

TAX INFO

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Latest update on GST Law: Information regarding **Interest received on loans and advances, deposits and savings Bank account is exempt under GST** based on the **Judgement issued by Gujarat Authority for Advance Ruling**

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GSTR-1 Return filing amounts to determination of tax

Name of Applicant	Shree Sawai Manohar Lal Rathi
Name of Court	AAR-Gujarat
Appeal Number	GUJ/GAAR/R/2020/10
Date of Judgement	19/04/2020

Facts of the Case:

The applicant has submitted that he is an individual having not engaged in any business. His receipts are only from savings, personal loans and advances and deposits, which are reflected in the Income Tax Returns. His estimated receipts for the F.Y. 2018-19 is likely to be totally Rs.20,12,000/-, which includes, (i) Rent receipts: Rs.9,84,000/-, (ii) Bank interest: Rs. 3,000/-, (iii) Interest on PPF deposit: Rs.2,76,000/- and (iv) Interest on Personal Loans and Advances: Rs.7,49,000.

Questions on which Ruling is sought?

Whether Interest received in form of PPF or on Personal Loans and Advanced to family/friends or on Saving Bank Account would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?

Contention of Applicant:

Applicant contended that if interest is received on loans and advances, deposits and savings Bank account by an individual person, who is not engaged in any such business and who is not a money lender, then such Interest Receipts is not a Supply and does not attract GST, as the same is neither "In the course of Business" nor "In the furtherance of Business".

He further submitted that the receipts from personal loans and advances, deposits and Bank Interest are not covered under "Business" as per the definition of "Business" given under Section 2(17) of the CGST Act, 2017.

Observations:

Entry 27(a) of the Notification No. 12/2017 and Entry 28(a) of the Notification No. 9/2017 relates to services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest. Therefore, such services are exempted from payment of GST. The Applicant is required to aggregate the value of exempted interest income earned by way of extending deposits in PPF & Bank Saving accounts and loans and advances given to his family/friends along with the value of the taxable supply i.e. "Renting of immovable property" for the purpose of calculating the threshold limit of Rs.20.00 Lakh for obtaining registration under GST law

Ruling:

The individual is not required to discharge GST on the activity of providing services by way of extending deposits, loans or advances where the consideration is represented by way of interest.

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