


GUJARAT AUTHORITY FOR ADVANCE RULING, GOODS AND SERVICES TAX, A/5, RAJYA KAR BHAVAN, ASHRAM ROAD, AHMEDABAD – 380009.	
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ADVANCE RULING NO. GUJ/GAAR/R/2022/12

(In Application No. Advance Ruling/SGST&CGST/2021/AR/43)

Dated: 14.03.2022

Name and address of the applicant	:	M/s. Team Lease Education Foundation, ITC Building, ITI Campus, Tarsali, Vadodara Gujarat-39009
GSTIN of the applicant	:	24AADCT8958N1ZK
Date of application	:	10/11/2021
Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.	:	(e)
Date of Personal Hearing	:	18/02/2022
Present for the applicant	:	Ms. Disha Gurusahaney, Advocate

Brief Facts

M/s. Team Lease Education Foundation (hereinafter referred as ‘Applicant’ or ‘TLEF’) submits that it is an approved NEEM (National Employability Enhancement Mission) Facilitator under the All India Council for Technical Education (National Employability Enhancement Mission) Regulations, 2017 (NEEMS Regulations). The objective of National Employability Enhancement Mission (NEEM) is to offer on the job practical training to enhance employability of a person either pursuing his or her Post- Graduate /Graduate/ Diploma in any technical or non-technical stream or has discontinued studies after class 10th to enhance his/her employability.

2. TLEF submits that as per the NEEM Regulations, a person registered under NEEM Regulations for receiving training is called a Trainee (NEEM trainee or Trainee). Further, a contract is required to be executed between NEEM Facilitator and the NEEM trainee to capture all terms and conditions (NEEM contract). However, the NEEM contract is neither an offer of employment nor a guarantee of employment.

3. Further, TLEF submits that Trainees are entitled for payment of remuneration/stipend under the NEEM Regulations which shall be at par with the prescribed minimum wages for unskilled category. Such remuneration/stipend shall be paid at as a single consolidated amount without any statutory deductions applicable to regular employee viz. PF/ESI etc. since the NEEM contract assures training and does not constitute employment.

4. TLEF submits that NEEM Facilitators are required to partner with various trainers and Employers/Company/Industry (Industry partner) for imparting training to NEEM trainees. For the said purpose, TLEF has entered into training agreements with various companies (industry

partners) for imparting practical training and has registered them as training partner in accordance with NEEM Regulations. Copy of sample agreement with one of the client M/s. L M Wind Power Blades India Pvt. Ltd. (Industry partner) is submitted. The said agreement has been originally entered between Industry partner, TLEF and Team Lease Skills University (TLSU) dated 25 June 2018 wherein the Applicant was acting as the sponsor of TLSU for implementation and operationalization of training program under the NEEM Regulation through TLSU. However, vide assignment of agreement dated 15 September 2021 TLSU has assigned all its obligations and rights to TLEF.

5. It is submitted that as per the training agreement, the Industry partner is under the following obligations:

- a providing adequate facilities (viz. requisite personnel, facilities, industry knowledge and infrastructure) in accordance with the NEEM Regulations for the training.
- b Payment of monthly stipend ('stipend') to the Applicant for the purpose of paying to the Trainees in consideration of dedicated deployment of the Trainees and in accordance with the NEEM Regulations.
- c reimbursement of cost of medical and accident insurance obtained by the Applicant for the benefit of the Trainees.
- d payment of administrative fee, sourcing fee, fee for enrollment and other fee charged by Applicant towards the services provided in its own account.
- e ensure health, welfare and safety standards during the training and compliance with other terms and conditions as per the agreement.

6. TLEF submits that they are entrusted with the following obligations as per the training agreement:

- a. To execute an agreement with each Trainee, prior to deploying the Trainees to the Industry partner for the Training in accordance with NEEM Regulations.
- b. furnish appropriate data to the Industry partner in relation to the Trainees.
- c. undertake administrative tasks as may be required from time to time.
- d. payment of employee compensation/personal accident and medical insurance premium for the benefit of Trainees.
- e. payment of stipend to the trainees engaged by Industry partner at par with the prescribed minimum wages payable for unskilled category under the Shops & Establishment Act/Factories Act etc. as applicable.

6.1 For carrying out the above-mentioned functions, TLEF is charging following amounts from the Industry partner:

- a. Administration fee per trainee per month for assisting the Industry partner with the administrative tasks for deployment of Trainees for the Training.

- b. 'Sourcing fee' as one-time charge towards sourcing of Trainees.
- c. Reimbursement of monthly 'stipend' paid to Trainees on behalf of Industry partner and in accordance with NEEM Regulations.
- d. Reimbursement of cost of medical and accident insurance obtained for welfare of Trainees as agreed with the Industry partner.

6.2 TLEF, as agreed upon with the Industry partner, raise invoices for the stipend payable to the Trainees and administration fee on a monthly basis including applicable taxes (relevant invoice copy enclosed as **Appendix-2**). Further, the said invoice also includes amount of insurance premium as and when charged.

6.3 Currently, TLEF is collecting GST on the entire transaction value which is the price payable by Industry partner in accordance with section 15 of the CGST Act which includes administration fee, sourcing fee, enrolment fee and the following reimbursements:

- a. *monthly stipend paid to trainees on behalf of Industry partner.*
- b. *cost of medical and accident insurance obtained for benefit of the Trainees and reimbursed by Industry partner.*

6.4 TLEF is of the view that the reimbursement received towards stipend and cost of medical and accident insurance is an expenditure or costs incurred as a pure agent of the Industry partner (recipient of supply) as per rule 33 of the CGST Rules, 2017. Therefore, such reimbursement should be excluded from the taxable value and hence, GST should not be charged on such reimbursements.

7. TLEF submits that it is acting as pure agent of the Industry partner in as far as providing stipend and incurring cost of insurance:

7.1 It is submitted that Section 9(1) of the GGST Act prescribes the levy and collection of the Gujarat State Goods and Services Tax which states that, "Subject to the provisions of sub-section (2), there shall be levied a tax called the Gujarat State goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person."

7.2 Thus, GGST is levied on the value of supply determined under section 15 of the GGST Act. Now, as per section 15 of the GGST Act:

"(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

7.2.1 The value of supply shall include -

7.2.1.1 any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the Central Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;

7.2.1.2 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;

7.2.1.3 incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;

7.2.1.4 interest or late fee or penalty for delayed payment of any consideration for any supply; and subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments;

Explanation—For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy

7.2.1.5 The value of the supply shall not include any discount which is given—

7.2.1.6 before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

7.2.1.7 after the supply has been effected, if—

7.2.1.7.1 such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

7.2.1.7.2 input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

7.2.2 Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.

7.2.3 Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.” [Emphasis supplied]

7.3 TLEF has submitted that it is clear from the plain reading of section 15 that CGST is leviable on the transaction value if it satisfies the following conditions:

a. Transaction value should be the price paid or payable for the said supply

b. The supplier and recipient of the supply are not related

c. Price should be the sole consideration for the supply

Further, the transaction value shall include the incidental expenses incurred by the supplier on its own in relation to supply of goods or services or both.

7.4 However, in case, the aforesaid conditions of section 15(1) are not fulfilled, then the value of taxable supply is determined by virtue of section 15(4) which has prescribed under Chapter IV of the CGST Rules, 2017 containing various rules (Rule 27 to Rule 35) for determination of value of supply in certain cases.

7.5 One of the such case is determination of value of supply of services in case of pure agent as envisaged under Rule 33 of the GGST Rules which prescribes the following:

“Notwithstanding anything contained in the provision of this chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied namely-

- i. The supplier acts as a pure agent of the recipient of the supply when he makes the payment to the third party on authorisation by such recipient.
- ii. The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- iii. The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services, he supplies on his own account

Explanation- For this rule, the expression “pure agent” means a person who-

- a) Enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs during supply of goods or services or both;
- b) Neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
- c) Does not use for his own interest such goods or services so procured; and
- d) Receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.”

7.6 TLEF submits that any cost or expenditure incurred by supplier on behalf of the recipient of service shall be excluded from the value of supply u/s 15 of the CGST Act if the conditions prescribed under Rule 33 are satisfied. However, in case, any cost or expenditure is incurred by supplier on its own account for provision of supply, then such cost or expenditure shall form part of the value of supply.

7.7 It is submitted that in the present case, in order to determine the taxability of various

amounts charged by TLEF from the Industry partner, the relevant terms of the agreement which is provided below are evaluated:

Para Reference	Particulars as per training agreement
Clause 2	SCOPE OF TRAINING
Clause 2.1	Subject to the terms of this Agreement, the Company is hereby registered by TeamLease as Training partner in accordance with NEEM Regulations. The Trainees shall under no circumstance be deemed to be the employees of the Company or of TLSU/TeamLease
Clause 2.2	The Company shall be solely responsible for providing adequate facilities in accordance with the NEEM Regulations or as maybe deemed appropriate by TeamLease for the Training, from time to time.
Clause 3	<p>STIPEND</p> <p>In consideration of dedicated deployment of the Trainees to the Company in accordance with this Agreement, the Company shall pay a monthly stipend (“Stipend”) to TLSU to be utilized by TLSU solely for the purposes of paying, the Trainees in accordance with the NEEM Regulations, which shall be equal to or greater than the prescribed minimum wages for unskilled category under applicable law and employee compensation insurance premium, on receiving payment from the company for each calendar month based on the payment terms mentioned in Annexure- B. For the avoidance of doubt it is clarified that the stipend payable shall be a single consolidated amount and shall not be subject to further withholding tax, namely Tax Deducted at source or any other statutory deductions or payments, except for income tax if applicable.</p> <p>In addition to the Stipend, the Company shall pay an administration fee of Rs 550/- (Rupees Five Hundred Fifty Only) per trainee per month with GST extra to TLSU for assisting the Company with the administrative tasks for deployment of Trainees to the Company for the Training.</p> <p>TLSU shall, as agreed upon with the company, raise invoice for the stipend payable to the trainees and administration fee on a monthly basis and shall include therein such taxes as may be applicable</p> <p>Sourcing Fee: For candidates sourced by TeamLease, there will be a one-time charge of Rs. 2500 per candidate</p> <p>Absorption cost:</p>

	<p>For Trainees deployed by TeamLease there will be a charge 8.33% of Annual CTC if a Trainee is selected by the company.</p> <p>TLSU will submit invoices to the individual at the company's address designated in the statements of work. Unless the applicable statement of work provides otherwise, invoices for professional services fees and expenses will be submitted to the company on or before 23rd of every month for which the services have been provided. Each invoice will define the agreement and statement of work number. The company agrees to pay invoice amounts immediately after the company receives a invoice, which includes a receipt of the monthly progress report for time period being invoiced, to the extent required by the company.(refer Annexure B)</p>
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7.8 From above, it is clear that TLEF is charging following amounts from the Industry partner:

Particulars	Nature of Income	Remarks
Administration fee	for assisting the Industry partner with the administrative tasks for deployment of Trainees for the Training	Towards services provided by Applicant on its own
Sourcing fee	one-time charge towards sourcing of Trainees	Towards services provided by Applicant on its own
Absorption fee	Fee towards selection of trainees by industry partner	Towards services provided by Applicant on its own
Stipend	Paid to Trainees on behalf of Industry partner in accordance with NEEM Regulations	Payment made on behalf of Industry partner
Cost of medical and accident insurance	Insurance obtained for the benefit of trainees and reimbursed by Industry partner	Payment made on behalf of Industry partner

7.9 From above, TLEF submits that the reimbursement received from Industry partner towards stipend paid to Trainees and the cost of medical and accident insurance would be eligible for deduction from the transaction value since such expenditure are incurred purely on behalf of Industry partner, provided the relevant conditions prescribed under Rule 33 of the GGST Rules, 2017 gets satisfied.

7.10 Further, GST would be payable only on the fee towards administration, sourcing of trainees and absorption of trainees.

7.11 In this regard, TLEF submits:

Conditions Prescribed under Rule 33 of GGST Rules	Reference from the training agreement
Conditions for Pure Agent	
i) the supplier acts as a pure agent of	Clause 3: <i>“In consideration of dedicated deployment of the Trainees to the Company in accordance with this</i>

the recipient of the supply, when he makes the payment to the third party on authorization by such recipient;	<p><i>Agreement, the Company shall pay a monthly stipend (Stipend) to TLSU, to be utilized by TEAMLEASE solely for the purposes of paying the Trainees in accordance with the NEEM Regulations, which shall be equal to or greater than the prescribed minimum wages for unskilled category under applicable law and employee compensation insurance premium on receiving payment from the company for each calendar month based on the payment terms mentioned in Annexure-B.</i></p> <p>For the avoidance of doubt it is clarified that the stipend payable shall be a single consolidated amount and shall not be subject to further withholding tax, namely Tax Deducted at source or any other statutory deductions or payment except for Income Tax, if applicable.</p>
(ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and	Clause 3: “TLSU shall, as agreed upon with the Company, raise invoices for the Stipend payable to the Trainees and administration fee on a monthly basis and shall include therein such taxes as may be applicable.”
(iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.	<p>Clause 3: “In addition to the Stipend, the Company shall pay an administration fee of Rs 550/- (Rupees Five Hundred Fifty Only) per trainee per month with GST extra to TLSU for assisting the Company with the administrative tasks for deployment of Trainees to the Company for the Training.</p> <p>Sourcing Fee: For candidates sourced by TeamLease, there will be a one-time charge of Rs. 2500 per candidate</p> <p>Absorption cost: For Trainees deployed by TeamLease there will be a charge 8.33% of Annual CTC if a Trainee is selected by the company.</p>
<u>Meaning of Pure Agent:</u>	
a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;	Clause 3: As depicted in Sr (i) above
(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;	The Applicant is only a conduit for the payment and the actual service is provided by the Trainees to the Industry partner and the Industry partner is liable to make the payment of consideration
(c) does not use for his own interest such goods or services so procured; and	The applicant is providing services as per NEEM regulations. Further, the applicant doesn't retain any portion of the stipend and insurance premium. It is merely acting as an intermediary of the Industry partner
(d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.	The applicant is recovering actual amount of stipend paid to Trainees and cost of medical and accident insurance from the Industry partner. Further, Applicant is separately charging fee for administration, sourcing and enrollment towards

	the services provided on its own account.
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7.12 In light of the above, TLEF has submitted that it is clear that the reimbursement received from the Industry towards the stipend paid to Trainees and the cost of medical and accident insurance incurred for benefit of the Trainees are in the nature of pure agent services provided by Applicant and therefore such reimbursement should not form part of taxable value.

7.13 With regards to payment of stipend, it is submitted by TLEF that it neither retains any amount from the reimbursement received nor receives any separate consideration from Trainees. It merely acts as an intermediary between Trainees (supplier of service) and Industry Partner (recipient of service) for processing of stipend as specified under NEEM Regulations. Thus, the applicant is merely a conduit for the payment of stipend and the actual service is supplied by the Trainees to the trainer companies (Industry partner) against which such stipend is payable.

7.14 Further, with regards to cost of employee compensation insurance, it is submitted that TLEF has incurred such expenditure for the benefit of the Trainees as agreed with the Industry partner. The Insurance company is the supplier of service, TLEF is the service recipient and the Trainees are beneficiary in such transaction. Further, TLEF has obtained such insurance for the benefit of Trainees as per pre-agreed terms and conditions with the Industry partner. The Industry partner is under the obligation to reimburse TLEF towards cost of such insurance. Hence, TLEF is acting as an agent of the Industry partner for incurring the expenditure towards the insurance and subsequently reimbursed by the partner to the extent of insurance premium.

7.15 Hence, TLEF has submitted that they acts as a pure agent of the Industry partner to the extent of payment of stipend and cost of medical and accident insurance and therefore the reimbursement received from Industry partner towards these expenditure shall be excluded from the value of supply in accordance with Rule 33 of the GGST Act.

7.16 It is submitted by the applicant that the above rationale has also affirmed by the Hon'ble Authority for Advance Ruling, Maharashtra in similar case of M/s. Yashaswi Academy for Skills (2021 (8) TMI 1018) where the Hon'ble Authority has held that the reimbursement by Industry Partner to the applicant, of the stipend paid to the trainees, does not attract tax under the GST Acts.

The relevant extract of the judgement is reproduced below:

“5.10 We find that, the applicant, is registered as Agent under National Employability Enhancement Mission (‘NEEM’) for facilitating and extending support for mobilizing trainees under NEEM Scheme of Government of India as per regulations under notification issued by All India Council for Technical Education (AICTE), for providing trainees on-the-job practical training in industries to enhance their future employability, For that purpose, for which they enter into agreements with various companies/organizations (called as industry partner) who impart actual practical

training to the students. The applicant, in lieu of agreements with the industry partners, is engaged in preparing monthly attendance record of the trainees, getting it certified from the Company; processing stipends of the trainees ; making payment of stipend to the trainees ; providing uniform and safety shoes to the trainees ; taking Insurance policies for trainees towards Employee Compensation and Personal Accident Policy. For all such services rendered the applicant is paid service charge per month per trainee on which GST is being discharged (as per their submissions). During the duration of the training, the trainees are paid monthly stipend.

5.11 Regarding the issue before us in respect of stipend paid to the trainees by the applicant, the industry partner that provides training to the trainees is required to pay stipend to the trainees. This stipend is not directly paid to the trainees by the companies, rather the same are routed through the applicant. The applicant has submitted that the entire amounts received as stipend from the companies are paid to the trainees without any amount being retained. Thus, the applicant is only acting as an intermediary in collecting the stipend from the companies and then disbursing the same to the trainees in full since the applicant is not allowed to make any deductions from the stipend before disbursing the same to the trainees. The applicant is only a conduit for the payment of stipend and the actual service is supplied by the trainees to the trainer companies (industry partners) against which stipend is payable. Hence the amount of stipend received by the applicant from the industry partners and paid in full to the trainees is not taxable at the hands of the applicant. Hence, in view of the submissions made by the applicant and also in agreement with the observations made by the jurisdictional officer, it is held that the reimbursement by Industry Partner to the applicant of the stipend paid to students does not attract GST.” [Emphasis supplied]

7.17 The Applicant also draws attention on the judgement passed by the Hon’ble Authority for Advance Ruling, Karnataka in the similar case of M/s. Cadmax Solution Education Trust (KAR ADRG 85/2019 dated 25 September 2019) where the Hon’ble Authority has held the following:

“1. The reimbursement of the stipend paid to the trainees does not attract tax under the GST Acts”

“3. The reimbursement of Group Insurance and Workmen Compensation premium by the trainer company to the applicant is not liable to tax under the GST Acts”

The relevant extract of the judgement is reproduced below:

“6.3 Regarding the issue of taxation of stipend, the company which is providing on the job training to the trainees is required to pay the stipend to the trainees and the applicant is only acting as an intermediary in collecting the same from the trainer companies to the students. The service is provided by the trainees to the

trainer as the trainer is liable to make payment of the consideration. This consideration is paid through the applicant and the applicant is not allowed to make any deductions in that amount. Hence the applicant is only a conduit for the payment and the actual service is by the trainee to the trainer. Therefore this amount is not taxable in the hands of the applicant.

6.5 Regarding the third issue of payment of Group Insurance and Workmen compensation scheme is made by the applicant with the trainee being beneficiary. If any tax is liable on this transaction, it shall be collected by the insurance company, and the insurance company would be the service provider and the applicant will be the service recipient. If the same is reimbursed to the applicant by the trainer company as per the terms of the contract, this amounts to reimbursement of the premium paid and hence this amount reimbursed would not be taxable in the hands of the applicant.”

7.18 TLEF submits:

- TLEF is acting as a pure agent of the Industry partner to the extent of reimbursement received towards stipend paid to Trainees on behalf of Industry partner as part of training agreement and therefore the said reimbursement is not chargeable to GST.
- Further, TLEF is also acting as pure agent to the extent of reimbursement received against cost of medical and accident insurance obtained for the benefit of Trainees by the Applicant and reimbursed by the Industry partner as per the training agreement and therefore the said reimbursement is not chargeable to GST.

8. Question on which Advance Ruling sought

1. Whether, the Applicant is acting as a pure agent of the Industry partner to the extent of reimbursement received towards stipend paid to Trainees on behalf of Industry partner as part of training agreement and therefore the said reimbursement is not chargeable to GST?
2. Whether, the Applicant is acting as a pure agent of the Industry partner to the extent of reimbursement received against cost of employee compensation insurance obtained for the benefit of Trainees by the Applicant and reimbursed by the Industry partner as per the training agreement and therefore the said reimbursement is not chargeable to GST?

Personal Hearing

9. Personal hearing granted on 18-2-22 was attended by Ms. Disha Gurusahaney, Advocate and they reiterated the submission.

Revenue's Submission

10. Revenue has neither submitted its comments nor appeared for hearing.

FINDINGS

11. We have carefully considered all the submissions made by TLEF. We note that the issue before us to decide is whether TLEF is pure agent of Industry Partner with respect to Stipend and Insurance.

12. We reproduce Rule 33 CGST Rules, as follows:

Rule 33. Value of supply of services in case of pure agent.-

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely,-

(i) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;

(ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and

(iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Explanation. - *For the purposes of this rule, the expression "pure agent" means a person who-*

(a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;

(c) does not use for his own interest such goods or services so procured; and

(d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

Illustration . - *Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.*

Stipend

13.1 We note that TLEF is authorized by Industry partner to make payment of stipend to Trainee (Third party) and TLEF is reimbursed the amount by recipient. This amount is separately indicated in invoice. We deem the work performed by the Trainees in the Industry during their training period to be services procured by TLEF from the Trainees (third party), thereby satisfying Rule 33(iii) CGST Rules.

13.2 We note that the three conditions of Pure Agent laid down vide Rule 33 CGST Rules and the expression of Pure agent as per Explanation to said Rule has been satisfied

by TLEF with respect to stipend reimbursement and TLEF submits that it **receives only the actual amount incurred** to pay stipend amount to the Trainees, in addition to the amount it receives for supplies provided on its own account.

Insurance

14. TLEF, vide email dated 1-3-22, submitted the following:

- i. ICICI Workman Compensation Insurance Policy no. 4010/228453352/00/000 for insuring 4730 employees;
- ii. ICICI issued Invoice No. 101021227516 dated 1-8-2021 on TLEF charging Rs 191309.86 (for premium and tax);
- iii. An Excel Sheet containing names of 4730 workman which includes trainees and TLEF's employee for said Insurance Policy taken for the period 1-8-21 to 31-1-22.

15. On careful study of said documents, we find that said single Insurance policy was taken by TLEF for both the trainees as well as its employees. Further, we note that said ICICI Tax invoice dated 1-8-21 of Rs. 191309.86/- is total Insurance premium amount charged by Insurance company on TLEF for both trainees and its (TLEF) employees. TLEF is unable to co-relate the actual Insurance premium amount paid by it to the Insurance company exclusively for the trainees only, vis-a-vis the amount charged by it, as reimbursement, on Industry Partner.

16. TLEF has failed to satisfy that it is pure agent, by not substantiating on record that it receives only the actual amount from Industry Partner for insurance charges incurred by it exclusively for Trainees. We note that clause (d) to said explanation to said Rule 33 is not satisfied in subject case.

17. We note that TLEF cited two Advance Rulings pertaining to Yashaswi Academy and Cadmaxx Solution. The facts of these cases are that insurance amount of said parties was reimbursed. What is inferred from the facts of cited cases is that of actual reimbursement. The facts of present case before us is that TLEF is unable to substantiate that the insurance amount it has charged on Industry Recipient in its Invoices was the actual reimbursement of Insurance charges, exclusively, incurred for trainees. Thus the said two cases cited are of no avail. Also, we refer to Section 103 CGST Act, wherein any Advance Ruling is binding on the Applicant who has sought it and on the concerned jurisdictional officer in respect of the Applicant.

18. In conspectus of aforementioned findings, we issue the Ruling:

Ruling

1. TLEF is pure agent of Industry Partner to the extent of reimbursement of the actual amount Stipend incurred by it and thereby said reimbursement amount is **not leviable** to GST.
2. TLEF is not pure agent of Industry partner for Insurance premium amount , as TLEF does not satisfy clause (d) to the explanation of Rule 33 CGST Rules. Thereby, insurance amount reflected its invoices, shall not be deducted from arriving at taxable value and thereby leviable to GST.

(ATUL MEHTA)
MEMBER (S)

(ARUN RICHARD)
MEMBER (C)

Place: Ahmedabad
Date: 14.03.2022