

GIB/AP/Pullari/05.05.2020/AAR-360

Advance Ruling Category : Value of Supply

State : Andhra Pradesh

Order No.: GIB/AP/Pullari/05.05.2020/AAR-360

Name of Entry :

M/S. PULLURI MINING & LOGISTICS PRIVATE LIMITED

Date : 05-05-2020

Breif Issue :

Facts & Issue Of The Case :

The applicant M/s. Pulluri Mining & Logistics Private Limited, are registered taxable person. It is a service provider rendering support services relating to mining.

The applicant, seeking an advance ruling in respect of :

Whether the HSD Oil issued free of cost by the service recipient to the applicant would form part of value of supply of service by the applicant as per section 15 of the CGST Act 2017?

And more particularly under sub-section(2) (b) of section 15 of the CGST Act.

The applicant is of view that the value of HSD Oil need not be included in the value of supply and it need not pay GST on the value of HSD oil being supplied by the service recipient in relation to the said supply of service.

The phrase 'any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply' appearing in Section 15 (2) (b) of the GST Act shall be understood as the "consideration" which has been included in the total price payable to the service provider, but for various reasons, which has been incurred by the recipient. Section 15(2) (b) would be applicable where the total contract price is inclusive of the value of HSD but has been supplied by the service recipient on cost recovery basis.

In a situation where the service recipient has supplied the goods on free of cost basis, the title in such goods had not been passed on to the service provider and hence the service

provider has no right to deal with such HSD as he likes. For each drop of HSD supplied to the service provider, account has to be rendered to the service recipient because the title in HSI) always rests with the service recipient. Service recipient is not paying any consideration to the service provider on account of HSD, because service provider is not supplying HSD.

Decision of Advance Ruling Authority :

Decision :

Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both is includible in value.

Thus, HSD Oil issued free of cost by the service recipient to the applicant would form part of value of supply of service by the applicant.