

From	Karvy Data Management Services Ltd.
Date	March 02, 2018
Subject	Clarifications regarding applicability of GST in respect of certain services
Category	Circular
Reference	Circular No. 34/08/2018-GST dated 01 st March, 2018
Series	Karvy/GST/50

CBEC has been providing clarification to the issues placed on the table by trade & industry for quite sometime since implementation of GST. Such clarifications are indeed helpful to the taxpayers in determining the applicability of GST on certain transactions.

With this objective, CBEC provided yet another clarification in respect of few services vide Circular No. 34/08/2018-GST dated 01st March 2018. The series of clarification issued by CBEC has been summarised below:

Sl. No.	Service Category	Issues on the applicability of GST	Clarification to the issue
1	Bus body building activity	Whether bus body building activity is a supply of goods or services?	<ul style="list-style-type: none"> • Bus building activity is supply of goods and services both and the same is classified as composite supply • Determining the principal supply from this composite supply would be significant which may be figured out based on the facts and circumstances (as per the particulars of purchase / service order) • Rate of tax applicable on the principal supply shall apply
2	Retreading of tyres	Whether retreading of tyres activity is a supply of goods or services?	<ul style="list-style-type: none"> • Retreading of tyres is a composite supply • Pre-dominant element of such supply is the process of retreading which is a supply of service • Rubber used for retreading is an ancillary supply • While determining which part of the composite supply is the principal supply, nature of the supply involved must be analysed • Value may be one of the guiding factors in this determination but not the sole factor • Focus should be on the essential nature of the composite supply and which element of the supply imparts that essential nature to the composite supply • Supply of retreaded tyres, where the old tyres belong to the supplier of retreaded tyres shall be treated as supply of goods falling under tariff head 4012 attracting GST @28%

Sl. No.	Service Category	Issues on the applicability of GST	Clarification to the issue
3	Priority Sector Lending Certificates (PSLCs)	Whether PSLCs are outside the purview of GST and therefore not taxable?	<ul style="list-style-type: none"> • In Reserve Bank of India FAQ on PSLC, it has been mentioned that PSLC may be construed to be in the nature of goods • Dealing in PSLC has been notified as a permissible activity under section 6(1) of the Banking Regulation Act, 1949 vide Government of India notification dated 4th February, 2016 • PSLC are not securities. PSLC are akin to freely tradable duty scrips, Renewable Energy Certificates, REP license or replenishment license, which attracted VAT in the erstwhile regime • In GST regime, trading in PSLCs are taxable as goods at standard rate of 18% under the residuary S. No. 453 of Schedule III of notification No. 1/2017-Central Tax (Rate) • ITC will be available to the Banks buying PSLCs
4	Services allied to transmission of electricity	Whether the activities carried by DISCOMS against recovery of charges from consumers under State Electricity Act are exempt from GST?	<ul style="list-style-type: none"> • Service by way of transmission or distribution of electricity by an electricity transmission or distribution utility is exempt from GST under notification No. 12/2017- CT (R), Sl. No. 25 • The other services as mentioned below provided by DISCOMS to consumer are taxable under GST: <ul style="list-style-type: none"> (a) Application fee for releasing connection of electricity (b) Rental Charges against metering equipment (c) Testing fee for meters/ transformers, capacitors etc. (d) Labour charges from customers for shifting of meters or shifting of service lines (e) Charges for duplicate bill
5	Guarantee provided by State Govt.	Whether the guarantee provided by State Government to state owned companies against guarantee commission, is taxable under GST?	<ul style="list-style-type: none"> • The service provided by Central Government/State Government to any business entity including PSUs by way of guaranteeing the loans taken by them from financial institutions against consideration in any form including Guarantee Commission is taxable under GST.

Link to access Circular No. 34/08/2018-GST dated 01st March 2018: <http://www.cbec.gov.in/resources//htdocs-cbec/gst/circularno-34-cgst.pdf;jsessionid=FC9611B9416272B1EDB69FDB1E270B3E>

About KARVY DATA MANAGEMENT SERVICES LTD.

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com

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