

**GIB/KN/Karnataka State /10.03.2020/AAR-237**

**Advance Ruling Category :** Time of Supply

**State :** Karnataka

**Order No.:** GIB/KN/Karnataka State /10.03.2020/AAR-237

**Name of Entry :**

Karnataka State Electronics Development

**Date :** 10-03-2020

**Breif Issue :**

**Issue & Fact of the Case:**

Whether the activity done by applicant is considered to be a supply of goods or supply of services under CGST/KGST Act,2017 and whether transaction can be classified as 'Pure supply of goods or services, 'composite supply'.

What is the rate of tax applicable, whether the applicant is entitled to the benefit of exemption under entry 3 or 3A under notification no. 12/2017-Central Tax (Rate) ?

What is the time of supply of service ,if the transaction is treated as supply of services?

Whether KEONICS would be liable to tax only at the time when the possession and ownership in goods are vested to TMC at the end of tenure?

The applicant is a state government entity ,engaged in providing street lighting services under ESCO contract to the Thane municipal corporation for 7 years. The applicant contented that their activity is a pure service other than work contract service(covered under entry 3. Of notification no. 12/2017-central Tax (rate)) and entitled to the exemption benefit .

In terms of section 2(33) of the CGST act 2017, their contract is in the nature of 'continuous supply of service'. The applicant in accordance with sec. 31 contends that tax invoice need to be issued before or at the time of removal of goods if the movement is involved. But section 13 states that time of supply would be earliest of date of issuance of invoice in terms of Section 31 and date of receipt of payment with respect to supply. The consideration of supply is computed at the end of the tenure as supply of goods takes place at the end of the contract when possession takes place.

Hence, the time of supply of goods would be at the end of contract which is at the end of 7 years as the goods are handed over only at the end of contract.

**Decision of Advance Ruling Authority :**

**Decision:-**

This transaction consists of supply of goods and services made in conjugation with each other in the course of business ,services are naturally bundled so the contract becomes composite supply .

In terms of Sl. No.226 of schedule II of the notification no.1/2017 of central tax(rate), the tax rate applicable on this transaction is 12% (CGST-6% & SGST-6%).

The time of supply is the date of invoice and the consideration is equal to the value of the invoice ,the GST rate being 12%.

The applicant is not entitled to the benefit of exemption under section 3 or 3A of notification 12/2017 CT-(rate) as amended and the impugned supply is not that of pure services.