

EXEMPTIONS FROM GST

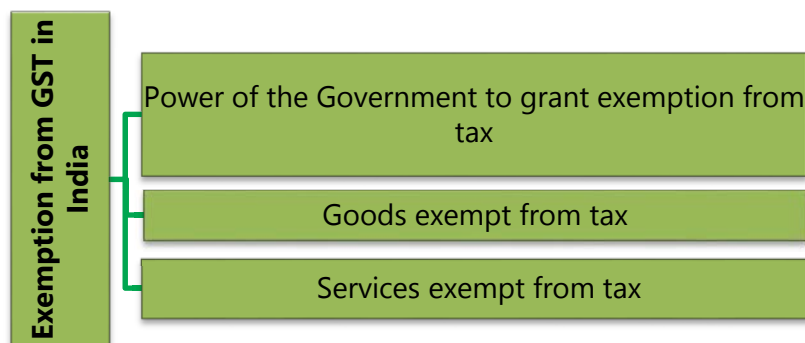


LEARNING OUTCOMES

After studying this Chapter, you will be able to –

- ❑ describe the power of the Government to grant exemption from CGST/IGST.
- ❑ provide an overview of the goods exempt from GST.
- ❑ identify and analyse various services exempt from GST.

CHAPTER OVERVIEW



1. INTRODUCTION

When a supply of goods and/or services falls within the purview of charging section, such supply is chargeable to GST. However, for determining the liability to pay the tax, one needs to further check whether such supply of goods and/or services are exempt from tax.

Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply [Section 2(47) of the CGST Act, 2017]. **Non-taxable supply** means a supply of goods or services or both which is **not leviable to tax** under CGST Act or under the IGST Act [Section 2(78) of the CGST Act, 2017]. Thus, under GST, a supply not leviable to tax is also included within the purview of 'exempt supply'.



Power to grant exemption from GST has been granted vide section 11 of the CGST Act and vide section 6 of the IGST Act. State GST laws also contain identical provisions granting power to exempt SGST. Under GST, **essential goods/services, i.e. public consumption products/services, have been exempted**. Items such as unbranded atta/maida/besan, unpacked food grains, milk, eggs, curd, lassi and fresh vegetables are among the items exempted from GST. Further, essential services like health care services, education services, etc. have also been exempted.

In this chapter, we shall discuss the power to grant exemption from tax under CGST Act/IGST Act, list of services exempt from GST in detail and an overview of the goods exempt from tax.



2. POWER TO GRANT EXEMPTION FROM TAX [SECTION 11 OF THE CGST ACT/SECTION 6 OF IGST ACT]



STATUTORY PROVISIONS

Section 11	Power to grant exemption from tax
Sub-section	Particulars
(1)	Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification , exempt generally, either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification
(2)	Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by special order in each case, under circumstances of an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable.
(3)	The Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification issued under sub-section (1) or order issued under sub-section (2), insert an explanation in such notification or order, as the case may be, by notification at any time within one year of issue of the notification under sub-section (1) or order under sub-section (2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be.

Explanation—For the purposes of this section, where an exemption in respect of any goods or services or both from the whole or part of the tax leviable thereon has been granted absolutely, the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate, on such supply of goods or services or both.



ANALYSIS

- (i) **Exemption from payment of tax:** GST law empowers the Central Government or State Government as the case may be to grant exemption from tax. The exemption is granted on recommendation of the GST Council.

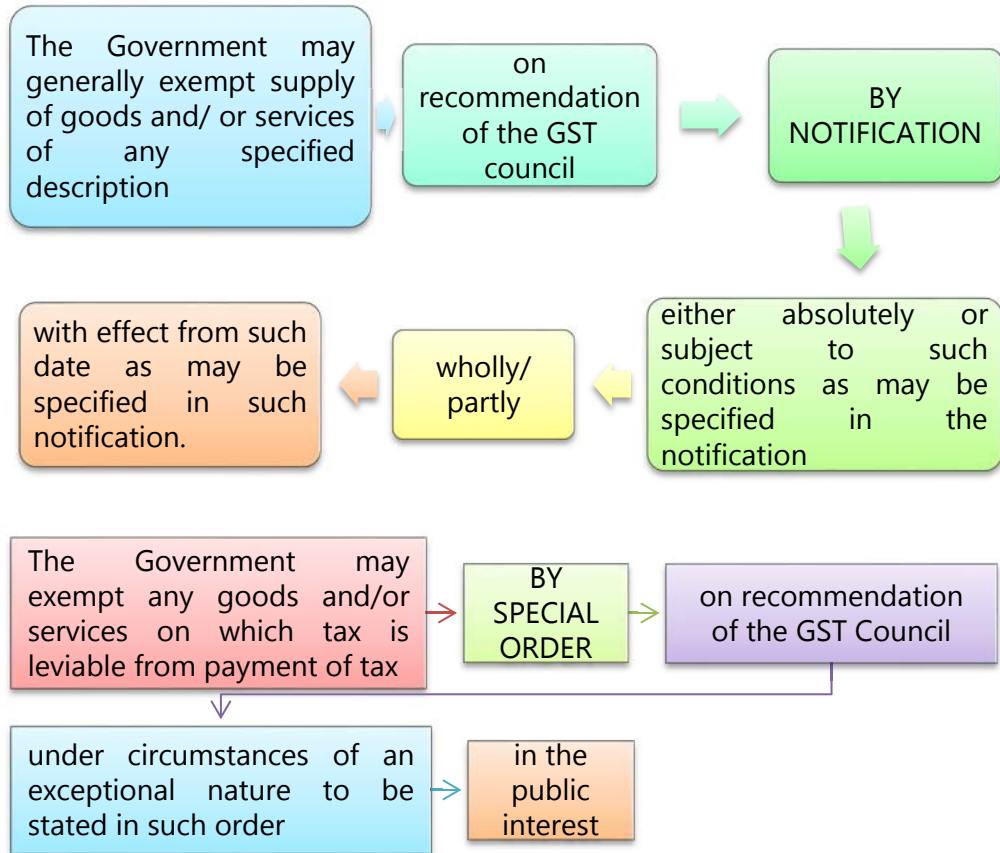
Exemption can be from whole of the tax or part of the tax. It should be granted in public interest.

Exemption can be granted to goods or services or both of any specified description, by way of issuance of notification generally, absolutely [i.e. unconditional exemption; exemption is not subject to any conditions] or conditionally [i.e. exemption is subject to specified conditions]. Exemption may be granted by a special order in case of the circumstances of an exceptional nature.

The absolute/ unconditional exemption is mandatory in nature. Where the supply of the goods or services or both are unconditionally exempted from *whole of the tax*, the registered person doesn't have option to collect and pay tax on such supply of goods or services or both. Where the supply of the goods or services or both are unconditionally exempted from *part of the tax*, the registered person doesn't have option to collect and pay the tax, in excess of the effective rate, on such supply of goods or services or both.

However, where the exemption is conditional, it is at the option of the registered person whether to avail the same or not.

The above provisions have been explained by way of a diagram as follows:



(ii) Explanation inserted within 1 year, for the purpose of clarifying the scope or applicability of any notification/order, to have retrospective effect:

Wherever the Government feels that there is a need to clarify the scope or applicability of any notification/order issued under this section, it can issue an explanation within 1 year of issue of said notification/ order. Such explanation shall have effect as if it was there when first such notification/ order was issued, i.e. explanation so inserted would be effective retrospectively.



Similar provisions granting power to exempt IGST have been provided under section 6 of the IGST Act.









3. GOODS EXEMPT FROM TAX

A list of items have been notified under section 11(1) of the CGST Act, 2017/ section 6(1) of the IGST Act, 2017. These items have been exempted from whole of the tax.

Under GST, everyday items used by the common man have been included in the list of exempted items. Items such as unbranded atta/ maida/ besan, unpacked food grains, milk, eggs, curd, lassi and fresh vegetables are among the items exempted from GST.



Some of the examples of the goods exempted from tax have been provided herein¹:

		
Live fish (0301)	Fresh Milk (0401)	Potatoes (0701)
		
Grapes (0806)	Indian National Flag (63)	Plastic Bangles (3926)

¹ Students may go through the complete list of goods exempt from GST on CBIC website – www.cbic.gov.in, for knowledge purposes.



4. LIST OF SERVICES EXEMPT FROM TAX

I. SPECIFIC SERVICES EXEMPT FROM CGST/IGST

Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017² (hereafter referred to as “the Notification”) unless otherwise specified, has exempted the various services wholly from CGST. Each of the entries of the exemption notification have been discussed below:

1. Services related to charitable and religious activities

Entry No. ³	Description of services
1	Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities .
13	<p>Services by a person by way of-</p> <p>(a) conduct of any religious ceremony;</p> <p>(b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 or a trust or an institution registered under section 10(23C)(v) of the Income-tax Act or a body or an authority covered under section 10(23BBA) of the said Income-tax Act.</p> <p>However, nothing contained in entry (b) of this exemption shall apply to-</p> <p>(i) renting of rooms where charges are ₹ 1,000 or more per day;</p> <p>(ii) renting of premises, community halls, kalyanmandapam or open area, and the like where charges are ₹ 10,000 or more per day;</p>

² Exemption from IGST has been granted to various services vide Notification No. 9/2017 Integrated Tax (Rate) dated 28.06.2017. All the services exempted from CGST have also been exempted from IGST. Apart from these, there are few additional services which have been exempted only under IGST law. Such services will be discussed at the Final Level.

³ Entry Nos. mentioned herein correspond to entries in Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017. However, these entry no.s have been given only for reference purposes and are not relevant for examination purpose.

	(iii) renting of shops or other spaces for business or commerce where charges are ₹ 10,000 or more per month.
60	Services by a specified organisation in respect of a religious pilgrimage facilitated by the Government of India, under bilateral arrangement.
80	Services by way of training or coaching in recreational activities relating to- (a) arts or culture, or (b) sports by charitable entities registered under section 12AA of the Income-tax Act.



ANALYSIS

A. SERVICES PROVIDED BY CHARITABLE/RELIGIOUS TRUST

Entry 1 of the Notification exempts services provided by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities. Thus, in order to claim exemption under Entry 1 of the Notification, following two conditions must be satisfied:-

- (i) The entity should be **registered under section 12AA of the Income tax Act, 1961**, and
- (ii) The entity must carry out one or more of the specified charitable activities.

Before proceeding further, let us first understand the meaning of term '**charitable activities**'. The term 'charitable activities' mean **activities relating** to-

- (i) **PUBLIC HEALTH** by way of-

(A) care or counseling of

- (I) terminally ill persons or persons with severe physical or mental disability;
- (II) persons afflicted with HIV or AIDS;
- (III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or



- (B) public awareness of preventive health, family planning or prevention of HIV infection;
- (ii) **ADVANCEMENT OF RELIGION**, spirituality or yoga;
- (iii) **ADVANCEMENT OF EDUCATIONAL PROGRAMMES/SKILL DEVELOPMENT** relating to,-
 - (A) abandoned, orphaned or homeless children;
 - (B) physically or mentally abused and traumatized persons;
 - (C) prisoners; or
 - (D) persons over the age of 65 years residing in a rural area;
- (iv) **PRESERVATION OF ENVIRONMENT** including watershed, forests & wildlife.

Thus, only those services provided by a charitable and religious trusts [registered under section 12AA of the Income-tax Act] which fall within the above definition of charitable activities, are eligible for exemption from GST. There could be many other services provided by such charitable and religious trusts which are not covered by the definition of charitable activities and hence, such services would attract GST.

For instance, grant of advertising rights to a person on the premises of the charitable/religious trust or on publications of the trust, or granting admission to events, functions, celebrations, shows against admission tickets or fee etc. would attract GST. In the following paras, we have examined some of the services provided by the entities registered under section 12AA of the Income-tax Act:

Management of educational institutions by charitable trusts

- ❑ Activities of schools, colleges or any other educational institutions run by charitable trusts by way of education or skill development of abandoned, orphans, homeless children, physically or mentally abused persons, prisoners or persons over age of 65 years or above residing in a **rural area**, will be considered as charitable activities and income from such supplies will be wholly exempt from GST.
- ❑ The term **rural area** means the area comprised in a village as defined in land revenue records, excluding the area under any municipal committee, municipal corporation, town area committee, cantonment board or notified

area committee; or any area that may be notified as an urban area by the Central Government or a State Government.

- ❑ Activities of a school, college or an institution run by a trust which do not come within the ambit of charitable activities will not be exempt under Entry 1 of the Notification. However, such activities may be exempt under Entry 66 of the Notification *[discussed later in this chapter]* provided the school, college or institution qualifies as an 'educational institution'.

Hostel accommodation provided by trusts

- ❑ Hostel accommodation services provided by trusts to students do not fall within the ambit of charitable activities as defined above.
- ❑ However, accommodation service in hostels including such services provided by trusts having ⁴ below ₹ 1,000 per day is exempt under Entry 14 of the Notification *[discussed later in this chapter]* *[Circular No. 32/06/2018-GST dated 12.02.2018]*.

Religious yatras or pilgrimage

- ❑ Religious Yatras/pilgrimage organised by any charitable or religious trust are not exempt. Further, services of transportation of passengers for a pilgrimage by the charitable trust are not exempt from GST.
- ❑ Only such services of religious pilgrimage as are provided by **specified organization** in respect of a religious pilgrimage facilitated by the Government of India (GoI), under bilateral arrangement, are exempt from GST. *[See Entry 60 in above table]*. The term **specified organization** as referred herein means-

- Kumaon Mandal Vikas Nigam Limited (KMVN), a Government of Uttarakhand Undertaking; or
- 'Haj Committee of India' or 'State Haj Committee including Joint State Committee'.



- ❑ Hence, as per **Entry 60**, the services provided **by the Haj Committee and KMVN** in relation to a **religious pilgrimage facilitated by GoI** are not liable to GST.

⁴ The words "declared tariff" have been substituted with words "value of supply" in said entry.

Arranging yoga and meditation camp by charitable trusts

- ❑ As discussed above, services provided by entity registered under section 12AA of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt as such activities are covered in definition of charitable activities.
- ❑ Fee or consideration charged in any other form from the participants for participating in a religious, yoga or meditation programme or camp meant for advancement of religion, spirituality or yoga shall be exempt.
- ❑ Residential programmes or camps where the fee charged includes cost of lodging and boarding shall also be exempt as long as the **primary and predominant activity, objective and purpose of such residential programmes or camps is advancement of religion, spirituality or yoga.**
- ❑ However, if charitable or religious trusts merely or primarily provide accommodation or serve food and drinks against consideration in any form including donation, such activities will be taxable. Similarly, activities such as holding of fitness camps or classes such as those in aerobics, dance, music etc. will be taxable.



Bhavyajyoti Foundation, a charitable trust registered under section 12AA of the Income-tax Act, 1961, has organized a 'Meditation Camp' for the old age people. GST would be exempt on the same as services provided by entity registered under section 12AA of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt.

Hospitals managed by charitable trusts

Exemption available to health care services under Entry 74 of the Notification [discussed later in this chapter] is also applicable to the services provided by a **clinical establishment, an authorised medical practitioner or paramedics of a religious or charitable trust** also.

Training or coaching in recreational activities

Besides charitable activities, services provided by way of training or coaching in recreational activities relating to arts or culture or sports, by a charitable entity registered under section 12AA of Income-tax Act are also exempt under **Entry 80**.

The term '**recreational activities**' is very wide. However, under this entry, the scope of training or coaching in recreational activities is restricted to the area of:-

- (i) arts
- (ii) culture
- (iii) sports

Hence, the training or coaching in **recreational activities in the areas other than arts, culture or sports** is outside the purview of this entry.

Further, training or coaching relating to **all forms of arts, culture or sports** is covered under this entry, namely, dance, music, painting, sculpture making, literary activities, theatre, sports etc. of any school, tradition or language or any of the sports.

GST on services provided TO charitable trusts

Services provided to charitable or religious trusts are not outside the ambit of GST. *Unless specifically exempted*, all goods and services supplied to charitable or religious trusts are leviable to GST.

B. CONDUCT OF ANY RELIGIOUS CEREMONY

Going through Entry 13(a) of the Notification, it can be inferred that the amount charged, by whatever name called, for the conduct of any religious ceremony is exempt from GST. Religious ceremonies are life-cycle rituals including special religious poojas conducted in terms of religious texts by a person so authorized by such religious texts. Occasions like birth, marriage, and death involve elaborate religious ceremonies.




Raamanand Joshi, a priest, charges ₹ 12,000 for conducting a religious ceremony on the birthday of Mr. Ghanshyam's son. The amount charged for the conduct of any religious ceremony is exempt from GST.

C. RENTING OF PRECINCTS OF RELIGIOUS PLACE MEANT FOR GENERAL PUBLIC

- ❑ **Entry 13(b) of the Notification** exempts renting of precincts of a religious place meant for general public owned by an entity registered under any of the specified sections of the Income Tax Act provided the consideration charged for such renting does not exceed the prescribed ceiling limits as given in said entry. Thus, this exemption is determined on the basis of

amount of consideration charged for such renting. Let us understand the meaning of the terms 'religious place' and 'general public' referred herein.

- ❑ **Religious place** means a place which is primarily meant for conduct of prayers or worship pertaining to a religion, meditation, or spirituality. 
- ❑ **General public** means the body of people at large sufficiently defined by some common quality of public or impersonal nature.
- ❑ The word '**precincts**' is not to be interpreted in a restricted manner and **all immovable property of the religious place located within the outer boundary walls** of the complex (of buildings and facilities) in which the religious place is located, is to be considered as being located in the precincts of the religious place. The immovable property located in the immediate vicinity and surrounding of the religious place and owned by the religious place or under the same management as the religious place, may be considered as being located in the precincts of the religious place and extended the benefit of above exemption.
- ❑ Activities other than - conduct of religious ceremony and renting of precincts of religious place - will be taxable irrespective of the manner or the name in which the consideration is received. **For example**, if donation is received with specific instructions/mutual understanding between the donor and the receiver that religious place will host an advertisement promoting business of the donor, such donation will be subject to GST. However, if donation is received without such instructions or without a *quid pro quo* in the form of supply of any goods or services or both by the receiver to the donor, it shall not be subject to GST⁵.



Durgadevi Trust, a religious trust registered under section 12AA of the Income-tax Act, owns and manages a temple in their locality. It rents the commercial shops located in the precincts of the temple for a rent of ₹ 10,000 per month per shop. The consideration so received is liable to GST as the consideration is not less than ₹ 10,000.





Sarvshiksha Foundation, an educational institution registered under section 10(23C)(v) of the Income-tax Act, owns and manages a gurudwara.

⁵ Discussion is primarily based on CBIC GST Flyer – Chapter 39 - GST on Charitable and Religious Trusts and other clarifications

It rents the community hall located in the precincts of the gurudwara for a rent of ₹ 9,000 per day for a marriage function. The consideration so received is exempt from GST as the consideration is less than ₹ 10,000.

2. Agriculture related services





Entry No.	Description of services
24	Services by way of loading, unloading, packing, storage or warehousing of rice.
24A	Services by way of warehousing of minor forest produce.
53A	Services by way of fumigation in a warehouse of agricultural produce. 
54	<p>Services relating to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce by way of—</p>  <ol style="list-style-type: none"> agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing; supply of farm labour; processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market; renting or leasing of agro machinery or vacant land with or without a structure incidental to its use; loading, unloading, packing, storage or warehousing of agricultural produce; agricultural extension services;

	(g) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce. (h) services by way of fumigation in a warehouse of agricultural produce.
55	Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce.
55A	Services by way of artificial insemination of livestock (other than horses).



ANALYSIS

ENTRY 54

- ❑ The words **'Services relating to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products'** used in **Entry 54** include activities like breeding of fish (pisciculture), rearing of silk worms (sericulture), cultivation of ornamental flowers (floriculture) and horticulture, forestry, etc.
 
- ❑ Further, the term **'agricultural produce'** means any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products, **on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics, but makes it marketable for primary market.** It is important to note that agricultural produce is either subject to no further processing at all or if any processing is undertaken on the agricultural produce it should not alter its essential characteristics but may make it marketable for primary market.
 



Few instances of such processes are the processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, etc.

Let us see what is exempt under Entry 54.

- Entry 54 exempts the agricultural operations directly related to production of any agricultural produce such as cultivation, harvesting, threshing, plant protection or testing. Further, processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like **operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market** are also exempt. In view of the same, following processes are outside the purview of this entry and thus, are liable to GST:-

(a) **Process which alters the essential characteristics of the agricultural produce:** For instance, potato chips or tomato ketchup are manufactured through processes which alter the essential characteristic of farm produce (potatoes and tomatoes in this case).

(b) **Process which makes agricultural produce marketable in the retail market:** The processes of grinding, sterilizing, extraction packaging in retail packs of agricultural products, which make the agricultural products marketable in retail market, would NOT be covered in this entry. Only such processes are covered in this entry which makes agricultural produce marketable in the primary market.

- Apart from this, supply of farm labour is also exempt from GST.

Renting or leasing of agro machinery or vacant land

- Item (d) of the entry exempts **renting or leasing of agro machinery or vacant land** with or without a structure incidental to its use.



Moolchand has leased out to a farmer – Tulsidas - a vacant land for agriculture. The land has a green house and a storage shed which are incidental to its use for agriculture. Leasing of vacant land with a green house or a storage shed which is incidental to its use for agriculture is exempt from GST.

Agricultural extension services

- ❑ Item (f) of the entry exempts **Agricultural extension services (AES)**. Said services have been defined under the notification to mean the application of scientific research and knowledge to agricultural practices through farmer education or training.

The main objective of AES is to transmit latest technical know-how to farmers. It also focuses on enhancing farmers' knowledge about crop techniques and help them to increase productivity. This is done through training courses, kisan call centres, farm visits, on farm trials, kisan melas, kisan clubs, advisory bulletins and the like.

Agricultural Produce Marketing Committee services

- ❑ Services by any **Agricultural Produce Marketing Committee** or Board or services provided by a commission agent for sale or purchase of agricultural produce are not liable to GST. Agricultural Produce Marketing Committee or Board means any committee or board set up under a State Law for the time being in force for purpose of regulating the marketing of agricultural produce.
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- The image shows a banner for the Agricultural Produce Marketing Committee (APMC) of Azadpur, Delhi. The banner features a variety of fresh fruits including bananas, grapes, apples, and tomatoes, along with a large yellow bell pepper. The text on the banner reads "Agricultural Produce Marketing Committee (AMI) Azadpur, Delhi".
- ❑ Such marketing committees or boards have been set up in most of the States and provide a variety of support services for facilitating the marketing of agricultural produce by provision of facilities and amenities like, sheds, water, light, electricity, grading facilities etc. They also take measures for prevention of sale or purchase of agricultural produce below the minimum support price. APMCs collect market fees, license fees, rents etc.
 - ❑ Services provided by such Agricultural Produce Marketing Committee or Board are covered in item (g) of entry 54. However, any service provided by such bodies which is not directly related to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce, will be liable to tax e.g. renting of shops or other property.

Warehousing of agriculture produce

- ❑ Item (e) of the entry exempts loading, unloading, packing, storage or

warehousing of agricultural produce. In this regard, following may be noted:

❑ **Processed Tea and coffee**



Tea used for making the beverage, such as black tea, green tea, white tea is a processed product made in tea factories after carrying out several processes, such as drying, rolling, shaping, refining, oxidation, packing etc. on green leaf and is the processed output of the same. Thus, green tea leaves and not tea is the “agricultural produce” eligible for exemption available for loading, unloading, packing, storage or warehousing of agricultural produce. Same is the case with coffee obtained after processing of coffee beans.



❑ **Jaggery**



Similarly, processing of sugarcane into jaggery changes its essential characteristics. Thus, jaggery is also not an agricultural produce.



❑ **Pulses**

Pulses commonly known as dal are obtained after dehusking or splitting or both. The process of dehusking or splitting is usually not carried out by farmers or at farm level but by the pulse millers. Therefore pulses (dehusked or split) are also not agricultural produce. However, whole pulse grains such as whole gram, rajma etc. are covered in the definition of agricultural produce.



In view of the above, it is inferred that processed products such as tea (i.e. black tea, white tea etc.), processed coffee beans or powder, pulses (dehusked or split), jaggery, processed spices, processed dry fruits, processed cashew nuts etc. fall outside the definition of agricultural produce and therefore the exemption from GST is not available to their loading, packing, warehousing etc. [Circular No. 16/16/2017 GST dated 15.11.2017].

ENTRY 55

Custom milling of paddy into rice

Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce is exempt under GST.

Milling of paddy is not an intermediate production process in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested. Further, processing of paddy into rice is not usually carried out by cultivators, but by rice millers. Milling of paddy into rice also changes its essential characteristics. Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce.



In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption under Entry 55 [Circular No. 19/19/2017 GST dated 20.11.2017].



3. Education services

Entry No.	Description of services
66	<p>Services provided -</p> <ul style="list-style-type: none"> (a) by an educational institution to its students, faculty and staff; (aa) by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee; (b) to an educational institution, by way of,- <ul style="list-style-type: none"> (i) transportation of students, faculty and staff; (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory; (iii) security or cleaning or house-keeping services performed in such educational institution; (iv) services relating to admission to, or conduct of examination by, such institution; (v) supply of online educational journals or periodicals. <p>However, nothing contained in sub-items (i), (ii) and (iii) of item (b) shall apply to an educational institution other than an institution providing services by way of pre-school education and education up to</p>

higher secondary school or equivalent.

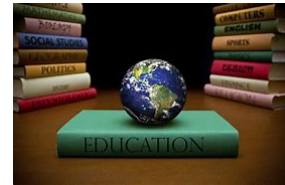
Further, nothing contained in sub-item (v) of item (b) shall apply to an institution providing services by way of,-

- (i) pre-school education and education up to higher secondary school or equivalent; or
- (ii) education as a part of an approved vocational education course.



ANALYSIS

Education is fundamental to the nation building process. The term "Education" is not defined in the CGST Act, 2017, but as per Apex Court decision in "*Loka Shikshana Trust v. CIT*", education is process of training and developing knowledge, skill and character of students by normal schooling.



Taxing the Education Sector has always been a sensitive issue, as education is seen more as a social activity than a business one. The Government has a constitutional obligation to provide free and compulsory elementary education to every child. Thus, to promote education, it would be beneficial if educational services are exempted from tax.

However, commercialization of education is also a reality. The distinction between core and ancillary education is blurring and education is now an organised industry with huge revenues. The GST law tries to maintain a fine balance whereby core educational services provided and received by educational institutions are exempt and other services are sought to be taxed.



Exemption from GST granted vide Entry 66 stated above can be discussed under two broad categories – education related output services and education related input services. The discussion in succeeding paras fundamentally revolves around these two areas:

Output services

- ❑ Services provided by an educational institution to its students, faculty and staff and by way of conduct of entrance examination against consideration in the



form of entrance fee are exempt from GST.

Since exemption with respect to said services is available only when these services are provided BY 'educational institution', it is important to analyse the term **EDUCATIONAL INSTITUTION** first:

Educational institution means an institution providing services by way of,-

- (i) **pre-school education** and education up to **higher secondary school** or equivalent;
 - (ii) education as a part of a curriculum for obtaining a **qualification recognised by any law** for the time being in force;
 - (iii) education as a part of an **approved vocational education** course.
- ❑ It is to be noted that only those institutions, whose operations conform to the specifics given in the definition of the term "educational institution", would be treated as one entitled to avail exemptions provided by the law.
- ❑ **Sub-clause (ii)**: The term '**education as a part of curriculum for obtaining a qualification recognised by any law for the time being in force**' means the education delivered as '**a part**' of the curriculum that has been prescribed for obtaining a qualification prescribed by law. Thus, in order to be covered under Entry 66, the education service should be delivered as part of curriculum. In view of same, it can be inferred that:



Education services provided	Covered in sub-clause (ii)	Reasons
Conduct of degree courses by colleges, universities or institutions	✓	These courses lead to grant of qualifications recognized by law
Training given by private coaching institutes	✗	Such training does not lead to grant of a recognized qualification.
Education as a part of a prescribed curriculum for obtaining a qualification recognized by a law of a foreign country	✗	Only a course recognized by an Indian law is covered herein.

- **Sub-clause (iii)** covers institutions providing services by way of education as a part of approved vocational education course. An **approved vocational education course** means, -

✎ a **course run by an ITI/ ITC⁶** affiliated to the National Council for Vocational Training (NCVT) or State Council for Vocational Training (SCVT) **offering courses in designated trades notified under the Apprentices Act, 1961** or



✎ a **Modular Employable Skill Course**, approved by the NCVT, run by a person registered with the Directorate General of Training, Ministry of Skill Development and Entrepreneurship. The Modular Employable Skills is the minimum skill set which is sufficient for gainful employment or self-employment in the world of work. This Scheme provides certification on vocational training from NCVT that is nationally and internationally recognized in world of work in the Government (Centre & State) as well as private sector. It provides employable skills to early school drop-outs, existing workers seeking skill upgradation, workers seeking certification of their skills acquired informally, ITI graduates, etc. to improve their employability and provides certification after completion of the course.



In view of the above definition, some of the institutions providing education services have been examined as under:

Private ITIs

- **Private ITIs** qualify as an educational institution if the education provided by these ITIs is approved as vocational educational course as defined above.



It implies that services provided by a private ITI only in respect of **designated**



trades notified under Apprenticeship Act, 1961⁷ are exempt from GST under Entry 66. Services in other than designated trades are liable to GST**.

⁶ Industrial Training Institute/ Industrial Training Centre

⁷ Some of the designated trades notified under Apprenticeship Act, 1961 are electrician, wireman, carpenter, plumber, mason, mechanic, tool and die maker, baker and confectioner, weaver, tailor, footwear maker, photographer, beautician, painter, desk top publishing operator, gardener, cable television operator, library assistant, etc.

Government ITIs

As far as **Government ITIs** are concerned, services provided by a Government ITI to individual trainees/ students, are exempt under Entry 6 as these are in the nature of services provided by the Central or State Government to individuals [Entry 6 is discussed in detail subsequently]. Such exemption in relation to services provided by Government ITI would cover both - vocational training and examinations conducted by these Government ITIs [Circular No. 55/29/2018 GST dated 09.08.2018].



***As regards the services **provided TO** private ITIs, only services relating to admission to or conduct of examination by a private ITI in respect of such designated trades are exempt. All other services provided to such institutions is liable to GST.*

It is important to note that the Central and State Educational Boards shall be treated as 'Educational Institution' for the limited purpose of providing services by way of conduct of examination to the students.

Unrecognized educational institutions

- ❑ Private coaching centres or other unrecognized institutions, though self-styled as educational institutions, would not be treated as educational institutions under GST and thus cannot avail exemptions available to an educational institution.

Educational institutions up to Higher secondary schools

- ❑ By virtue of Entry 66, educational institutions up to Higher Secondary School level do not suffer GST on output services and also on most of the important input services. However, some of the input services like canteen, repairs and maintenance etc. provided by private players to educational institutions are subject to GST.
- ❑ Output services of lodging/boarding in hostels provided by such educational institutions which are providing pre-school education and education up to higher secondary school or equivalent or education leading to a qualification recognised by law, are fully exempt from GST. Annual subscription/fees charged as lodging/boarding charges by such educational institutions from its students for hostel accommodation shall therefore, not



attract GST.

- ❑ **Boarding schools** provide service of education coupled with other services like providing dwelling units for residence and food. This may be a case of composite supply if the charges for education and lodging and boarding are inseparable. Their taxability will be determined in terms of the principles laid down in section 2(30) read with section 8 of the CGST Act, 2017.

Such services in the case of boarding schools are naturally bundled and supplied in the ordinary course of business. Therefore, the bundle of services will be treated as consisting entirely of the principal supply, which means the service which forms the predominant element of such a bundle.

In this case since the predominant nature is determined by the service of education, the other service of providing residential dwelling will not be considered for the purpose of determining the tax liability and in this case the entire consideration for the supply will be exempt.

Educational institutions providing qualification recognized by law


- ❑ We have already seen that the institutions providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force qualify as educational institutions. However, the question arises that in case where **a course in a college leads to dual qualification only one of which is recognized by law**, would service provided by the college by way of such education be covered by the exemption notification?
- ❑ Provision of dual qualifications is in the nature of two separate services as the curriculum and fees for each of such qualifications are prescribed separately. Service in respect of each qualification would, therefore, be assessed separately.

If an artificial bundle of service is created by clubbing two courses together, when only single fee is charged for both, only one of which leads to a qualification recognized by law, then by application of the rule of determination of taxability of a supply which is not bundled in the ordinary course of business, it shall be treated as a mixed supply as per provisions contained in section 2(74) read with section 8 of the CGST Act, 2017. The taxability will be determined by the supply which attracts highest rate of GST.

- ❑ However, **incidental auxiliary courses provided by way of hobby classes**

or extra-curricular activities in furtherance of overall well-being will be an example of naturally bundled course, and therefore treated as composite supply. One relevant consideration in such cases will be the amount of extra billing being done for the unrecognized component viz-a-viz the recognized course. If extra billing is being done, it may be a case of artificial bundling of two different supplies, not supplied together in the ordinary course of business, and therefore will be treated as a mixed supply, attracting the rate of the higher taxed component for the entire consideration⁸.

IIMs

- ❑ **With effect from 31.01.2018, Indian Institutes of Management Act, 2018 came into force. This Act has empowered IIMs to (i) grant degrees, diplomas, and other academic distinctions or titles, (ii) specify the criteria and process for admission to courses or programmes of study, and (iii) specify the academic content of programmes. Resultantly, all the IIMs are now "educational institutions" as they provide education as a part of a curriculum for obtaining a qualification recognized by law for the time being in force⁹.**
- 
- ❑ **IIMs provide various long duration programs (1 year or more) for which they award diploma/ degree certificate duly recommended by Board of Governors as per the power vested in them under the IIM Act, 2017. Therefore, it is clarified that services provided by Indian Institutes of Managements to their students- in all such long duration programs (one year or more) are exempt from levy of GST.**
 - ❑ **IIMs also provide various short duration/ short term programs (less**

⁸ The view taken in the preceding paras, that education coupled with other incidental services is a composite supply and is exempt since the principal supply [education service] is exempt, is based on the CBIC Flyer - Chapter 40 – 'GST on Education Services'. However, it is also possible to take a different view since as per the definition of composite supply under section 2(30) of the CGST Act, composite supply consists of two or more **taxable supplies**.

⁹ Earlier, IIMs were not covered by the definition of 'educational institutions' and were not entitled to exemption under Entry 66. However, there was a separate entry 67 granting exemption to three specified programs of IIMs. With effect from 31.01.2018, all IIMs have become eligible for exemption benefit under Entry 66. Therefore, Entry 67, which became redundant, was deleted.

*than 1 year) for which they award **participation certificate** to the executives/ professionals as they are considered as "participants" of the said programmes. These participation certificates are not any qualification recognized by law. Such participants are also not considered as students of IIM. Services provided by IIMs as an educational institution to such participants is not exempt from GST. Such short duration executive programs attract standard rate of GST @ 18% (CGST 9% + SGST 9%) [Circular No. 82/01/2019 GST dated 01.01.2019].*

Supply of food in a mess or canteen

- ❑ Educational institutions generally have mess facility for providing food to their students and staff. Such facility is (i) either run by the institution/ students themselves or (ii) is outsourced to a third person.
- ❑ **If the catering services is one of the services provided by an educational institution to its students, faculty and staff and the said educational institution is covered by the definition of 'educational institution' as given above**, then the same is exempt. [covered under item (a) of entry 66 of the Notification].
- ❑ **If the catering services, i.e., supply of food or drink in a mess or canteen, is provided by anyone other than the educational institution**, i.e. the institution outsources the catering activity to an outside contractor, then it is a supply of service to the concerned educational institution by such outside caterer and attracts GST **



****Note:** It may be noted that said services when provided to an educational institution providing pre-school education or education up to higher secondary school or equivalent are exempt from tax.

Fees charged from prospective employers

Educational institutes such as IITs, IIMs charge a fee from prospective employers like corporate houses/MNCs, who come to the institutes for recruiting candidates through campus interviews in relation to campus recruitments. Such services shall also be liable to tax

Input services

- ❑ Regarding, input services, it may be noted that where output services are exempted, the educational institutions may not be able to avail credit of tax paid on the input side. The auxiliary education services [services which educational institutions ordinarily carry out themselves but may obtain as outsourced services from any other person] specified in item (b) of entry 66 only have been exempted [Sub-items (i) to (v) of item (b) of Entry 66].
- ❑ However, the said exemption comes with a rider. Auxiliary services of (i) transportation of students, faculty, and staff, (ii) catering including any mid-day meals scheme sponsored by Government and (iii) security or cleaning or housekeeping services are exempt only if such auxiliary education services are provided to educational institutions providing services by way of education up to higher secondary or equivalent, (from pre-school to HSC). Thus, if such auxiliary education services are provided to educational institutions providing degree or higher education or institutions providing approved vocational education course, the same would not be exempt.
- ❑ Similarly, services of supply of online educational journals/periodicals are exempt only if they are provided to an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force¹⁰.



The exemptions available in respect of input and output services of an educational institution have been tabulated as follows:


	Type of educational institution		
	Educational institution providing pre-school education and education up to higher secondary school or equivalent	Educational institution providing education as a part of a curriculum for	Educational institution providing education as a part of

¹⁰ The discussion in the foregoing paras is primarily based on CBIC Flyer - Chapter 40 – 'GST on Education Services' unless otherwise specified.

		obtaining a recognised qualification	approved vocational education course
Exempt input services	(i) transportation of students, faculty and staff; (ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory; (iii) security or cleaning or house-keeping services performed in such educational institution; (iv) services relating to admission to, or conduct of examination by, such institution	(i) services relating to admission to, or conduct of examination by, such institution (ii) supply of online educational journals or periodical	Services relating to admission to, or conduct of examination by, such institution.
Exempt output services	Services provided by an educational institution - (a) to its students, faculty and staff; (aa) by way of conduct of entrance examination against consideration in the form of entrance fee.		

4. Health care services

Entry No.	Description of services
46	Services by a veterinary clinic in relation to health care of animals or birds.

74	<p>Services by way of-</p> <p>(a) health care services by a clinical establishment, an authorised medical practitioner or para-medics;</p> <p>(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.</p>	
73	<p>Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation.</p>	



ANALYSIS

Entry 74 - Health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST [Entry 74(a) of the Notification]. The term 'health care services' is defined as follows:



Health care services

- ❑ means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in **any recognised system of medicines** in India and
- ❑ includes services by way of **transportation of the patient to and from** a clinical establishment, but
- ❑ does **not include hair transplant or cosmetic or plastic surgery**, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Health care services

As it is apparent from the definition of health care services, only services in **recognized systems of medicines in India** are exempt under this entry. Following systems of medicines are the recognized systems of medicines in India¹¹:-

¹¹ Section 2(h) of the Clinical Establishments Act, 2010

- Allopathy
- Yoga
- Naturopathy
- Ayurveda
- Homeopathy
- Siddha
- Unani
- Any other system of medicine that may be recognized by Central Government

Recognized systems of medicines

Let us now understand the meaning of terms - 'clinical establishment', 'authorised medical practitioner' and 'paramedics'.

✔ **Clinical establishment:** means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases. Thus, diagnostic or investigative services of diseases provided by pathological labs are not liable to GST.



✔ **Authorised medical practitioner:** means a medical practitioner registered with any of the councils of recognised system of medicines established/recognised by law in India & includes a medical professional having requisite qualification to practice in any recognised system of medicines in India as per any law for the time being in force.



Further, **Paramedics** are trained health care professionals, for example, nursing staff, physiotherapists, technicians, lab assistants etc. Services by them in a clinical establishment would be in the capacity of employee and not provided in independent capacity and will thus be considered as services by such clinical establishment. Similar services in independent capacity are also exempted.



Rent of rooms provided to in-patients

- ❑ Rent of rooms provided to in-patients in hospitals is exempt [Circular No. 27/01/2018 GST dated 04.01.2018].

Services provided by senior doctors/ consultants/ technicians

- ❑ Hospitals hire senior doctors/ consultants/ technicians independently. Such persons do not have any contract with the patient. Hospitals pay them consultancy charges and there is no employer-employee relationship between them.
- ❑ It is clarified by CBIC that services provided by such senior doctors/ consultants/ technicians, whether employees or not, are healthcare services which are exempt from GST [Circular No. 32/06/2018 GST dated 12.02.2018].

Amount charged by hospitals from the patients

- ❑ In above cases, suppose hospitals charge the patients, say, ₹ 10,000/- and pay to the consultants/technicians only ₹ 7,500/- and keep the balance for providing ancillary services which include nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc. Going through the definition of health care services [given above], it can be inferred that hospitals also provide healthcare services.
- ❑ The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt [Circular No. 32/06/2018 GST dated 12.02.2018].



Food supplied to the patients

- ❑ Health care services provided by the clinical establishments will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced by the hospitals from outdoor caterers.
- ❑ When outsourced, there is no ambiguity that the suppliers shall charge tax as applicable and hospital will get no ITC.
- ❑ Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare



and not separately taxable.

- ❑ Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable [Circular No. 32/06/2018 GST dated 12.02.2018]¹².

Services other than health care services in clinical establishment's premises

- ❑ Supply of services other than healthcare services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST¹³.


5. Services provided by Government



Entry No.	Description of services
4	Services by governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243 W of the Constitution are exempt.
5	Services by a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution.
6	Services by the Central Government, State Government, Union territory or local authority excluding the following services— (a) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than the Central Government, State Government, Union territory ; (b) services in relation to an aircraft or a vessel , inside or outside the precincts of a port or an airport;

¹² The view taken in the preceding paras, that health care services coupled with other incidental services is a composite supply and is exempt since the principal supply [health care service] is exempt, is based on Circular No. 32/06/2018 GST dated 12.02.2018. However, it is also possible to take a different view since as per the definition of composite supply under section 2(30) of the CGST Act, composite supply consists of two or more **taxable supplies**.

¹³ As clarified by the CBIC GST Flyer – Chapter 39 - GST on Charitable and Religious Trusts

	<p>(c) transport of goods or passengers; or</p> <p>(d) any service, other than services covered under entries (a) to (c) above, provided to business entities.</p>
7	<p>Services provided by the Central Government, State Government, Union territory or local authority to a business entity with an aggregate turnover of up to ₹ 20 lakh (₹ 10 lakh in case of a Special Category States) in the preceding FY.</p> <p>Explanation - For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to following services:-</p> <p>(i) item (a), (b) and (c) of Entry 6 above.</p> <p>(ii) services by way of renting of immovable property.</p>
8	<p>Services provided by the Central Government, State Government, Union territory or local authority to another Central Government, State Government, Union territory or local authority.</p> <p><i>However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 6 above.</i></p>
9	<p>Services provided by Central Government, State Government, Union territory or a local authority where the consideration for such services does not exceed ₹ 5,000.</p> <p><i>However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 6 above</i></p> <p>Further, in case where continuous supply of service* is provided by the Central Government, State Government, Union territory or a local authority, the exemption shall apply only where the consideration charged for such service does not exceed ₹ 5,000 in a FY.</p> <p><i>*as defined in section 2(33) of the CGST Act, 2017</i></p>
9C	<p>Supply of service by a Government Entity to Central Government, State Government, Union territory, local authority or any person specified by Central Government, State Government, Union territory or local authority against consideration received from Central Government, State Government, Union territory or local authority, in the form of grants.</p>

<p>9D</p>	<p>Services by: an old age home run by:</p> <ul style="list-style-type: none"> ✓ Central Government, State Government or ✓ an entity registered under section 12AA of the Income-tax Act, 1961 <p>to its residents (aged 60 years or more) against consideration upto ₹ 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.</p>	
<p>34A</p>	<p>Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings(PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions.</p>	
<p>47</p>	<p>Services provided by the Central Government, State Government, Union territory or local authority by way of-</p> <ul style="list-style-type: none"> (a) registration required under any law for the time being in force; (b) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force. 	
<p>61</p>	<p>Services provided by the Central Government, State Government, Union territory or local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate.</p>	
<p>62</p>	<p>Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Central Government, State Government, Union territory or local authority under such contract.</p>	

63	<p>Services provided by the Central Government, State Government, Union territory or local authority by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.</p>
65	<p>Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges.</p>
65B	<p>Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on behalf of the State Government on the mineral dispatched by the mining lease holders.</p> <p>However, at the end of the contract period, ERCC shall submit an account to the State Government and certify that the amount of GST deposited by mining lease holders on royalty is more than the GST exempted on the service provided by State Government to the ERCC of assignment of right to collect royalty and where such amount of GST paid by mining lease holders is less than the amount of GST exempted, the exemption shall be restricted to such amount as is equal to the amount of GST paid by the mining lease holders and the ERCC shall pay the difference between GST exempted on the service provided by State Government to the ERCC of assignment of right to collect royalty and GST paid by the mining lease holders on royalty.</p> <p>Explanation- Mining lease holder means a person who has been granted mining lease, quarry lease or license or other mineral concession under the Mines and Minerals (Development and Regulation) Act, 1957, the rules made thereunder or the rules made by a State Government under section 15(1) of the Act.</p>
74A	<div style="display: flex; align-items: center;">  <div style="flex-grow: 1;"> <p>Services provided by rehabilitation professionals recognised under the Rehabilitation Council of India Act, 1992 by way of rehabilitation, therapy or counselling and such</p> </div>  </div>

other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under section 12AA of the Income-tax Act, 1961.



ANALYSIS

Relevant definitions are as under:

✔ **Business entity:** means any person carrying out business.

✔ **Governmental authority:** means an authority or a board or any other body,

- (i) set up by an Act of Parliament or a State Legislature; or
- (ii) established by any Government,

with 90%, or more participation by way of equity or control, to carry out any function entrusted to a Municipality under article 243W of the Constitution or to a Panchayat under article 243G of the Constitution.

✔ **Government Entity:** means an authority or a board or any other body including a society, trust, corporation,

- (i) set up by an Act of Parliament or State Legislature; or
- (ii) established by any Government,

with 90%, or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government, Union Territory or a local authority.





✔ **Aircraft:** means any machine which can derive support in the atmosphere from reactions of the air, other than reactions of the air against the earth's surface and includes balloons, whether fixed or free, airships, kites, gliders and flying machines [Section 2(1) of the Aircraft Act, 1934].

✔ **Airport:** means a landing and taking off area for aircrafts, usually with runways and aircraft maintenance and passenger facilities and includes aerodrome as defined in section 2(2) of the Aircraft Act, 1934 [Section 2(b) of the




Airports Authority of India Act, 1994].

Exemption to services provided by Government

- ❑ **Not all services provided by the Government or a local authority are exempt from tax.** As for instance, following services are not exempt:
 - (a) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government; 
 - (b) services in relation to an aircraft or a vessel, inside or outside the precincts of an airport or a port; 
 - (c) transport of goods or passengers; or 
 - (d) any service, other than services covered under (a) to (c) above, provided to business entities [with aggregate turnover exceeding ₹20 lakh (₹10 lakh in case of Special Category States) in the preceding FY]. 

Let us first understand what does 'Government' and 'local authority' mean?

Meaning of Government

- ❑ As per section 2(53) of the CGST Act, 2017, 'Government' means the Central Government. 
- ❑ Various State/ Union Territories (with Legislatures) GST Acts define 'Government' as Government of respective State Government/ Union Territory. For Union Territories (without State Legislatures), 'Government' means the Administrator or any Authority or officer authorized to act as Administrator by the Central Government.
- ❑ Regulatory bodies/agencies, for instance, Competition Commission of India, Press Council of India, Directorate General of Civil Aviation, Forward Market Commission, Inland Water Supply Authority of India, Central Pollution Control Board, Securities and Exchange Board of India, do not fall under the definition of Government.

Meaning of local authority

- ❑ Local authority is defined in section 2(69) of the CGST Act, 2017 and means

the following:

- ✓ a **“Panchayat”** as defined in clause (d) of article 243 of the Constitution;
- ✓ a **“Municipality”** as defined in clause (e) of article 243P of the Constitution;
- ✓ a **Municipal Committee, a Zilla Parishad, a District Board**, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
- ✓ a **Cantonment Board** as defined in section 3 of the Cantonments Act, 2006;
- ✓ a **Regional Council or a District Council** constituted under the Sixth Schedule to the Constitution;
- ✓ a Development Board constituted under **article 371 and article 371J** of the Constitution
- ✓ a **Regional Council** constituted under article 371A of the Constitution.

Thus, 'local authority' includes only those bodies which are listed in the above definition. It would not include other body which is merely described as a 'local body' by virtue of a local law. For example, local developmental authorities - setup by State Governments to undertake developmental works - like Delhi Development Authority, Ahmedabad Development Authority, Bangalore Development Authority, etc. are not qualified as local authorities.

In the subsequent paras, we have examined some of the Government services:

Services provided to a business entity

- ❑ Entry 7 provides that services provided to a business entity located in a Special Category State¹⁴ with a turnover up to ₹ 10 lakh in preceding FY are exempt. In case the services are provided to a business entity located in a State other than Special Category State, such services are exempt if the

¹⁴ As per Article 279A(4)(g) of the Constitution, there are 11 Special Category States, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

aggregate turnover of the business entity in preceding FY is upto ₹ 20 lakh.

- ❑ However, this exemption is not applicable to **specified services** and renting of immovable property services. **Renting in relation to immovable property** means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property.
- ❑ GST on services supplied by the Central Government, State Government, Union territory or local authority to a business entity [whose turnover in preceding FY exceeds ₹ 20 lakh (₹ 10 lakh in case business entity is located in a Special Category State)] is payable under reverse charge by such business entity. However, reverse charge provisions are not applicable to renting of immovable property services provided to unregistered persons and to 'specified services' provided to such business entity [See the reverse charge provisions as discussed in Chapter – 3: Charge of GST].



A small business entity is carrying on a business relating to consulting engineer services in Delhi. The aggregate turnover of the entity in the preceding financial year does not exceed the limit of ₹ 20 lakh in a financial year. Thus, no tax is payable on the services received by it from Government or a local authority.

Services provided by the Department of Posts

- ❑ Entry 6 stipulates that the services by way of speed post, express parcel post, and life insurance, provided by the Department of Posts to a person other than the Government or Union territory are not exempt. The Department of Posts also provides services like distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills **on commission basis**. These services are in the nature of intermediary and generally called **agency services**. On agency services, the **Department of Posts is liable to pay tax** without the application of reverse charge.
- ❑ However, the following services provided by the **Department of Posts are not liable to tax**:
 - (a) **Basic mail services** known as postal services such as post card, inland letter, book post,



registered post provided exclusively by the Department of Posts to meet the universal postal obligations.

- (b) Transfer of money through money orders, operation of savings accounts, issue of postal orders, pension payments and other such services.

Services provided by one department of the Government to another Department of the Government

- ❑ Services (except specified services) provided by one Department of the Central Government/ State Government to another Department of the Central Government/ State Government are exempt under Entry 8.

Services by governmental authority by way of any activity in relation to any function entrusted to Panchayat/ Municipality



Services provided by governmental authority by way of any activity in relation to any function entrusted to a municipality under Article 243W of the Constitution¹⁵ and services by a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution¹⁶ are exempt vide Entry 4 and Entry 5 respectively.



Services provided by Police/security agencies of Government to PSUs/corporate entities/sports events held by private entities

- ❑ Services provided by Police or security agencies of Government to PSU/private business entities are not exempt from GST.

¹⁵ The functions entrusted to municipality under the Twelfth Schedule to Article 243W of the constitution include urban planning including town planning, roads and bridges, public health, sanitation conservancy and solid waste management, fire services, slum improvement and upgradation, promotion of cultural, educational and aesthetic aspects, provision of urban amenities and facilities such as parks, gardens, playgrounds, public amenities including street lighting, parking lots, bus stops and public conveniences, etc.

¹⁶ The functions entrusted to Panchayat under the Eleventh Schedule to Article 243G of the constitution include Agriculture, including agricultural extension, Animal husbandry, dairying and poultry, Fisheries, Small scale industries, including food processing industries, Drinking water, Fuel and fodder, Rural electrification, including distribution of electricity, Health and sanitation, including hospitals, primary health centres and dispensaries, Women and child development, Public distribution system, etc.

- Such services are taxable supplies and the recipients are required to pay the tax under reverse charge mechanism on the amount of consideration paid to Government for such supply of services [See the reverse charge provisions as discussed in Chapter – 3: Charge of GST].



The Karnataka Cricket Association, Bangalore requests the Commissioner of Police, Bangalore to provide security in and around the Cricket Stadium for the purpose of conducting the cricket match. The Commissioner of Police arranges the required security for an agreed consideration. In this case, services of providing security by the police personnel are not exempt. As the services are provided by Government, Karnataka Cricket Association is liable to pay the tax on the consideration paid, albeit under reverse charge mechanism.

Services provided by way of tolerating non-performance of a contract

- Non-performance of a contract or breach of contract is one of the conditions normally stipulated in the Government contracts for supply of goods or services. The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract.
- In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party. **Tolerating non-performance of a contract is an activity or transaction which is treated as a supply of service** [as per Schedule II of CGST Act – as explained in Chapter 2 – Supply under GST] **and the person is deemed to have received the consideration in the form of fines or penalty and is, accordingly, required to pay tax on such amount.**
- However, **in case of supplies to Government, services [provided by Government] by way of tolerating the non-performance of contract by the supplier of service is covered under the exemption under Entry 62 of the Notification.** Thus, any consideration received by the Government from any person or supplier for non-performance of contract is exempted from tax.




Public Works Department of Karnataka entered into an agreement with M/s. ABC, a construction company, for construction of its office complex for an agreed consideration. In the agreement dated

10.07.20XX, it was agreed by both the parties that M/s. ABC shall complete the construction work and handover the project on or before 31.12.20XX.

It was further agreed that any breach of the terms of contract by either party would give right to the other party to claim for damages or penalty. M/s. ABC did not complete the construction and did not handover the project by the specified date i.e., on or before 31.12.20XX. As per the contract, the Department asked for damages/penalty from M/s. ABC and threatened to go to the court if not paid. Resultantly, M/s. ABC paid an amount of ₹ 10,00,000/- to the Department for non-performance of contract. Amount paid by M/s. ABC to Department is exempt from payment of tax.

6. Construction services

Entry No.	Description of services
10	Services provided by way of pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana . 
10A	Services supplied by Electricity Distribution Utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use.
11	Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex .
41A and 41B	Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer are exempted subject to the condition that the constructed flats are sold before issuance of completion

certificate and tax is paid on them.

Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses¹⁷.



ANALYSIS

Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana (hereinafter referred to as PMAY) is a programme launched by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) which envisions provision of Housing for All by 2022 when the nation completes 75 years of its independence.

The mission seeks to address the housing requirement of urban poor including slum dwellers through following, *inter alia*, programme verticals:

- ❑ Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource.
- ❑ Promotion of Affordable Housing for weaker section through credit linked subsidy.
- ❑ Affordable Housing in Partnership with Public & Private sectors.
- ❑ Subsidy for beneficiary-led individual house construction/enhancement.

Last component of the mission is assistance to individual eligible families belonging to Economically Weaker Section (EWS) categories to either construct new houses or enhance existing houses on their own to cover the beneficiaries who are not able to take advantage of other components of the mission. Such families may avail specified amount of central assistance for construction of new houses or for enhancement of existing users under the mission.

Entry 10 of the Notification exempts the services provided by way of pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the PMAY from GST.

¹⁷ These entries have been stated in simplified form.

The term '**original works**' means- all new constructions;

- ❑ all types of additions and alterations to abandoned or damaged structures on land that are required to make them workable;
- ❑ erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise.



Entry 11 of the Notification exempts the services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex from GST.

The term '**residential complex**' means any complex comprising of a building or buildings, having more than one single residential unit. Further, '**single residential unit**' means a self-contained residential unit which is designed for use, wholly or principally, for residential purposes for one family.

7. Passenger transportation services

Entry No.	Description of services
15	Transport of passengers, with or without accompanied belongings, by – <ul style="list-style-type: none"> (a) air, embarking from or terminating in an airport located in the State of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal; (b) non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or (c) stage carriage other than air- conditioned stage carriage.
16	Services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a RCS (Regional Connectivity

	<p>Scheme) airport, against consideration in the form of viability gap funding.</p> <p>However, nothing contained in this entry shall apply on or after the expiry of a period of 3 years from the date of commencement of operations of the RCS airport as notified by the Ministry of Civil Aviation.</p>
<p>17</p>	<p>Service of transportation of passengers, with or without accompanied belongings, by—</p> <p>(a) railways in a class other than—</p> <p style="padding-left: 20px;">(i) first class; or</p> <p style="padding-left: 20px;">(ii) an air-conditioned coach;</p> <p>(b) metro, monorail or tramway;</p> <p>(c) inland waterways;</p> <p>(d) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and</p> <p>(e) metered cabs or auto rickshaws (including e-rickshaws).</p>



ANALYSIS

Services of transportation of passengers are usually chargeable to GST. Entry 6 [*Services provided by Government - discussed earlier*] specifically excludes the transport of passengers' services provided by the Government or local authority from its purview, which implies that said services are liable to GST.

However, services of transportation of passengers specified in Entries 15, 16 and 17 mentioned above are exempt from GST (whether provided by Government or otherwise) with or without accompanied belongings.

As regards transportation of passengers by vessels in item (d) of Entry 17 [*See the table given above*], the words '**other than predominantly for tourism purpose**' qualify the preceding words "**public transport**". This implies that to qualify for exemption under this entry, the public transport by a vessel between places located in India should not be predominantly for tourism purposes.




Normal public ships or other vessels that sail between places located in India would be covered in this entry even if some of the passengers on board are using

the service for tourism because predominantly, such service is not for tourism purpose. However, services provided by leisure/charter vessels/a cruise ship, predominant purpose of which is tourism, would not be covered in here even if some of the passengers in such vessels are not tourists.



Services by way of transportation of passengers [not predominantly for tourism purpose] on a vessel, from Kolkata to Port Blair (mainland to island) or Port Blair to Rose Island (inter island) is covered in item (d) of Entry 17 since such transportation is between two places located in India.

Relevant definitions of these entries are as follows:

- 
Contract carriage: means a motor vehicle which carries a passenger or passenger or passengers for hire or reward and is engaged under a contract, whether expressed or implied, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of a permit in relation to such vehicle or any person authorised by him in this behalf on a fixed or an agreed rate or sum-
 - (a) on a time basis, whether or not with reference to any route or distance; or
 - (b) from one point to another, and in either case, without stopping to pick up or set down passengers not included in the contract anywhere during the journey, and includes--
 - (i) a maxicab; and
 - (ii) a motor cab notwithstanding that separate fares are charged for its passengers [Section 2(7) of Motor Vehicles Act, 1988].
- 
Metered cab: means any contract carriage on which an automatic device, of the type and make approved under the relevant rules by the State Transport Authority, is fitted which indicates reading of the fare chargeable at any moment and that is charged accordingly under the conditions of its permit issued under the Motor Vehicles Act, 1988 and the rules made thereunder (but does not include radio taxi).
- 
Radio taxi: means a taxi including a radio cab, by whatever name called, which is in two-way radio communication with a central control office and is enabled for tracking using the Global Positioning System or General Packet Radio Service;



- ❖ **Stage carriage:** means a motor vehicle constructed or adapted to carry more than 6 passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey [Section 2(40) of the Motor Vehicles Act, 1988].
- ❖ **State Transport Undertaking:** means any undertaking providing road transport service, where such undertaking is carried on by-
 - i. the Central Government or a State Government;
 - ii. any Road Transport Corporation established under section 3 of the Road Transport Corporations Act, 1950.
 - iii. any municipality or any corporation or company owned or controlled by the Central Government or one or more State Governments, or by the Central Government and one or more State Governments.

Explanation-For the purposes of this clause, road transport service means a service of motor vehicles carrying passengers or goods or both by road for hire or reward [Section 2(42) of the Motor Vehicles Act, 1988].

- ❖ **E-rickshaw:** means a special purpose battery powered vehicle of power not exceeding 4000 watts, having three wheels for carrying goods or passengers, as the case may be, for hire or reward, manufactured, constructed or adapted, equipped and maintained in accordance with such specifications, as may be prescribed in this behalf.



8. Goods transportation services

Entry No.	Description of services
18	Services by way of transportation of goods- <ol style="list-style-type: none"> (a) by road except the services of— <ol style="list-style-type: none"> (i) a goods transportation agency; (ii) a courier agency; (b) by inland waterways.

20

Services by way of **transportation by rail or a vessel** from one place in India to another of the following goods –

- (a) **relief materials** meant for victims of natural or man-made disasters, calamities, accidents or mishap;
- (b) **defence or military equipments;**
- (c) **newspaper or magazines** registered with the Registrar of Newspapers;
- (d) **railway equipments** or materials;
- (e) **agricultural produce;**
- (f) milk, salt and food grain including flours, pulses and rice; and
- (g) organic manure.



Goods Transport Agency (GTA) Service

21

Services provided by a goods transport agency, by way of transport in a goods carriage of –

- (a) agricultural produce;
- (b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹1,500;
- (c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed ₹ 750;
- (d) milk, salt and food grain including flour, pulses and rice;
- (e) organic manure;
- (f) newspaper or magazines registered with the Registrar of Newspapers;
- (g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
- (h) defence or military equipments.



21A

Services provided **by a GTA to an unregistered person**, including an

	<p>unregistered casual taxable person, other than the following recipients, namely: -</p> <ul style="list-style-type: none"> (a) any factory registered under/governed by the Factories Act, 1948; or (b) any Society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or (c) any Co-operative Society established by or under any law for the time being in force; or (d) any body corporate established, by or under any law for the time being in force; or (e) any partnership firm whether registered or not under any law including association of persons; (f) any casual taxable person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act.
<p>21B</p>	<p>Services provided <i>by a GTA</i>, by way of transport of goods in a goods carriage, to, -</p> <ul style="list-style-type: none"> (a) <i>a Department or Establishment of the Central Government or State Government or Union territory; or</i> (b) <i>local authority; or</i> (c) <i>Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.</i>



ANALYSIS

Transportation of goods by road

- ❑ The services of transportation of goods by road are exempt from GST under **Entry 18**. Services of GTA and courier services are an exception to this exemption. However, GTA services provided to an unregistered person

[including unregistered casual taxable person¹⁸] are exempt from GST by virtue of **Entry 21A**.

- ❑ Further, GTA services provided to registered casual taxable person and following persons, even if unregistered under GST law, are liable to tax:
 - (i) a factory registered under Factories Act,
 - (ii) society registered under Societies Act,
 - (iii) Co-operative society,
 - (iv) body corporate and
 - (v) partnership firm including AOP.
- ❑ In other words, the GTA services provided to only an unregistered individual end consumer are exempt from GST.
- ❑ Thus, GTA services provided to:
 - ✓ person registered under GST law & registered casual taxable person, and
 - ✓ a factory registered under Factories Act, society registered under Societies Act, Co-operative society, body corporate and partnership firm including AOP – whether or not registered under GST law,

are liable to tax. Further, it is important to note that in such cases, if GTA opts to pay tax @ 5%, the tax liability falls on said recipients under the reverse charge mechanism. Before proceeding further, we shall now understand the meaning of GTA:



Who is a GTA – Goods Transport Agency?

Let us understand the meaning of Goods Transport agency (GTA). Goods transport agency has been defined in the Notification to mean any person who:

¹⁸ The concept of 'casual taxable person' has been discussed in detail in Chapter 7 - Registration

- ❖ provides service **in relation to transport of goods by road** and
 - ❖ issues **consignment note**, by whatever name called.
- Thus, it can be seen that **issuance of a consignment note is the *sine-qua-non* for a supplier of service to be considered as a GTA**. If such a consignment note is not issued by the transporter, the service provider will not come within the ambit of GTA.
- **If a consignment note is issued, it indicates that the lien on the goods has been transferred** (to the transporter) and the transporter becomes responsible for the goods till its safe delivery to the consignee. It is only the services of such GTA, who assumes agency functions, that has been brought into the GST net.
- **Individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA**. As a result, the services provided by such individual transporters who do not issue a consignment note will be covered by the entry at Entry 18 of Notification, which are exempt from GST.



Hari Prasad owns a truck and operates it himself. He carries the goods booked for his truck without issuance of consignment note. Services provided by Hari Prasad by way of transportation of goods by road are exempt under Entry 18 of the Notification.



Nishant owns a truck which he has rented to Sindhu and Bansal Transport Agency - a GTA. Services by way of giving on hire a means of transportation [truck in the given case] of goods to a GTA [Sindhu and Bansal Transport Agency], are exempt from tax vide Entry 22 of the Notification (*discussed later in this chapter*) and not vide Entry 18.

- **Consignment note** means a document, issued by a GTA against the receipt of goods for the purpose of transport of goods by road in a goods carriage, which is serially numbered, and contains:
- ✓ the name of the consignor and consignee,
 - ✓ registration number of the goods carriage in which the goods are transported,
 - ✓ details of the goods transported,



- ✓ details of the place of origin and destination,
- ✓ gross weight of the consignment;
- ✓ GSTIN of the person liable for paying tax whether consignor, consignee or GTA
- ✓ other particulars as prescribed for a tax invoice¹⁹.

Significance of the term 'in relation to' in the definition of GTA

The use of the phrase '**in relation to**' has extended the scope of the definition of GTA. It includes not only the actual transportation of goods, but also various intermediary and ancillary services, such as, loading/unloading, packing/ unpacking, transshipment and temporary warehousing, which are provided in the course of transport of goods by road. These services are not provided as independent services but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services.



In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by the GTA, such service would form part of the GTA service, being a composite supply, and would not be treated as a separate supply. However, if such incidental services are provided as separate services and charged separately, whether in the same invoice or separate invoices, they shall be treated as separate supplies²⁰.

What is courier agency?

Courier agency has been defined in the Notification to mean any person engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles.



¹⁹ Meaning of GTA and consignment note elaborated in foregoing paras is primarily based on CBIC GST flyer - Chapter 38 – Goods Transport Agency in GST.

²⁰ As clarified in answer to question no. 6 of CBIC FAQs on Transport & Logistics.

Express cargo service: Some transporters undertake door-to-door transportation of goods or articles and they have made special arrangements for speedy transportation and timely delivery of such goods or articles.

Such services are known as 'Express Cargo Service' with assurance of timely delivery. The nature of service provided by 'Express Cargo Service' falls within the scope and definition of the courier agency. Hence, the said service relating to transportation of goods by road is exempt.

Transportation of goods by rail/vessel/GTA in goods carriage

Exemptions granted to transport of specified goods through rail or a vessel or a by GTA in goods carriage are presented in the following table:**

Transportation of the following goods by rail / vessel is exempt	Transportation of the following goods by a GTA in a goods carriage is exempt
Railway equipments or materials	(i) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹1,500;
	(ii) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed ₹ 750.
Transportation of the following goods by rail / vessel / GTA in goods carriage is exempt	
<ul style="list-style-type: none"> (a) agricultural produce (b) milk, salt and food grain including flours, pulses and rice (c) organic manure (d) newspaper or magazines registered with the Registrar of Newspapers (e) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap 	

(f) defence or military equipments

****Goods carriage** means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods.

9. Banking and financial services

Entry No.	Description of services
26	Services by the Reserve Bank of India.
27	Services by way of— (a) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services); (b) <i>inter se</i> sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.
27A	Services provided by a banking company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).
34	Services by an acquiring bank, to any person in relation to settlement of an amount upto ₹ 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service. <i>Explanation.</i> — For the purposes of this entry, “acquiring bank” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.
39A	Services by an intermediary of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR).

Explanation.- For the purposes of this entry, the intermediary of financial services in IFSC is a person,-

- (i) who is permitted or recognised as such by the Government of India or any Regulator appointed for regulation of IFSC; or
- (ii) who is treated as a person resident outside India under the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015; or
- (iii) who is registered under the Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 as IFSC Insurance Office; or
- (iv) who is permitted as such by Securities and Exchange Board of India (SEBI) under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.



ANALYSIS

Banks and financial institutions provide a bouquet of financial services relating to lending or borrowing of money or investments in money.



All services **provided by** the Reserve Bank of India are covered under Entry 26 and are thus, exempt from GST. However, services **provided to** the Reserve Bank of India are not covered under said entry and would be taxable unless otherwise covered in any other entry of the Notification.

Specified banking services exempt from GST vide Entry 27 have been discussed below:

(A) Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount: This entry covers any such service wherein moneys due are allowed to be used or retained on payment of interest or on a discount. The words used are '**deposits, loans or advances**' and have to be taken in the generic sense.

They would cover any facility by which an amount of money is lent or allowed to be used or retained on payment of what is commonly called the time value of money which could be in the form of an interest or a discount. **This entry**



would not cover investments by way of equity or any other manner where the investor is entitled to a share of profit.

Interest: means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) but does not include any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilized.



❑ **Illustrations of services exempt under Entry 27** are -

- ✓ Fixed deposits or saving deposits or any other such deposits in a bank or a financial institution for which return is received by way of interest.
- ✓ Providing a loan or overdraft facility or a credit limit facility in consideration for payment of interest.
- ✓ Mortgages or loans with a collateral security to the extent that the consideration for advancing such loans or advances are represented by way of interest.
- ✓ Corporate deposits to the extent that the consideration for advancing such loans or advances are represented by way of interest or discount.



❑ **Service charges/fees, documentation fees, broking charges, administrative charges, entry charges or such like fees or charges collected over and above interest** on loan, advance or a deposit are not exempt and thus, represent taxable consideration.

❑ **Invoice discounting/cheque discounting or any other similar form of discounting** is covered only to the extent consideration is represented by way of discount as such discounting is a manner of extending a credit facility or a loan.

❑ **Any interest/ delayed payment charges charged to clients for delay in payment of brokerage amount/ settlement obligations/ margin trading facility:** is exempt from GST since settlement obligations/ margin trading facilities are transactions which are in the nature of extending loans or advances and are covered by Entry 27²¹.

²¹ As clarified vide FAQs on Banking, Insurance and Stock Brokers Sector.

- ❑ **Charges for late payment of outstanding dues on credit card:**
Interest charged on outstanding credit card balances has been specifically excluded from Entry 27. Hence, the same is liable to GST.

(B) Services provided by banks or authorized dealers of foreign exchange by way of sale of foreign exchange:

The term 'authorised dealer of foreign exchange' means an authorised dealer, money changer, off-shore banking unit or any other person for the time being authorised under section 10(1) of FEMA, 1999 to deal in foreign exchange or foreign securities [Section 2(c) of the Foreign Exchange Management Act, 1999].



It is important to note that such services provided to general public will not be covered in this entry as this entry only covers sale and purchase of foreign exchange between banks and authorized dealers of foreign exchange or between banks and such dealers.

Services provided by banks to RBI would be taxable as these are not covered by any of the exemptions/exclusions under the GST law.




10. Life insurance business services



Entry No.	Description of services
28	Services of life insurance business provided by way of annuity under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India under the Pension Fund Regulatory and Development Authority Act, 2013.
29	Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.
29A	Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.
36	Services of life insurance business provided under following schemes- (a) Janashree Bima Yojana;

- (b) Aam Aadmi Bima Yojana;
- (c) Life micro-insurance product** as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of ₹ 2,00,000;
- (d) Varishtha Pension BimaYojana;
- (e) Pradhan Mantri Jeevan Jyoti BimaYojana;
- (f) Pradhan Mantri Jan DhanYogana;
- (g) Pradhan Mantri Vaya Vandana Yojana.

****Life micro-insurance product** means any term insurance contract with/without return of premium, any endowment insurance contract or health insurance contract, with/without an accident benefit rider, either on individual/group basis, as per terms stated in Schedule-II appended to the regulations [Regulation 2(e) of the Insurance Regulatory and Development Authority (Micro-insurance) Regulations, 2005].

11. Services provided by specified bodies

Entry No.	Description of services
30	Services by the Employees' State Insurance Corporation to persons governed under the Employees' State Insurance Act, 1948. 
31	Services provided by the Employees Provident Fund Organisation to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952. 
31A	Services by Coal Mines Provident Fund Organisation to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
31B	Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee. 

32	Services provided by the IRDAI (Insurance Regulatory and Development Authority of India) to insurers under IRDAI Act, 1999.	
33	Services provided by the SEBI (Securities and Exchange Board of India) set up under the SEBI Act, 1992 by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.	

12. General insurance business services

Entry No.	Description of services
35	<p>Services of general insurance business provided under following schemes –</p> <ul style="list-style-type: none"> (a) Hut Insurance Scheme; (b) Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna²²; (c) Scheme for Insurance of Tribals; (d) Janata Personal Accident Policy and Gramin Accident Policy; (e) Group Personal Accident Policy for Self-Employed Women; (f) Agricultural Pumpset and Failed Well Insurance; (g) premia collected on export credit insurance; (h) Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture; (i) Jan Arogya Bima Policy; (j) Pradhan Mantri Fasal Bima Yojana (PMFBY); (k) Pilot Scheme on Seed Crop Insurance; (l) Central Sector Scheme on Cattle Insurance; (m) Universal Health Insurance Scheme;

²² earlier known as Integrated Rural Development Programme

	<p>(n) Rashtriya Swasthya Bima Yojana;</p> <p>(o) Coconut Palm Insurance Scheme;</p> <p>(p) Pradhan Mantri Suraksha BimaYojna;</p> <p>(q) Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.</p>
36A	Services by way of reinsurance of the insurance schemes specified in serial number 35 or 36.

13. Pension schemes

Entry No.	Description of services
37	Services by way of collection of contribution under the Atal Pension Yojana.
38	Services by way of collection of contribution under any pension scheme of the State Governments.

14. Business facilitator/correspondent

Entry 39: Services by the following persons in respective capacities –

- business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch;
- any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or
- business facilitator or a business correspondent to an insurance company in a rural area.



ANALYSIS

It is still a big challenge for India to make the financial services accessible in rural areas. In many rural areas, either there are no banks or number of banks is insufficient. In order to counter this problem and ensure greater financial inclusion, the Reserve Bank of India (RBI) introduced the Business Correspondents and Business Facilitator Model through guidelines in 2006 allowing banks to employ two categories of intermediaries – known as Business facilitators (BFs) and Business correspondents (BCs).

BCs/BFs help villagers to open bank accounts and provide other banking services to them. They act as an intermediary between the bank and its customers. Banks, in turn, pay commission/ fee to the BCs/BFs.

According to the RBI guidelines, while the BCs are permitted to carry out transactions on behalf of the bank as agents, the BFs can refer clients, pursue the clients' proposal and facilitate the bank to carry out its transactions, but cannot transact on behalf of the bank²³.

Entry 39 exempts the services provided by BF/BC to a banking company **with respect to accounts in its rural area branch** and services provided by any person as an intermediary to a BF/BC with respect to said services are exempt from GST. It is important to note that for the purpose of availing exemption from GST under this Entry, services provided by a BF/BC to a banking company in their respective individual capacities should be with respect to accounts in a branch located in the rural area of the banking company.

Wherever the services provided by BF/BC to banking company and services provided by intermediary of BF/BC to BF/BC do not fall within the scope of this entry, GST is payable on such services.

However, the banking company is the person liable to pay GST under reverse charge in respect of commission/fees charged for the taxable services provided by BF to a banking company. Similarly, GST on taxable services provided by an agent of BC to BC is payable under reverse charge by the BC.

²³ BFs provide a wide range of services including identification of borrowers and fitment of activities, collection and preliminary processing of loan applications, processing and submission of applications to banks, follow-up for recovery, etc. In addition to these, BCs also undertake disbursement of small value credit, recovery of principal / collection of interest, collection of small value deposits, sale of micro insurance/ mutual fund products/ pension products/ other third party products, receipt and delivery of small value remittances/ other payment instruments, etc.

Further, as seen above, as per RBI's guidelines, banks may pay reasonable commission/fee to the BC. The agreement of banks with the BC specifically prohibits them from directly charging any fee to the customers for services rendered by them on behalf of the bank. On the other hand, banks (and not BCs) are permitted to collect reasonable service charges from the customers for such service in a transparent manner.

The arrangements of banks with the BCs specify the requirement that the transactions are accounted for and reflected in the bank's books by end of the day or the next working day, and all agreements/contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the BF/BC.


Hence, banking company is the service provider to the ultimate customer in the BF model/BC model. The banking company is liable to pay GST on the entire value of service charge or fee charged to customers whether or not received via BF/BC.

[Circular No. 86/05/2019 GST dated 01.01.2019]

Other relevant definitions under this entry are as follows:

- ❖ **Insurance company:** means a company carrying on life insurance business or general insurance business.
- ❖ **Intermediary** means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account [Section 2(13) of the IGST Act, 2017].
- ❖ **Rural area:** means the area comprised in a village as defined in land revenue records, excluding the area under any municipal committee, municipal corporation, town area committee, cantonment board or notified area committee; or any area that may be notified as an urban area by the Central Government or a State Government.
- ❖ Exemption Notification defines BF/BC as an intermediary appointed under the BF model or BC model by a banking company or an insurance company under the guidelines issued by the RBI.

15. Services provided to Government

Entry No.	Description of services
3	<p>Pure services provided TO Government:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pure services (excluding works contract service or other composite supplies involving supply of any goods) <input type="checkbox"/> provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity <input type="checkbox"/> by way of any activity: <ul style="list-style-type: none"> ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.
3A	<p>Composite supply of goods and services TO Government:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply <input type="checkbox"/> provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity <input type="checkbox"/> by way of any activity: <ul style="list-style-type: none"> ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.
11A	<p>Service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin.</p> 

40	Services provided to the Central Government, State Government, Union territory under any insurance scheme for which total premium is paid by the Central Government, State Government, Union territory.
72	Services provided to the Central Government, State Government, Union territory administration under any training programme for which total expenditure is borne by the Central Government, State Government, Union territory administration.
51	Services provided by the GSTN (Goods and Services Tax Network) to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.



ANALYSIS

Entry 3 exempts the **supply of 'pure services'** to Government. Supply of **'pure services'** means supply of services without involving any supply of goods.

Further, **'composite supply of goods and services'*** to Government is exempted vide **Entry 3A**.

**in which value of supply of goods constitutes not more than 25% of value of such composite supply.*

For example, supply of man power for cleanliness of roads, public places, architect services, consulting engineer services, advisory services, and like services provided by business entities not involving any supply of goods would be treated as supply of pure services.

On the other hand, let us take the example of a governmental authority awarding the work of maintenance of street lights in a Municipal area to an agency which involves apart from maintenance, replacement of defunct lights and other spares. In this case, the scope of the service involves maintenance work and supply of goods²⁴.

²⁴ As clarified vide question 25 of CBIC FAQs on Government Services

16. Leasing services

Entry No.	Description of services
41	<p>Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of 30 years, or more) of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union territory to the industrial units or the developers in any industrial or financial business area.</p> <p>Explanation - For the purpose of this exemption, the Central Government, State Government or Union territory shall have 50 % or more ownership in the entity directly or through an entity which is wholly owned by the Central Government, State Government or Union territory.</p> <p><i>Aforesaid exemption is admissible irrespective of whether such upfront amount is payable/paid in one/more instalments, provided the amount is determined upfront²⁵.</i></p>
43	<p>Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by the Indian Railways Finance Corporation to Indian Railways.</p>

17. Legal services

Entry 45: Services provided by-

- (a) an arbitral tribunal to –
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to ₹ 20 lakh (₹10 lakh in the case of Special Category States) in the preceding financial year;

²⁵ As clarified vide Circular No. 101/20/2019-GST, dated 30.04.2019

- (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- (b) a partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to-
 - (i) an advocate or partnership firm of advocates providing legal services;
 - (ii) any person other than a business entity; or
 - (iii) a business entity with an aggregate turnover up to ₹ 20 lakh (₹10 lakh in the case of Special Category States) in the preceding financial year;
 - (iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- (c) a senior advocate by way of legal services to-
 - (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to ₹ 20 lakh (₹10 lakh in the case of Special Category States) in the preceding financial year.
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.



ANALYSIS

Relevant definitions are as under:

- ✔ **Legal service:** means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority.
- ✔ **Advocate** means an advocate entered in any roll under the provisions of the Advocates Act, 1961 [Section 2(1)(a) of the Advocates Act, 1961].
- ✔ **Arbitral tribunal** means a sole arbitrator or a panel of arbitrators [Section 2(d) of the Arbitration and Conciliation Act, 1996].
- ✔ **Senior advocate:** An advocate may, with his consent, be designated as senior advocate if the Supreme Court or a High Court is of opinion that by virtue of his ability standing at the Bar or special knowledge or experience in law he is deserving of such distinction. Senior advocates shall, in the matter of their practice, be subject to such restrictions as the Bar Council of India may, in the interest of the legal profession, prescribe.

Under Entry 45, following services are exempt from GST

Legal services provided by

- Arbitral tribunal
- Partnership firm of advocates or an individual as an advocate other than a senior advocate by way of legal services
- Senior advocate by way of legal services

provided to

- any person other than BE
- Business Entity with an aggregate turnover up to ₹ 20 lakh (₹10 lakh in Special Category States) in the preceding FY
- CG/SG/UT/LA/GA/GE

Legal services provided by a partnership firm of advocates/ individual as an advocate other than a senior advocate to another advocate/ partnership firm of advocates providing legal services.

Thus, legal services provided to a business entity with an aggregate turnover exceeding ₹ 20 lakh (₹10 lakh in Special Category States) in the preceding FY are liable to GST. Further, tax is payable by the business entity on such services under reverse charge.

18. Sponsorship of sports events

Entry 53: Services by way of sponsorship of sporting events organised -

- (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
- (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
- (c) by the Central Civil Services Cultural and Sports Board;
- (d) as part of national games, by the Indian Olympic Association; or
- (e) under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.

19. Skill Development services

Entry No.	Description of services
69	<p>Any services provided by, _</p> <p>(a) the National Skill Development Corporation set up by the Government of India;</p> <p>(b) a Sector Skill Council approved by the National Skill Development Corporation;</p> <p>(c) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;</p> <p>(d) a training partner approved by the National Skill Development Corporation or the Sector Skill Council,</p> <p>in relation to-</p> <p>(i) the National Skill Development Programme implemented by the National Skill Development Corporation; or</p> <p>(ii) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or</p> <p>(iii) any other Scheme implemented by the National Skill Development Corporation.</p>
70	<p>Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under the Skill Development Initiative Scheme.</p>
71	<p>Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY) implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training.</p>

20. Performance by an artist

Entry 78: Services by an artist by way of a performance in folk or classical art forms of-

- (a) music, or

(b) dance, or

(c) theatre,

if the consideration charged for such performance is not more than **₹ 1,50,000** are exempt from GST.

The activities by a performing artist in folk or classical art forms of music, dance, or theatre are exempt if **consideration** does not exceed ₹ 1,50,000. However, if consideration from such activities exceeds ₹ 1,50,000, entire consideration is subject to GST.

Further, all other activities by an artist in **other art forms** e.g. western music or dance, modern theatres, performance of actors in films or television serials would be taxable. Similarly activities of artists in **still art forms** e.g. painting, sculpture making etc. are **taxable**.

However, the exemption shall not apply to service provided by such artist as a brand ambassador. '**Brand ambassador**' means a person engaged for promotion or marketing of a brand of goods, service, property or actionable claim, event or endorsement of name, including a trade name, logo or house mark of any person.

21. Right to admission to various events

Entry No.	Description of services
79	Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo **. ** Zoo means an establishment, whether stationary or mobile, where captive animals are kept for exhibition to the public but does not include a circus and an establishment of a licensed dealer in captive animals [Section 2(39) of the Wild Life (Protection) Act, 1972].
79A	Services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites & Remains Act 1958 or any of the State Acts, for the time being in force.
81	Services by way of right to admission to- (a) circus, dance, or theatrical performance including drama or ballet; (b) award function, concert, pageant, musical performance or any

sporting event other than a recognised sporting event;

- (c) recognised sporting event;
- (d) planetarium,

where the consideration for right to admission to the events or places as referred to in items (a), (b), (c) or (d) above is not more than ₹ 500 per person.

Recognised sporting event means any sporting event,-

- (i) organised by a **recognised sports body**** where the participating team or individual represent any district, state, zone or country;
- (ii) organized
 - (A) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State or zone;
 - (B) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
 - (C) by Central Civil Services Cultural and Sports Board;
 - (D) as part of national games, by Indian Olympic Association; or
 - (E) under Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA) Scheme.

****Recognised sports body** means –

- (i) the Indian Olympic Association;
- (ii) Sports Authority of India;
- (iii) a national sports federation recognised by the Ministry of Sports and Youth Affairs of the Central Government, and its affiliate federations;
- (iv) national sports promotion organisations recognised by the Ministry of Sports and Youth Affairs of the Central Government;
- (v) the International Olympic Association or a federation recognised by the International Olympic Association; or
- (vi) a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India.

22. Services by an unincorporated body or a non- profit entity

Entry No.	Description of services
77	Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution – <ul style="list-style-type: none"> (a) as a trade union (b) for the provision of carrying out any activity which is exempt from the levy of Goods and Services Tax; or (c) up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex.
77A	Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in,- <ul style="list-style-type: none"> (i) activities relating to the welfare of industrial or agricultural labour or farmers; or (ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to its own members against consideration in the form of membership fee upto an amount of ₹ 1000/- per member per year.



ANALYSIS

Co-operative Housing Society

Co-operative Housing Societies are entities registered under the co-operative laws of the respective States. These are a collective body of persons, who stay in a residential society and as a collective body, they supply certain services to its members, like collecting statutory dues from its members and remitting to statutory authorities, maintenance of the building, security etc.

A Co-operative Housing Society is akin to a club, which is composed of its members. Service provided by a Housing Society to its members is treated as service provided by one person to another. The activities of the housing society

would attract the levy of GST and the housing society would be required to register and comply with the GST Law.

GST on services provided by a Co-operative Housing Society

If the turnover of housing society is above the applicable threshold limit for registration, it needs to take registration under GST in terms of section 22 of the CGST Act, 2017 [Refer Chapter-7: Registration for detailed discussion on registration]. However, taking registration does not mean that the housing society has to compulsorily charge GST in the monthly maintenance bills raised on its members. If the services provided by it are exempt under exemption notification, then it is not required to charge GST on the said services.

For instance, in view of entry 77(c) above, a society may be registered under GST, but if the monthly contribution received from the members is less than ₹ 7,500/- (and the amount is for the purpose of sourcing of goods and services from a third person for the common use of its members), no GST is to be charged by the housing society on the monthly bill raised by the society. However, if the monthly contribution exceeds ₹ 7,500/-, entire contribution is taxable.

For example, if the maintenance charges are ₹ 9000 per month per member, GST @18% shall be payable on the entire amount of ₹ 9000 and not on [₹ 9000 - ₹ 7500] = ₹ 1500²⁶.

Further, if the turnover of the society is less than the applicable threshold limit for registration or even if the turnover is beyond the said threshold limit, but the monthly contribution of all the individual members towards maintenance is less than ₹ 7,500/- (such services being exempt) and the society is providing no other taxable service to its members or outsiders, then the society (essentially exclusively providing wholly exempt services) need not take registration under GST.



Monthly limit of ₹ 7,500 referred in Entry 77

- ❑ Statutory dues such as property tax, electricity charges etc. forming part of the monthly maintenance bill raised by the society on its members would be excluded while computing the aforesaid monthly limit of ₹ 7,500²⁷.

²⁶ This view has been clarified by Circular No. 109/28/2019 GST dated 22.07.2019.

²⁷ Discussion under this heading is primarily based on the CBIC GST Flyer 'GST on Co-Operative Housing Societies' and CBIC FAQs on levy of GST on Supply of Services to Co-operative Society, unless otherwise mentioned. The flyer and FAQs were based on the monthly limit of ₹ 5,000

23. Other exempt services

Entry No.	Description of services
2	<p>Services by way of transfer of a going concern, as a whole or an independent part thereof.</p> <p>Transfer of a going concern means transfer of a running business which is capable of being carried on by the purchaser as an independent business, but shall not cover mere or predominant transfer of an activity comprising a service. Transfer of business for a lump sum consideration commonly referred to as slump sale is covered under this entry.</p> <p>Such sale of business as a whole will comprise comprehensive sale of immovable property, goods and transfer of unexecuted orders, employees, goodwill etc. Since the transfer in title is not merely a transfer in title of either the immovable property or goods or even both it may amount to service and has thus been exempted.</p> <p> Royal Hotel Group is in the business of running a chain of restaurants. It intends to sell its business as a going concern. It would not be required to pay GST on such sale of its business.</p>
9B	Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries).
12	Services by way of renting of residential dwelling for use as residence.
14	<p>Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having Value of Supply of a unit of accommodation below ₹ 1,000 per day or equivalent.</p> 
22	<p>Services by way of giving on hire –</p> <p>(a) to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers**; or</p>

which was subsequently increased to ₹ 7,500. Therefore, increased monthly limit has been considered in the above discussion.

	<p>(b) to a goods transport agency, a means of transportation of goods.</p> <p>(c) motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.</p> <p>**Exemption under item (a) of the above entry is applicable to services provided to State Transport Undertaking and not to other departments of Government or local authority.</p> <p>Generally, such State Transport Undertakings/ Corporations are established with a view to providing public transport facility to the commuters. If transport undertakings hire the buses on lease basis from private persons on payment of consideration, the services by way of supply of motor vehicles to such STU are exempt from payment of tax. However, supplies of motor vehicles to Government Departments other than the STUs are taxable²⁸.</p>
23	Service by way of access to a road or a bridge on payment of toll charges .
23A	Service by way of access to a road or a bridge on payment of annuity.
25	<p>Transmission/distribution of electricity by an electricity transmission/ distribution utility.</p> <p>However, in this regard CBIC has clarified that the other services provided by DISCOMS (distribution companies) to consumer against charges are liable to GST such as,-</p> <ol style="list-style-type: none"> Application fee for releasing connection of electricity; Rental Charges against metering equipment; Testing fee for meters/transformers, capacitors etc.; Labour charges from customers for shifting of meters or shifting of service lines; charges for duplicate bill [<i>Circular No. 34/8/2018 GST dated 01.03.2018</i>].
44	Services provided by an incubatee up to a total turnover of ₹ 50 lakh in



²⁸ As clarified vide question 26 of CBIC FAQs on Government Services

	<p>a financial year subject to the following conditions, namely:-</p> <p>(a) the total turnover had not exceeded ₹ 50 lakh during the preceding financial year; and</p> <p>(b) a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee.</p> <p>Incubatee: means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.</p>
47A	Services by way of licensing, registration and analysis or testing of food samples supplied by the Food Safety and Standards Authority of India (FSSAI) to Food Business Operators.
48	Taxable services, provided or to be provided, by a TBI/STEP recognised by NSTEDB or bio- incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).
49	Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India.
50	Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material.
52	Services by an organiser to any person in respect of a business exhibition held outside India.
56	Services by way of slaughtering of animals .
57	Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables.
58	Services provided by the National Centre for Cold Chain Development under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of cold chain knowledge dissemination .

59	Services by a foreign diplomatic mission located in India.
65A	Services by way of providing information under the RTI Act (Right to Information Act, 2005).
68	<p>Services provided to a recognised sports body by-</p> <p>(a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body;</p> <p>(b) another recognised sports body.</p> <p>However, services by individuals such as selectors, commentators, curators, technical experts are taxable. The service of a player to a franchisee which is not a recognized sports body is also taxable. <i>The term 'recognised sports body' has been defined earlier in this chapter.</i></p>
75	Services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto.
76	Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.

Note: For the purpose of this exemption notification, a "Limited Liability Partnership" formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm.

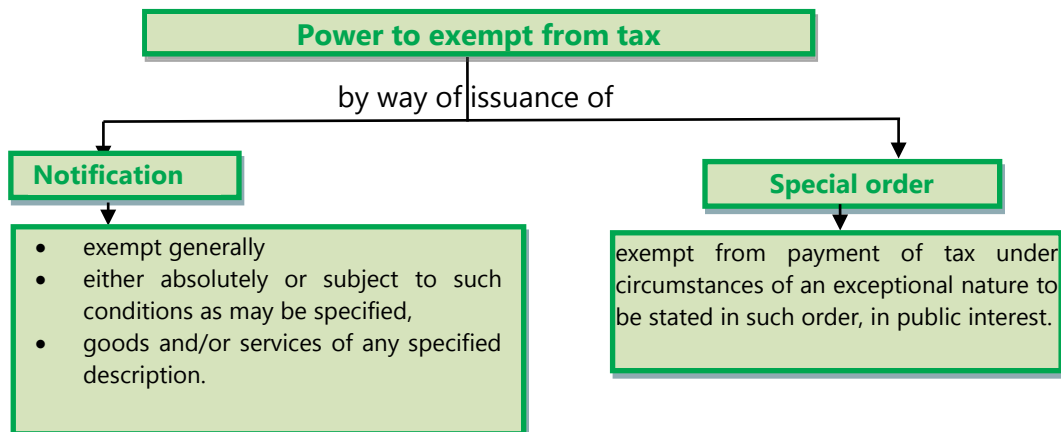
Students may note that some of the entries granting exemption from GST are similar to the negative list entry/entry granting exemption under the erstwhile service tax law.

Therefore, clarification pertaining to said negative list entry/exemption provided in the 'Service Tax Education Guide' – an educational aid released for facilitating the stakeholders to obtain preliminary understanding of the provisions, wherever it seems relevant under the GST law, have been incorporated at relevant places.



5. LET US RECAPITULATE

1. Power to exempt from tax [Section 11 of the CGST Act/ section 6 of IGST Act]



2. List of services exempt from GST

Services	Exempt Services
Services related to charitable and religious activities	Charitable activities BY an entity registered under section 12AA of Income-tax Act.
	Services by a person by way of- <ol style="list-style-type: none"> (a) conduct of any religious ceremony; (b) renting of precincts of a religious place meant for general public, owned/managed by institutions/entities/trusts, registered under section 12AA/10(23C)(v) of the Income tax Act or body/authority covered under section 10(23BBA) of the said Act, except where- <ol style="list-style-type: none"> (i) charges for renting of rooms \geq ₹ 1,000 per day; (ii) charges for renting of premises, community halls, kalyanmandapam, open area, etc. are \geq ₹ 10,000 per day; (iii) charges for renting of shops/spaces for business/commerce are \geq ₹ 10,000 per month.
	Services by a specified organisation [KMVN/Haj Committee] in respect of a religious pilgrimage [Haj and Kailash Mansarovar Yatra].

	Training/coaching in recreational activities relating to (a) arts/culture, or (b) sports by charitable entities registered under section 12AA of the Income-tax Act.
Agriculture related services	Loading, unloading, packing, storage or warehousing of rice.
	Warehousing of minor forest produce.
	Fumigation in a warehouse of agricultural produce.
	Artificial insemination of livestock (other than horses).
	Carrying out an intermediate production process as job work in relation to cultivation of plants & rearing of animals [except horses], for food, fibre, fuel, raw material or other similar products or agricultural produce.
	Services relating to cultivation of plants & rearing of animals [except horses], for food, fibre, fuel, raw material or other similar products or agricultural produce by way of – <ul style="list-style-type: none"> (a) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing; (b) supply of farm labour; (c) processes carried out at an agricultural farm including tending, pruning, etc. and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market; (d) renting or leasing of agro machinery or vacant land with/without a structure incidental to its use; (e) loading, unloading, packing, storage or warehousing of agricultural produce; (f) agricultural extension services; (g) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale/purchase of agricultural produce. (h) services by way of fumigation in a warehouse of agricultural produce.

Education services	Services provided BY an educational institution (EI) :	
	<ul style="list-style-type: none"> to its students, faculty and staff; by way of conduct of entrance examination against consideration in form of entrance fee 	
	Services provided TO an EI , by way of,-	These exemptions are only applicable to an institution providing services by way of pre-school education & education up to higher secondary school or equivalent.
	(i) transportation of students, faculty and staff;	
	(ii) catering, including any mid-day meals scheme sponsored by the Central Government (CG), State Government (SG) or Union Territory (UT);	
(iii) security or cleaning or house-keeping services performed in such EI ;		
(iv) services relating to admission to, or conduct of examination by, such EI ;		
(v) supply of online educational journals or periodicals. This exemption is only applicable to an institution providing services by way of education as part of a curriculum for obtaining qualification recognised by any law for time being in force.		
Health care services	<ul style="list-style-type: none"> Health care services BY a clinical establishment/ authorized medical practitioner/ para-medics Transportation of a patient in an ambulance BY any person other than specified above. 	
	Stem cells preservation BY Cord Blood Banks or any other service in relation to such preservation	
	Service BY a veterinary clinic in relation to Health care of animals/birds	
Services provided by	Services by Governmental Authority (GA) by way of any activity in relation to any function entrusted to a Municipality /Panchayat under article 243W/ 243G of Constitution	

Governme nt	<p>Services by the CG/SG/UT/Local Authority (LA) excluding following services—</p> <p>(a) services by Department of Posts by way of speed post, express parcel post, life insurance, & agency services provided to a person other than CG, SG, UT;</p> <p>(b) services in relation to an aircraft/a vessel, inside/outside precincts of a port/airport;</p> <p>(c) transport of goods/passengers; or</p> <p>(d) any service, other than 'specified services' above, provided to business entities.</p>
	<p>Services provided by CG/SG/UT/LA to a business entity (BE) with an aggregate turnover of up to ₹ 20 lakh [₹ 10 lakh in case of a Special Category States (SCS)] in preceding FY. This exemption is not applicable to specified services and renting of immovable property service.</p>
	<p>Services provided by CG/SG/UT/LA to another CG/SG/UT/LA. This exemption is not applicable to specified services.</p>
	<p>Services provided by CG/SG/UT/LA** where consideration for such services does not exceed ₹ 5,000. This exemption is not applicable to specified services.</p> <p>**In case of continuous supply of service*, the exemption shall apply only where the consideration charged for such service does not exceed ₹ 5,000 in a FY.</p>
	<p>Supply of service by a Government Entity (GE) to CG/SG/UT/LA/any person specified by CG/SG/UT/LA against consideration received from CG/SG/UT/LA, in the form of grants.</p>
	<p>Services by an old age home run by CGS/SG/an entity registered under section 12AA of Income-tax Act to its residents (aged ≥60 years) against consideration upto ₹ 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.</p>

(a) to (c) hereinafter referred as 'specified services'

Services supplied by CG/SG/UT to their undertakings or PSUs by way of guaranteeing the loans taken by such undertakings or PSUs from the **banking companies and** financial institutions.

Services provided by CG/SG/UT/LA by way of-

- (a) registration required under any law for the time being in force;
- (b) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force.

Services provided by CG/SG/UT/LA **by way of issuance of passport, visa, driving license, birth certificate or death certificate.**

Services provided by CG/SG/UT/LA **by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable** to CG/SG/UT/LA under such contract.

Services provided by CG/SG/UT/LA by way of **assignment of right to use natural resources to an individual farmer for cultivation of plants & rearing of all life forms of animals** [except horses], for food, fibre, fuel, raw material or other similar products.

Services provided by CG/SG/UT by way of **deputing officers after office hours or on holidays for inspection or container stuffing** or such other duties in relation to import export cargo on payment of Merchant Overtime charges.

Services supplied by a SG to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on behalf of SG on the mineral dispatched by the mining lease holders subject to specified conditions.

Services provided by rehabilitation professionals recognised under the RCI Act, 1992 by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions,

	rehabilitation centers established by CG/SG/UT/an entity registered under section 12AA of the Income-tax Act, 1961.
Constructi on services	Pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana.
	Services supplied by Electricity Distribution Utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer/agriculturalist for agricultural use.
	Pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex.
	Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer are exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them. Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses.
Services of transport of passengers (with/without accompanied belongings)	Such services provided by – (a) air , embarking from or terminating in an airport located in North Eastern States of India or at Bagdogra in West Bengal; (b) non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or (c) stage carriage other than air- conditioned stage carriage.
	Such services provided to CG by air, embarking from or terminating at a Regional Connectivity Scheme (RCS) airport , against

<p>)</p>	<p>consideration in the form of viability gap funding. This exemption shall apply only till expiry of a period of 3 years from date of commencement of operations of the RCS airport as notified by the Ministry of Civil Aviation.</p>				
<p>Goods transportation services</p>	<p>Such services provided by—</p> <p>(a) railways in a class other than first class/an air-conditioned coach;</p> <p>(b) metro, monorail or tramway;</p> <p>(c) inland waterways;</p> <p>(d) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and</p> <p>(e) metered cabs or auto rickshaws (including e-rickshaws).</p>				
	<p>Services by way of transportation of goods-</p> <p>(a) by road except the services of—</p> <p>(i) a goods transportation agency (GTA);</p> <p>(ii) a courier agency;</p> <p>(b) by inland waterways.</p>				
	<p>Railway equipments/ materials exempt when transported by rail/vessel</p>	<p>Transportation of goods exempt when transported by goods carriage</p> <table border="1"> <tr> <td data-bbox="557 1141 961 1470"> <p>where consideration charged for the transportation of goods on a consignment transported in a single carriage ≤ ₹1,500</p> </td> <td data-bbox="961 1141 1245 1470"> <p>where consideration charged for transportation of all such goods for a single consignee ≤ ₹ 750</p> </td> </tr> </table>		<p>where consideration charged for the transportation of goods on a consignment transported in a single carriage ≤ ₹1,500</p>	<p>where consideration charged for transportation of all such goods for a single consignee ≤ ₹ 750</p>
	<p>where consideration charged for the transportation of goods on a consignment transported in a single carriage ≤ ₹1,500</p>	<p>where consideration charged for transportation of all such goods for a single consignee ≤ ₹ 750</p>			
<p>Exempt transportation of goods by rail/ vessel/ by GTA in a goods carriage</p>	<ul style="list-style-type: none"> • Agricultural produce • milk, salt and food grain including flours, pulses and rice • organic manure • newspaper <p>or</p>	<ul style="list-style-type: none"> • Defence/ military equipments • relief materials meant for victims of natural or 			

		magazines registered with the Registrar of Newspapers	man-made disasters, calamities, accidents or mishap
	<p>Services provided by a GTA to an unregistered person, including an unregistered casual taxable person, except following recipients, namely: -</p> <p>(a) a factory registered under Factories Act, (b) society registered under Societies Act, (c) Co-operative society, (d) body corporate and (e) partnership firm including AOP; (f) registered casual taxable person.</p>		
	<p>Services provided by a GTA, by way of transport of goods in a goods carriage, to, -</p> <p>(a) a Department or Establishment of the CG/SG/UT; or (b) local authority; or (c) Governmental agencies, which has taken registration only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.</p>		
Banking and financial	Services by RBI		
	<p>Services by way of—</p> <p>(a) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services); (b) inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.</p>		
	<p>Services provided by a banking company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).</p>		
	Services by an acquiring bank, to any person in relation to		

	<p>settlement of an amount upto ₹ 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service.</p> <p>Services by an intermediary of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees.</p>
Services of Life insurance business	Such services by way of annuity under the National Pension System by Pension Fund Regulatory and Development Authority of India (PFRDA) under PFRDA Act, 2013.
	Such services by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of CG.
	Such services by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of CG.
	Such services under following schemes- (A) <ul style="list-style-type: none"> (a) Janashree Bima Yojana; (b) Aam Aadmi Bima Yojana; (c) Life micro-insurance product** as approved by the Insurance Regulatory and Development Authority (IRDA), having maximum amount of cover of ₹ 2,00,000; (d) Varishtha Pension BimaYojana; (e) Pradhan Mantri Jeevan Jyoti BimaYojana; (f) Pradhan Mantri Jan DhanYogana; (g) Pradhan Mantri Vaya Vandan Yojana.
General insurance business	Such services under following schemes – (B) <ul style="list-style-type: none"> (a) Hut Insurance Scheme; (b) Cattle Insurance under Swarnajayanti Gram Swarozgar Yojna²⁹; (c) Scheme for Insurance of Tribals;

²⁹ earlier known as Integrated Rural Development Programme

- (d) Janata Personal Accident Policy and Gramin Accident Policy;
- (e) Group Personal Accident Policy for Self-Employed Women;
- (f) Agricultural Pumpset and Failed Well Insurance;
- (g) premia collected on export credit insurance;
- (h) Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture;
- (i) Jan Arogya Bima Policy;
- (j) Pradhan Mantri Fasal Bima Yojana (PMFBY);
- (k) Pilot Scheme on Seed Crop Insurance;
- (l) Central Sector Scheme on Cattle Insurance;
- (m) Universal Health Insurance Scheme;
- (n) Rashtriya Swasthya Bima Yojana;
- (o) Coconut Palm Insurance Scheme;
- (p) Pradhan Mantri Suraksha BimaYojna;
- (q) Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.

Services by way of reinsurance of the insurance schemes specified in (A) and (B) above.

Services provided by specified bodies

Services by the **Employees' State Insurance (ESI) Corporation** to persons governed under the ESI Act, 1948.

Services provided by the **EPFO** to the persons governed under the Employees Provident Funds (EPF) & Miscellaneous Provisions Act, 1952.

Services by **CMPFO** to persons governed by Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.

Services by **NPS Trust** to its members against consideration in the form of administrative fee.

	<p>Services provided by the IRDAI to insurers under IRDAI Act, 1999.</p> <p>Services provided by the SEBI by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.</p>
Pension schemes	<p>Services by way of collection of contribution under:</p> <ul style="list-style-type: none"> • Atal Pension Yojana • any pension scheme of SG
Business facilitator/correspondent	<p>Services by the following persons in respective capacities –</p> <p>(a) business facilitator/business correspondent to a Banking Co. with respect to accounts in its rural area branch;</p> <p>(b) any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or</p> <p>(c) business facilitator/business correspondent to an insurance company in rural area.</p>
Services provided to Government	<p>Following services provided to the CG/SG/UT/LA/GA/GE by way of any activity in relation to any function entrusted to a Panchayat/Municipality under articles 243G/243W of the Constitution:</p> <ul style="list-style-type: none"> • Pure services • Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply. <p>Service provided by Fair Price Shops to CG/SG/UT by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System (PDS) against commission/margin.</p> <p>Services provided to CG/SG/UT under any insurance scheme for which total premium is paid by CG/SG/UT.</p> <p>Services provided to CG/SG/UT administration under any training programme for which total expenditure is borne by CG/SG/UT administration.</p>

	Services provided by GSTN to CG/SG/UT for implementation of GST.	
Leasing services	Upfront amount payable in respect of service by way of granting of long term lease of 30 years, or more of industrial plots/plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of CGS/SG/UT to the industrial units/developers in any industrial/financial business area.	
	Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by the Indian Railways Finance Corporation to Indian Railways.	
Legal services	Service provided by	To
	<ul style="list-style-type: none"> • Arbitral tribunal • Partnership firm of advocates or an individual as an advocate other than a senior advocate by way of legal services • Senior advocate by way of legal services 	any person other than BE
		BE with an aggregate turnover up to ₹ 20 lakh (₹10 lakh in SCS) in the preceding FY
		CG/SG/UT/LA/GA/GE
Legal services provided by a partnership firm of advocates/individual as an advocate other than a senior advocate to another advocate/ partnership firm of advocates providing legal services		
Sponsorship of sports events	Sponsorship of sporting events organised -	
	(a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;	
	(b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;	
	(c) by the Central Civil Services Cultural and Sports Board;	

	<p>(d) as part of national games, by the Indian Olympic Association; or</p> <p>(e) under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.</p>
Skill Development services	<p>Services provided by, _</p> <p>(a) National Skill Development Corporation (NSDC) set up by GoI;</p> <p>(b) Sector Skill Council (SSC) approved by NSDC;</p> <p>(c) assessment agency approved by SSC/NSDC</p> <p>(d) a training partner approved by SSC/NSDC</p> <p>in relation to-</p> <p>(i) the National Skill Development Programme implemented by NSDC; or</p> <p>(ii) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or</p> <p>(iii) any other Scheme implemented by NSDC.</p> <p>Services of assessing bodies empanelled centrally by DGT, Ministry of Skill Development and Entrepreneurship by way of assessments under the SDI Scheme.</p> <p>Services provided by training providers (Project implementation agencies) under DDUGKY implemented by Ministry of Rural Development, GoI by way of offering skill or vocational training courses certified by the National Council for Vocational Training (NCVT).</p>
Performance by an artist	<p>Services by an artist by way of a performance in folk or classical art forms of music/ dance/ theatre, if the consideration charged for such performance is not more than ₹ 1,50,000. This exemption shall not apply to service provided by such artists as a brand ambassador.</p>
Right to admission to various events	<p>Services by way of admission to:</p> <p>(i) museum, national park, wildlife sanctuary, tiger reserve or zoo</p> <p>(ii) protected monument declared under the Ancient Monuments and Archaeological Sites & Remains Act</p>

	<p>1958/any of the State Acts, for the time being in force.</p> <p>(iii) following events/places where the consideration for right to admission is not more than ₹ 500 per person:</p> <p>(a) circus, dance, or theatrical performance including drama or ballet;</p> <p>(b) award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;</p> <p>(c) recognised sporting event;</p> <p>(d) planetarium.</p>
Services by an unincorporated body or a non-profit entity registered under any law for the time being in force	Services by unincorporated body/ non- profit entity to its own members as reimbursement/share of contribution:
	(i) As a trade union
	(ii) for providing exempt activity
	(iii) up to an amount of ₹ 7,500 per month per member for sourcing of goods/services from a third person for the common use of its members in a housing society/residential complex
	<p>Services provided by such entity/body engaged in-</p> <p>(i) activities relating to the welfare of industrial/agricultural labour or farmers; or</p> <p>(ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment,</p> <p>to its own members against membership fee upto ₹ 1000/- per member per year.</p>
Other exempt services	Transfer of a going concern , as a whole or an independent part thereof.
	Services associated with transit cargo to Nepal and Bhutan (landlocked countries).
	Services by way of renting of residential dwelling for use as residence.
	Services by a hotel, inn, guest house, club or campsite, by whatever

name called, for residential or lodging purposes, having value of supply of a unit of accommodation below ₹ 1,000 per day or equivalent.

Services by way of giving on hire –

- (a) to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers; or
- (b) to a GTA, a means of transportation of goods.
- (c) motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.

Service by way of access to a road or a bridge on payment of **toll charges/annuity**.

Transmission/distribution of electricity by an electricity transmission/ distribution utility.

Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a FY provided:-

- (a) total turnover had not exceeded ₹ 50 lakh during the preceding FY; and
- (b) a period of 3 years has not elapsed from the date of entering into an agreement as an incubate.

Services by way of licensing, registration and analysis or testing of food samples supplied by the FSSAI to Food Business Operators.

Taxable services, provided or to be provided, by a Technology Business Incubator/ Science and Technology Entrepreneurship Par (TBI/STEP) recognised by NSTEDB or bio- incubators recognised by BIRAC.

Services by way of **collecting or providing news** by an independent journalist, Press Trust of India or United News of India.

Services of **public libraries** by way of lending of books, publications or any other knowledge-enhancing content or material.

Services by an organiser to any person in respect of a **business exhibition** held outside India.

Services by way of **slaughtering of animals**.

Services by way of **pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling** of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables.

Services provided by the **National Centre for Cold Chain Development** under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of **cold chain knowledge dissemination**.

Services by a **foreign diplomatic mission** located in India.

Services by way of providing information under the RTI Act.

Services provided to a recognised sports body (RSB) by-

- (a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a RSB;
- (b) another RSB.

Services provided by **operators of the common bio-medical waste treatment facility** to a clinical establishment by way of treatment/disposal of bio-medical waste/ incidental processes.

Services by way of **public conveniences** such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.

7. TEST YOUR KNOWLEDGE

1. Transportation of passengers by _____ are exempt from GST.
(a) Railway in first class
(b) Railway in an air-conditioned coach
(c) Metro
(d) All of the above
2. Transportation of _____ by a GTA in a goods carriage is exempt from GST.
(a) Agricultural produce
(b) Organic manure
(c) Milk
(d) All of the above
3. What of the following services provided to an educational institution – Debo Public School- are exempt from GST?
(a) Transportation of staff of the school
(b) Cleaning of the school
(c) Services relating to conduct of higher secondary exams
(d) All of the above
4. Transportation of passengers by _____ are exempt from GST.
(a) air conditioned stage carriage
(b) radio taxi
(c) air, terminating in Nagaland airport
(d) All of the above
5. Which of the following services provided by Department of Posts are exempt from GST?
(a) Speed posts
(b) Life Insurance
(c) Express parcel posts

- (d) None of the above
6. An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether he is required to pay any GST?
 7. RXL Pvt. Ltd. manufactures beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization.
...
Whether Ms. Ahana Kapoor will be required to pay any GST?
 8. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961	50,000
Amount charged by business correspondent from banking company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

9. Examine whether GST is exempted on the following independent supplies of services:

- (i) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.
- (ii) Services provided by way of vehicle parking to general public in a shopping mall.
10. Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	₹ 20,000
B	Transportation of books on a consignment transported in a single goods carriage	₹ 3,000
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600



7. ANSWERS/HINTS

1. (c) 2. (d) 3. (d) 4. (c) 5. (d)
6. Services provided to a recognized sports body by an individual *inter alia* as a referee in a sporting event organized by a recognized sports body is exempt from GST.
- Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.
- However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.
7. Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000.

However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

8. Computation of value of taxable supply

Particulars	(₹)
<i>Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-1]</i>	<i>Nil</i>
<i>Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]</i>	<i>Nil</i>
<i>Amount charged by cord blood bank for preservation of stem cells [Note-3]</i>	<i>Nil</i>
<i>Service provided by commentator to a recognized sports body [Note-4]</i>	<i>5,20,000</i>

Notes:

- Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.

4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
9. (i) Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.
- (ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.
- 10.

Customer	Nature of services provided	Amount charged	Taxability
A	Transportation of milk	₹ 20,000	Exempt. Transportation of milk by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	₹ 3,000	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹ 1,500.
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹ 750 is exempt.