be said to have borne the cost of the canteen services.

24. Input tax credit is admissible only to the extent of the cost actually borne by the applicant towards providing the statutory canteen facility. ITC cannot be availed on the entire value charged by the Canteen Service Provider (CSP) where a portion of such value is recovered from the employees. Allowing credit on the full value, including the portion recovered, would result in availment of ITC beyond the applicant's actual expenditure incurred in fulfilment of its statutory obligation.



25. Further, permitting availment of ITC on the entire value charged by the CSP, including the portion recovered from employees, would not be in consonance with the scheme of the CGST Act, which contemplates availment of input tax credit only to the extent the inward supply is used in the course or furtherance of business and the cost thereof is borne by the registered person.

26. Accordingly, it is held that the applicant is eligible to avail input tax credit of GST charged by the CSP only to the extent of the cost of canteen services actually borne by the applicant in respect of its regular employees. Input tax credit attributable to the portion of the cost recovered from employees is not admissible.

27. In view of the foregoing, we pass the following.

R U L I N G

1. *The applicant is eligible to avail input tax credit of GST charged by the Canteen Service Provider (CSP) in respect of canteen services provided to its regular employees, in terms of the proviso to Section 17(5)(b) of the CGST Act, 2017, read with Serial No. 7 of Notification No. 11/2017–Central Tax (Rate) dated 28.06.2017, as amended, and Circular No. 172/04/2022–GST dated 06.07.2022, since the provision of canteen facility is obligatory under Section 46 of the Factories Act, 1948. However, the admissibility of input tax credit shall be restricted only to the extent of the cost of canteen services actually borne by the applicant.*

2. *Input tax credit in respect of GST charged on canteen services attributable to contract workers is not admissible, as the restriction under Section 17(5)(b) of the CGST Act, 2017 continues to apply in the absence of any statutory obligation or employer–employee relationship.*

(Kalyanam Rajesh Rama Rao)
Member

(Sivakumar S Itagi)
Member

MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

Place: Bengaluru,
Date: 19.05.2026

To,
The Applicant,

Copy to:
1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bangalore North Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-153, Bengaluru.
5. Office Folder.

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