

GIB/MP/INDO THAI/25-06-2019/AAR-249**Advance Ruling Category :** Taxability**State :** Madhya Pradesh**Order No.:** GIB/MP/INDO THAI/25-06-2019/AAR-249**Name of Entry :**

Indo Thai Securities Limited

Date : 25-06-2019**Breif Issue :****Facts & Issue of the Ruling**

The present application has been filed u/s 97 of the Central Goods & Services Tax Act, 2017 and MP Goods & Services Tax Act, 2017 by “M/s. INDO THAI SECURITIES LIMITED” a public limited company registered under the Goods & Services Tax. The Applicant is a registered stock broker dealing in purchase/sale of securities for and on behalf of its clients and barges brokerage for its activities. The applicant acquires securities for and on behalf of its customers and recovers its dues. The dues are mainly consist of two components i.e. amount due towards the security and the brokerage. However sometimes clients delayed the payment and on such delay an additional amount is charged which is termed as Interest/Late fee/ Penalty.

The question raised before the Advance Ruling Authority is that, the applicant charges interest from customers for delayed payment, the amount on which interest is charged consists of two components — cost of securities and brokerage. Interest charged on cost of securities is exempt under notification .no. 12/2017 Central Tax (Rate) dated 28-06-2017 as amended, then what will be the tax liability on such interest charged from customers.

Decision of Advance Ruling Authority :**Decision**

In respect of the question raised by the applicant, the Advance Ruling Authority held that the additional amount being charged cannot be termed as interest and the exemption vide entry no 27 of Notification no 12 / 2017 of CGST cannot be applied on the same.

In this case stock broking service is the principal supply and all other ancillary supplies shall take colors from the principal supply itself and it shall be classified as principal supplies. So, the additional amount being charged in delay of payment by whatever named called should be classified as principal supply and the classification of the same cannot differ from the original supply. Hence the additional amount charged on delayed payment shall be taxed as per original supply i. e. supply of Stock broking services. The ruling is valid subject to the provisions under section 103(2) until and unless declared void under Section 104(1) of the GST Act.