

Amid lack of clarity over the goods and services tax, information technology (IT) and information technology-enabled services (ITeS) companies have received notices for [GST](#) payment on employee contract transactions such as pay deduction during the notice period, termination fee and bond recovery.

The grey area over taxability in such cases continue in the [GST](#) regime as in the service tax regime, where employers received notices demanding payment of service tax on the amount received as notice pay from employees.

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“We have received a notice over non-payment of [GST](#) for the amount received as payment from employees in the form of bond payment or notice pay. It is a grey area and the government must issue a clarification on it soon,” according to an IT company executive.

In a number of private firms, employees are bound by contracts to serve notice period. In case the employee does not serve notice period, a part of the salary is withheld.

“Transactions such as notice pay, termination fee and bond recovery arise out of the employment contract, and are not subject to GST. Authorities are likely to be apprehensive as to whether these activities will fall under refraining acts. However, that is not a reality because refraining acts are not invoked in cases of contingencies, but are agreed in advance,” according to Abhishek A Rastogi, partner at Khaitan & Co.