

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,
CHENNAI 600 006.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND
UNDER SECTION 98(4) OF THE TNGST ACT, 2017

Members present:

Shri C. Thiyagarajan, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.	Shri B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 4/ARA/2026, dated 12.01.2026

- 1. Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*
- 2. In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-*
 - (a) On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.*
 - (b) On the concerned officer or the Jurisdictional Officer in respect of the applicant.*
- 3. In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*
- 4. Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*
- 5. The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the Act) are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	33ABCPT7673H1ZC
Legal Name of Applicant	M/s. Ponnusamy Thangaraj
Trade Name of Applicant	M/s. Paranthaman Engineering Works
Registered Address/ Address provided while obtaining User id	New No. 145, Old No. 37/2, Sankari Road, Tiruchengode, Namakkal - 637 211
Details of Application	Application Form GST ARA-01 received from the applicant on 15.07.2025.
Jurisdictional Officer	Center - Salem Commissionerate, Erode - II Division. Tiruchengode Range
	State - Tiruchengode (Town) Assessment Circle Namakkal Zone Salem Division
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for A. Category B. Description (in brief)	Factory / Manufacturing The applicant is a proprietary concern. The proprietor, Sh. T. P. Thangaraj, had purchased one new car for his own use. The applicant had capitalised the car in their business account and also, they had not claimed ITC on this purchase. Further, they had not claimed depreciation on the car for the financial year 2025-26 as the car was purchased in April 2025. Now, the applicant has decided to sell the car as a Used Car.
Issues on which advance ruling required	Applicability of a notification issued under the provisions of this Act
Question(s) on which advance ruling is required	Value on which GST applicability on sale of used car by them, whether on full sale value or on profit?

M/s. Paranthaman Engineering Works, New No. 145, Old No. 37/2, Sankari Road, Tiruchengode, Namakkal - 637 211 (hereinafter called as the "Applicant") are registered under the GST Act with GSTIN 33ABCPT7673H1ZC. The applicant is a proprietary concern. The proprietor, Sh. T. P. Thangaraj, had purchased one new car for his own use. The applicant had capitalised the car in their business account and also, they had not claimed ITC on this purchase. Further, they had not claimed depreciation on the car for the financial year 2025-26 as the car was purchased in April 2025. Now, the applicant has decided to sell the said car as a 'Used Car'.

2. The Applicant has made a payment of application fees of Rs.5,000/- each under sub rule (1) of Rule 104 of CGST Rules, 2017 and SGST Rules, 2017. The applicant has sought advance ruling on the question as to the value on which GST applicability on sale of used car by them, whether on full sale value or on profit.

3.1 On interpretation of law, the applicant has raised a query whether the Notification No. 08/2018 – Central Tax (Rate) dated 25.01.2018 is applicable to them in the present case. The applicant had reproduced the explanation to the Notification No. 08/2018 – Central Tax (Rate) dated 25.01.2018, as below :'

"Explanation –For the purposes of this notification, -

- (i) in case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act,1961(43 of 1961) on the said goods, the value that represents the margin of the supplier shall be the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply, and where the margin of such supply is negative, it shall be ignored; and*
- (ii) in any other case, the value that represents the margin of supplier shall be, the difference between the selling price and the purchase price and where such margin is negative, it shall be ignored."*

3.2 Prima facie, we find that the queries raised by the applicant get covered under clause (b) of the Section 97(2) of the CGST Act, 2017, and as such are liable to be admitted.

4.1 The applicant is under the administrative control of Central Tax Authority. The concerned Authorities of the Centre and State were addressed to report the detailed remarks and no pendency report on the questions raised by the applicant in their ARA application.

4.2 Since, no remarks have been received from the Central or State GST jurisdictional Authorities, it is construed that there are no pending proceedings against the applicant on the questions raised by them in their advance ruling application

Personal Hearing

5.1 The applicant was given an opportunity to be heard in person on 17.12.2025. Mr. B. Nagarajan, Chief Financial Controller, M/s. Paranthaman Engineering Works appeared for the personal hearing as the authorized representative (AR) of M/s. Paranthaman Engineering Works. The AR reiterated the submissions made in their application for advance ruling.

5.2 The AR informed that they had purchased one new car for the personal use of the proprietor of M/s. Paranthaman Engineering Works, i.e., the applicant. The car has been capitalized in the business accounts of the applicant. Further, the AR also informed that they had purchased the car only during April 2025, so they had not claimed depreciation. The AR also informed that they had not claimed ITC on the purchase of the car.

5.3 The AR invited the Members' attention to explanations for the purpose of Notification No. 8/2018-Central Tax (Rate) dated 25.01.2018 and requested clarifications regarding the sale value of used cars on which GST is to be paid. The Members informed that the Notification

quoted by the AR is not applicable to them. The AR accepted the Members' view and requested to pass appropriate ruling.

6) Discussions and Findings:

6.1 We have considered the submissions made by the applicant in their application, copies of the relevant documents furnished by them, the submissions made during the personal hearing. We find that the applicant is a proprietary concern. The proprietor, Sh. T. P. Thangaraj, had purchased one new car in April 2025 for his own use. The applicant had claimed that they capitalised the car in their business account and also that they had not claimed Input Tax Credit of the taxes paid on this purchase. Further, they had also stated that they had not claimed depreciation on the car for the financial year 2025-26 as the car was purchased in April 2025. Now, the applicant has decided to sell the said car as a 'Used Car'.

6.2 The applicant quoted the explanation to the Notification No. 08/2018 – Central Tax (Rate) dated 25.01.2018

Explanation –For the purposes of this notification, -

- (i) in case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act,1961(43 of 1961) on the said goods, the value that represents the margin of the supplier shall be the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply, and where the margin of such supply is negative, it shall be ignored; and*
- (ii) in any other case, the value that represents the margin of supplier shall be, the difference between the selling price and the purchase price and where such margin is negative, it shall be ignored.*

Based on the above explanation, the applicant has sought advance ruling on the question as to the value on which GST applicability on sale of used car by them, whether on full sale value or on the margin of profit.

6.3 Before going into the question of value on which GST needs to be paid, it would be beneficial to discuss whether the transaction in question, i.e. sale of car as a used vehicle, is a 'Supply' as envisaged in the CGST Act.

6.4 As per Section 2(83) of the CGST Act, 2017,

(83) "outward supply" in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business;

Taxable person is defined in Section 2(107) of the CGST Act, 2017

(107) "taxable person" means a person who is registered or liable to be registered under section 22 or section 24 ;

And *goods* is defined in Section 2(52) of the CGST Act, 2017 as

(52) "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;

Also, as per Section 2(17) of the *ibid* Act,

(17) "business" includes -

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;*
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);*
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;*
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;*
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;*
- (f) admission, for a consideration, of persons to any premises;*
- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;*
- (h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club; and*
- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;"*

and

(31) "consideration" in relation to the supply of goods or services or both includes-

- (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;*
- (b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;*

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

6.5 On a combined reading of the above-mentioned provisions, it is obvious that the sale of used car is an outward supply of goods as the car is a movable property which is being sold for a consideration in the course of the applicant's business. It is pertinent to note here that admittedly, the applicant had capitalised the car in their business account. Therefore, we are of the opinion that though the transaction effected by the applicant happens to be a single transaction, nevertheless it is a business transaction and therefore becomes taxable under GST, as the same gets covered under the concept of 'Supply' as per the provisions of GST. Hence, the applicant is liable to levy and collect tax on supply of such goods under Section 9 of the CGST Act, 2017, if the goods are sold in the course of intrastate supplies, and under Section 5 of the IGST Act, 2017, if the goods are sold in the course of interstate supplies.

6.6 Now, once it is clear that the said transaction of sale of used vehicle attracts GST, the next obvious step is to arrive at the value of the transaction on which such GST is payable. Section 15 of the CGST Act, 2017, reads as –

"Section 15. Value of Taxable Supply.-

(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

(2) The value of supply shall include-

(a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;

(b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

(c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;

(d) interest or late fee or penalty for delayed payment of any consideration for any supply; and

(e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments."

However, as per Section 15(5) of the ibid Act,

"(5) Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed."

6.7 In this regard, we find that Rule 32 of the CGST Rules, 2017 has been framed to govern the determination of value in respect of the supply involving buying and selling of second hand goods. The relevant portion of Rule 32 is reproduced below for reference.

Rule 32. Determination of value in respect of certain supplies.-

(1) Notwithstanding anything contained in the provisions of this Chapter, the value in respect of supplies specified below shall, at the option of the supplier, be determined in the manner provided hereinafter.

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.....
.....

(5) 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.

6.8 Further, as pointed out by the applicant, the Government has issued Notification No. 8/2018-Central Tax (Rate) dated 25.01.2018, in respect of the outward supplies of **old and used** vehicles. As per the said Notification, as amended, the rate of tax is 9% on the sale of old and used vehicles, **on the value that represent the margin of the supplier** on supply of such goods. Also, as per the explanation to the said Notification,

Explanation –For the purposes of this notification, -

(i) in case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act, 1961(43 of 1961) on the said goods, the value that represents the margin of the supplier shall be the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply, and where the margin of such supply is negative, it shall be ignored; and

(ii) in any other case, the value that represents the margin of supplier shall be, the difference between the selling price and the purchase price and where such margin is negative, it shall be ignored.

2. This notification shall not apply, if the supplier of such goods has availed input tax credit as defined in clause (63) of section 2 of the Central Goods and Services Tax Act, 2017, CENVAT as defined in CENVAT Credit Rules, 2004 or the input tax credit of Value Added Tax or any other taxes paid, on such goods.

6.9 On a conjoint reading of the provisions of Rule 32 of the CGST Rules, 2017, along with the provisions of Notification No.8/2018-CT (Rate) dated 25.01.2018, the following facts emerge, viz.,

- (i) This method/manner of valuation of supply is peculiar to certain specified supplies.
- (ii) This manner of valuation of supply is available where a taxable supply is provided by a person dealing in buying and selling of second hand goods.
- (iii) The value of supply in such cases shall be the difference between the selling price and the purchase price, or the value that represent the margin of the supplier.
- (iv) This manner of valuation of supply shall be at the option of the supplier and that the same is not mandatory.
- (v) This manner of valuation of supply shall not apply, where input tax credit has been availed on the purchase of such goods.
- (vi) This manner of valuation of supply shall not apply, where the registered person has claimed depreciation under section 32 of the Income-Tax Act, 1961(43 of 1961) on the said goods, and in such cases, the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply, shall be the value that represent the margin of the supplier on supply of such goods.

6.10 We note that in the instant case, the applicant claims that they have neither taken input tax credit on the purchase of the new vehicle, nor availed any depreciation on the

capitalisation of the said vehicle, and that therefore the main conditions stand satisfied. In this regard, we find that in any case, input tax credit of the taxes under GST paid on the inward supply of motor vehicles is blocked under Section 17(5)(a) of the CGST Act, 2017, except when they are used for making (A) further supply of such motor vehicles (e.g., a Car Dealership buying cars for resale); or, (B) transportation of passengers; or (C) imparting training on driving of such motor vehicles. We also observe that non-claiming of depreciation by the applicant in the instant case is due to the fact that the financial year involved herein, i.e., 2025-26 is yet to come to a close, as the car is reportedly purchased during April 2025.


6.11 Notwithstanding the same, we find that the entire scheme of valuation based on margin applies to cases "Where a taxable supply is provided by a person dealing in buying and selling of second hand goods". Whereas, in the instant case, we find that the applicant is neither dealing in 'second hand goods', or 'Old and Used' goods, nor, they deal in buying and selling of such goods in the normal course of business. Further, we find that though the applicant attempts to sell a 'Used' car, the same was reportedly purchased as a 'New' car originally, and therefore, the applicant is not dealing in 'second hand goods'. Accordingly, the method/manner of valuation of supply representing the margin of the supplier, as laid down under Rule 32 of the CGST Rules, 2017, read with Notification No. 8/2018-Central Tax (Rate) dated 25.01.2018, is effectively ruled out in the instant case, and that the said option is not available to the applicant.

6.12 Once the said method of valuation stands ruled out, the applicant by default becomes liable to assessment based on the transaction value, i.e., the price actually paid or payable for the said supply of goods or services or both where the supplier and recipient of the supply are not related and the price is the sole consideration for the supply, as stipulated under Section 15(1) of the CGST Act, 2017. We, are therefore of the considered opinion that the provisions of Notification No. 8/2018-Central Tax (Rate) dated 25.01.2018, is not applicable in the instant case of the applicant and that they are liable to pay taxes under GST on the full value, i.e., consideration received by the applicant towards the sale of car.


7. Based on the above discussion, we rule as under:

RULING

The applicant's proposed transaction of sale of used car is liable for tax under GST, as applicable and the tax is liable to be paid on the entire sale value of the used car by the applicant in the instant case, and not on the profit/margin.


12/10/2026
(B. Suseel Kumar)
Member (SGST)




12/10/2026
(C. Thiyagarajan)
Member (CGST)

To

M/s. Paranthaman Engineering Works,
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Tiruchengode, Namakkal – 637 211.

(By Speed Post)

Copy submitted to

1. The Principal Chief Commissioner of GST and Central Excise,
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2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai 600 005.
3. The Commissioner of GST and Central Excise,
Salem Commissionerate,
No.1, Foulkes Compound,
Anaimedu, Salem – 636 001.

Copy to

1. The State Tax Officer,
Thiruchengode Assessment Circle,
1st Floor, No. 100/13, S.S.D. Road,
Tiruchengodu, Namakkal,
Tamilnadu – 637 211.
2. Stock File – A1