

GIFTS WILL NOW ATTRACT GST, IF COMPANY PAY GIFT MORE THAN RS 50,000:

As per GST law, any gifts from employer to employee exceeding the value of Rs 50,000 shall be liable to GST in India. Hence, the employer who are gifting high value goods, like car, home, gold, etc. exceeding the value of Rs 50,000 shall be liable to GST in India.

Let us understand the same in detail:

Tax on any payment other than Salary exceeding Rs 50,000

Many diamond dealer, gold dealer, companies, etc. gifts car, gold, cash on Diwali festival. The value of their gifts is always more than Rs 50,000 and hence all these gift items shall attract GST. Further, if any payment forms part of the salary, then there shall be no GST levied on the same.

Diwali / Eid Gift to be taxable

In India, mostly gifts are given on festive occasion and hence, if the value of gift is more than Rs 50,000 then you are liable to pay GST in India.

Who all are employee and impact of GST on Employer – employee relationship under GST?

Any person who is working under specific terms and conditions and against a fixed salary and further who is subject to all the rules of employment, then he shall be treated as employee under GST.

Under GST, any amount payable as salary against the services of the employee shall not attract any GST because it is not treated as supply.

However, if the employer gifts anything over Rs 50,000, then that shall be liable to tax under GST.

Whether yearly bonus shall be treated as gift under GST?

If the bonus given is a part of total salary and the same was included in the employment letter, then the same shall not attract GST.

However, if you the bonus is given randomly without any mentioned in the employment letter, then GST shall be applicable. Therefore, you must prepare the employment letters properly.

GST impact on Employee Benefits under GST

As said, any employee benefit which forms a part of CTC in India shall not be liable to GST in India. However, if employee benefit does not form part of the CTC, then GST shall be levied on each of such payments.

What to do if gift is more than Rs 50,000

Suppose if you are covered under the jaws of above clause, then you shall follow the laid down procedure:

- **Valuation under GST:** The first thing you do is to calculate the market value of the gift. E.g. suppose you gifted the car, hence you may refer the market value of the same.
- **Search the HSN Code:** Once the valuation is decided, then you should search the HSN code of your product and tax rate accordingly.
- **Issue an invoice:** Once HSN code is decided, the next step is to raise the invoice. The invoice should be raised as per the GST invoicing rules.
- **Submit in outward return:** After raising the invoice, submit the details in your sales return (outward return which is filed by 10th of next month).
- **Pay Tax by 20th:** Now, deposit the tax with the government by 20th of the next month.

ITC on goods gifted to employee

If any product is gifted to employee, then no ITC shall be allowed.

Any tax planning to save Tax?

Yes, if you include the value of gift under the CTC and amend the employment documents in advance, then each of such gift shall become part of salary and no GST shall be applicable.

Liability to pay GST?

In GST, the liability to pay tax would be upon supplier of gifts (i.e. employer)
