

# TAX INFO

*Dated: 27.10.2020*

Latest update on GST Law: Information regarding **Pure consultancy services to Municipalities & Corporations are exempt from GST** based on the **Ruling** given by **Karnataka Authority for Advance Ruling**.

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## **Pure consultancy services to Municipalities & Corporations are exempt from GST**

<b>Name of Applicant</b>	In re Vimos Technocrats Private Limited
<b>Name of Court</b>	AAR Karnataka
<b>Appeal Number</b>	KAR ARDG 52/2020
<b>Date of Judgement</b>	09.10.2020

### **Facts of the Case:**

The Applicant is a private limited company rendering pure consultancy services like project management consultancy services including construction, supervision, quality control, rejuvenation and development of lakes. Further applicant also involved in the preparation of detailed project report for pumping treated water, scientific landfill at Bengaluru quarries, construction of Raja Nala and Other development civil works etc. The Applicant is providing these services mainly to the Municipalities, Corporations (i.e. local bodies) and also to Government Departments and only in a few cases, a pure consultancy service is being provided to private parties.

### **Questions on which Advance Ruling is sought:**

1. Whether pure consultancy services provided to the Municipalities and Corporations are exempt from GST as per the serial number 3 of the notification 12/2017-Central tax (Rate) dated 28.06.2017?
2. Whether pure consultancy services provided to the private individuals is taxable? If yes, what is the rate of tax and relevant notification?
3. Whether the input tax paid on the purchase of capital goods like furniture, computer, lab equipment's, drone cameras, total station, auto level instruments, etc., and on certain services can be claimed to the extent of taxable supply of services?

### **Contention of Applicant:**

The applicant submitted that any type of 'pure services' provided to Central Government or State Government or to a local authority in relation to any function entrusted to a Municipality under Article 243W of the Constitution is exempt from payment of tax as per notification 12/2017-Central tax (Rate) dated 28.06.2017. The applicant further submitted that the works undertaken by the applicant is neither works contract service nor composite supply involving any goods. The applicant is involved in the supply of 'pure services' only to the Corporations, Municipalities and Government Department falling under Article 243W read with Twelfth Schedule of the Constitution and falls under serial number 3 of the Notification referred to above and hence exempt from payment of GST.

### **Observations:**

The work undertaken by the applicant reveals that he is providing majority of his services to the BBMP and Government Departments and to the smaller extent to the private individuals. The work undertaken by the applicant reveals that he is providing majority of his services to the BBMP and Government Departments and to the smaller extent to the private individuals. As per section 2(69) of CGST Act 2017 it is clear that the BBMP and Sindhanur Municipality come under the definition of local authority and the service provided by the applicant to BBMP and Sindhanur Municipality is the service rendered to the local authority.

### **Judgement:**

1. Pure consultancy services (without supply of goods) provided by the applicant to the Municipalities and Corporations (local bodies) and State Government Departments, as enumerated in the application, are exempt from GST as per the serial number 3 of the notification 12/2017-Central tax (Rate) dated 28.06.2017?
2. Pure consultancy services provided to the private individuals is taxable at 9% under CGST and 9% under SGST as per the entry No.21 of the Notification No. 11/2017 Central Tax (Rate) Dated 28/06/2017.
3. Input tax paid on the purchase of capital goods like furniture, computer, lab equipment's, drone camera, total station, auto level instruments, etc., and on certain inputs services shall be restricted to so much of the input tax as is attributable to the taxable supplies made by the applicant as per subsection 2 of section 17 of the CGST Act 2017.

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