

GUJARAT AUTHORITY FOR ADVANCE RULING, GOODS AND SERVICES TAX, A/5, RAJYA KAR BHAVAN, ASHRAM ROAD, AHMEDABAD – 380 009.	
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ADVANCE RULING NO. GUJ/GAAR/R/2020/10
 (In Application No. Advance Ruling/SGST&CGST/2018/AR/50)

Dated: 19.04.2020

Name and address of the applicant	:	Shree Sawai Manoharlal Rathi, 4142, Radha Krishna Textile Market, Ring Road, Surat-395 002 (Guj)
GSTIN of the applicant	:	Unregistered- 241800000303AR4
Date of application	:	23.08.2018
Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.	:	(e) determination of the liability to pay tax on any goods or services or both.
Date of Personal Hearing	:	19.03.2020
Present for the applicant	:	Shri Hartik Vora & Shri Sushil Kabra

BRIEF FACTS

The applicant has submitted that he is an individual having not engaged in any business. His receipts are only from savings, personal loans and advances and deposits, which are reflected in the Income Tax Returns.

2. The applicant has further submitted that his estimated receipts for the F.Y. 2018-19 is likely to be totally Rs.20,12,000/-, which includes,(i) Rent receipts: Rs.9,84,000/-, (ii) Bank interest: Rs.3,000/-, (iii) Interest on PPF deposit:Rs.2,76,000/- and (iv) Interest on Personal Loans and Advances: Rs.7,49,000/-.

3. The applicant further submitted that their interpretation of law is that if interest is received on loans and advances, deposits and savings Bank account by an individual person, who is not engaged in any such business and who is not a money lender, then such **Interest Receipts is not a Supply and does not attracts GST, as the same is neither “In the course of Business”nor “In the furtherance of Business”.**

4. The applicant further submitted that he relies on the definition of **“Scope of Supply”** given under Section 7 of the CGST Act, 2017, which clearly states that the receipts should be **“In the course or furtherance of Business”.**

5. The applicant further submitted that the receipts from personal loans and advances, deposits and Bank Interest are not covered under **“Business”** as per the definition of **“Business”** given under Section 2(17) of the CGST Act, 2017.

6. In view of the above, the applicant further submitted that for the purpose of calculating the threshold limit of Rs.20.00 Lakh for obtaining registration under GST law, such interest receipts are not required to be aggregated.

7. In light of the above backdrops, the applicant is seeking an advance ruling in respect of the following questions:

1. Whether Interest received in form of PPF would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?

2. Whether Interest received on Personal Loans and Advanced to family/friends would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?

3. Whether Interest received on Saving Bank Account would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?

8. At the time of personal hearing, the Authorised Representative of the applicant reiterated the facts as stated in the Application and mentioned herein above.

DISCUSSION & FINDINGS:

9. We have considered the submissions made by the applicant in their application for advance ruling as well as at the time of personal hearing.

10. In this case, a moot point is to be decided as to whether interest received on deposit in Public Provident Fund (PPF), Personal Loans & Advances to family/friends and deposit in Saving Bank Accounts, would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?

11. “Aggregate Turnover” is relevant to a person to determine the threshold limit to obtain registration under the Act (supply of Services or (goods and services both): Rs.20 Lakh (Rs.10 Lakh in case of supplies effected from special category states).

12. Section 2(6) of the Central Goods & Services Tax Act, 2017 defines the term “**aggregate turnover**” as under:

“aggregate turnover” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.”

12.1 We find that the “aggregate turnover” is an all-encompassing term covering all the supplies effected by a person having the same PAN. It specifically excludes:

- Inward supplies effected by a person which are liable to tax under reverse charge mechanism; and
- Various taxes under the GST law, Compensation cess.

12.2 **“Exempt supply”** is defined under Section 2(47) of the **CGST Act, 2017** (hereinafter referred as “The Act”) as reproduced below-

“Exempt Supply” means supply of any goods or services or both which attracts nil rated of tax or which may be wholly exempt under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes Non- Taxable supply.

12.3 **“Nil rated supply”** is nowhere defined in GST Law. The basic difference between nil rated and exempt supply is that the tariff is higher than 0% in case of exempt supply. But there is no tax payable due to exemption notification. Whereas in case of NIL rated supply, the tariff is at NIL rate so there is no tax without the exemption notification.

12.4 Thus, the different kinds of supplies covered under the *“aggregate turnover”* are:

- (i) Taxable Supplies;
- (ii) Supplies that have a NIL rate of tax;
- (iii) Supplies that are wholly exempted from SGST, UTGST, IGST or Cess; and
- (iv) Supplies that are not taxable under the Act (alcoholic liquor for human consumption and articles listed in section 9(2) and in Schedule III);
- (v) Export of goods or services or both, including zero-rated supplies.

13. We further find that under GST, **Supply** is considered a **taxable event** for charging tax. The liability to pay tax arises at the **‘time of supply of goods or services’**. Thus, determining whether or not a transaction falls under the meaning of supply, is important to decide GST’s applicability.

13.1 Section 7 of the Central GST Act, 2017 defines the term **“Supply”** as under:

7. (1) For the purposes of this Act, the expression “supply” includes—

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(b) import of services for a consideration whether or not in the course or furtherance of business;

(c) the activities specified in Schedule I, made or agreed to be made without a consideration; and

(d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),—

(a) activities or transactions specified in Schedule III; or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.

(3) Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as—

(a) a supply of goods and not as a supply of services; or

(b) a supply of services and not as a supply of goods.

13.2 Thus, the **Supply includes** sale, transfer, exchange, barter, license, rental, lease and disposal. If a person undertakes either of these transactions during the course or furtherance of business for consideration, it will be covered under the meaning of Supply under GST.

13.3 Supply has **two important elements**:

a) Supply is done for a consideration;

b) Supply is done in course of furtherance of business.

13.4 **Notification No. 12/2017-Central Tax (Rate)** and **Notification No.9/2017-Integrated Tax (Rate)**, both dated **28.06.2017**, as amended, provides a list of **services exempted** from payment of Central Tax on intra-State supply and Integrated Tax on Inter-State supply. **Entry 27(a) of the Notification No. 12/2017** and **Entry 28(a) of the Notification No. 9/2017** relates to **services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest.**

13.5 The services regarding interest income are covered under the above Notification. Therefore, such services are exempted from payment of GST and the individual **is not required to discharge GST on the activity of providing services by way of extending deposits, loans or advances where the consideration is represented by way of interest.** Therefore, in given case GST is not leviable on Interest Income earned by the Applicant.

14. From the above, it is revealed that the applicant is an individual with an annual turnover of more than Rs.20 Lakh. Since this income is interest-related, the turnover is exempt from GST. However, the Applicant also supplies services of “*Renting of immovable property*” along with activity of providing services by way of extending deposits, loans or advances where the consideration is represented by way of interest. His turnover from the rent income is Rs.9.84 Lakh and we know that this transaction (“*Renting of immovable property*”) is chargeable to GST. However, his taxable turnover is only Rs.9.84 Lakh. Going by the definition of “*aggregate turnover*”, the Applicant is required to consider the value of both the

taxable supply i.e. “Renting of immovable property” and exempted supply of service provided by way of extending deposits, loans or advances for which they earned interest income, to arrive at “Aggregate Turnover” to determine the threshold limit for the purpose of obtaining registration under the GST Act.

15. In view of the above, we conclude that the Applicant is required to aggregate the value of exempted interest income earned by way of extending deposits in PPF & Bank Saving accounts and loans and advances given to his family/friends along with the value of the taxable supply i.e. “Renting of immovable property” for the purpose of calculating the threshold limit of Rs.20.00 Lakh for obtaining registration under GST law.

16. In light of the foregoing, we rule as under –

R U L I N G

Ques. 1: *Whether Interest received in form of PPF would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?*

Answer: *Answered in the Affirmative, as discussed above.*

Ques. 2: *Whether Interest received on Personal Loans and Advanced to family/friends would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?*

Answer: *Answered in the Affirmative, as discussed above.*

Ques. 3: *Whether Interest received on Saving Bank Account would be considered for the purpose of calculating the threshold limit of Rs.20.00 Lakh for registration under GST Law?*

Answer: *Answered in the Affirmative, as discussed above.*

(SANJAY SAXENA)
MEMBER

(MOHIT AGRAWAL)
MEMBER

Place: Ahmedabad

Date :19.05.2020.