

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

**Advance Ruling No. KAR ADRG 23 / 2021**

**Date : 16-04-2021**

Present:

1. Dr.M.P.Ravi Prasad  
Additional Commissioner of Commercial Taxes . . . . Member (State)
2. Sri.Mashhood Ur Rehman Farooqui,  
Joint Commissioner of Customs & Indirect Taxes, . . . . Member (Central)

1.	Name and address of the applicant	M/s Guitar Head Publishing LLP, # 306/A, Ground Floor, 13 <sup>th</sup> Cross, Near LCA Ramesh Nagar, Marathahalli, Bengaluru-560037.
2.	GSTIN or User ID	29AAVFG2223Q1ZN
3.	Date of filing of Form GST ARA-01	24-08-2020
4.	Represented by	Sri. Veeresh S Kandgol, Chartered Accountant & Duly Authorised Representative
5.	Jurisdictional Authority - Centre	The Commissioner of Indirect Taxes, Bengaluru East GST Commissionerate, Bengaluru (RANGE-BED5)
6.	Jurisdictional Authority - State	LGSTO-45A, 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 and Rs.5,000/- under KGST Act vide CIN UTIB20082900259348 dated.22.08.2020.

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

M/s. Guitar Head Publishing LLP, # 306/A, Ground Floor, 13<sup>th</sup> Cross, Near LCA Ramesh Nagar, Marathahalli, Bengaluru-560037 having GSTIN 29AAVFG2223Q1ZN, have filed an application for Advance Ruling under Section 97 of the CGST Act, 2017, read with Rule 104 of CGST Rules 2017 and Section 97 of KGST Act, 2017 read with the KGST Rules 2017, in FORM GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The applicant is engaged in business of selling guitar training books in United States of America, United Kingdom and Canada through their website. The applicant sends soft copy of the book to the printer located in USA, who in turn



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prints it and ships to the customers located in USA, UK and Canada. Further, in another business model the applicant is having an agreement with Amazon Inc. who through their website "amazon.com" based on the choice of the customers either prints the books and sells it to the consumers on their own account or will share the link to download the e-books material in any of the electronic devices and pays royalty to the applicant as agreed between the two parties.

In view of the above, the applicant sought advance ruling, on classification of goods and services, in respect of the following questions:

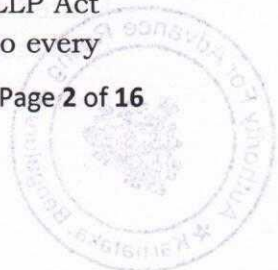
- i. Whether the supply of books from the warehouse located in USA (non-taxable territory) to the customers located in USA, UK and Canada (non-taxable territory) without such books entering into India by the applicant are treated as supply under GST?
- ii. Whether GST is levied on the shipping charges collected by the applicant from the customers located in USA, UK and Canada (non-taxable territory) for the delivery of books from the warehouse located in USA (non-taxable territory) to the customer located in USA, UK and Canada (non-taxable territory)?
- iii. Whether printing charges for printing of books charged by the Printer located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST, where only content is supplied by the applicant?
- iv. Whether the services received by the applicant from Foreign service provider such as warehousing of printed books located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST?
- v. Whether input tax credit can be availed, to the extent of inputs and input service on the transaction covered in Question 1 above?

**3. Statements of relevant facts having a bearing on the questions raised:**

3.1 The applicant is in the business of selling guitar training books in United States of America, United Kingdom and Canada through their website. The applicant sends soft copy of the book to the printer located in USA, who in-turn prints it and ships it to the customers located in USA, UK and Canada. Further, in another business model the applicant is having an agreement with Amazon Inc. who through their website "amazon.com" based on the choice of the customers either prints the books and sells it to the consumers on their own account or will share the link to download the e-books material in any of the electronic devices and pays royalty to the applicant as agreed between the two parties.

3.2 The applicant is a Limited Liability Partnership registered under the LLP Act 2008. The applicant's vision is to make available the guitar training books to every

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individual in the countries of USA, UK and Canada either as paperback books or e-books and also reach entire global market at the earliest. The main intention for guitar training books is that, in learning music from musician – there are few limitations like: long duration, physical attendance for training. But, with the applicant's guitar training books, every individual can learn at their leisure time.

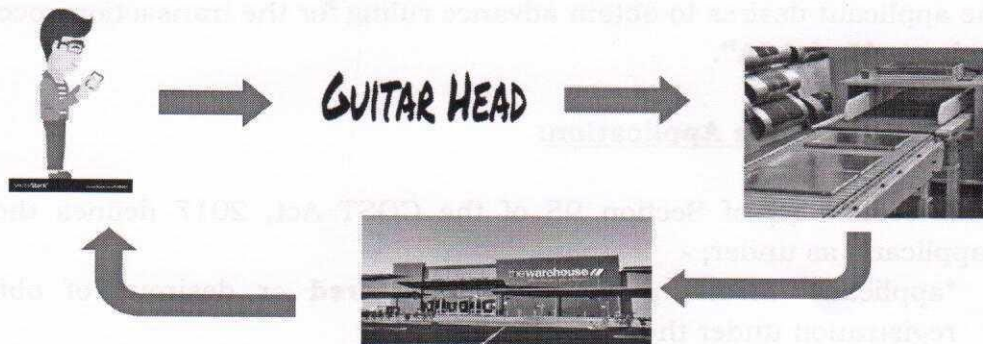
### 3.3 Business model:

The applicant has three models:

- a) Sales through own website
- b) Sales through Amazon platform
- c) Online Guitar training courses through the website of Guitar Head

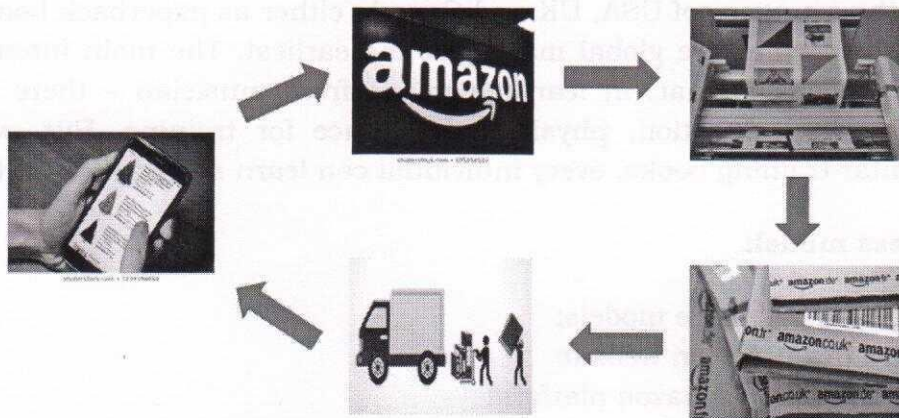
#### A. Sales through own website:

In this transaction, customer in USA, UK and Canada places an order through Applicant's website by making payment in Foreign Currency. Applicant places the bulk order with the printer, who prints and supplies to the warehouse. The books are stored in the warehouse for quick delivery to the customer. The applicant shares the order details to the warehouse service provider, who in turn ships the books to customer. The applicant pays printing charges, warehouse charges and shipping charges to the respective service provider. The applicant collects the price of book along with shipping charges.



#### B. Sales through Amazon platform:

The customer places an order through Amazon web portal by making payment either of physical book or e-book. Amazon collates all the orders, prints the books and ships to customers located outside India and in case of e-books, Amazon will share the link to download the material in any of the electronic devices. Amazon will pay royalty to the applicant at agreed rates.



### C. Online Guitar training courses through the Applicant website:

In this transaction, the applicant is proposing to start online guitar courses through its own website. The customers can purchase the course on the website. They will be provided with a User ID and grant access to the course platform. The customer is required to login with the user ID and password to view the course. The sessions are pre-recorded and require continuous availability of internet to access the course. In case the students need any clarification regarding the content of the course, they can mail to the applicant or post a query and get it clarified from the trainer.

The applicant desires to obtain advance ruling for the transactions occurring in the **business Model "A"**.

#### 4. Admissibility of the Application:

- 4.1 Sub-section (c) of Section 95 of the CGST Act, 2017 defines the term 'applicant' as under; -  
 "applicant" means any **person registered** or desirous of obtaining registration under the Act".
- 4.2 In the present matter, the applicant is registered under the GST regime and hence covered under the definition of the term "applicant" for the purpose to present an application before the Advance Ruling Authority under the GST regime. Copy of GST Registration Certificate is enclosed.
- 4.3 Further, Section 97(2) of the CGST Act specify the issues for which, an advance ruling can be sought. Section 97(2) of the CGST Act reads as under;

*The question on which the advance ruling is sought under this Act, shall be in respect of,*



**a) Classification of goods or services or both**

**b) Applicability of notification issued under the provisions of the Act**

**c) Determination of time and value of supply of goods or services**

**d) Admissibility of input tax credit of tax paid or deemed to have been paid**

**e) Determination of the liability to pay tax on any goods or services**

**f) Whether applicant is required to be registered**

**g) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term**

4.4 Thus, as per the said section, advance ruling may be sought by the applicant on the questions concerning determination of the liability to pay tax on goods or services or both and on the eligibility to avail input tax credit.

4.5 Therefore, the applicant in the instant case is eligible to file the present advance ruling application before Karnataka Authority for Advance Ruling, Bangalore.

## **5. APPLICANT'S INTREPRETATION OF LAW:**

**5.1 As mentioned in the above business model "A", Whether the supply of books from the warehouse located in USA (non-taxable territory) to the customers located in USA, UK and Canada (non-taxable territory) without such books entering into India by the applicant are treated as supply under GST??**

a. Section 7 of the IGST Act, 2017 lays down the principle to determine the nature of transaction as inter-state transaction. In this regard, the provisions of section 7(5) which reads as under:

(5) *Supply of goods or services or both,*

(a) **When the supplier is located in India and the place of supply is outside India.**

(b) to or by a Special Economic Zone developer or a Special Economic Zone Unit; or

(c) in the taxable territory, not being an intra state supply and not-covered elsewhere in this section, shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce



- b. In order to evaluate applicability of section 7(5)(a), the applicant states that it is pertinent to evaluate following aspects of transaction in question-

- Supplier
- Place of Supply

**Supplier:** IGST Act has not separately defined the term 'supplier' and hence the definition of CGST Act can be adopted in terms of section 2(24) of the IGST Act. Section 2(105) of CGST Act defines supplier as "supplier in relation to any goods or services shall mean the person supplying the said goods or services and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied".

Accordingly, the books are supplied to the customer located in USA, UK and Canada (non-taxable territory) and hence the applicant would be construed as "supplier"

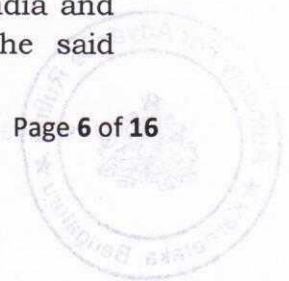
**Place of Supply:** Section 10 of the IGST Act provides for various scenarios to determine the place of supply of goods. In the present case, the supply involves movement of goods. The applicant states that, without prejudice to the applicant's submission herein below, it appears that the said supply would get covered under section 10(1)(a) of IGST Act which is reproduced below;

*10(1) The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under-*

- (a) Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.*

- c. In view of said section 10(1)(a) of IGST Act, 2017, the place of supply appears to be the location of goods at the time of delivery to the recipient. The printed books continue to remain outside India and hence the same to be delivered to customer located in USA, UK and Canada (non-taxable territory). Accordingly, according to the applicant, without prejudice to his submission herein below, the place of supply would be outside India.

- d. From the conjoint reading of 'supplier' and 'place of supply', the applicant states that it appears that supplier is located in India and place of supply is construed as outside India. Hence, the said



transaction could get covered under the ambit of "inter-state supply" in terms of section 7(5)(a) of the IGST Act.

- e. According to the applicant, as the sale of books made by the applicant to the end customer before the goods crossing the customs frontier of India is treated as "High sea Sales" and are in the nature of inter-state supplies, the liability to tax in respect of books would be as per Section 5 of the IGST Act which reads as under'-

Section 5(1) of the IGST Act, lays that ***"thereshall be a tax called integrated goods and service tax on all inter-state supplies of goods or services or both, except on the supply of alcoholic liquor for humanconsumption, on the value determined under section 15 of CGST Act and such rates not exceeding forty percent, as may be notified by the Government on the recommendation of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person"***

**Provided that the integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the customs Act, 1962.**

- f. Thus, from the above, the applicant states that integrated tax on goods imported into India is to be levied and collected in accordance with Section 3 of the Customs Tariff Act, 1975 and Section 12 of the Customs Act, 1962 and the same is to be levied and collected at the time of import into India. The goods are considered to be imported into India only after they clear the customs frontier after compliance of applicable procedures and payment of duty as applicable. Since the goods has not cleared the customs frontier of India, it is not treated as Import of Goods.
- g. The CBEC vide Circular No 33/2017-Customs dated 1<sup>st</sup> August 2017 clarified that in case of High sea sales, the levy and collection of tax will be only at the time of importation of goods in India i.e. when import declarations are filed before Customs Authorities for customs clearance for the first time. The relevant para of the circular is reproduced below:

*"GST Council has deliberated on the levy of IGST on high sea sales in the case of imported goods. The council has decided that IGST on high sea sale (s) transactions of imported goods, whether one or multiple, shall be levied and collected only at the time of importation i.e when the*



*import declarations are filed before customs clearance for the first time. Further, value addition accruing in each such high sea shall form part of the value on which IGST is collected at the time of clearance."*

The circular clearly mentions that the tax is leviable only at the time of importation of Goods in India and not when the goods sold when they are in High Seas. Similarly, when the goods are printed outside India for delivery to the customers located in USA, UK and Canada (non-taxable territory), it can be said that since, the goods are outside India, no GST is applicable on the same as the subject on which tax is being levied is outside the territory of India.

- h. Further the CGST Amendment Act, 2018 applicable from 01.02.2019 has added para 7 under Schedule III which lays that "*supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering India*" is covered under negative list" Thus the supply of goods from a place in non-taxable territory to another place in non-taxable territory is treated as "Neither Supply of Goods nor a Supply of Services" and it is outside the scope of definition of supply.
- i. **Alternately** the applicant draws attention to section 16 of IGST Act, which provides that 'zero rated supply' means any of the following supplies of goods:
  - i. Export of goods; or
  - ii. Supply of goods to a SEZ developer or unit

Section 2(5) of IGST Act, defines 'export of goods' with its grammatical Variations and cognate expressions, means "taking goods out of India to a place outside India".

- j. In order to identify these supplies as Zero-rated the same have been covered under the purview of inter-state supply. However, this cannot be interpreted to mean that all other supplies falling within the purview of Section 7(5)(a) of the IGST Act, but not covered under section 16 of IGST Act would be considered as liable to IGST.
- k. The term 'Export' covers the cases of taking goods out of India, however, principally even book being supplied to the customer located in USA, UK and Canada (non-taxable territory) which is outside India should get covered under the purview of the term 'Export'. Interpreting the term 'Export' to cover only supplies where goods are taken out of India would be restrictive and would disregard the principle of consumption-based tax. "Export of goods" should be interpreted in a



broader way to cover such cross-border transaction where goods are delivered to a customer outside India even if not taken from India. Thus, applicant pleads for extending the interpretation for the meaning of 'export of goods' even to cases where goods are delivered to customer outside India even if not taken from India.

1. From the above provisions and interpretation, the applicant is of the view that supply of books from warehouse located in USA (non-taxable territory) to a customer located in USA, UK and Canada (non-taxable territory) is covered under Schedule III which are Neither supply of goods nor a supply of service.

**5.2 Whether GST is levied on the shipping charges collected by the applicant from the customers located in USA, UK and Canada (non-taxable territory) for the delivery of books from the warehouse located in USA (non-taxable territory) to the customer located in located in USA, UK and Canada (non-taxable territory)?**

- a. The taxable event under GST is supply of goods or services or both. Section 8 provides the framework for taxability of "Composite Supply" and "Mixed Supply". Sub-section (30) of section 2 defines composite supply as under-

*It means "a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a **principal supply**"*

Sub-section (90) of section 2 defines principle supply means "the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary"

The tax liability on a composite supply which comprising two or more supplies, one of which is a principle supply, shall be treated as a **supply of such principal supply**.

- b. The determining factor for the services to be considered as naturally bundled in the ordinary course of business would depend upon the normal or frequent practices followed in the area of business to which service relate. Where there is movement of goods, services of transportation, in-transit insurance and loading/unloading, being ancillary to the principle supply of goods, shall be treated to taxation under Section 8 (a) of the CGST Act and the consideration receivable on that account be taxed at the rate of principal supply.



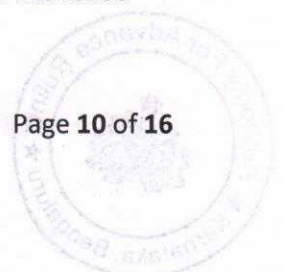
- c. Thus, we are of the view that supply of books along with shipping charges, where in supply of books is a principle supply and shipping charges being naturally bundled in the ordinary course of business is an ancillary supply. Hence levability of GST for shipping charges depends on the taxability of principal supply being supply of books.
- d. Therefore, the applicant states that he is of the view that the supply of books being covered under Schedule III and shipping charges being ancillary to principal supply, is outside the scope of GST and hence IGST is not chargeable on the same.

**5.3 Whether printing charges for printing of books charged by the Printer located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST, where only content is supplied by the applicant?**

- a. Section 13 of IGST Act, lays down the provisions for Place of Supply of services where location of supplier or location of recipient is outside India. Since in this transaction, the printer located in USA (non-taxable territory) which is outside India, place of supply can be governed by section 13.
- b. From the above provision, printer requires materials for printing without which it is not possible to render the said printing services which are performed in USA (non-taxable territory) for supply to customers in USA, UK and Canada (non-taxable territory) without bringing the same to India.
- c. Hence, the applicant states that he is of the view that the printing services are rendered in USA (non-taxable territory) for supply to customers in USA, UK and Canada (non-taxable territory) without bringing the same to India is **outside the ambit of GST** and therefore, the liability under Reverse Charge Mechanism is not triggered.

**5.4 Whether the services received by the applicant from Foreign service provider such as warehousing of printed books located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST?**

- a. The applicant states that it is relevant to note here that, since the books are warehoused in a place which is located in USA (non-taxable territory) and they are shipped to the customers in USA, UK and Canada (non-taxable territory) without bringing the same to India, is **outside the ambit of GST** and therefore, the liability under Reverse Charge Mechanism is not triggered.



**5.5 Whether input tax credit can be availed, to the extent of inputs and input service on the transaction covered in Question 1 above?**

- a. Section 17(2) of the CGST Act, lays that *"where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero rated supplies"*.
- b. Section 17(3) of the CGST Act, lays that *"The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of schedule II, sale of building"*
- c. The CGST Amendment Act, 2018 has inserted explanation to Sub-section (3), **"Value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except those specified in paragraph 5 of the said schedule.**
- d. It is relevant to note from the above provisions that transactions listed in Schedule III are "NOT SUPPLIES" and hence they are **neither 'exempt supplies' nor are they 'non-taxable supplies'**. Thus, no credit would be required to be reversed for engaging in transactions referred under Schedule III.
- e. The applicant states that in the present case, since the supply of books from one non-taxable territory to another non-taxable territory without the books entering India covers under Schedule III, no reversal of credit would be required for engaging in these transactions and the fact that these supplies have been inserted in Schedule III and not included as an exemption under section 11, he is of the view that reversal of credit is not required.

**6. In view of the above submissions, the applicant requests this Authority to provide the Advance ruling as mentioned below:**

- i. To include the supply of books from warehouse located in USA (non-taxable territory) to a customer located in USA, UK and Canada (non-taxable territory) is covered under Schedule III which are neither supply of goods nor a supply of service."
- ii. To exclude shipping charges from levy of tax since supply of books being covered under Schedule III and shipping charges being ancillary to principle supply is outside the scope of GST and hence IGST is not chargeable on the same.



- iii. To exclude the printing charges from levy of RCM since printing services are rendered in USA (non-taxable territory) for supply to customers in USA, UK and Canada (non-taxable territory) without bringing the same to India is **outside the ambit of GST** and therefore, the liability under Reverse Charge Mechanism is not triggered.
- iv. To exclude the Warehousing charges from levy of RCM since the books are warehoused which is located in USA (non-taxable territory) and they are shipped to the customers in USA, UK and Canada (non-taxable territory) without bringing the same to India, is **outside the ambit of GST** and therefore, the liability under Reverse Charge Mechanism is not triggered..
- v. Allow to claim the input tax credit on the inputs and input services used by the applicant in respect of the transactions are covered under Schedule III. Since the supply of books from one non-taxable territory to another non-taxable territory without the books entering India covers under Schedule III, no reversal of credit would be required for engaging in these transactions and the fact that these supplies have been inserted in Schedule III and not included as an exemption under section 11.

#### **PERSONAL HEARING PROCEEDINGS HELD ON 15-12-2020**

7. Sri. Veeresh S Kandgol, CA & Authorized Representative appeared for personal hearing proceedings held on 15-12-2020 before this authority and reiterated the submissions mentioned in the application.

#### **FINDINGS & DISCUSSION**

8. At the outset we would like to make it clear that the provisions of CGST, Act 2017 and KGST, Act 2017 are in *parimateria* 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.

9 We have considered the submissions made by the applicant in their application for advance ruling as well as the submissions made by Sri. Veeresh S Kandgol, Chartered Accountant and Duly Authorized Representative of the applicant during the personal hearing. We also considered the issues involved, on which advance rulings are sought by the applicant, relevant facts and the applicant's interpretation of law.

10. The applicant sought advance ruling, with regard to business model 'A', in respect of the questions mentioned at para 2 supra. In this business model, customers in USA, UK and Canada places an order through applicant's website by

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making payment in Foreign Currency. The applicant places the bulk order with the printer, who prints and supplies to the warehouse. The books are stored in the warehouse for quick delivery to the customer. The applicant shares the order details to the warehouse service provider, who in turn ships the books to customer. The applicant pays printing charges, warehouse charges and shipping charges to the respective service providers. The applicant collects the price of book along with shipping charges.

It could easily be inferred from the aforesaid business model 'A' that the applicant is in receipt of the service of printing of the books where the content is supplied by the applicant and also moving the books so printed to the warehouse at USA; shipping of the books by the person (agent of the applicant) located in USA, on behalf of the applicant to the customer in USA/Canada/UK by the respective service providers.

11. Now we proceed to consider and examine each question, one at a time. The first question is ***Whether the supply of books from the warehouse located in USA (non-taxable territory) to the customers located in USA, UK and Canada (non-taxable territory) without such books entering into India by the applicant are treated as supply under GST?***

In the instant case the goods (books) are supplied by the person from the warehouse located in USA which is outside India (a non-taxable territory), to the customers in USA/UK/Canada, which is outside India (a non-taxable territory). Schedule III, relevant to Section 7 of the CGST Act 2017, at clause 7 specifies that "Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India" shall be treated neither as a supply of goods nor a supply of services.

In view of the above, supply of books from the warehouse located in USA (non-taxable territory) to the customers located in USA, UK and Canada (non-taxable territory) without such books entering into India does not amount to supply under GST, in terms of clause 7 of Schedule III, relevant to Section 7 of the CGST Act 2017.

12. The second question is ***Whether GST is levied on the shipping charges collected by the applicant from the customers located in USA, UK and Canada (non-taxable territory) for the delivery of books from the warehouse located in USA (non-taxable territory) to the customer located in located in USA, UK and Canada (non-taxable territory)?***

The applicant though collects the shipping charges from the customers, actual shipping of the books happens outside India, a non taxable territory, by the agent of the applicant. Thus the shipping charges collected by the applicant from the customers located outside India for delivery of books from the warehouse located outside India to the customer located outside India are not exigible to GST, as explained at para 11 supra.



The applicant is not actually shipping the books to the customers but arranging the shipping through his agent outside India and has not furnished any copy of contractual agreement with the warehousing agent to act as pure agent of the applicant to incur expenditure towards shipping of the books. Thus the applicant is in receipt of the service of shipping the books from the warehousing agent outside India.

In view of the above, it is clearly evident that the supplier providing the shipping services to the applicant is outside India, the recipient of the said service i.e. the applicant is within India and the place of supply is in India in terms of Section 13 of the IGST Act 2017. Thus the impugned service squarely qualifies to be an import of service, in terms of Section 2(11) of the IGST Act 2017, in the hands of the applicant and hence the amount paid by the applicant towards the said shipment service is exigible to GST, under Reverse Charge Mechanism.

13. The third question is **Whether printing charges for printing of books charged by the Printer located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST, where only content is supplied by the applicant.**

The applicant is supplying the content of the books and get the books printed and moves the said books to the warehouse located outside India. In this regard we invite the reference to the Circular No.11/11/2017-GST dated 20.11.2017.

Para 2 of the aforesaid circular clarifies that *supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc., printed with logo, design, name, address or other contents supplied by the recipient of such printed goods, are **composite supplies** and the question, **whether such supplies constitute supply of goods or services** would be determined on the basis of what constitutes the principal supply.*

The principal supply, in terms of Section 2(90) of CGST Act 2017, is supply of goods or services which constitutes the predominant element of composite supply and to which any other supply forming part of that composite supply.

Para 4 of the said circular specifies that in the case of printing of books, pamphlets, brochures, annual reports, and the like, the supply of printing of the content supplied by the recipient of supply is the principal supply and therefore such supplies would constitute supply of service, falling under heading / SAC 9989, subject to the following conditions namely

a) The content is supplied by the publisher or the person who owns the usage rights to the intangible inputs.

b) The physical inputs including paper used for printing belong to the printer.



In the instant case, the content of the books is supplied by the applicant, who owns the said content i.e. usage right to the intangible inputs. Further the physical input i.e. the paper used for printing the books belongs to the printer and hence both the conditions are fulfilled.

In view of the above, it is clearly evident that the supplier providing the printing services to the applicant is outside India, the recipient of the said service i.e. the applicant is within India and the place of supply is in India in terms of Section 13 of the IGST Act 2017. Thus the impugned service squarely qualifies to be an import of service, in terms of Section 2(11) of the IGST Act 2017, in the hands of the applicant. Hence the printing charges for printing of books charged by the Printer located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST, where only content is supplied by the applicant.

14. The fourth question is **Whether the services received by the applicant from Foreign service provider such as warehousing of printed books located in USA (non-taxable territory) is taxable under Reverse Charge Mechanism under GST?**

We proceed to examine whether the impugned service i.e. warehousing of printed books located in USA is covered under import of service or not. We invite reference to Section 2 (11) of IGST Act, 2017, in terms of which "import of Service" has been defined as a supply of service where

- The supplier of service is located outside India;
- The recipient of service is located in India; and
- The place of supply of service is in India;

In the instant case we observe that, though the supplier is located outside India and the recipient is located in India, the place of supply of service is outside India, in terms of Section 13 of IGST Act 2017. Therefore, the impugned service is not covered under import of service and hence is not exigible to GST under RCM basis on expenses incurred on warehousing charges of printed books.

15. The last question is **Whether input tax credit can be availed, to the extent of inputs and input service on the transaction covered in Question 1 above?**

The instant question is subject to the answer to the first question. The applicant is not entitled to avail input tax credit on inputs and input services on the transaction covered in first question as the said transaction does not amount to supply under GST, as discussed at para 11 supra.



16. In view of the foregoing, we pass the following

**R U L I N G**

- i. The supply of books from the warehouse located in USA (non-taxable territory) to the customers located in USA, UK and Canada (non-taxable territory) without such books entering into India by the applicant does not amount to supply under GST.
- ii. The shipping charges collected by the applicant from the customers located in USA, UK and Canada (non-taxable territory) for the delivery of books from the warehouse located in USA (non-taxable territory) to the customer located in USA, UK and Canada (non-taxable territory) are not exigible to GST.
- iii. The printing charges, for printing of books, charged by the printer located in USA (non-taxable territory) are taxable under Reverse Charge Mechanism under GST, where only content is supplied by the applicant
- iv. The services received by the applicant from foreign service provider such as warehousing of printed books located in USA (non-taxable territory) is not taxable under Reverse Charge Mechanism under GST.
- v. The input tax credit can't be availed, to the extent of inputs and input service on the transaction covered in first question as the said transaction does not amount to supply under GST.

  
(Dr. M. P. Ravi Prasad)

**Member**  
MEMBER

Karnataka Advance Ruling Authority

Bengaluru - 560 009

Place : Bengaluru,

Date : 16-04-2021

  
(Mashhood Ur Rehman Farooqui)

**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.
3. The Commissioner of Indirect Taxes, Bangalore East Commissionerate, Bengaluru.
4. The Asst. Commissioner, LGSTO-45 A, Bengaluru.
5. Office Folder.

