

# GST ON DIRECTOR'S REMUNERATION

## **Applicability of Reverse Charge Mechanism (RCM) under GST on remuneration paid to:**

- Director who is not an employee of the company (i.e., independent director as per sec 149(6) of Companies Act 2013)
- Director who may be an employee of the company (whole time director or managing director).

### **1. I am an independent director receiving remuneration, is company liable to pay tax under RCM?**

Yes, an independent director should not be an employee of the company in any of three financial year preceding the year he is proposed to be a director. Since, there is no relationship of employer or employee it does not fall under schedule III of CGST Act 2017 and therefore RCM is applicable for the company.

### **2. I am a director who is also an employee of company I receive full remuneration after deducting TDS under sec 192 of IT Act, is company liable to pay tax under RCM?**

No, since the remuneration are declared as "Salaries" and subjected to TDS under Section 192 of the IT Act, are not taxable as being under the scope of Schedule III of the CGST Act, 2017.

### **3. I am a director who is also an employee of company I receive full remuneration after deducting TDS under sec 194J of IT Act, is company liable to pay tax under RCM?**

Yes, since the remuneration is in the nature of professional fees and not salary, and the same is liable for deduction under Section 194J of the IT Act, shall be treated as consideration for providing services which are outside the scope of Schedule III of the CGST Act, and is therefore, taxable.

### **4. I am a director who is also an employee of company I receive part remuneration after deducting TDS under sec 192 of IT Act and part of remuneration after deduction of TDS under sec 194, is company liable to pay tax under RCM? If yes on what amount?**

Yes, but partly, RCM is applicable but only on that part of remuneration on which TDS is deducted under sec 194 and not on full remuneration.

#### **Contact us:**

For further more information and clarification

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