

**GIB/KA/WAREHOUSING CORPORATION/24.03.2021/AAR-439**

**Advance Ruling Category :** CLASSIFICATION OF RATE AND HSN CODE

**State :** Karnataka

**Order No.:** GIB/KA/WAREHOUSING CORPORATION/24.03.2021/AAR-439

**Name of Entry :**

M/S. KARNATAKA STATE WAREHOUSING CORPORATION

**Date :** 24-03-2021

**Breif Issue :**

**FACTS AND ISSUE OF THE CASE:**

Whether 'supervisory charges' under clause 28(b) of the Office order on charges of KSWC charged to Food Corporation of India (FCI) by the Corporation towards supervision of loading, transportation and unloading of agricultural produce like Rice, wheat etc., at the rate of 8% on the amount billed by 'Handling and Transportation' Contractors is chargeable to tax under the CGST/KSGST Acts, 2017, If yes, at what is the applicable rate of tax and the HSN/SAC Code applicable thereto?

A contract is an agreement between two or more parties and can be either written or oral. An oral contract is an agreement made with spoken words and either no writing or only partially written and is just as valid as a written agreement. The existence of a contract requires the factual elements of (i) an offer, (ii) an acceptance of that offer which results in a meeting of the minds, (iii) a promise to perform, (iv) a valuable consideration, (v) a time or event when performance must be made (meet commitments), (vi) terms and conditions for performance including fulfilling promises and (vii) performance.

In the instant case the letter of FCI quoted supra contains all the ingredients required for a contract and hence the said letter is nothing but contractual agreement between the applicant and FCI for the applicant to be acting as pure agent of FCI, for the purpose of supervision of handling and transportation of agriculture produce. Further the applicant procures the services of H&T contractors for and on behalf of the FCI and charges actuals separately in the invoice along with their supervisory charges, separately. Thus the applicant squarely qualifies to be a pure agent of FCI in the instant case.

**Decision of Advance Ruling Authority :**

**DECISION:**

The applicant indubitably is pure agent of the recipient FCI. The applicant is involved in provision of services to supervise handling and transportation of agriculture produce, belonging to the FCI, from railhead to warehousing station and hence procures the services from H&T contractors for the said purpose. Now we proceed to examine the classification of the supply of the said services of the applicant - the Explanatory Notes to the Scheme of Classification of Services stipulates that SAC 999799 includes "Other services n.e.c". In the instant case, the services provided by the applicant i.e. supervision services are squarely covered under other services n.e.c. and the said supervisory services are exigible to GST at the rate of 9% CGST and 9% KGST or at 18% IGST respectively.