

**GUJARAT AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
D/5, RAJYA KAR BHAVAN, ASHRAM ROAD,
AHMEDABAD – 380 009.**



**ADVANCE RULING NO. GUJ/GAAR/R/2025/57
(IN APPLICATION NO. Advance Ruling/SGST&CGST/2024/AR/38)**

Date: 24/11/2025

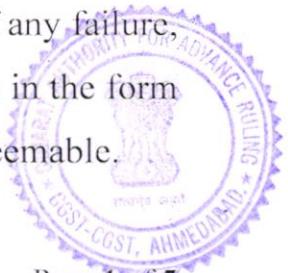
Name and address of the applicant	:	M/s 63 Ideas Infolabs Private Limited, 501, 5 th Floor, Shapath 1, S.G. Highway, Bodakdev, Ahmedabad, Gujarat-380054
GSTIN of the applicant	:	24AAACZ8597L1ZI
Jurisdiction Office	:	Office of the Assistant Commissioner of State Tax, Unit-9, Range-3, Division-1, Ahmedabad.
Date of application	:	21.12.2024
Clause(s) of Section 97(2) of CGST/GGST Act, 2017, under which the question(s) raised.	:	(e)
Date of Personal Hearing	:	24.09.2025, 24.04.2025
Present for the applicant	:	Shri N R Badrinath

Brief facts:

M/s 63 Ideas Infolabs Private Limited, 501, 5th Floor, Shapath 1, S.G. Highway, Bodakdev, Ahmedabad, Gujarat-380054 [for short – ‘applicant’] is registered under GST and their GSTIN is 24AAACZ8597L1ZI.

2. The applicant has stated that they are engaged in the wholesale business of selling agricultural produce & staples across India, primarily in the nature of bulk distribution, through various networks and operate in 16 states and UTs. The applicant has developed a supply chain management [SCM] platform accessible via its website and/or mobile app. This facilitates connection of farmers, producers & brand with retailers enabling seamless sales of agricultural produce & staples

3. The applicant proposes to enter into an agreement to customize its SCM platform to suit certain specific requirement of an overseas client, to grant a perpetual license for its use, while retaining ownership of the proprietary platform. The consideration will be received in foreign exchange. In the event of any failure, the applicant will have the right to exercise the receipt of consideration in the form of Preference shares of the foreign entity which are non-voting & irredeemable.



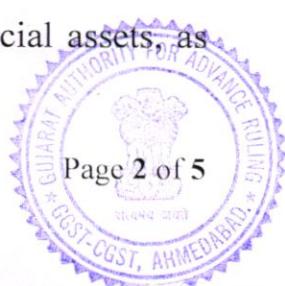
4. The applicant, therefore, seeks the following clarification: -

“Whether the receipt of consideration in the form of non-voting, irredeemable preference shares would fulfil the requirement of “receipt of consideration” as referred in Section 2(6)(iv) of the IGST Act, 2017 and therefore there will be no liability to pay GST on the supply of the said services (customization and licensing of the proprietary platform) by the Applicant to the overseas client.”

The applicant has further stated that the ruling is sought in terms of Section 97 (2)(e) of the CGST Act, 2017.

5. The applicant has submitted their interpretation of law in the matter as under: -

- (i) The proposed transaction adheres to the Foreign Exchange Management Act, 1999 [FEMA in short] and the Foreign Exchange Management (Overseas Investment) Rules, 2022 [OI Rules in short]. These regulations permit Indian entities to invest in and receive foreign equity capital, including preference shares, without prior approval, provided certain conditions are met.
- (ii) Rule 2(e) of the OI Rules defines ‘equity capital’ to include irredeemable or fully and compulsorily convertible instruments, covering the type of preference shares that the applicant proposes to receive.
- (iii) FEMA and RBI regulations explicitly allow Indian entities to receive consideration for services rendered, in the form of preference shares as part of the Overseas Direct Investment. Para 2(iv) of Schedule I of the OI Rules allows capitalisation of dues, facilitating the acquisition of shares in a foreign company.
- (iv) receipt of preference shares as consideration brings share capital of overseas entities into India. As FEMA and RBI recognize this form of receipt of consideration as valid, the same would be deemed as sufficient and appropriate for the purpose of Section 2(6)(iv) of the IGST Act, 2017 too.
- (v) this mode of settlement is deemed receipt of consideration in terms of Circular no. 78/52/2018-GST dtd. 31.12.2018.
- (vi) Section 2(31) of the CGST Act, 2017 & Rule 37 of the CGST Rules, 2017 recognize non-monetary consideration such as financial assets, as valid.



- (vii) The proposed receipt of preference shares from a foreign entity as payment for the proposed provision of a perpetual license to its customized SCM platform, fits within the framework of FEMA and OI Rules.
- (viii) The legal doctrine acknowledges that whether any entity receives cash or equivalent value in another form such as equity, the fundamental objective of enhancing the country's foreign financial reserves is achieved.
- (ix) Even otherwise, the remittance & subsequent acquisition would independently align with regulations governing outward foreign investment and RBI approved capital flow
- (x) they wish to rely on the ruling of Kerala AAR in the case of *Malabar Gold P Ltd. – 2023 (7) TMI 573, J.B. Boda (P) Ltd Vs CBDT-1996 AIR Supreme Court 1543.*

6. Personal hearing was granted on 24.09.2025 wherein Shri N R Badrinath, authorised representative appeared on behalf of the applicant and reiterated the facts & grounds as stated in the application. Subsequent to the hearing, the applicant has also submitted additional submissions on 30.09.2025 through e-mail, wherein they have submitted an undertaking that monies upon sale of shares will also be eventually credit into their banking account. A copy of the undertaking has also been enclosed.

Discussion and findings

7. At the outset, we would like to state that the provisions of both the CGST Act and the GGST Act are the same, except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the GGST Act.

8. We have considered the submissions made by the applicant in their application for advance ruling as well as the submissions made both oral and written during the course of personal hearing. We have also considered the issue involved, the relevant facts & the applicant's submission/interpretation of law in respect of question on which the advance ruling is sought.



9. We find that the short issue to be decided is whether the applicant can receive the export proceeds in the form of preferential shares of the foreign entity and whether they would satisfy the requirement of consideration i.e. convertible foreign exchange as mentioned Clause (iv) of Section 2(6) of the IGST Act, 2017.

10. The applicant has after framing this question, as a corollary to this question, also sought a ruling as to whether there will be liability to pay GST on the supply of the said services (customization and licensing of the proprietary platform) by the Applicant to the overseas client.

11. As per Rule 96A of the CGST Rules, 2017, a registered person has the option to supply the goods or services for export without payment of IGST under Bond or Letter of undertaking. However, if the goods are not exported or if the payment for the services exported are not received by the exporter in convertible foreign currency, within the prescribed period, the exporter has to pay the tax due along with interest. Thus, only on the non-receipt of the export proceeds, the exporter liable to pay the tax involved in the services exported. Therefore, the primary question is whether the export proceeds in the form of preferential shares of the foreign entity, satisfy the requirement of consideration i.e. convertible foreign exchange, as mentioned Clause (iv) of Section 2(6) of the IGST Act, 2017. It is only after this question is answered, we can proceed on to the next question i.e. whether there will be liability to pay GST on the supply of the said services by the Applicant to the overseas client, though the applicant has clubbed both the questions into one question. We find from the question framed, that the intention of the exporter is also only to know whether preferential shares of the foreign entity, satisfy the requirement of consideration i.e. convertible foreign exchange. The other leg of the question is just an ancillary one.

12. As per Section 97(2), the question on which the advance ruling can be sought under the Act, is in respect of the following: -

- (a) *classification of any goods or services or both;*
- (b) *applicability of a notification issued under the provisions of this Act;*
- (c) *determination of time and value of supply of goods or services or both;*
- (d) *admissibility of input tax credit of tax paid or deemed to have been paid;*
- (e) *determination of the liability to pay tax on any goods or services or both;*
- (f) *whether applicant is required to be registered;*

(g) whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

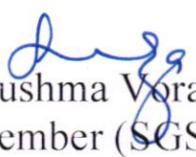
13. The question raised by the applicant does not fall under any of the above said matters mentioned in Section 97(2) ibid. We find that the applicant has tried to argue that the ruling is sought in terms of Section 97(2) of the CGST Act, 2017 on the ground that they are seeking the liability to pay GST on the supply of services by the applicant to the overseas client. However, as mentioned supra, the primary question to be answered first is whether the export proceeds in the form of preferential shares of the foreign entity satisfy the requirement of consideration i.e. convertible foreign exchange as mentioned Clause (iv) of Section 2(6) of the IGST Act, 2017. Unless this is decided, the subsequent liability to pay GST cannot be answered. Since, the main question is out of the scope of Section 97(2) of the Act ibid, we are unable to answer the corollary about the liability to pay GST.

14. In view of the foregoing, we rule as under: -

RULING

Question: Whether the receipt of consideration in the form of non-voting, irredeemable preference shares would fulfil the requirement of "receipt of consideration" as referred in Section 2(6)(iv) of the IGST Act, 2017 and therefore there will be no liability to pay GST on the supply of the said services (customization and licensing of the proprietary platform) by the Applicant to the overseas client.

Answer: Not answered in view of the reasons mentioned aforesaid.


(Sushma Vora)
Member (SGST)

Place: Ahmedabad
Date: 24.11.2025




(Vishal Malani)
Member (CGST)