

T. No-54/2024-25

**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 30/2024**

**Dated: 02.07.2024**

Present:

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

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

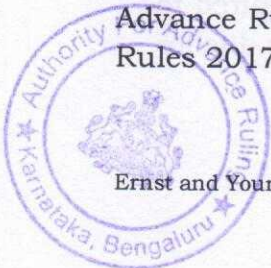
**2. Sri. Kiran Reddy T**

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

|    |   |  |
|----|---|--|
| 1. | Name and address of the Applicant   | M/s. ERNST AND YOUNG LLP,<br>Canberra Block, 12 <sup>th</sup> and 13 <sup>th</sup> Floor, No.24,<br>Vittal Malya Road, UB City, Corporate<br>division, No.61, Bengaluru-560001.      |
| 2. | GSTIN or User ID  | 29AAEFE1763C2ZN  |
| 3. | Date of filing of Form GST<br>ARA-01  | 08.04.2024   |
| 4. | Represented by  | Sri Ravi Banthia and Sri Chillakuru<br>Chaitanya<br>Duly Authorised Representative   |
| 5. | Jurisdictional Authority -<br>Centre  | The Commissioner of Central Tax,<br>Bengaluru North Commissionerate,<br>Bengaluru.   |
| 6. | <b>Jurisdictional Authority -<br/>State</b>                                 | ACCT, LGSTO-20, Bengaluru.   |
| 7. | Whether the payment of fees<br>discharged and if yes, the<br>amount and CIN | Yes, discharged fee of Rs.5,000/ under<br>CGST Act & Rs 5,000/ under KGST Act<br>through debit from Electronic Cash Ledger<br>vide reference No. DC2904240014319 dated<br>04.04.2024 |

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

M/s ERNST AND YOUNG LLP (hereinafter referred to as 'Applicant'), Canberra Block, 12<sup>th</sup> and 13<sup>th</sup> Floor, No.24, Vittal Malya Road, UB City, Corporate division, No.61, Bengaluru-560001, having GSTIN 29AAEFE1763C2ZN, 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,



Ernst and Young LLP

in form GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act KGST Act.

2. The Applicant is engaged in providing services in auditing, accounting and taxation. The Applicant has entered into an engagement letter for rendering professional services in relation to corporate tax return filing to Bangalore Water Supply & Sewerage Board(hereinafter referred as BWSSB).

3. The applicant has sought advance ruling in respect of the following question:

*1. Whether the professional services for assistance in filing of corporate tax returns provided to BWSSB is an exempt supply as referred in Sl No.3 (chapter 99) of table mentioned in Notification 12/2017 Central Tax (Rate) dated 28 June 2017?*

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

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

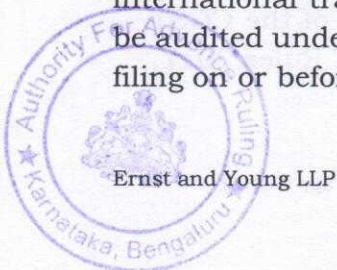
5.1. The Applicant states that it is a Firm having its office at Ground, 1st and 4th Floor, 'A' Wing Divyasree Chambers #11, O Shaughnessy Road Langford Gardens, Bengaluru, 560025 and registered under Karnataka Goods and Services Tax Act, 2017 ('KGST Act') holding registration number 29AAEFE1763C2ZN.

5.2. The Applicant states that they are engaged in providing services in auditing, accounting and taxation. The Applicant has entered into an engagement letter for rendering professional services in relation to corporate tax return filing to Bangalore Water Supply & Sewerage Board (hereinafter referred as 'BWSSB').

5.3. The Applicant states that BWSSB is an autonomous body formed by state legislature under Bangalore Water Supply and Sewerage Board Act,1964. BWSSB has been constituted by the Government of Karnataka to discharge the public duties on behalf the State Government i.e., to make provision of supply of water and disposal of sewage within Bangalore Metropolitan Area and other areas. Thus, the board is an extended arm of the State Government and akin to municipality and is not into any business operations.

5.4. The Applicant states that the main functions of BWSSB are adequate water supply to meet demand; creation of sewerage network; safe disposal of sewage; levy and collection of water charges on 'no loss no profit basis' for sustainability of the system.

5.5. The Applicant states that The Income tax Act 1961, requires every assessee to file a Return of Income ('ROI') offering to tax the income earned by it during the relevant financial year. According to prevalent laws, the tax return for assessee having no international transactions with Associated Enterprises, whose accounts are required to be audited under the act or under any other law for the time being in force and is due for filing on or before 31 October 2022 for the year ended on 31 March 2022.



5.6. The Applicant states that they have entered into an agreement with BWSSB for rendering services for assistance in filing corporate tax returns ("ROI") of BWSSB for the period 2022-23. A copy of the agreement is attached herewith as Annexure 1.

The scope of work of the Applicant under the agreement has been detailed as under:

- Collate the information/documentation required for the preparation of ROI.
- Assist in preparing the computation of income for arriving at the tax liability for the year.
- Assistance in preparing a draft of the ROI along with the basis for preparation of return.
- Forward the draft ROI for your review and confirmation; and
- Finalize the ROI in discussion with the management and assist in filing the same with the Indian Revenue authorities via e-filing.

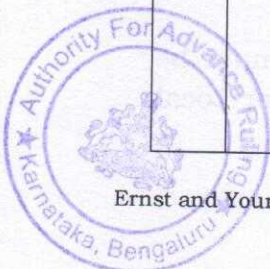
5.7. The Applicant states that they are of the view that assistance in filing of corporate tax return provided by the Applicant to BWSSB is exempt from GST as per Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017 amended via Notification No. 16/2021-Central Tax (Rate) dated 28 November 2021.

#### 6. Applicant's Interpretation of law:

6.1. Under the Central Goods and Services Tax Act, 2017 ('CGST Act, 2017'), Notification No. 12/2017- Central Tax (Rate) dated 28 June 2017 amended vide Notification No. 16/2021- Central Tax (Rate) dated 18 November 2021 and Notification No. 13/2023- Central Tax (Rate) dated 19 October 2023 provides exemption for services provided to the Government or local authority or governmental authority for certain functions under the Constitution.

6.2 Relevant portion of Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017, as amended vide Notification No. 16/2021-Central Tax (Rate) dated 18 November 2021 and Notification No. 13/2023- Central Tax (Rate) dated 19 October 2023 for interpretation reads as follows:

| SL.N<br>o. | Chapter,<br>Section,<br>Heading, Group<br>or Service Code<br>(Tariff) | Description of Services  | Rate | Condition |
|------------|---|--|------|-----------|
| (1)        | (2)   | (3)  | (4)  | (5)       |
|            | Chapter 99  | Pure Services(excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local authority or a Governmental 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. | Nil  | Nil       |



6.3. It is submitted that three conditions are required to be satisfied for a service to be covered under the abovementioned exemption:

- a. It must be pure service not involving any supply of goods
- b. It must be provided to the Central Government or State Government or Union Territory or Local Authority or a Governmental Authority
- c. It must be an activity in relation to any function entrusted to a:
  - (i) Panchayat under Article 243G of the Constitution; or
  - (ii) Municipality under Article 243W of the Constitution

#### **First condition**

6.4. Regarding the first condition, the Applicant would like to submit that "Pure Services" have not been defined under the GST Laws. In general parlance, an activity which does not involve goods can be termed as a pure service. The abovementioned exemption also specifically excludes works contract service or other composite supplies involving supply of any goods.

6.5. In the instant case, the Applicant is engaged in providing assistance in filing of corporate tax returns which are not linked to any supply of goods whatsoever and qualify as pure services.

6.6. Further, in the FAQs issued by the Goods and Service Tax Council on Sectoral series on Government Services, it was clarified as follows:

"Question 25: What is the scope of 'pure services' mentioned in the exemption notification No. 12/2017-Central Tax (Rate), dated 28.06.2017?

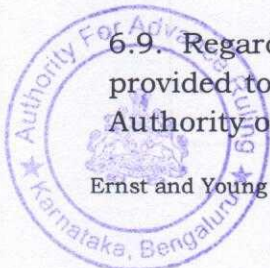
Answer: In the context of the language used in the notification, supply of services without involving any supply of goods would be treated as supply of 'pure services'. For example, supply of man power for cleanliness of roads, public places, architect services, consulting engineer services, advisory 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 goods, which falls under the works contract services. The exemption is provided to services involves only supply of services and not for works contract services".

6.7. The above covers advisory services, as being provided by the Applicant to BWSSB. Accordingly, it can be said that professional services are in the nature of 'Pure Services'.

6.8. Hence, the services being provided by the Applicant amount to "Pure Services" and satisfy the first condition of the exemption.

#### **Second condition**

6.9. Regarding the second condition, the entry provides that the services must be provided to the Central Government or State Government or Union Territory or Local Authority or a Governmental Authority.



6.10. The term "local authority" has been defined under Section 2(69) of the CGST Act, 2017 as under:

"local authority" means-

- (a) a "Panchayat" as defined in clause (d) of article 243 of the Constitution;
- (b) a "Municipality" as defined in clause (e) of article 243P of the Constitution;
- (c) 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;
- (d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);
- (e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
- (f) a Development Board constituted under article 371 8[and article 371J] of the Constitution; or
- (g) a Regional Council constituted under article 371A of the Constitution;

6.11. Given that BWSSB is an extended arm of the State Government and akin to municipality and is not into any business operations, it falls under the definition of 'Local Authority'.

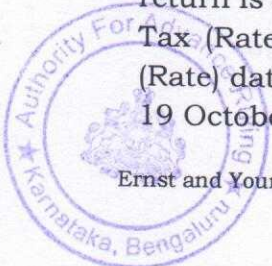
6.12. Accordingly, the second condition provided under Entry 3 of Notification no. 12/2017-Central Tax (Rate) dated 28 June 2017, as amended from time to time, is also being fulfilled.

### **Third condition**

6.13. Regarding the third condition, the services must be an activity related to any function entrusted to a municipality under Article 243W of the Constitution. It is submitted that the Income Tax Act, 1961, makes it mandatory for BWSSB to file its corporate tax returns. Hence, the professional service of assistance in filing of corporate tax returns is a mandatory activity to ensure smooth operations of BWSSB in carrying out its functions entrusted under Article 243W the Constitution. Hence, it is submitted that the third condition is also being fulfilled.

6.14. Given that all the conditions are being fulfilled, the Applicant is of the view that the services being provided by it to BWSSB are eligible for exemption under Entry 3 of Notification no. 12/2017 – Central Tax (Rate) dated 28 June 2017, as amended from time to time. Accordingly, the Applicant should raise "Bill of Supply" for its exempt services.

6.15. Therefore, professional services rendered for assistance in filing of corporate tax return is eligible for exemption in terms of Entry 3 of Notification No. 12/ 2017- Central Tax (Rate) dated 28 June 2017 amended vide Notification No. 16/2021-Central Tax (Rate) dated 18 November 2021 and Notification No. 13/2023- Central Tax (Rate) dated 19 October 2023.



## PERSONAL HEARING/PROCEEDINGS HELD ON 27.05.2024

7. Sri Ravi Banthia & Chillakuru Chaitanya, Chartered Accountant and duly authorized representatives of the applicant appeared for personal hearing proceedings and reiterated the facts narrated in their application.

### FINDINGS & DISCUSSION

8. 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.

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

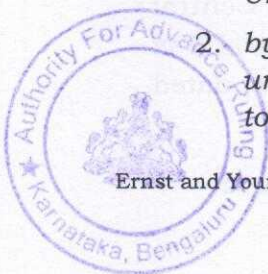
10. The Applicant states that they are engaged in providing services in auditing, accounting and taxation. The Applicant states that, they have entered into an engagement letter for rendering professional services in relation to corporate tax return filing to Bangalore Water Supply & Sewerage Board.

10.1 The Applicant wants to know whether the professional services provided by them in relation to corporate tax return filing to BWSSB is exempted as per entry No. 3 of Notification 12/2017 Central Tax (Rate) dated 28 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.”*

10.2 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:

1. *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.*
2. *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.”*



11. Now we examine them one by one. The Applicant states that he is providing professional services in relation to corporate tax return filing to BWSSB. BWSSB is neither the Central Government nor the Union Territory. Now we need to examine whether BWSSB is a State Government or Local Authority.

BWSSB is a Board set up by The Bangalore Water Supply and Sewerage Act 1964, hence, the same cannot be considered as State Government. Now let us examine whether BWSSB is a Local Authority or not. Subsection 69 of section 2 of CGST Act 2017 defines Local Authority as below:

**Section 2. Definitions.-**

*In this Act, unless the context otherwise requires,-*

.....

.....

(69) "local authority" means-

(a) a "Panchayat" as defined in clause (d) of article 243 of the Constitution;

(b) a "Municipality" as defined in clause (e) of article 243P of the Constitution;

(c) 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;

(d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);

(e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;

(f) a Development Board constituted under article 371<sup>8</sup>[and article 371J] of the Constitution; or

(g) a Regional Council constituted under article 371A of the Constitution;

11.1 "Panchayat" is defined in clause (d) of article 243 of the Constitution. Clause (d) of Article 243 of the Indian Constitution reads as below:

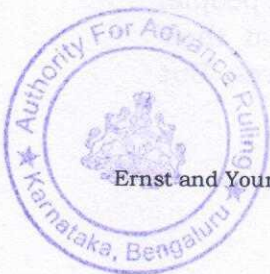
243. *In this Part, unless the context otherwise requires,—*

(a) ".....

(b) .....

(c) .....

(d) "Panchayat" means an institution (by whatever name called) of self-government constituted under article 243B, for the rural



areas;

Article 243B of the Indian Constitution reads as below:

*243B. (1) There shall be constituted in every State, Panchayats at the village, intermediate and district levels in accordance with the provisions of this Part.*

As per Clause (d) of Article 243 and Article 243B of Indian Constitution we can say that Panchayat” is an institution of self-government at the village level.

11.2 "Municipality" is defined in clause (e) of article 243P of the Constitution. Clause (e) of Article 243P of the Indian Constitution reads as below:

*243P. In this Part, unless the context otherwise requires,—*

*(a) .....*

*(b) .....*

*(c) .....*

*(d) .....*

*(e) "Municipality" means an institution of self-government constituted under article 243Q;*

Article 243Q of the Indian Constitution reads as below:

*243Q. (1) There shall be constituted in every State,—*

*(a) a Nagar Panchayat (by whatever name called) for a transitional area, that is to say, an area in transition from a rural area to an urban area;*

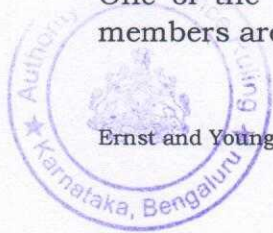
*(b) a Municipal Council for a smaller urban area; and*

*(c) a Municipal Corporation for a larger urban area,*

*in accordance with the provisions of this Part: Provided that a Municipality under this clause may not be constituted in such urban area or part thereof as the Governor may, having regard to the size of the area and the municipal services being provided or proposed to be provided by an industrial establishment in that area and such other factors as he may deem fit, by public notification, specify to be an industrial township*

As per Clause (e) of Article 243 and Article 243Q of Indian Constitution, we can say that Municipality is an institution of self-government at transitional area, smaller and larger urban areas.

11.3 From the definitions of Panchayat and Municipalities we can see that both are institutions of self-government in defined areas. Self-Government is the management of local affairs by local Authorities, members of which have been elected by the local people. One of the distinctive attributes and characteristics of Local Authority is that their members are elected through direct elections by the inhabitants of the defined area. But





as per section 3 of BWSSB Act 1964, all the members of BWSSB are appointed by the State Government.

11.4 BWSSB is also not a Municipal Committee or a Zilla Parishad or a District Board, since it is not vested with the control or management of a municipal or local fund. In view of the above, we can conclude that BWSSB is not Local Authority.

11.5 In view of the above, it is evident that BWSSB is neither State Government nor Local Authority and hence the first condition is not satisfied.

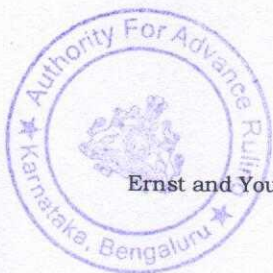
12. 243G- Powers, authority and responsibilities of Panchayats subject to the provisions of this Constitution the Legislature of a State may, by law, endow the Panchayats with such powers and authority and may be necessary to enable them to function as institutions of self-government and such law may 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.

12.1 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.

12.2 The Applicant states that he is providing professional services in relation to corporate tax return filing to BWSSB. But these services are not provided 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. Thus, the second condition is also not satisfied. Hence the services provided by the Applicant to BWSSB are not exempt as per entry No. 3 of Notification 12/2017 Central Tax (Rate) dated 28<sup>th</sup> June 2017.

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

### **RULING**

*The professional services for assistance in filing of corporate tax returns provided by the Applicant to BWSSB is not an exempt supply as per Sl No.3 of Notification No.12/2017 Central Tax (Rate) dated 28<sup>th</sup> June 2017.*

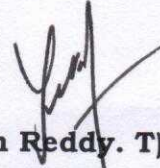


**(Dr.M.P.Ravi Prasad)**  
**Member**

MEMBER

Place : Bengaluru  
Date : 02.07.2024

Karnataka Advance Ruling Authority  
Bengaluru - 560 009



**(Kiran Reddy. T)**  
**Member**

MEMBER

Karnataka Advance Ruling Authority  
Bengaluru - 560 009

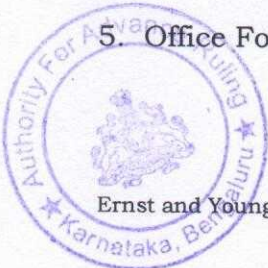
To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Principal Commissioner of Central Tax, Bengaluru North Commissionerate Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-20, Bengaluru.

5. Office Folder.



Ernst and Young LLP