

**THE AUTHORITY FOR ADVANCE RULING IN KARNATAKA  
GOODS AND SERVICES TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU – 560 009**

**F. No. KAR. AAR 22/2026**

**Order No. KAR.ADRG 22/2026**

**Date:16.03.2026**

Present:

**1. Shri. Kalyanam Rajesh Rama Rao**

Additional Commissioner of Customs & Indirect Taxes . . . Member (**Central**)

**2. Shri. Sivakumar S Itagi**

Additional Commissioner of Commercial Taxes . . . Member (**State**)

1.	Name and address of the applicant	Shri Ramanujam Tulsi Ramadas, # 6, Vivekananda Road, Yadavagiri, Mysore - 570020.
2.	GSTIN/User ID/Temporary ID	292300000646ARN (Un-registered Applicant)
3.	Date of filing of Form GST ARA-01	23.05.2023
4.	Represented by	Shri Ramanujam Tulsi Ramadas
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, Mysore GST Commissionerate, Siddartha Nagar, Mysore- 570011.
6.	Jurisdictional Authority - State	DGSTO - Mysuru, LGSTO-205
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide CIN No. 23052900414620 dated 23.05.2023.

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017**  
**& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

Shri Ramanujam Tulasi Ramadas, (herein after referred to as '**Applicant**'), #6, Vivekananda Road, Yadavagiri, Mysore-570020, having User ID 292300000646ARN, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

**2.** The applicant submits that they wish to purchase second-hand cars from unregistered dealers and, after undertaking minor repairs, sell the said vehicles to their customers, who are also unregistered persons. Further, the applicant submits that their aggregate annual turnover is likely to exceed ₹40 lakh.



Shri Ramanujam Tulasi Ramadas

Page 1 of 6

3. In view of the above, the applicant has sought advance ruling in respect of the following questions:

- a) *Whether Marginal Scheme is Applicable to me on used car purchase and sale?*
- b) *HSN Code and Rate of Tax and Assessable Value?*
- c) *Any other Suggestion?*

4. **Admissibility of the Application:** - The applicant, under column 13 of the application ARA-01, selected all the available issues. However, it appears that the issue herein is related to "Applicability of a Notification issued under the provision of this Act," "Determination of the liability to pay tax on any goods or services or both", and "Whether the applicant is required to be registered". Hence, the instant application is admissible under Section 97(2) (b), 97(2) (e) and 97(2) (f) of the CGST Act 2017.

5. **Brief Facts of the Case:** - The applicant furnishes the following facts relevant to the issue:

5.1 The applicant submits ARA-01 applicant form for advance ruling and raised the questions based on the facts in aforementioned paragraph No. 02. The applicant has not submitted any other facts related to the application which may clarify the issue.

6. **Applicant's Interpretation of Law:** - The Applicant has not submitted any interpretation of law and facts relevant to the issue.

7.1 **Personal Hearing Proceedings:** - Shri Ramanujam Tulasi Ramadas appeared for the personal hearings held on 23.01.2024 and 14.03.2024 before the Authorities. However, no submissions were made during the said hearings in respect of the application filed before the Authorities. In order to seek necessary clarification, a letter dated 14.11.2024 was issued to the applicant calling for the following information: -

- i. *Whether ownership of the second-hand cars is transferred to the applicant at the time of purchase from the seller, along with sample documents substantiating the same.*
- ii. *Whether ownership of the second-hand cars is transferred by the applicant to the buyer at the time of sale, along with sample documents substantiating the said transactions.*
- iii. *The manner in which the change in ownership of second-hand/used cars is accounted for in the books of accounts.*

7.2 Further, personal hearings were fixed on 21.08.2025, 20.11.2025, 18.12.2025 and 16.01.2026. However, neither the applicant nor any authorised representative appeared on the scheduled dates to represent the case or to furnish clarifications in respect of the queries raised by this Authority.



## **FINDINGS & DISCUSSION**

8. At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.

9. We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.

10. The primary issue for determination before this Authority is whether the applicant, who proposes to purchase and sell second-hand cars, is eligible to discharge GST on the value determined on a margin basis, and the consequential classification, rate of tax and valuation.

11. Further, it is pertinent to note that the term "Margin Scheme" is neither defined nor expressly used under the CGST Act, 2017 or the rules made thereunder. However, considering the nature of business as submitted by the applicant, this Authority holds that the applicant is engaged in the purchase and sale of second-hand cars.

12. We now examine whether the purchase and sale of second-hand cars fall within the definition of "goods" under the CGST Act, 2017. In this regard, reliance is placed on **Section 2(52) of the CGST Act, 2017**, wherein the term "goods" is defined as under: -

**Section 2(52) of the CGST Act, 2017: - "Goods" means-**

*"every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply."*

Accordingly, motor vehicles, including second-hand cars, being movable property, squarely fall within the ambit of "goods" as defined under the said provision. Therefore, this Authority holds that the applicant is engaged in the business of dealing in second-hand goods.



**13. Under Rule 32(5) of the CGST Rules, 2017 provides that-**

*"Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:*

*Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession."*

**14.** From a conjoint reading of Rule 32(5) of the CGST Rules, 2017 & Goods definition, it is observed that a special method of valuation is prescribed for persons engaged in the business of buying and selling of second-hand goods. The said rule permits payment of GST on the margin, being the difference between the selling price and the purchase price, subject to the conditions that no input tax credit is availed on the purchase of such goods and that the goods are supplied as such or after minor processing which does not alter their nature. Further, where the margin is negative, the same is required to be ignored.

**15.** Further, on perusal of Notification No. 8/2018-Central Tax (Rate), dated 25.01.2018, as amended, it is observed that the said notification provides for payment of GST on the value representing the difference between the selling price and the purchase price in respect of old and used motor vehicles, subject to the condition that no input tax credit has been availed on such vehicles, and further stipulates that any negative value shall be ignored.

**16.** In the present case, the applicant has stated that minor repairs are carried out on the used cars prior to their sale. However, the applicant has not furnished any details regarding the nature, extent or percentage of such repairs, nor clarified whether the repairs are undertaken by the applicant themselves or through third-party service providers. In the absence of such material particulars, this Authority is unable to ascertain whether the processing undertaken is merely minor in nature and does not alter the character of the goods.

**17.** Further, this Authority vide letter dated 14.11.2024 had specifically called upon the applicant to furnish clarifications and documentary evidence in respect of the following aspects: -

- (i) transfer of ownership of the used cars at the time of purchase and sale;
- (ii) documents substantiating such transfer of ownership; and
- (iii) accounting treatment of the vehicles in the books of accounts.



Despite repeated opportunities of personal hearing, the applicant has failed to furnish the above information.

**18.** In the absence of documentary substantiation, this Authority is unable to conclusively verify the actual nature of transactions undertaken by the applicant. Nevertheless, the legal position remains that the benefit of Notification No. 8/2018-Central Tax (Rate), as amended, shall be available only upon strict compliance with the conditions prescribed therein.

**19.** With regard to classification, motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars, are classifiable under Heading 8703 of the GST Tariff. The applicable rate of tax shall be as prescribed under the relevant rate notifications, read with Notification No. 8/2018-Central Tax (Rate), as amended. However, the applicant has not furnished particulars relating to engine capacity, vehicle length, and fuel type, which are essential for determination of the exact applicable rate of tax.

**20.** As regards valuation, in terms of the impugned notification, the taxable value shall be the difference between the selling price and the purchase price of the second-hand motor vehicles, and where such difference is negative, the same shall be ignored.

**21.** In view of the foregoing, we pass the following

### **R U L I N G**

- i. *"Margin Scheme" is not defined or mentioned anywhere under the CGST Act, 2017. However, considering the nature of business of the applicant, namely purchase and sale of second-hand cars, the valuation of such supplies is governed by the provisions of Rule 32(5) of the CGST Rules, 2017, read with Notification No. 8/2018-Central Tax (Rate), as amended, subject to fulfilment of the conditions prescribed therein.*
- ii. *Motor vehicles are classifiable under Heading 8703 of the GST Tariff, read with Notification No. 8/2018-Central Tax (Rate), as amended. The assessable value shall be the difference between the selling price and the purchase price, and where such difference is negative, the same shall be ignored. However, in the absence of particulars relating to engine capacity, vehicle length and fuel type, the exact applicable rate of tax cannot be determined.*
- iii. *This Authority is empowered to pronounce rulings only on the matters specified under Section 97(2) of the CGST Act, 2017, and does not render advisory opinions.*



(Kalyanam Rajesh Rama Rao)


**Member**

MEMBER

Karnataka Advance Ruling Authority

Shri Ramanujam Tulasi Ramadas 560 009

Page 5 of 6



(Sivakumar S Itagi)

**Member**

MEMBER

Karnataka Advance Ruling Authority  
Bengaluru - 560 009



Place: Bengaluru,

Date: 16.03.2026

To,

The Applicant,

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Mysore GST Commissionerate-570011.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-205, Bengaluru.
5. Office Folder.

