

TAXABILITY OF REMUNERATION TO EXECUTIVE & NON-EXECUTIVE DIRECTORS IN INDIA

The taxability of directors' remuneration depends on whether they are executive directors (employees) or non-executive/independent directors (non-employees).



TAXABILITY UNDER INCOME TAX ACT, 1961

NATURE OF REMUNERATION	EXECUTIVE DIRECTOR (EMPLOYEE)	NON-EXECUTIVE/INDEPENDENT DIRECTOR (NON-EMPLOYEE)
Salary	Taxable under "Income from Salary"	Not applicable
TDS on Salary	Deducted under Section 192 (as salary)	Not applicable
Sitting Fees	Not applicable	Taxable under "Income from Other Sources"
TDS on Sitting Fees	Not applicable	TDS @10% under Section 194J
Commission/Bonus	Taxable under "Income from Salary"	Taxable under "Income from Other Sources"
TDS on Commission/Bonus	Deducted under Section 192	TDS @10% under Section 194J
Allowances (HRA, Travel, etc.)	Taxable as per salary rules	Fully taxable
Stock Options (ESOPs)	Taxable as per perquisite rules	Taxable as capital gains upon sale
Provident Fund (PF) Contributions	Tax-exempt up to limits	Not applicable

Income Tax Compliance:

- Executive Directors: Income is taxed under the "Salary" head, and companies deduct TDS under Section 192.
- Non-Executive Directors: Income is treated as "Income from Other Sources", and TDS is deducted under Section 194J (10%).

GST APPLICABILITY ON DIRECTORS' REMUNERATION

REMUNERATION TYPE	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
GST on Salary	No GST (Employee-Employer Relationship)	Not applicable
GST on Sitting Fees/Commission	No GST	18% GST under Reverse Charge Mechanism (RCM)
Who Pays GST?	Not applicable	Company pays GST under RCM

Key GST Rules:

- No GST on salary paid to executive directors (as per Schedule III of the CGST Act, 2017).
- GST @18% applies to non-executive directors' fees under RCM, meaning the company must pay GST instead of the director.
- The company can claim Input Tax Credit (ITC) if the services are used for taxable business activities.

SUMMARY OF TAXATION & COMPLIANCE

CATEGORY	EXECUTIVE DIRECTOR (EMPLOYEE)	NON-EXECUTIVE/INDEPENDENT DIRECTOR (NON-EMPLOYEE)
Taxable Under	Income from Salary	Income from Other Sources
TDS Applicability	Section 192 (salary-based deduction)	Section 194J (10% TDS on professional fees)
GST Applicability	No GST (treated as salary)	GST @18% under Reverse Charge Mechanism
Who Pays GST?	Not applicable	Company pays under RCM
Tax Deductions Available	Standard deduction, 80C, HRA, etc.	Expenses incurred for earning income
Provident Fund (PF) Benefits	Yes, as per employment contract	Not applicable

AACT & Co.
CHARTERED ACCOUNTANTS

41/924B3, Pipeline Rd, Padivattom, Edappally, Ernakulam, Kerala 682024

Phone: 0484 - 35 95 369