

GIB/KN/PAREXEL/30.09.2019/AAR-276

Advance Ruling Category : Taxability

State : Karnataka

Order No.: GIB/KN/PAREXEL/30.09.2019/AAR-276

Name of Entry :

PAREXEL International Clinical Research Pvt. Ltd.

Date : 30-09-2019

Breif Issue :

Fact & Issue of the Case:

1. Determination of liability to pay tax on the co-ordination services provided by the company to its affiliates outside India.
2. Determination of liability to pay tax on “Pass Through” expenses charged by the Company to its affiliates located outside India.

The applicant states that PAREXEL International Corporation (USA) (the Parent Company of the applicant) provide a broad range of expertise in clinical research, medical communications, consulting and advance technology products and services to the worldwide pharmaceutical and biotechnology companies alternatively known as “Sponsors”. For coordinating the clinical trial activity conducted in India, PAREXEL Prime (i.e. the entity which has executed the contract with the Sponsor – typically a PAREXEL entity in US, UK, Germany, Japan or Ireland) has entered into an agreement with the applicant.

The key functions carried out by the applicant while providing the services are: Study initiation (Project Management), Project Monitoring, Compliance and Regulatory affairs. The applicant also provides Project Management Services to Indian Companies/ Sponsors and has been discharging the GST liability on the consideration received for these services.

PAREXEL Prime typically enters into a contract with the Sponsor and outsources a part of its activities to the applicant if the CRS (Clinical Research Services) are intended to be performed in India.

The applicant invoices its affiliates on a monthly basis, a fee comprising of total operating cost incurred by the company as increased by 15% mark-up.

According to the applicant the agreement is only co-ordination, study initiation and monitoring of clinical trials conducted in India and as these services are outsourced support services, these services are classifiable as “Business Support Services” with HSN 998311.

The applicant places reliance on the Advance Ruling given under “**Therapeutics Ltd 2017(49) STR**

114 (AAR)” where the applicant provides “clinical research services” which are similar to those of the services provided by the applicant.

Determination of liability to pay tax on the “pass through” provided by the company to its affiliates outside India, the applicant states he acts on behalf of the sponsor and enters into a contract with the investigators who performs clinical trials in India and settles their invoices on behalf of the sponsor. These charges shall be reimbursed to the applicant at actuals and are named as “pass through” expenses.

Decision of Advance Ruling Authority :

Decision:

The first question whether the services provided by the applicant to the foreign client amount to export of service cannot be answered as Section 97 of the CGST Act, 2017 does not empower the Authority to give Ruling on the Place of Supply of Goods or Services

Regarding the “pass through expenses”, the applicant acts as a “pure agent” in receiving amounts from the foreign clients and passing it on to the Local Research Institutions