

GOODS

AND

SERVICES

TAX

GST
UPDATES

GST ON SUPPLIES BY CENTRAL KITCHEN

In order to analyse the taxability of supplies by Central Kitchen under Goods and Services Tax (GST) Laws, we need to understand the functioning of central kitchen in respect of restaurant services and the meaning of 'restaurant services'. Restaurant services are defined in clause (xxxii) of Notification no. 11/2017-Central Tax (Rate) dated June 28, 2017 (as amended from time to time) as under: -

“Restaurant service’ means supply, by way of or as part of any service, of goods, being food or any other article for human consumption or any drink, provided by a restaurant, eating joint including mess, canteen, whether for consumption on or away from the premises where such food or any other article for human consumption or drink is supplied”

Further, the term ‘Central Kitchen’ has not been defined in GST Laws hence, its meaning in common parlance will apply which can be understood as follows: -

“Central Kitchen has been defined as a commercial kitchen run by multi-location restaurants or hospitality groups. Central kitchens are used to prepare meal components or entire dishes that are then distributed to all the restaurant's units.”

The above definition suggests that 'restaurant service' is a supply of goods being food or any other article for human consumption by a restaurant for consumption in or away from premises where such food or any other article for human consumption or drink is supplied. In other words, food or any other article for human consumption if prepared /cooked in the restaurant kitchen and served to customers either in the restaurant premises or take away or delivery at customer place are covered under the category of 'restaurant service'.

Further, from above definition of central kitchen it can be inferred, that while providing restaurant services retail outlets/eating joints/restaurant units receive services from central kitchen. Central Kitchens are generally used to undertake substantial part of the cooking or preparation process. It is relevant to highlight here that the food items which are sent by Central Kitchen are in packed form and offered to the customers either 'as such' or after further cooking/preparation by such retail outlets/eating joints/restaurant units at the choice and desire of customers. Thereby, it can be said that services by central kitchen are a major part of process of restaurant services provided by retail outlets/eating joints/restaurant units.

In this regard, a reference can also be made to the [SI No. 7\(ii\) of notification no. 11/2017 – CTR](#) and [circular no. 164/20/2021-GST](#) dated June 28, 2017 and October 6, 2021 respectively wherein it has been clarified that supply of service of semi-cooked and cooked food by central kitchen to retail outlets/eating joints/restaurant units are covered under 'restaurant service'. Further, the explanatory notes to the classification of service also state that "restaurant service" includes services provided by Restaurants, Cafes and similar eating facilities including takeaway services, room services and door delivery of food. Therefore, it is clear that takeaway services and door delivery services for consumption of food are also considered as restaurant service and, accordingly, service by an entity, by way of cooking and supply of food, even if it is exclusively by way of takeaway or door delivery or through or from any restaurant would be covered by restaurant service. This would thus cover services provided by central kitchens. The only exclusion from above notification is if restaurant services are provided in "specified premises" which has been defined in clause (xxxvi) of notification No. 11/2017- Central Tax (Rate) as follows:

“Specified premises” means premises providing ‘hotel accommodation’ services having declared tariff of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent.”

It can be said that specified premises mean any place providing hotel accommodation services. Hence, restaurant services if provided in hotel having declared tariff beyond a certain limit is excluded from the notification mentioned supra.

Basis the above discussion and analysis, it can be concluded that supply of semi-cooked and cooked food by central kitchen to retail outlets/eating joints/restaurant units will be classifiable under HSN 9963 under Sl. No. 7(ii) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended time to time as ‘restaurant services’. The applicable GST rate shall be 5% without availability of Input tax credit.

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CONTACT US:

NOIDA OFFICE

DPNC GLOBAL LLP

 Windsor Grand, 15th Floor,
Plot No. 1C, Sector-126,
Noida-201303, Uttar Pradesh

 +91.120.6456999

 dpnc@dpncglobal.com

 <https://dpncglobal.com/>

DELHI OFFICE

DPNC GLOBAL LLP

C-9, Defence Colony,
New Delhi – 110024
India

+91.11.40526860

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