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**HARYANA APPELLATE AUTHORITY FOR ADVANCE RULING**  
(Constituted under Section 99 of the Haryana Goods and Services Tax Act, 2017 read with Central Goods and Services Tax Act, 2017)  
**BEFORE THE BENCH OF**

Sh. Naveen Kumar Jain, IRS Chief Commissioner Central Goods and Service Tax Zone, Panchkula	Sh. Vinay Pratap Singh, IAS Commissioner Excise & Taxation Department, Haryana
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HAAAR Order-In-Appeal No. HAAAR/2023-24/05 Date: 22.05.2026.

(Passed by Haryana Appellate Authority for Advance Ruling under Section 101(1) of the Haryana Goods and Services Tax Act, 2017 read with Central Goods and Service Tax Act, 2017).

**Preamble**

1. In terms of Section 102 of the Central Goods & Services Tax, Act 2017/Haryana Goods & Services Tax Act, 2017 ('the Act', in Short), this Order may be amended by the Appellate Authority, so as to rectify any error apparent on the face of the record, if such error is noticed by the Appellate Authority on its own accord, or is brought to its notice by the concerned officer, the jurisdictional officer or the Appellant within a period of six months from the date of the Order.
2. In terms of Section 103(1) of the Act, this advance ruling pronounced by the Appellate Authority under Chapter XVII of the Act shall be binding only: -
  - (a) on the Appellant who had sought it in respect or any matter referred to in sub-section (2) of Section 97 for advance ruling;
  - (b) on the concerned officer or the jurisdictional officer in respect of the Appellant.
3. In terms of Section 103 (2) of the Act, this advance ruling shall be binding

unless the law, facts or circumstances supporting the said Advance Ruling have changed.

4. In terms of Section 104(1) of the Act, where the Appellate Authority finds that advance ruling pronounced by it under sub-section (1) of Section 101 has been obtained by the Appellant by fraud or suppression of material facts or misrepresentation of facts, it may, by order, declare such ruling to be void ab-initio and thereupon all the provisions of this Act or the rules made there-under shall apply to the Appellant as if such advance ruling has never been made.

**DETAILS OF THE APPELLANT:**

Name and Address of the Appellant	M/s RHI Magnesita India Limited
GSTIN/User id of the Appellant	06AABCO3850A2ZY
Advance Ruling Order against which appeal is filed	HR/HAAR/30/2023-24 dated 21.02.2024
Date of Filing of Appeal	22.03.2024
Represented By	Mr. Ashwini Chandrasekaran, Mr. Sunil Saklani and Mr. Amit Chadha
Jurisdictional Authority-Centre	CGST Commissionerate, Gurugram
Jurisdictional Authority-State	Deputy Excise & Taxation Commissioner (ST), Gurugram (East).
Whether payment of fees for filing appeal is discharged. If yes, the amount and Challan No.	Yes, the Appellant has made online payment of fees of Rs. 10,000 (CGST) and Rs. 10,000 (SGST) through Challan Reference No. DC0603240132020 dated 22.03.2024.

**Order under Section 101 of Central Goods and Services Tax Act, 2017/  
Haryana Goods and Services Tax Act, 2017**

The present appeal has been filed by M/s RHI Magnesita India Limited, 19th and 20th Floor, DLF Square, M Block Jacaranda Marg, DLF City Phase 2, Gurugram, Gurugram, Haryana, 122002 (hereinafter referred to as 'the Appellant') under Section 100 (1) of Central Goods and Service Tax Act, 2017/Haryana Goods and Service Tax Act, 2017 (hereinafter referred to as "the Act") against the Advance Ruling No. HR/HAAR/30/2023-24 dated 21.02.2024.

A copy of order of the Advance Ruling Authority (hereinafter referred to as 'AAR') was issued on 21.02.2024 and the online appeal has been filed on GST Portal on 22.03.2024, which is within time limit of 30 days in terms of Section 100(2) of the Act.

**1. BRIEF FACTS OF THE CASE:**

- 1.1 The appellant, M/s RHI Magnesita India Limited (hereinafter referred to as "the Appellant"), is a registered taxpayer under the Goods and Services Tax regime, bearing GSTIN 06AABCO3850A2ZY. The Appellant is primarily engaged in the manufacturing and marketing of special, basic, and non-basic refractory products, systems, and services. It is a leading supplier of high-grade refractory solutions essential for industrial high-temperature processes.
- 1.2 To raise capital, the Appellant undertook a Qualified Institutional Placement (QIP) in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations). QIP is a mechanism for listed companies to issue equity shares, fully or partly convertible debentures, or other securities (excluding warrants convertible into equity) to qualified institutional buyers.
- 1.3 The QIP process, introduced by SEBI in 2006 to reduce reliance on foreign capital for listed entities, requires the involvement of a SEBI-

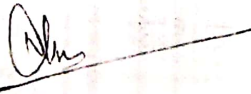
registered merchant banker (acting as lead manager/book running lead manager) to manage the issuance, exercise due diligence, and issue necessary certificates to stock exchanges confirming compliance.

1.4 For the said QIP, the Appellant appointed HSBC Securities and Capital Markets (India) Pvt. Ltd. ("HSBC"), based in Mumbai, as the Book Running Lead Manager vide an agreement dated February 21, 2023.

1.5 Under the terms of the agreement, HSBC was responsible for, inter alia, the following services:

- Providing advisory guidance on the timing, structure, and overall strategy of the offering, in coordination with legal counsel and other advisors;
- Assisting in the preparation of offer documents, agreements, and related materials;
- Identifying and procuring investors for the securities;
- Guiding on the appointment of legal counsel, other professional advisors, and intermediaries;
- Coordinating the preparation of corporate and marketing documentation;
- Organizing meetings with institutional investors;
- Assisting with listing applications for the securities on stock exchanges;
- Supporting applications for regulatory approvals, clarifications, or exemptions from SEBI and other authorities;
- Furnishing required reports, certificates, and information to SEBI and regulatory bodies; and
- Handling closure of the placement and customary post-placement activities.

1.6 In consideration for these services, HSBC was entitled to a fee computed as an aggregate percentage of the equity funds raised through the QIP. Additionally, the Appellant was obligated to reimburse all out-of-pocket expenses incurred by HSBC, irrespective of whether the fund raise was successful.



- 1.7 Besides the services from HSBC, the Appellant also procured ancillary services such as legal services, consultancy, and other professional inputs directly related to the QIP process from various vendors/suppliers. The Appellant made payments for these services, including the applicable GST, as per the invoices received.
- 1.8 The Appellant availed Input Tax Credit (ITC) on the GST paid in respect of the aforementioned services procured for the QIP, in accordance with the provisions of the CGST Act, 2017, and within the prescribed timelines for availment.
- 1.9 Seeking clarity on the eligibility to avail such ITC, the Appellant filed an application under Section 97 of the CGST Act read with the corresponding provisions of the HGST Act, 2017 (Application Reference No. AD0608230026284 dated August 11, 2023), before the Haryana Authority for Advance Ruling (AAR). The query specifically pertained to whether ITC is available on tax paid for services used in connection with raising funds through QIP.
- 1.10 A personal hearing was conducted by the AAR on November 07, 2023, during which the Appellant, through its authorized representative, submitted, inter alia, that:
- Raising funds through QIP is an activity undertaken in the course or furtherance of business;
  - The services procured qualify as input services linked to business operations; and
  - All other conditions under Section 16 of the CGST Act are satisfied, entitling the Appellant to avail the ITC.
- 1.11 The Appellant also submitted the audited and signed financial statements for FY 2022-23 via email on January 15, 2024.
- 1.12 The Haryana AAR passed the impugned Advance Ruling No. HR/HAAR/30/2023-24 dated February 21, 2024, holding that the Appellant is not eligible to avail ITC on the tax paid for services related to the QIP, on the ground that such activity is not in the course or

furtherance of business. The Appellant contends that the ruling was passed without adequate analysis of the relevant statutory provisions or due consideration of the submissions made.

1.13 Aggrieved by the impugned order, the Appellant has preferred the present appeal before the Haryana Appellate Authority for Advance Ruling under Section 100 of the CGST Act read with corresponding provisions of the HGST Act, raising various grounds challenging the findings of the AAR.

2. **QUESTIONS ON WHICH ADVANCE RULING WAS SOUGHT:**

Whether the Applicant is entitled to avail credit on the services received for undertaking Qualified Placement Institutional from HSBC Securities and Capital Markets (India) Pvt. Limited.

3. **ORDER PASSED BY THE ADVANCE RULING AUTHORITY ON ABOVE QUESTIONS WAS AS UNDER:**

No, the applicant is not eligible to claim input tax credit on the services availed in connection with the Qualified Institutional Placement, as stated in the application.

4. **PRAYER OF THE APPELLANT:**

The Appellant prayed to:

- a) Set aside the Advance Ruling No. HR/HAAR/30/2023-24 dated February 21, 2024, passed by the Ld. Authority for Advance Ruling. Haryana and allow the appeal in full.
- b) hold, adjudge and declare that the Appellant is entitled to avail Input Tax Credit on services used in relation to raise funds through QIP.
- c) grant a personal hearing.

- d) permit the Appellant to file further / additional submissions in these proceedings; and
- e) pass such other order or orders as may be deemed fit and proper in the facts and circumstances of the case

**5. GROUND OF APPEAL IN BRIEF:**

**1. The Impugned Order is vague, non-speaking, and lacks reasoned findings:**

The Authority for Advance Ruling has failed to pass a speaking order by not providing any detailed reasoning, analysis, or justification for concluding that fund raising through Qualified Institutional Placement (QIP) does not constitute "business" under Section 2(17) of the CGST Act, nor is it in the course or furtherance of business for ITC eligibility under Section 16(1). The order largely reiterates the appellant's submissions and confines its finding to a single cursory paragraph without engaging with statutory provisions, factual details, or judicial precedents cited. This renders the order arbitrary and violative of principles of natural justice. Reliance is placed on *Kranti Associates Pvt. Ltd. v. Masood Ahmed Khan* [2010 (9) SCC 753 = 2011 (273) ELT 345 (S.C.)] and *Asstt. Commr. v. Shukla & Brother* [2010 (254) ELT 6 (S.C.)], wherein the Hon'ble Supreme Court held that quasi-judicial orders must contain cogent reasons to restrain arbitrariness and enable appellate review.

**2. Non-application of mind and failure to consider appellant's submissions and precedents:**

The Authority has disregarded detailed factual and legal submissions in the advance ruling application (Ref. No. AD0608230026284 dated 11.08.2023) and during personal hearing, including case laws establishing the wide ambit of "business". No reasons are assigned for rejecting these, demonstrating non-application of mind. Such orders are liable to be quashed, as held in *Signet Industries Ltd. v. State Tax*

Officer [(2024) 16 Centax 253 (Mad.)], *Belectric Photovoltaic India Pvt. Ltd. v. UOI* [2019 (21) G.S.T.L. 319 (M.P.)], *Rajkamal Textiles v. CC* [2018 (362) E.L.T. 216 (Mad.)], and *CCE v. Fitwel Tools & Forgings (P) Ltd.* [2010 (256) ELT 212 (Kar.)].

3. **Erroneous denial of ITC on services related to QIP, as the activity qualifies as "business" and is in the course or furtherance thereof:**

Section 16(1) entitles ITC on services used in the course or furtherance of business. The term "business" under Section 2(17) is inclusive and expansive, covering any activity incidental/ancillary to trade/commerce/manufacture, including fund raising for operational efficiency, loan repayment, strategic investments, and expansion. QIP is a regulated mechanism under SEBI ICDR Regulations for raising capital to support business objectives, as evidenced by services from HSBC (lead management), CRISIL (industry reports), Price Waterhouse (certifications), and others, all integral to the process and aligned with the appellant's MoA/AoA. The restrictive interpretation adopted by the Authority is untenable. Reliance is placed on *Coca Cola India Pvt. Ltd. v. CCE* [2009 (15) S.T.R. 657 (Bom.)] and *Cinemax India Ltd. v. UOI* [2011 (24) STR 3 (Guj.)] for the broad meaning of "furtherance".

4. **Support from pre-GST judicial precedents allowing credit on fund-raising activities:** Analogous issues under the Cenvat regime were decided in favour of assesses, allowing credit on services for raising funds via disinvestment, preferential shares, private placement, and IPO-related activities as relating to business. Key rulings include *Hinduja Global Solutions Ltd.* [2016 (42) S.T.R. 932 (Tri.-Bang), affirmed 2022 (61) G.S.T.L. 417 (Kar.)], *Ahmednagar Forgings v. CCE* [2017 (6) G.S.T.L. 54 (Tri.-Mum.)], *Krenex Microsystems v. CCE* [2016 (42) S.T.R. 533 (Tri.-Bang.)], and *Steel Strip Wheels v. CCE* [2016 (42) S.T.R. 72 (Tri.-Del.)]. These were placed before the Authority but ignored, warranting reversal.

In light of the foregoing, the appellant prays that the impugned order be set aside and it be held that raising funds through QIP qualifies as "business" / in the course or furtherance of business, entitling the appellant to avail ITC under Section 16 on GST paid on related input services.

**5. The additional submissions filed by the appellant are recorded and summarized as follows:**

- 5.1 The appellant has preferred the present appeal bearing No. HAAAR/2023-24/05 against the Advance Ruling Order No. HR/HAAR/30/2023-24 dated 21.02.2024 passed by the Haryana Authority for Advance Ruling, whereby it was held that input tax credit (ITC) on services procured in relation to Qualified Institutional Placement (QIP) is inadmissible, as the activity is not undertaken in the course or furtherance of business.
- 5.2 During the personal hearing conducted on 10.09.2025, the authorized representatives of the appellant appeared and reiterated the submissions made in the appeal memorandum. The Authority directed the appellant to furnish further details regarding the relationship with Dalmia OCL Limited (DOCL), in view of the fact that a portion of the QIP proceeds was intended for investment in DOCL (a subsidiary) and for repayment/pre-payment of certain borrowings availed by DOCL.
- 5.3 In compliance with the said direction, the appellant submits that it acquired the Indian refractory business of Dalmia Bharat Refractories Limited, i.e., DOCL, through a Share Swap Agreement executed on 05.01.2023, pursuant to which DOCL became a 100% wholly-owned subsidiary of the appellant with effect from the same date. The relevant press release issued by the appellant and extracts from the financial statements for FY 2022-23 confirming the said acquisition.
- 5.4 It is further submitted that DOCL is one of the leading players in the refractory industry in India, and both the appellant and DOCL are

engaged in the same line of business, namely, manufacturing and dealing in refractories.

5.5 The appellant contends that investment by a holding company in its wholly-owned subsidiary is an essential and incidental activity aimed at exercising control, achieving business consolidation, pursuing long-term objectives, and enhancing overall profitability. Such investment is not extraneous but integral to the appellant's business operations. The consolidated financial statements reflect the profits and expenses of DOCL, underscoring that the benefits of the investment accrue solely to the appellant.

5.6 The primary objectives of the investment in DOCL, as elaborated by the appellant, include:

- Optimization of manufacturing operations, reduction in import-related costs, expansion of product portfolio, and enhancement of market share in domestic and export markets;
- Strengthening local manufacturing capabilities to meet growing demand from existing and new customers more efficiently;
- Achievement of operational excellence, productivity improvements, and performance enhancement across existing and newly acquired facilities;
- Addition of approximately 300,000 tons of annual capacity in shaped and unshaped refractories to the appellant's production footprint in India.

5.7 In light of the above, the appellant reiterates that the investment in DOCL constitutes an activity in the course or furtherance of its business, aimed at expansion, operational synergy, and overall business-advancement. Consequently, the services availed in relation to the QIP process, which facilitated the raising of funds deployed inter alia for the said investment, are eligible for input tax credit under the provisions of the CGST/HGST Acts. The detailed arguments on this aspect, including statutory interpretation and precedents, are already on record in the appeal memorandum and are not repeated herein for brevity.

In addition to the above oral submissions during the hearing, the Authority had directed the appellant to furnish details regarding its relationship with subsidiary companies (particularly Dalmia OCL Limited/DOCL) and the Memorandum of Association of the company. The appellant complied by filing additional written submissions, which have been taken on record. These include confirmation that DOCL became a 100% wholly-owned subsidiary effective 05.01.2023 pursuant to the Share Swap Agreement dated 05.01.2023, that both the appellant and DOCL are engaged in the same line of business (manufacturing and dealing in refractories), and that the investment in DOCL is aimed at achieving strategic synergies such as optimization of manufacturing operations, reduction in import costs, expansion of product range and market share, enhancement of local manufacturing capabilities, operational excellence, productivity improvements, and addition of approximately 300,000 tons of annual capacity in shaped and unshaped refractories. The appellant reiterated that such investment by a holding company in its wholly-owned subsidiary is an incidental and integral part of its business for long-term growth, control, consolidation, and profitability, with the benefits accruing directly to the appellant as reflected in the consolidated financial statements.

**6. RECORD OF PERSONAL HEARINGS:**

- 6.1 The personal hearing scheduled on 11.07.2024 was adjourned upon a request dated 11.07.2024 received from M/s RHI Magnesita India Ltd., Gurugram, seeking adjournment due to a family emergency. The request was considered and allowed, and the matter was rescheduled for 27.11.2024 at 03:00 PM.
- 6.2 On 27.11.2024, the matter was partly heard and was thereafter adjourned to 07.08.2025 for further proceedings.

- 6.3 On 07.08.2025, M/s RHI Magnesita India Ltd., Gurugram, vide letter dated 06.08.2025, sought an adjournment of the hearing. The request was considered and allowed, and the matter was adjourned to 10.09.2025 at 11:00 AM.
- 6.4 On 10.09.2025, the authorised representatives, namely Mr. Ashwini Chandrasekaran, Mr. Sunil Saklani, and Mr. Amit Chadha, appeared for the personal hearing and reiterated the submissions made earlier and submitted the relevant documents.

## 7. Discussion and Findings

- 7.1 We have carefully examined the appeal memorandum, the impugned order dated 21.02.2024 passed by the Haryana Authority for Advance Ruling (HAAR), the written and oral submissions made by the appellant during the course of personal hearing and the additional written submissions filed pursuant to directions issued during the hearing. The additional submissions include details relating to the subsidiary relationship with Dalmia OCL Limited (DOCL), the acquisition through the Share Swap Agreement dated 05.01.2023, and the strategic rationale for investment in DOCL, including capacity expansion, operational synergies, market expansion and cost optimisation within the refractories segment.
- 7.2 The principal issue for consideration is whether the services availed by the appellant in relation to the raising of funds through Qualified Institutional Placement (QIP) qualify for **Input Tax Credit (ITC)** under Section 16(1) of the CGST Act, 2017. Section 16(1) entitles a registered person to take credit of input tax charged on goods or services used or intended to be used **in the course or furtherance of business**, subject to the conditions prescribed under the Act.
- 7.3 The appellant has contended that the activity of raising funds through QIP falls within the scope of "business" as defined in Section 2(17) of

the CGST Act, which adopts an inclusive definition covering activities incidental or ancillary to the main business. It has been argued that the professional services obtained from entities such as HSBC (Lead Manager), CRISIL, Price Waterhouse and other intermediaries were essential to the execution of the QIP process. According to the appellant, the funds so raised were utilised primarily for: (i) repayment or pre-payment of certain borrowings; and (ii) investment in the equity shares of its wholly owned subsidiary, DOCL, which operates in the same line of business relating to refractories.

7.4 The appellant has also relied upon judicial precedents which emphasise that the expression "in the course or furtherance of business" should be interpreted broadly. In *Cinemax India Limited v. Union of India* [2011 (24) STR 3 (Guj.)], the Hon'ble Gujarat High Court held that credit cannot be denied where the services have a nexus with business activities, even if such services are not directly used in the provision of output services. Similarly, in *Steel Strips Wheels Ltd. v. Commissioner of Central Excise, Chandigarh* [2011 (264) ELT 481 (Tri. -Del.)], the Tribunal allowed Cenvat credit on expenses incurred in relation to raising share capital, holding that such activities related to the overall business operations of the company. A similar view was taken in *Hinduja Global Solutions Ltd. v. Commissioner of Central Excise* [2013 (29) STR 394 (Tri. -Bang.)], wherein credit on expenses relating to issue of shares and financial restructuring was allowed on the ground that such activities facilitate business operations.

7.5 In order to examine the correctness of the above finding, it is necessary to refer to the relevant statutory provisions as reproduced below;

7.5.1 Section 2. Definitions. -

In this Act, unless the context otherwise requires, -

(17) "business" includes -

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- (f) admission, for a consideration, of persons to any premises;
- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- (h) [activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club: and]
- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

7.5.2 **Section 2 (52)** "goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

7.5.3 **Section 2 (102)** "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

[(102A) "specified actionable claim" means the actionable claim involved in or by way of— (i) betting;

- (ii) casinos;
- (iii) gambling;
- (iv) horse racing;
- (v) lottery; or
- (vi) online money gaming.]

7.5.4 **Section 16. Eligibility and conditions for taking input tax credit.-**

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or

furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless, -

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

<sup>1</sup> [(aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;

(b) he has received the goods or services or both.

<sup>2</sup> [Explanation.- For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services-

(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person;]

<sup>3</sup> [(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;]

(c) subject to the provisions of <sup>4</sup> [section 41 <sup>5</sup> [\*\*\*]], the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and

(d) he has furnished the return under section 39;

*Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:*

*Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be <sup>2</sup> [paid by him along with interest payable under section 50], in such manner as may be prescribed:*

*Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him <sup>10</sup> [to the supplier] of the amount towards the value of supply of goods or services or both along with tax payable thereon:*

(3) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income tax Act, 1961 (43 of 1961), the input tax credit on the said tax component shall not be allowed.

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the <sup>6</sup> [thirtieth day of November] following the end

of financial year to which such invoice or <sup>7</sup> [\*\*\*\*] debit note pertains or furnishing of the relevant annual return, whichever is earlier.

<sup>1</sup> [Provided that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.]

<sup>11</sup> [(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed up to the thirtieth day of November, 2021.

(6) Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and where availment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,—

(i) filed up to thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or

(ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.]

#### 7.5.5 Section 17. Apportionment of credit and blocked credits.—

(1) Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

(2) Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

(3) The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

<sup>1</sup> [Explanation.— For the purposes of this sub-section, the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, <sup>4</sup> [except,—

(i) the value of activities or transactions specified in paragraph 5 of the said Schedule; and

(ii) the value of such activities or transactions as may be prescribed in respect of clause (a) of paragraph 8 of the said Schedule.];]

7.6 From the material available on record, including the financial statements and additional submissions filed by the appellant, it is evident that the QIP proceeds were deployed for two distinct purposes. In our view, the eligibility of ITC must be examined separately for each component of deployment, having regard to the nature of the underlying activity and its nexus with the taxable business of the appellant.

**7.6.1 ITC in respect of services availed in relation to the QIP for the appellant**

Insofar as the utilisation of funds for repayment or pre-payment of borrowings is concerned, such repayment represents the discharge of financial liabilities undertaken in the course of furtherance of business. Reduction of debt obligations improves the financial health of the entity, reduces interest burden, enhances liquidity, and strengthens the capacity of the business to allocate financial resources towards its operational activities.

Efficient financial management is an integral component of the functioning of any commercial enterprise. Activities undertaken for restructuring or repayment of borrowings directly contribute to the stability and sustainability of the business. Accordingly, services availed for the purpose of raising funds that are utilised for repayment or pre-payment of borrowings for the appellant can reasonably be regarded as services used **in the course or furtherance of business** within the meaning of Section 16(1) of the CGST Act.

The appellant has relied upon certain decisions during personal hearing. It is found that following decisions of the erstwhile Service Tax era, on the issue of Cenvat Credit on service tax paid on financial services are relevant to discuss in the order: -

1. **Steel Strips Wheels Ltd. v. Commissioner of C. Ex., Chandigarh** titled as 2016 (42) S.T.R. 72 (Tri.-Del) [17-06-2015]It

has been decided that financial services rendered for raising capitals are eligible input services. Relevant para 5 of the order is reproduced as under;

*"that the contention of the revenue that such financial services rendered to the appellant for the purpose of raising capital is not related to manufacture directly or indirectly cannot be accepted. The definition of "input service" is not restricted being limited to services which are directly linked to the manufacturing activity. But the definition has a wide ambit and covers services which are relating to business activities of manufacture. In Aditya Birla Nuvo Ltd. v. CCE (supra) it was held that merger charges are covered in the category of services of financing and Cenvat credit is admissible for the same. Therefore I am of the view that the service of private placement of shares for raising capital is an input service and credit on the service is to be allowed."*

2. **Commr. of C.EX., Cus. & S.T., Visakhapatnam-I vs. GMR Industries Ltd. titled as 2015 (38) S.T.R. 72 (Tri.-Bang) [23-01-2015]** In this case it was held that accounting and share registry services are Input services. Relevant para 5 of the order is reproduced as under;

*Para 2 "..... In this case what we concern with is Input service. only and has Since accounting and share registry activity are squarely covered, I find nothing wrong in the impugned order."*

3. **M/S Hinduja Global Solutions Ltd., vs The Commissioner of C.C.E., S.T. & Cus., Bangaluru-II titled as 2016 (42) S.T.R. 932 (Tri.-Bang) [19-01-2016]** In this case it was held that various services used by the Assessee for raising finance, are Input services and cenvat credit can be availed. Relevant para 5 of the order is reproduced as under;

**Para 5.5** "The plain reading of the definition of input services (as hereinabove reproduced) would indicate that the activities relating to business which is in the second portion of the definition includes the activity of financing which would mean that if an assessee pays Service Tax for the various services received by them for raising the finance, Cenvat credit can be availed. In our considered view, the Cenvat credit availed by the appellant or Service Tax paid cannot be disputed. In yet another angle, it has to be noted that the Cenvat credit which is availed by the appellant is in respect of the distribution of the Service Tax by their head office as input service distributor. We find nothing on record to indicate that head office of the appellant was issued a show cause notice denying them such Cenvat credit. In the absence of any doubt raised as to the eligibility to avail the Cenvat credit at their head office, the recipient unit, cannot be asked to explain the nexus of such credit to the output service provided by them. In our considered view, and is undisputed that the amounts so raised by the appellant by disinvestment, investment, etc., were recorded in their financial account towards the expansion of the business activity undertaken by the appellant."

The principle emerging from the above judicial precedents, though under the erstwhile Cenvat regime—that expenses incurred for raising finance for business operations bear a nexus with business activities—continues to be relevant under the GST framework, particularly in view of the broad language employed in Section 16(1) of the CGST Act.

Further, as per definition of "Business" as provided under Section 2(17) of CGST Act, the scope is quite wide. The payment on QIP related services is well covered in the definition. It can be safely concluded that the finances raised through QIP by the appellant would definitely come under clause (b) of Section 2(17) as a transaction incidental or ancillary to the main business as the repayment of loans is essential to run the business activity.

Accordingly, we hold that ITC on the proportionate services attributable to the portion of QIP proceeds utilised for the appellant only is **admissible under Section 16(1)** of the CGST Act.

#### 7.6.2 Investment in Wholly Owned Subsidiary (DOCL)

The second component of utilisation relates to the investment of funds in the equity shares of DOCL, the appellant's wholly owned subsidiary. The appellant has submitted that the investment in DOCL was undertaken with the objective of achieving strategic benefits such as capacity enhancement, operational synergy, and expansion in the refractories market, the immediate and proximate activity remains the acquisition of securities. The benefits claimed by the appellant arise indirectly through equity participation and corporate control rather than through consumption of services used directly in making taxable supplies. Although DOCL is a subsidiary but DOCL is a distinct firm. Hence the investment in DOCL is directly or indirectly not in relation to the furtherance of business of the Appellant.

Pursuant to Section 16(1) of the Central Goods and Services Tax Act, 2017, a registered person is entitled to avail Input Tax Credit (ITC) only in respect of goods or services or both which are used or intended to be used in the course or furtherance of its business.

In the instant case, the input services procured in connection with the Qualified Institutional Placement (QIP) are utilized for the purpose of augmentation of the capital base and funding of the subsidiary company. Accordingly, the condition of "use in the course or furtherance of business" stands satisfied in relation to the subsidiary company, and not in respect of the holding company. It is trite law that a holding company and its subsidiary are distinct legal entities. Expenditure incurred by one entity cannot be claimed as ITC in the hands of another entity, as reiterated in TS-481-HC-2024(TEL) titled as



M/s. Pipelic Energy Software India Pvt. Ltd., vs the Deputy Commissioner of Income Tax, Circle 1(3), Hyderabad.

Further, as per Section 2(93) of the CGST Act, 2017, the "recipient" of a service means the person who is liable to pay the consideration for such supply. Notwithstanding that the tax invoices for services rendered by investment bankers, legal advisors, registrars, and other intermediaries in relation to the QIP may be issued in the name of the holding company owing to discharge of consideration by it, the actual consumption and economic benefit of such services accrue to the subsidiary company in connection with its corporate restructuring and capital-raising.

In the absence of a direct and proximate nexus between the said input services and the business of the appellant, the appellant is ineligible to avail ITC thereon. In view of the above, we hold that ITC on services attributable to the portion of QIP proceeds utilised for investment in DOCL is not admissible to the appellant.

7.7 The appellant has also raised procedural objections arguing that the impugned order is non-speaking and reflects inadequate consideration of the submissions made before the Authority for Advance Ruling. While such concerns have been noted, the present appeal has been examined independently based on the materials placed on record and the applicable statutory provisions. Our conclusions above are therefore based on the merits of the case and the legal framework governing input tax credit.

7.8 In view of the above observations, we are of the opinion that the Input Tax Credit in respect of services availed in relation to the Qualified Institutional Placement (QIP) shall be admissible to the extent such services are attributable to the portion of funds utilised for repayment or pre-payment of borrowings, being activities undertaken in the course of furtherance of business of M/s RHI Magnesita India Limited and ITC



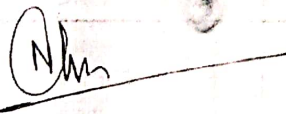
on services utilised for investment in any subsidiary company is not admissible as such services are directly or indirectly not in relation to the business of the Appellant.

**8. ORDER:**

In light of the foregoing discussions and findings, we hereby partly uphold the Advance Ruling No. HR/HAAR/30/2023-24, dated 21.02.2024, passed by the Authority for Advance Ruling, Haryana. The impugned order is therefore modified to the extent below:-

1. Input Tax Credit in respect of services availed in relation to the Qualified Institutional Placement (QIP) shall be admissible to the extent such services are attributable to the portion of funds utilised for repayment or pre-payment of borrowings, being activities undertaken in the course of furtherance of business of M/s RHI Magnesita India Limited under Section 16(1) of the CGST Act.
2. However, Input Tax Credit attributable to the portion of QIP proceeds utilised for investment in any manner in the subsidiary, Dalmia OCL Limited (DOCL), is not admissible.

The appeal filed by M/s RHI Magnesita India Limited, 19th and 20th Floor, DLF Square, M Block Jacaranda Marg, DLF City Phase 2, Gurugram, Gurugram, Haryana, 122002 is accordingly allowed in part.

  
(Naveen Kumar Jain), IRS

नवीन कुमार जैन  
Member Naveen Kumar Jain

मुख्य आयुक्त / Chief Commissioner

मुख्य आयुक्त, क्षेत्र

Chief Commissioner, क्षेत्र

Central Goods & Services Tax, Panchkula Zone

Central Goods and Service Tax Zone

Panchkula

  
(Vinay Pratap Singh), IAS

Member

Commissioner

Excise & Taxation Department

Haryana

Place: Panchkula

**Copy to (Regd. AD/Speed Post/Email):**

M/s RMI Magnesita India Limited, 19th and 20th Floor, DLF Square, M Block  
Jacaranda Marg, DLF City Phase 2, Gurugram, Gurugram, Haryana, 122002.

**Copy for information and necessary action to:**

1. The Member, GST, CBIC, North Block, New Delhi-110001
2. The Special Secretary, Goods and Services Tax Council, 5<sup>th</sup> Floor, Tower-II,  
Jeevan Bharti Building, Connaught Place, New Delhi- 110001
3. The Chief Commissioner, Central Goods and Service Tax Zone, Panchkula
4. The Commissioner, Excise & Taxation, Haryana
5. The Pr. Commissioner, CGST Commissionerate, Gurugram
6. The Deputy Commissioner, Excise & Taxation (ST), Gurugram (West)
7. The Master/Guard File- 2025-26.

(Registrar),  
Appellate Authority for Advance  
Ruling, Haryana