

T. NO-56/2024-25

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

**Advance Ruling No. KAR ADRG 32/2024**

**Dated: 02.07.2024**

Present:

**1. Dr. M.P.Ravi Prasad**

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

**2. Sri. Kiran Reddy T**

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

1.	Name and address of the Applicant	M/s. K A SUJIT CHANDAN, No. 30, 4 <sup>th</sup> Cross, 2 <sup>nd</sup> Main Road, Kengeri Satellite Town, Bengaluru-560009.
2.	GSTIN or User ID	29AJGPS8502G2ZW
3.	Date of filing of Form GST ARA-01	22.03.2024
4.	Represented by	Sri Vishwanath Bhat, Cost Accountant
5.	<b>Jurisdictional Authority - Centre</b>	The Commissioner of Central Tax, Bengaluru South Commissionerate, Bengaluru.
6.	Jurisdictional Authority - State	Asst. Commissioner, LGSTO-100, Bengaluru
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 reference No. DC2910230395110 dated 25.10.2023

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

M/s K A SUJIT CHANDAN (herein after referred to as 'Applicant'), No. 30, 4<sup>th</sup> Cross, 2<sup>nd</sup> Main Road, Kengeri Satellite Town, Bengaluru-560009, having GSTIN 29AJGPS8502G2ZW, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017, read with Rule 104 of the CGST Rules 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules 2017, in form GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act KGST Act..



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2. The Applicant states that they have rented out a building to the Department of Social Welfare, Government of Karnataka situated at No. 30, 4th Cross, 2nd main road, Kengeri Satellite town Bengaluru and the same is used by Department of Social Welfare to run hostel for boys'.

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

*Whether rent received from the Department of Social Welfare is taxable or not?*

4. **Admissibility of the application:** The question is about the "determination of the liability to pay tax on any goods or service or both" and is admissible under Section 97(2)(e) of the CGST Act 2017.

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

5.1 The Applicant states that they have rented out a building to the Department of Social Welfare, Government of Karnataka to run boys' hostel. The Applicant states that services provided to department of social welfare, Government of Karnataka is exempted and this service is also covered under article 243W of the Constitution(Public Service).

#### **PERSONAL HEARING/PROCEEDINGS HELD ON 27.05.2024**

6. Sri Vishwanath Bhat, Cost Accountant and duly authorized representative of the applicant appeared for personal hearing proceedings and reiterated the facts narrated in their application

#### **FINDINGS & DISCUSSION**

7. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and the KGST Act, 2017 are in pari-materia and have the same provisions in like matter 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.

8. 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 and the relevant facts along with the arguments made by their authorized representative and also their submissions made during the time of hearing.



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9. The Applicant states that they have rented out a building to the Department of Social Welfare, Government of Karnataka and this building is used for Scheduled Tribe boys' hostel. The Applicant has provided a copy of the agreement which states that the building is taken on rent to run Scheduled Tribe welfare Department's hostel and the same is signed by the Applicant as well as Assistant Director, Department of Social Welfare, Bengaluru south taluk.

9.1 The Applicant states that services provided to Department of Social Welfare, Government of Karnataka is exempted as this service is covered under article 243W of the Constitution as per entry No. 3 of Notification 12/2017 Central Tax (Rate) dated 28<sup>th</sup> June 2017.

The said Entry reads as under:

*"Pure Services (excluding works contract service or other composite supplies involving any goods) provided to the Central Government, State Government or Union territory or local authority by way of any activity 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."*

9.2 From the above said entry of the notification it is observed that, in order to claim exemption on supply of services as per the entry mentioned supra, two conditions should be satisfied:

- i. Pure Services (excluding works contract service or other composite supplies involving any goods) provided to the Central Government, State Government or Union territory or local authority.
- ii. by way of any activity 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."

10. Now we examine them one by one. The Applicant has rented out the building to Scheduled Tribe welfare Department which is a department of Government of Karnataka. Thus, the Applicant is providing services to State Government and hence the first condition is satisfied.

11. 243G- Powers, authority and responsibilities of Panchayats subject to the provisions of this Constitution the Legislature of a State may, by law, endow the Panchayats with such powers and authority and may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, subject to such conditions as may be specified therein, with respect to

- (a) The preparation of plans for economic development and social justice;





(b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

Matters listed in Eleventh schedule are:

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. **Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.**
28. Public distribution system.
29. Maintenance of community assets.

11.1 243W. Powers, authority and responsibilities of Municipalities, etc Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow

- (a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law, may contain provisions for the devolution





of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to

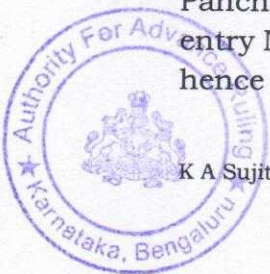
- (i) the preparation of plans for economic development and social justice;
- (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;

There are 18 items in the twelfth schedule of the Constitution which are as below:

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.

11.2 The Applicant has rented out the building to Scheduled Tribe welfare Department to run Scheduled Tribe welfare Department's hostel. This is in relation to the function entrusted to a panchayat under article 243G of the constitution which is covered by 27<sup>th</sup> entry of 11<sup>th</sup> schedule which says *Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes*. Thus, the second condition is also fulfilled.

12. From the above it is evident that, the Applicant is providing pure services to the State Government by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution and the same is covered under entry No. 3 of Notification No. 12/2017 Central Tax (Rate) dated 28<sup>th</sup> June 2017 and hence the same is exempted.



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13. In view of the foregoing, we rule as follows

**RULING**

*The pure services provided by the Applicant to the State Government are exempted as per entry No. 3 of Notification No. 12/2017 Central Tax (Rate), dated 28<sup>th</sup> June 2017 and hence not taxable.*



**(Dr.M.P.Ravi Prasad)**

**Member**

**MEMBER**

Karnataka Advance Ruling Authority  
Bengaluru - 560 009

Date: 02.07.2024



**(Kiran Reddy T)**

**Member**

**MEMBER**

Karnataka Advance Ruling Authority  
Bengaluru - 560 009

To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
6. The Commissioner of Central Tax, Bengaluru South Commissionerate, Bengaluru
4. The Assistant Commissioner of Commercial Taxes, LGSTO-100, Bengaluru.
5. Office Folder.



K A Sujit Chandan