RAJASTHAN AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX

ROOM NO. 208, KAR BHAWAN, AMBEDKAR CIRCLE,
BHAWANI SINGH ROAD, C-SCHEME
JAIPUR – 302005 (RAJASTHAN)

ADVANCE RULING NO. RAJ/AAR/2026-27/18

Mahipal Singh Additional Commissioner	:	Member (Central Tax)
Prathwi Raj Meena Additional Commissioner	:	Member (State Tax)
Name and address of the applicant	:	M/s CENTRE FOR DEVELOPMENT COMMUNICATION TRUST, 16, Shri Gopal Nagar, Near Maheshnagar Thana, Gopalpura Bypass, JAIPUR, Rajasthan-302019
GSTIN of the applicant		08AAAAC0873C1Z7
Clause(s) of Section 97(2) of CGST/SGST Act, 2017, under which the question(s) raised	:	(b) Applicability of a notification issued under the provisions of this Act (e) Determination of the liability to pay tax on any goods or service or both
Date of Personal Hearing	:	13.07.2026 , 30.07.2026 and 07.09.2026
Present for the applicant	:	Adv. Prakul Khuran, Adv. Vikas Gupta, Adv. Shreya Jhanwar
Date of Ruling	:	10.09.2026

1. केंद्रीय वस्तु एवं सेवा कर अधिनियम, 2017 तथा राजस्थान वस्तु एवं सेवा कर अधिनियम, 2017 (जिन्हें आगे क्रमशः 'सीजीएसटी अधिनियम' एवं 'आरजीएसटी अधिनियम' कहा गया है) की धारा 102 के अनुसार, इस अग्रिम निर्णय में अभिलेख पर प्रत्यक्ष रूप से विद्यमान किसी त्रुटि के सुधार हेतु प्राधिकरण द्वारा संशोधन किया जा सकता है, यदि ऐसी त्रुटि आदेश की तिथि से छह माह की अवधि के भीतर स्वयं प्राधिकरण के संज्ञान में आए अथवा आवेदक, संबंधित अधिकारी अथवा क्षेत्राधिकार अधिकारी द्वारा उसके संज्ञान में लाई जाए। तथापि ऐसा कोई संशोधन, जिससे कर देयता में वृद्धि हो अथवा अनुमन्य इनपुट टैक्स क्रेडिट में कमी हो, आवेदक/अपीलकर्ता को सुनवाई का अवसर प्रदान किए बिना नहीं किया जाएगा।

1. In terms of Section 102 of the Central Goods and Services Tax Act, 2017 and the Rajasthan Goods and Services Tax Act, 2017 (hereinafter referred to as the CGST Act and the RGST Act respectively), this Advance Ruling may be amended by the Authority for Advance Ruling so as to rectify any error apparent on the face of the record, if such error is noticed by the Authority on its own motion or is brought to its notice by the applicant or the concerned officer or the jurisdictional officer within a period of six months from the date of the order. Provided that no rectification which has the effect of enhancing the tax liability or reducing the amount of admissible input tax credit shall be made unless the applicant or the appellant has been given an opportunity of being heard.

2. सीजीएसटी अधिनियम, 2017 एवं आरजीएसटी अधिनियम, 2017 की धारा 103(1) के अनुसार, अध्याय XVII के अंतर्गत दिया गया यह अग्रिम निर्णय केवल निम्नलिखित पर बाध्यकारी होगा: (क) उस आवेदक पर जिसने

अधिनियम की धारा 97(2) में उल्लिखित विषय के संबंध में अग्रिम निर्णय प्राप्त किया है; तथा (ख) उक्त आवेदक के संबंध में संबंधित अधिकारी अथवा क्षेत्राधिकार अधिकारी पर।

2. Under Section 103(1) of the CGST Act, 2017 and the RGST Act, 2017, this Advance Ruling pronounced under Chapter XVII of the Acts shall be binding only: (a) on the applicant who had sought it in respect of any matter referred to in Section 97(2) of the Acts; and (b) on the concerned officer or the jurisdictional officer in respect of the applicant.

3. सीजीएसटी अधिनियम, 2017 एवं आरजीएसटी अधिनियम, 2017 की धारा 103(2) के अनुसार, यह अग्रिम निर्णय तब तक बाध्यकारी रहेगा जब तक कि उस निर्णय के आधारभूत विधिक प्रावधान, तथ्य अथवा परिस्थितियों में कोई परिवर्तन न हो जाए।

3. In terms of Section 103(2) of the CGST Act, 2017 and the RGST Act, 2017, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original ruling have changed.

4. सीजीएसटी अधिनियम, 2017 एवं आरजीएसटी अधिनियम, 2017 की धारा 104(1) के अनुसार, यदि प्राधिकरण यह पाता है कि आवेदक ने धोखाधड़ी, महत्वपूर्ण तथ्यों के दमन अथवा तथ्यों के मिथ्या प्रतिपादन द्वारा यह अग्रिम निर्णय प्राप्त किया है, तो वह आदेश द्वारा ऐसे निर्णय को प्रारंभ से ही शून्य (Void ab initio) घोषित कर सकता है और ऐसी स्थिति में अधिनियमों तथा उनके अधीन बनाए गए नियमों के सभी प्रावधान आवेदक पर ऐसे लागू होंगे मानो यह अग्रिम निर्णय कभी दिया ही नहीं गया हो।

4. Under Section 104(1) of the CGST Act, 2017 and the RGST Act, 2017, where the Authority finds that the Advance Ruling has been obtained by the applicant 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 the Acts or the Rules made thereunder shall apply to the applicant as if such Advance Ruling had never been made.

5. इस अग्रिम निर्णय के विरुद्ध अपील, सीजीएसटी अधिनियम, 2017 एवं आरजीएसटी अधिनियम, 2017 की धारा 100 के अंतर्गत राजस्थान अपीलीय अग्रिम निर्णय प्राधिकरण (Appellate Authority for Advance Ruling, Rajasthan) के समक्ष प्रस्तुत की जाएगी। ऐसी अपील निर्णय की सूचना आवेदक, संबंधित अधिकारी अथवा क्षेत्राधिकार अधिकारी को प्राप्त होने की तिथि से तीस दिनों के भीतर प्रस्तुत की जानी होगी। यदि अपीलीय प्राधिकरण यह संतुष्ट हो कि अपीलकर्ता पर्याप्त कारणों से उक्त अवधि के भीतर अपील प्रस्तुत नहीं कर सका, तो वह अधिकतम अतिरिक्त तीस दिनों की अवधि तक विलंब को क्षम्य करते हुए अपील स्वीकार कर सकता है।

5. Any appeal against this Advance Ruling shall lie before the Appellate Authority for Advance Ruling, Rajasthan, in terms of Section 100 of the CGST Act, 2017 and the RGST Act, 2017. Such appeal shall be filed within **thirty days** from the date on which the ruling is communicated to the applicant, the concerned officer or the jurisdictional officer, as the case may be. The Appellate Authority may, if satisfied that the appellant was prevented by sufficient cause from presenting the appeal within the said period of thirty days, allow it to be presented within a further period not exceeding **thirty days**.

The issue raised by M/s CENTRE FOR DEVELOPMENT COMMUNICATION TRUST, 16, Shri Gopal Nagar, Near Maheshnagar Thana, Gopalpura Bypass, JAIPUR, Rajasthan-302019 (hereinafter referred to as *"the applicant" also*) is fit to pronounce advance ruling as they have deposited prescribed Fee under CGST Act and it falls under the ambit of the Section 97(2) given as under:

(b) Applicability of a notification issued under the provisions of this Act
(e) Determination of the liability to pay tax on any goods or service or both

A. SUBMISSION OF THE APPLICANT :-

Brief facts of the case:

1. The Applicant, M/s Centre for Development Communication Trust (hereinafter '**CDC**'), is a Trust registered under the applicable laws and duly registered under the Goods and Services Tax Act. That the Applicant is of the *bona fide* belief that the services of Solid Waste management provided by it to the ULB/DLB (Government Authorities) are exempt from GST as per the discussions below. The Applicant has over 25 years of experience in the domain of municipal solid waste management (MSWM), having worked extensively in the field of door-to-door collection of waste, transportation of segregated waste, and scientific processing of municipal solid waste. The Applicant brings to bear significant technical expertise, institutional knowledge and project management capabilities in the execution of large-scale solid waste management projects in Rajasthan.

2. The Directorate of Local Bodies (DLB), Rajasthan, Jaipur floated tenders in Financial Year 2023-24 for the design, construction, establishment and development of solid waste processing plants on a land provided on lease by ULB at various towns across the State, bundled into geographic Clusters. The Applicant submitted its financial bid on 14.09.2023, which was opened through RJGETS on 15.09.2023, and the financial bid was opened on 22.09.2023.

3. That pursuant to the tender process, the Applicant was initially issued Work Order No. 112502 dated 06.10.2023 along with Letter of Acceptance (LoA) No. 112411 dated 06.10.2023. Thereafter, the Chief Engineer, Directorate of Local Bodies, Rajasthan issued a Revised Work Order bearing No. F 55 () PA/CE/DLB/SBM2.0/PROCESSING OF WASTE/2023/126089 dated **22.12.2023** (hereinafter referred to as the ***"Revised Work Order"***), confirming and awarding the project work to the Applicant.
   The applicant attached a copy of the Revised Work Order dated 22.12.2023 and agreement with respect to Cluster-5.

4. As per the said Revised Work Order, the scope of work assigned to the Applicant is "Design, Construction, Establishment and Development of Solid Waste Processing Plant (Compost + RDF) scalable further as per the requirements with Operation & Maintenance for 20 years on VGF basis as per Solid Waste Management Rules, 2016 as Amended time to time and Swachh Bharat Mission (Urban) 2.0 guidelines for 10 ULBs of Cluster-5." The scope encompasses the following inter-connected activities:
   (i) Survey and planning of the project within 15 days of the Work Order; submission of detailed drawings of RDF and Compost plants; obtaining all statutory clearances for initiation of construction viz. Environmental clearances – CTE and CTO –(PCB)
   (ii) Design and engineering of the MSW Processing Facility with a minimum capacity as specified for each ULB; submission of layout plan; commencement of construction of RDF and Compost Plant; procurement of required machineries and equipment.

(iii) Setup of the MSW Processing Facility: The facility must have integrated provisions for segregation of recyclables; composting of wet/organic fraction through windrow technology; RDF conversion of dry/combustible fraction.

(iv) The Applicant is required to set up a computerized Weighbridge at the MSW Processing Facility of minimum 50 MT capacity to enable accurate measurement of incoming waste, along with other machinery such as trommel, conveyors, baler, shredder, segregation systems, electrical systems etc.

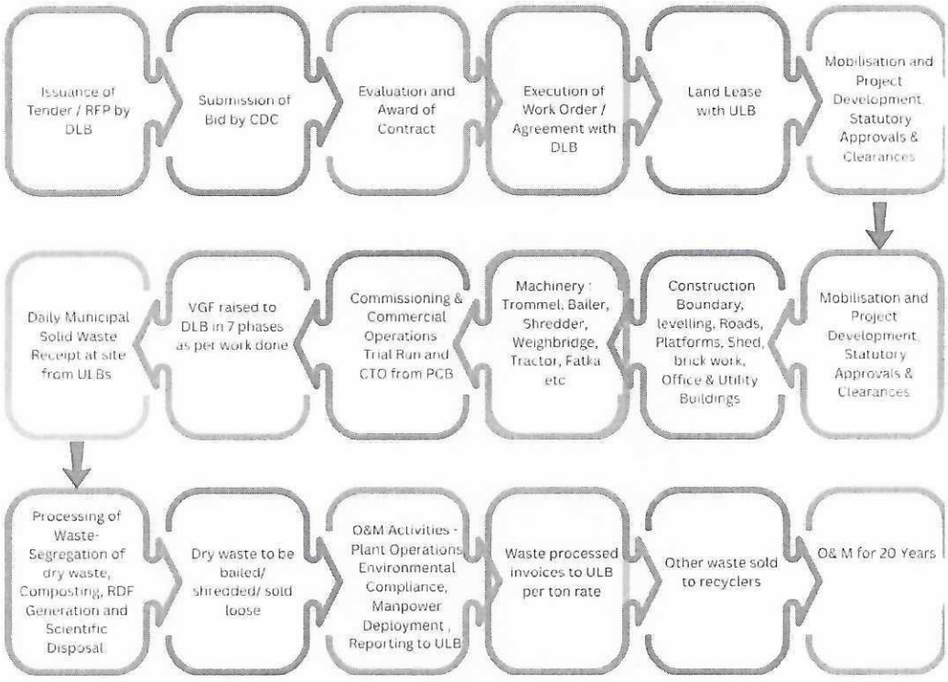
(v) Operation and Maintenance of the processing plant for 20 years from the Commercial Operation Date (COD). The O&M scope includes all expenditures on labour, repair/replacement of material, equipment, consumables, fuel, water and other items necessary for running the plant satisfactorily.

(vi) Installation and maintenance of an Online Monitoring System at the time of trial run, with connectivity to the SWM Command Centre throughout the O&M period

(vii) Maintenance of the site free from odour, flies and birds; adequate plantation around the project site for environmental improvement.

(viii) Disposal of inert rejects (not exceeding 20% of incoming waste) at the Sanitary Landfill Facility designated by the respective ULB.

5. A flow chart explaining a detailed procedure is enclosed hereunder for ready reference:



6. That it is pertinent to mention here that the ownership of the plant/project exclusively remains with the Government of Rajasthan through ULBs/DLBs during the duration of the whole project/transaction and the Applicant is responsible to undertake the execution and completion of the above-specified "*Works*" and remedy all defects and operate the project for 20 years from the Commercial Operation Date on a Build-Operate-Transfer ("**BOT**") model. The relevant clauses of the tender/bid document with respect to the same are re-produced hereunder:

"11.2 Contractor's Obligations

1. Project Facilities

i. The Contractor shall on the date of expiry of the Contract Period, hand back vacant and peaceful possession of the Transportation vehicles & equipment, MSW Processing Facility and Project Facilities including any tools, spares, inventory, vehicles, machinery and all other movables required for its functioning to the respective

Authority free of cost and in good operable condition. In case of any dispute between the authorities in apportioning the vehicles, equipment, asserts etc. the matter shall be decided by Director of Local Bodies on receiving the request from any of the authorities. The decision of DLB shall be final. However, the stock of derived products recovered after Processing the MSW till the date of expiry of the Contract Period including recyclables, compost, RDF etc. as on the expiry of the Contract Period shall be the property of the Contractor

ii. At least 3 (three) months before the expected expiry of the Contract Period a joint inspection of the MSW Processing Facility and Project Facilities shall be undertaken by the Authority, Engineer In Charge and the Contractor. the Authority/Engineer In Charge shall, within 15 (fifteen) days of such inspection prepare and furnish to the Contractor a list of minor and petty works/jobs ("Hand- back Requirements"), if any, to be carried out so as to conform to the Construction Requirements and O&M Requirements. The Contractor shall promptly undertake and complete such works/jobs at least one month prior to the expected expiry of the Contract Period and ensure that the said MSW Processing Facility and Project Facilities continue to meet such requirements until the same are handed back to the Authority.

...

2.2 Expiry of the Operation and Maintenance Period & Taking Over By the Department

2.2.1 Six months prior to the expiry period, the ULB/ Department will notify the contractor, the maintenance required for the facilities including all structures and road, plants, materials and equipment(s) therein, so that
the facilities may be taken over in an acceptable physical conditions (physical conditions in reference to the initial physical condition at the start of O&M period, after accounting reasonable wear and tear during operation) and in operation conditions.

2.2.2 Notwithstanding to the notification done by ULB/ Department as per clause 2.2.1 above, the contractor shall repair, maintain and operate the facilities as per the terms and conditions of this contract, till 12.00 Noon up to the date of expiry of contract period.

...

2.2.10 After the date of expiry of contract and recoveries of all dues payable by the contractor, the Engineer-In-Charge shall issue a "Certificate of Taking over.""

7. The following table sets out the specific details of Cluster 5 as per the Revised Work Order dated 22.12.2023:

S.No.	ULB / Town	District	Plant Capacity (TPD)	Estimated Cost (₹ Lakhs)	VGF to Contractor (₹ Lakhs)
1	Sambhar	Jaipur	9.18	174.36	144.72
2	Kishangarh Renwal	Jaipur	12.00	203.86	169.20
3	Jobner	Jaipur	4.67	108.71	90.23
4	Chaksu	Jaipur	13.74	235.55	195.50

5	Shahpura_J (M)	Jaipur	13.93	226.32	187.84
6	Kotputli	Jaipur	20.22	283.32	235.16
7	Viratnagar	Jaipur	8.45	178.57	148.21
8	Lalsot	Dausa	14.12	202.78	168.31
9	Bandikui	Dausa	18.36	260.90	216.55
10	Mahwa	Dausa	10.21	199.26	165.39
	TOTAL (Cluster 5)		**124.88**	**2,073.63**	**1,721.11**

8. From the above, it becomes clear that:
   i. Total project cost (Cluster 5): Rs. 2,073.00 Lakh (approximately).
   ii. VGF to be provided to Contractor (Cluster 5): Rs. 1,721.00 Lakh, to be disbursed over seven structured instalments.
   iii. Basic rate of tipping fee: Rs. 342/- per metric ton of waste processed (inclusive of all taxes), as specified in the Revised Work Order.
   iv. Cost to be borne by Contractor: Rs. 352.00 Lakh (balance of total cost over VGF to contractor).

9. **VGF DISBURSEMENT SCHEDULE**

The VGF is disbursed in seven structured instalments linked to specific execution milestones, as follows:

Instalment	% of VGF	Trigger / Condition for Disbursement
1st	5%	Submission of invoices/proof of expenditure; submission of processing plant drawings & designs; levelling of ground site; submission of proof of payment to vendor for main machineries.
2nd	25%	Submission of bills/invoices/proof of expenditure of 1st instalment; and 30% civil work completion of processing plant.
3rd	15%	Submission of bills/invoices/proof of expenditure of 2nd instalment; 50% civil work; supply of 60% plant & machineries, vehicles and electro-mechanical items; commissioning of processing plant.
4th	20%	Submission of bills/invoices/proof of expenditure of 3rd instalment; 80% civil work and supply of plant & machineries, vehicles and electro-mechanical items.
5th	15%	Submission of bills/invoices/proof of expenditure of 4th instalment; completion of 100% civil work and 100% supply & installation of plant & machineries; completion of two months trial run.
6th	10%	After completion of one year of operation and maintenance of the processing plant.
7th	10%	After completion of two years of operation and maintenance of the processing plant.

10. **PAYMENT TERMS — TIPPING FEES DURING O&M PHASE**

Upon commencement of the Operations and Maintenance period (20 years from COD), the Applicant is entitled to receive a Tipping Fee / Service Charge from the respective ULBs. Key features of the tipping fee arrangement are:

(i) The tipping fee is payable from the first month of operation commencing from the Commercial Operation Date, on a per-metric-ton basis for all waste received and processed at the plant.

(ii) Bills / invoices are to be raised by the Applicant monthly. The Engineer In Charge is required to verify bills within five days.

(iii) The tipping fee rate is Rs. 342/- per metric ton (inclusive of all taxes) as specified in the Revised Work Order.

(iv) The contract expressly provides that statutory deductions, including TDS, shall be made from payments to the Applicant.

(v) The contract further provides that all statutory taxes like Income Tax, GST, etc. shall be dealt with as per statutory provisions.

11. **LAND LEASE AGREEMENT**

In furtherance of the project execution, the required land is provided by the respective Nagar Palikas (ULBs) to the Applicant on a lease/license for the contract period. The Land Lease Agreement dated 02.05.2024 between Nagar Palika Bandikui (Dist. Dausa), Rajasthan (First Party) and M/s Centre for Development Communication Trust (Second Party) is a representative example. Land lease rent: Nominal lease rent of Rs. 10,000/- per annum paid by the Applicant to the respective Nagar Palika for land use.

The applicant attached a copy of Land Lease Agreement (Agreement for Land) dated 02.05.2024 between Nagar Palika Bandikui and the Applicant.

12. **NATURE OF CONSIDERATION: -**

The financial cash flows in the project are structured as follows:

(i) VGF: Represents capital support / viability gap funding from DLB to make the project financially viable. It is disbursed against verifiable capital expenditure milestones. The VGF is not a payment for a separate supply but is part of the overall project consideration.

(ii) Tipping Fee: Ongoing service charge payable per metric ton of solid waste received and processed at the project site, representing the principal recurring revenue during the O&M phase.

(iii) Revenue from sale of by-products: Compost, RDF, and recyclables generated during processing are the property of the Applicant and are sold in the open market.

13. The Applicant submits that the first two streams of consideration (VGF and tipping fee) relate directly to the services of solid waste management provided to Governmental Authorities and accordingly attract the exemption sought herein. The third stream (sale of by-products) is a separate taxable supply not the subject matter of this application.

14. The Directorate of Local Bodies, Rajasthan and the respective Nagar Palikas (being Government entities registered under GST for the purpose of deducting TDS under Section 51 of the CGST Act) have been deducting GST TDS from payments made to the Applicant — including on VGF instalments and tipping fees. The DLB and ULBs appear to be treating the payments as consideration for taxable supply, thereby invoking Section 51 to deduct TDS at the rate of 2% (1% CGST + 1% SGST) on the value of consideration exceeding Rs. 2.50 Lakh in a contract.

15. The Applicant wrote a formal letter to the competent authority at DLB / ULBs bringing to their attention the applicability of the exemption, requesting that TDS not to be deducted

on payments constituting consideration for exempt services, and seeking a response. However, there is still ambiguity with respect to the letter of the Applicant and applicability of Section 51 upon the facts and circumstances of the Applicant.
The applicant attached a copy of letter dated 03.01.2025 addressed to the TDS deducting authority.

16. The Applicant has maintained that the underlying supply is exempt from GST, and consequently no TDS under Section 51 is applicable. Applicant has not done any treatment for claiming the TDS credit reflecting on the GSTIN portal. In view of the substantial amounts involved across 26 projects in 3 Clusters and the divergent interpretations, the Applicant approaches this Hon'ble Authority for a definitive ruling.

Note: It may be noted that, illustratively, the agreement and work order forming the basis of the present application pertain to Cluster-5, which comprises 10 locations in the State of Rajasthan, namely Sambhar, Kishangarh, Renwal, Jobner, Chaksu, Shahpura, Kotputli, Viratnagar, Lalsot, Bandikui, and Mahwa. For the sake of brevity and convenience, the Applicant has annexed the land lease agreement pertaining to the Bandikui project only. Further, any photographs, calculations, or other documents relied upon in the present application pertain to the Bandikui project, which is representative of and similar in nature to all other projects covered under Cluster-5 and other projects of the Applicant for SWM.

B. INTERPRETATION AND UNDERSTANDING OF APPLICANT ON QUESTION RAISED (IN BRIEF)

PART-I: CONSTITUTIONAL AND STATUTORY FRAMEWORK FOR SOLID WASTE MANAGEMENT

I. Constitutional Entrustment — Article 243W and the Twelfth Schedule

1.1. It is respectfully submitted that the starting point for the analysis of this application must necessarily be the constitutional framework. Article 243W of the Constitution of India mandates that the State Legislature may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government, and may entrust them with the performance of duties and functions listed in the Twelfth Schedule.

1.2. Entry No. 6 of the Twelfth Schedule to the Constitution, which lists the functions entrusted to Municipalities under Article 243W, reads as under:

> ***"Entry 6 — Twelfth Schedule to the Constitution of India [Article 243W]:***
> *Public health, sanitation conservancy and solid waste management."*

The applicant attached a copy of Article 243W and Twelfth Schedule of the Constitution of India.

1.3. It is, therefore, an incontrovertible constitutional position that the management of solid waste is not a voluntary, commercial or discretionary activity of Urban Local Bodies — it is a constitutional obligation cast upon municipalities. This constitutional entrustment forms the bedrock of the exemption regime under the GST law insofar as services rendered in furtherance of this constitutional function are concerned.

II. Solid Waste Management Rules, 2016 — Statutory Duties of Local Authorities

2.1. The Solid Waste Management Rules, 2016 (hereinafter '***SWM Rules***') notified by the Ministry of Environment, Forest and Climate Change, Government Of India (GOI), under the Environment Protection Act, 1986 provide a comprehensive statutory

framework for scientific management of municipal solid waste. Rule 15 of the SWM Rules imposes specific duties and responsibilities upon local authorities and village Panchayats. The relevant extracts read as under:

> ***"15. Duties and responsibilities of local authorities and village Panchayats*** *— The local authorities and Panchayats shall —*
>
> *(a) prepare a solid waste management plan as per state policy and strategy...*
>
> *...*
>
> *(zj) investigate and analyse all old open dumpsites and existing operational dumpsites for their potential of bio-mining and bio-remediation and wheresoever feasible, take necessary actions to bio-mine or bio-remediate the sites..."*

The applicant attached a copy of relevant extracts of Solid Waste Management Rules, 2016.

2.2. The SWM Rules, 2016 mandate that ULBs ensure:

(i) 100% door-to-door segregated collection from all households;

(ii) separate transportation of wet and dry waste;

(iii) scientific processing of all fractions of waste (composting, RDF, bio-methanation); and

(iv) disposal of only inert rejects (not exceeding 20% of incoming waste) in sanitary landfills.

2.3. The contract awarded to the Applicant is directly in implementation of the SWM Rules, 2016 and the Swachh Bharat Mission (Urban) 2.0 guidelines — both of which require ULBs to establish MSW processing infrastructure and ensure scientific treatment of solid waste.

The applicant attached a copy of relevant extracts of Swachh Bharat Mission (Urban) 2.0 Guidelines.

PART II: THE GST CHARGING PROVISION AND THE EXEMPTION FRAMEWORK

1. Section 9(1) of the Central Goods and Services Tax Act, 2017 is the principal charging provision. It provides as under:

> ***"Section 9(1) CGST Act, 2017:***
>
> *Subject to the provisions of sub-section (2), there shall be levied a tax called the central 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."*

2. The critical phrase in Section 9(1) is 'Subject to the provisions of sub-section (2)' — which in turn makes the charge subject to the provisions of this Act. Section 11 of the CGST Act, which empowers the Government to grant exemptions, therefore operates as an express carve-out from the charging provision.

3. Section 11(1) of the CGST Act grants the Central Government wide-ranging power to exempt supplies from the levy of tax. The material portion of Section 11(1) reads as under:

"Section 11(1) CGST Act, 2017:

If the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification, exempt generally, either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification."

4. The exemption granted under Section 11 operates by way of a statutory notification having the force of law. In exercise of powers under Section 11(1) of the CGST Act, the Central Government issued Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended from time to time, hereinafter 'the Exemption Notification'), which provides a comprehensive table of services exempt from GST. The Exemption Notification has been amended multiple times, most relevantly by:

   (a) Notification No. 2/2018-CT(R) dated 25.01.2018 — inserting Entry 3A (composite supply involving goods not exceeding 25%, to CG/SG/local authority in relation to Article 243G/243W functions); and

   (b) Notification No. 13/2023-CT(R) dated 19.10.2023 (effective from 20.10.2023) — inserting Entry 3B (services by way of solid waste management to Governmental Authority).

5. Entry 3B was inserted into the Exemption Notification by Notification No. 13/2023-CT(R) dated 19.10.2023, effective from 20.10.2023. The text of Entry 3B reads as under:

Sl. No.	***Chapter, Section, Heading***	***Description of Services***	***Rate (%)***	***Condition***
3B	*Chapter 99*	***Services provided to a Governmental Authority by way of —*** *(a) water supply;* *(b) public health;* *(c) sanitation conservancy;* ***(d) solid waste management; and*** *(e) slum improvement and upgradation.*	***Nil***	***Nil***

6. Three ingredients must be satisfied for the exemption under Entry 3B to apply:

   (i) The service must be provided **'to a Governmental Authority';**

   (ii) The service must be **'by way of solid waste management';** and

   (iii) **There** is **no condition** prescribed — the rate is Nil, and the condition column is Nil.

Each of these three ingredients is analysed below and applied to the facts of the present case.

First Ingredient — 'Governmental Authority'

7. The term 'Governmental Authority' is a defined term in the Exemption Notification. Paragraph 2, clause (zf) of Notification No. 12/2017-CT(R) defines 'Governmental Authority' as under:

"Governmental Authority means an authority or a board or any other body —

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 90% or more participation by way of equity or control, to carry out any function entrusted to a Municipality under Article 243W of the Constitution or to a Panchayat under Article 243G of the Constitution."

8. It is the Applicant's submission that the Urban Local Bodies (Nagar Palikas / Municipal Councils / Boards) of Rajasthan, being the service recipients in the present case, satisfy this definition in all the limbs, as analysed below.

(i) On the first limb — 'established by any Government': The Nagar Palikas / Municipal Councils / Boards of Rajasthan are established and constituted under the Rajasthan Municipalities Act, 2009 (and predecessor statutes) pursuant to State Government notifications. They are creatures of State legislation and are wholly established by the State Government.

(ii) On the second limb — '90% or more participation by way of equity or control': ULBs in Rajasthan are entirely within the supervisory and administrative control of the State Government acting through the Local Self Government Department / Directorate of Local Bodies. The State Government appoints / approves key functionaries, controls the budget, and exercises overriding authority. There is 100% governmental control over these bodies — far in excess of the 90% threshold.

(iii) On the third limb — 'to carry out any function entrusted to a Municipality under Article 243W': As demonstrated in para 1.2 above, Entry 6 of the Twelfth Schedule explicitly entrusts 'public health, sanitation conservancy and solid waste management' to Municipalities. The ULBs in the present case are directly carrying out solid waste management — the identical function contemplated by Entry 6.

Additionally, the contract is awarded not merely by the ULBs but by the Directorate of Local Bodies, Rajasthan — a State Government department — on behalf of and for the benefit of the 10 Nagar Palikas of Cluster-5. The DLB is itself a Government authority. In any view of the matter, the condition of the service being provided 'to a Governmental Authority' is unambiguously satisfied.

9. This analysis is also consistent with the ruling of the Authority for Advance Rulings, Tamil Nadu in the case of *Srinivas Waste Management Services (P.) Ltd. [Order No. 23/AAR/2022 dated 30.06.2022]*, wherein it was held that Municipalities and Municipal Corporations are 'local authorities' satisfying the condition of recipient being a 'Governmental Authority', since Section 2(69) of the CGST Act defines 'local authority' to include a Municipality as defined under Article 243P(e), and Article 243Q further includes Municipal Corporations within that definition.

The applicant attached a copy of Advance Ruling dated 30.06.2022 passed by the Authority for Advance Ruling of Tamil Nadu.

Second Ingredient — 'By Way of Solid Waste Management'

10. Entry 3B grants exemption to services provided 'by way of ... solid waste management.' The phrase 'by way of' is not a restrictive expression — it means the service is in the nature of, or constitutes, solid waste management. The expression does not require the service to be confined to one narrow activity. Rather, the entire spectrum of services that together

constitute 'solid waste management' as mandated by the SWM Rules, 2016 and the Constitution falls within this phrase.

11. The services provided by the Applicant under the contract is the integral, indivisible management of solid waste for the ULBs of Cluster-5 over a 20-year period. The scope includes — design of processing infrastructure, civil construction of facilities, procurement and installation of machinery, commissioning, and then two decades of continuous operation and maintenance including waste processing, compost production, RDF conversion, online monitoring, and disposal of inert rejects. Each and every one of these activities is an inseparable component of the holistic service of solid waste management.

12. The SWM Rules, 2016 itself mandates ULBs to 'investigate and analyse existing dumpsites for their potential of bio-mining' and to set up processing infrastructure. The contract awarded to the Applicant is the very mechanism by which the ULBs are discharging their statutory obligation under the SWM Rules. The Applicant, by performing this contract, is directly enabling the ULBs to fulfil their constitutionally and statutorily mandated function of solid waste management.

13. In the Tamil Nadu AAR ruling in Srinivas Waste Management (supra), the Authority observed that services of bio-mining, bio-remediation of dump yards, maintenance of micro-composting centres, and labour contracts for waste collection are all 'Pure Services' in the nature of solid waste management functions entrusted to municipalities under Article 243W. This ruling is directly applicable to the present facts.

Third Ingredient — No Condition Prescribed

14. A careful reading of Entry 3B reveals that both the 'Rate' column and the 'Condition' column carry the entry 'Nil.' This is in contrast with several other entries in the Exemption Notification that impose conditions such as the nature of the entity, specific Government authorisation, or restrictions on the goods component. The legislature, in its wisdom, has chosen to impose no condition whatsoever on the exemption under Entry 3B.

15. In particular, it is notable that the legislature has not imported the restriction of 'pure services' (as appearing in Entry 3) or the limitation of 'goods not exceeding 25%' (as in Entry 3A) into Entry 3B. The deliberate omission of any condition in Entry 3B, when the legislature was clearly aware of these conditions in the immediately preceding entries, must be given effect to. This reinforces the legislative intent to grant a broader, unconditional exemption for solid waste management services provided to Governmental Authorities.

16. This Hon'ble Authority is respectfully invited to note that where a statute grants an exemption without any condition, the exemption must be applied in full measure to all services that fall within its scope, without adding conditions not contemplated by the legislature. The principle is well settled that an exemption notification must be interpreted strictly in the sense that the words of the notification must be given their natural meaning — but where the words are clear and no condition is stipulated, the exemption must be given full effect.

17. Without prejudice to the primary submission that Entry 3B applies unconditionally (with no distinction between pure services and composite supplies), the Applicant addresses below the question of whether the supply is a composite supply of goods and services.

18. Section 2(30) of the CGST Act defines 'composite supply' as under:

"Section 2(30) CGST Act, 2017:

"composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply."

19. Section 2(90) defines 'principal supply' as — 'the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.'

20. Section 8(a) of the CGST Act provides the tax treatment of composite supply:

"Section 8 CGST Act, 2017:

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely: —

(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply."

21. The contract awarded to the Applicant is a single, indivisible, long-term concession/service agreement for a period of 20 years and 12 months (12 months construction + 20 years O&M). It is submitted that the contract constitutes a composite supply, and the services of solid waste management is unambiguously the principal supply.

22. Applying the dominant nature test: The entire contract is oriented towards one single objective — the continuous, scientific management of solid waste for the 10 ULBs of Cluster-5. The construction of the processing facility is not an end in itself; it is merely the means to achieve the principal objective. If the contract is read as a whole, the ULBs are not procuring a building or a machinery — they are procuring 20 years of solid waste management services. This is evidenced by:

    (a) The very title of the Work Order — '*... with Operation & Maintenance for 20 years...*';

    (b) The tipping fee structure — the Applicant is paid not only for the building constructed but for each metric ton of waste processed; and

    (c) The VGF structure — even the capital support is linked to milestones of construction only because the plant, once built, will be used exclusively for 20 years of solid waste management services.

23. The construction phase and the O&M phase are contractually inseparable. The contract cannot be bifurcated at the construction stage — both phases are bound under the same Revised Work Order. The contractor cannot walk away after construction; the obligation to manage solid waste for 20 years is the very essence of the contract. This structural inseparability reinforces that the entire supply is composite, with solid waste management as the principal supply.

24. The Applicant's project stands on the footing that the scope involves establishment of infrastructure for processing, management and handling of municipal solid waste together with allied civil, mechanical and operational components. The activity is of solid waste management, which is specifically recognised under Entry 6 of the Twelfth Schedule to the Constitution read with Article 243W, namely *"Public health, sanitation conservancy and*

solid waste management." Therefore, the activity squarely satisfies the requirements of Entry 3B of Notification No. 11/2017-Central Tax (Rate), being a supply of solid waste management to Governmental Authorities.

VGF Constitutes Consideration Within Section 2(31)

25. Section 2(31) of the CGST Act defines 'consideration' comprehensively as under:

> ***"Section 2(31) CGST Act, 2017:***
>
> *"consideration" in relation to the supply of goods or services or both includes—*
>
> *(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;*
>
> *(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person..."*

26. The scope of the definition is extremely wide. The phrase 'in respect of, in response to, or for the inducement of' is disjunctive. A payment qualifies as consideration if it satisfies any one of these three conditions. It is not necessary that the payment be made by the recipient of the supply — the definition expressly includes payments made by 'any other person.'

27. Viability Gap Funding is disbursed by the Directorate of Local Bodies, Rajasthan — a Government entity — to the Applicant in response to and in furtherance of the Applicant undertaking the contractual obligation to provide solid waste management services. The VGF is not disbursed as a standalone grant without reference to any obligation on the Applicant. Rather, its disbursement is structured in seven tranches tied to performance milestones. The VGF is paid specifically because the Applicant is building and will operate the solid waste processing facility.

28. However, the taxability of consideration must be determined by reference to the nature of the underlying supply, not by the form or source of the payment. Since the supply in respect of which VGF is paid is solid waste management — exempt under Entry 3B — the VGF itself is consideration for an exempt supply and is not subject to GST. This principle is firmly established in law: the tax character of money paid in a transaction follows the tax character of the transaction itself.

29. Without prejudice to the above, it is also submitted that even if VGF were characterised as a subsidy (which the Applicant does not concede, as VGF is a milestone-linked performance payment and not a pure gratuitous transfer), the definition of consideration under Section 2(31) expressly excludes 'any subsidy given by the Central Government or a State Government.' On this alternative characterisation also, the VGF would not constitute taxable consideration.

Tipping Fee — Consideration for Exempt Supply

30. The tipping fee of Rs. 342/- per metric ton of solid waste is the direct, contractually agreed charge for the service of solid waste processing during the O&M phase. It is payable by the

respective ULBs to the Applicant on a monthly basis against invoices, calculated on the basis of actual solid waste received and processed.

31. The tipping fee is unambiguously the 'price actually paid or payable' for the service of solid waste management. Section 15(1) of the CGST Act provides that the value of a supply shall be the transaction value — being the price actually paid or payable. The tipping fee is the transaction value of the exempt supply of solid waste management services. Since the underlying supply is exempt under Entry 3B, no GST is leviable on the tipping fee.

32. It is also pertinent to note that the practical implementation and contemporaneous understanding of Entry 3B by Governmental Authorities supports the interpretation canvassed by the Applicant. Other Government Authorities (outside of Rajasthan) have also recognised such works undertaken by the Applicant and other organisations as a service under Entry 3B and has observed that no GST shall be applicable on such services provided by the Applicant to Government Authorities. Two such examples are discussed below:

i. Goa Waste Management Corporation (GWMC)

- In this regard, the GWMC, a Government of Goa undertaking and Governmental Authority, issued a communication dated 25.04.2024 to various entities engaged in different aspects of municipal solid waste management, including waste collection, waste processing, RDF generation, recycling and allied waste management activities. The said communication specifically records that "Nil GST is applicable on solid waste management services provided to a Governmental Authority" and directs the concerned service providers to comply with the same.

- The communication was not issued to the Applicant alone but was addressed to multiple entities engaged in various aspects of municipal solid waste management, including operators of waste processing and treatment facilities such as Hindustan Waste Treatment Pvt. Ltd., Vasudha Waste Treatment Pvt. Ltd. and other service providers engaged by GWMC. This further demonstrates that the understanding reflected in the communication was intended to apply generally to solid waste management services provided to a Governmental Authority and was not confined to any single contractor or activity.

- The significance of the said communication lies in the fact that it was issued after insertion of Entry 3B vide Notification No. 13/2023-Central Tax (Rate) dated 19.10.2023 and reflects the understanding adopted by a Governmental Authority actively engaged in the field of municipal solid waste management that services by way of solid waste management provided to Governmental Authorities are covered by the exemption.

The applicant attached a copy of the letter dated 25.04.2024 issued by the Goa Waste Management Corporation.

ii. IIT, Kharagpur

- IIT, Kharagpur set up by the Government of India governed by the Institutes of Technology Act, 1961 had issued a tender inviting bids for undertaking solid waste collection, transportation, handling and disposal for IIT Kharagpur. In pursuance of the tender it had also issued tender documents providing information and guidance for placing bids for the said tender. The scope of work includes "Solid Waste Handling" which has been dealt with in Tender paragraph numbers 2.2.45 to 2.2.47.

- It has been specified that the activity of solid waste handling would include setting up of waste handling and material recovery facility where recyclable solid waste collected would be temporarily stored, segregated, processed as per the accepted scheme before disposal is taken up and such sorting facilities shall be so designed that the solid waste stored is not be exposed to open atmosphere. It also includes designing and setting up of the facility as per the technical guidelines issued by the Central Pollution Control Board in this regard from time to time and the manual of Central Public Health and Environmental Engineering Organisation, New Delhi after approval of EIC.

- It is pertinent to note that **in paragraph 2.3.9 of the said tender document, it has been specifically mentioned and acknowledged that as per Notification No. 13/2023- Central Tax (Rate) dated 19.10.2023, no GST is payable on services provided to a Governmental Authority for Sanitation Conservancy and Solid Waste Management.**

  The applicant attached a copy of the tender documents issued by IIT Kharagpur for "Solid Waste Collection, Transportation, Handling and Disposal for IIT Kharagpur" (NIT No. IW/SS/NIT/24-25/19).

33. From the above discussion it becomes clear that the operations being undertaken by the Applicant are also in the nature of solid waste management provided to the ULBs and DLBs and therefore must be held exempt under Entry 3B of Notification 12/2017- Central Tax (Rate) dated 28.06.2017 (as amended by Notification No. 13/2023- Central Tax (Rate) dated 19.10.2023)

PART III: ALTERNATIVE SUBMISSION — TRANSACTION BE EXEMPTED UNDER ENTRY 3A OF THE EXEMPTION NOTIFICATION

34. Without prejudice to the Applicant's primary submission that the impugned activities are squarely covered under Entry 3B of the Exemption Notification and are therefore exempt from GST, and only in case question no. 1 to 3 are decided against the Applicant, the Applicant makes the following submissions for kind consideration of the Hon'ble Authority.

35. The Applicant respectfully submits that even assuming arguendo that this Hon'ble Authority does not accept the applicability of Entry 3B for any reason whatsoever, the transaction would nevertheless remain exempt under Entry 3A of the Exemption Notification.

36. Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, provides exemption in respect of composite supplies of goods and services where the value of goods does not exceed 25% of the total value of the composite supply and such services are supplied to Government, local authority or Governmental Authority in relation to functions entrusted under Articles 243G or 243W of the Constitution. The relevant entry is reproduced below:

Sl. No.	*Chapter, Section, Heading*	*Description of Services*	*Rate (%)*	*Condition*
3A	*Chapter 99*	*Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union territory or local*	*Nil*	*Nil*

		authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution."		

37. It is respectfully submitted that all ingredients prescribed under Entry 3A stand satisfied in the present case.

38. Firstly, the Applicant is admittedly engaged in establishment, development, operation and maintenance of Solid Waste Management ("SWM") facilities involving receipt, segregation, processing and scientific management of municipal solid waste, including composting and production of Refuse Derived Fuel (RDF). Such activities are directly connected with the function of "solid waste management", which is one of the municipal functions specifically entrusted to Municipalities under Article 243W read with the Twelfth Schedule to the Constitution.

39. Secondly, the services are being rendered to Urban Local Bodies ("ULBs"), municipalities and authorities constituted by the State Government for discharge of municipal functions. Therefore, the recipient of services squarely falls within the expression "local authority" and/or "Governmental Authority" as contemplated under Entry 3A.

40. Thirdly, even if the transaction is assumed to be a composite supply involving both supply of goods and supply of services, the value attributable to goods does not exceed the statutory threshold of 25% of the total value of supply, thereby satisfying the quantitative condition prescribed under Entry 3A.

41. In this regard, it is pertinent to note that the projects undertaken by the Applicant are not limited to one-time establishment activities. Rather, the contracts contemplate a long-term arrangement involving development of the facility followed by extensive operation and maintenance obligations extending over a period of 20 years. Accordingly, a substantial portion of consideration relates to recurring operational services, processing activities, maintenance services and waste handling functions to be performed throughout the concession period.

42. The total estimated project cost involved in the illustrative Cluster-5 projects is approximately Rs. 2,073 Lakhs, which relates only to design, construction, establishment and development Solid Waste Processing Plant. The Applicant is further entitled to tipping fee throughout the 20-year O&M period @ Rs 342/MT of Waste (3% increase on a year to year basis). Accordingly, total value of supply in the form of tipping fees over the concession period is substantially higher than the initial establishment cost of Solid Waste Processing plant. Against the said project cost of Rs 2,073 Lakhs, the Applicant is entitled to receive Viability Gap Funding ("VGF") aggregating to approximately Rs. 1,721 Lakhs, apart from tipping fees receivable during the operational phase of 20 years.

43. By way of illustration, in respect one of the Bandikui SWM Project within the illustrative Cluster-5, the Applicant shall receive:

- VGF amounting to Rs. 216 Lakhs; and

- estimated tipping fees for the operational period of 20 years aggregating to approximately Rs. 1176 Lakhs.

Accordingly, the aggregate value of supply for the composite project works out to approximately Rs. 1392 Lakhs.

44. It is submitted that the estimated value attributable to goods, including civil materials, plant and machinery and other capital components used during establishment of the project, would at the highest will constitute approximately 15-16% of the total value of supply, which is substantially below the prescribed threshold of 25% under Entry 3A.

45. Thus, the essential condition contained in Entry 3A that *"the value of supply of goods constitutes not more than 25 per cent of the value of the composite supply"* stands fully satisfied.

It is further submitted that the Bandikui project has merely been furnished as an illustrative example within the illustrative Cluster-5 project. The project structure, concession model, consideration mechanism, VGF pattern, tipping fee arrangement and service obligations remain substantially similar across all projects covered under Cluster-5 as well as other SWM projects undertaken by the Applicant. The conclusions arising from the Bandikui project are representative of the Applicant's overall business model and equally applicable to the remaining projects. The overall position of all the projects within Cluster 5 is summarised below:

	Area/Name of ULB	Plant Capacity (TPD)	Estimated Total Capex Cost (Lakh)	VGF to be received by contractor (Lakh)	Estimated Tipping fees to be received in 20 years (Lakh) (Approx.)	Total Consideration (VGF & Tipping fees) (Lakh) (Approx.)	Percentage of value of VGF to Total Consideration (Approx.)
	(B)	(C)	(D)	(E)	(F)	(G= E+F)	(H= E/G * 100)
1.	Sambhar	9.18	174.36	144.72	588.11	732.83	19.75%
2.	Kishangarh Renwal	12	203.86	169.20	768.77	937.97	18.04%
3.	Jobner	4.67	108.71	90.23	299.18	389.41	23.17%
4.	Chaksu	13.74	235.55	195.50	880.24	1075.74	18.17%
5.	Shahpura_J (M)	13.93	226.32	187.84	892.42	1080.26	17.39%
6.	Kotputli	20.22	283.32	235.16	1295.38	1530.54	15.36%
7.	Viratnagar	8.45	178.57	148.21	541.34	689.55	21.49%
8.	Lalsot	14.12	202.78	168.31	904.59	1072.90	15.69%
9.	Bandikui	18.36	260.90	216.55	1176.22	1392.77	15.55%
10.	Mahwa	10.21	199.26	165.39	654.10	819.49	20.18%
	Total	**124.88**	**2073.63**	**1721.11**	**8000.40**	**9721.51**	**17.70%**

46. In view of the above, even assuming without admitting that exemption under Entry 3B is unavailable, the impugned activities would nevertheless qualify for exemption under Entry 3A of Notification No. 12/2017-Central Tax (Rate), since:

(a) the activities relate to solid waste management falling under Article 243W;

(b) the services are supplied to local authorities/Governmental Authorities;

(c) the transaction constitutes a composite supply of goods and services; and

(d) the value attributable to goods remains below the prescribed ceiling of 25% of total supply value.

47. Accordingly, the supplies undertaken by the Applicant would continue to remain exempt from GST under Entry 3A of the Exemption Notification.

The applicant attached a copy of calculation with respect to estimated tipping fees for 20 years, VGF and percentage of supply of goods in the total value of supply for the Cluster-5 project.

PART IV: ALTERNATE SUBMISSION- WITHOUT PREJUDICE IF SERVICE ARE HELD TO BE TAXABLE AND NOT EXEMPT, THEN WHETHER ITS SERVICES SHALL BE CONSIDERED AS WORKS CONTRACT

1. It is the submission of the Applicant that the activities undertaken by the Applicant are exempt under entries 3B and 3A of the Notification 12/2017-Central Tax (Rate) dated 28.06.2017. The submissions in this Part are made without prejudice to the above submissions and Grounds, if the above-said transaction of the Applicant is held to taxable.

2. It is the Applicant's primary submission that the services provided by it are in the nature of Solid Waste Management services and do not fall under any other classification of services. Without prejudice to the foregoing, and only as an alternative, the following submissions are made in the event the services are held to be not exempt.

3. If the Authority is of the view that the services provided by the Applicant are not covered under the exemption entries 3B and 3A, then whether the services provided by the Applicant to the ULBs/DLBs shall be of the nature of Works Contract, whereby the scope of work of the Applicant includes design, construction, erection, commissioning, installation and O&M of SWM facility.

C. Additional submission dated 23.07.2026

1. The purpose of this submission is to bring to the notice of this Hon'ble Authority a ruling of the Rajasthan Appellate Authority for Advance Ruling (hereinafter referred to as "**the Hon'ble AAAR**") in the matter of *M/s Technocraft Ventures Limited*, being Order No. 10/2024-25 dated 13.11.2024 (Appeal No. RAJ/AAAR/APP/07/2024-25), rendered in appeal against Advance Ruling No. RAJ/AAR/2024-25/12 dated 26.07.2024 (hereinafter referred to as "*Technocraft*"). Copy of the said ruling is marked and enclosed as ***Annexure-1***.

2. Briefly, the appellant in Technocraft had undertaken sewerage-network and sewage-treatment-plant works for Nagar Nigam, Kota, and claimed exemption under Entry 3B. The Advance Ruling Authority had denied the exemption on two grounds:

i. That Entry 3B is merely an extension of Entries 3 and 3A and cannot be read in isolation; and

ii. That the recipient being a "local authority", recourse to Entry 3B was unnecessary.

3. In appeal, the Hon'ble AAAR **modified the opinion of the Advance Ruling Authority on both these threshold findings**, and decided the matter separately on the question of classification of the service.

4. It is submitted that Technocraft ruling does not stand in the way of the Present Application, and the submissions in this behalf are advanced under two Grounds which operate in the alternative and without prejudice to one another:

4.i. Under Ground 1, it is submitted that the present matter differs materially from Technocraft on facts, and that the ruling is distinguishable and inapplicable, for two reasons: that Technocraft claimed exemption under the distinct limb of clause (c) "sanitation conservancy" of Entry 3B, whereas the Applicant founds its claim on the separate and self-contained limb of clause (d) "solid waste management"; and that the supply in Technocraft was held to be predominantly one of construction classifiable under SAC 9954, whereas the Applicant's principal supply is the management and recurring processing of solid waste at site, the processing of solid waste constituting over 80% of the contract value and squarely falling under SAC 9994.

4.ii. Under Ground 2, and without prejudice to Ground 1, it is submitted in the alternative that Technocraft, far from displacing the Applicant's claim, affirmatively supports it on two discrete findings of principle: that the recipient answering the description of a "local authority" under Section 2(69) is not thereby excluded from the description of a "Governmental Authority", the two not being mutually exclusive, so that the Urban Local Bodies qualify as a "Governmental Authority" under Entry 3B and, in the alternative, as a "local authority" under Entry 3A; and secondly, that Entry 3B is a new and independent entry, into which no condition attaching to Entries 3 or 3A can be imported.

Each Ground is developed in turn hereunder:

GROUND 1: THE FACTS OF THE PRESENT MATTER ARE MATERIALLY DIFFERENT FROM TECHNOCRAFT, AND THE EXEMPTION, WHETHER UNDER ENTRY 3B OR, IN THE ALTERNATIVE, UNDER ENTRY 3A, IS AVAILABLE TO THE APPLICANT

5. It is respectfully submitted that the present matter is distinguishable from Technocraft on facts set out as under:

6. **The appellant in Technocraft claimed exemption under clause (c) "sanitation conservancy" of Entry 3B, in respect of sewerage-network and sewage-treatment-plant works, while the Applicant, by contrast, claims exemption under clause (d) "solid waste management". Both the clause are distinct and self-contained limb of Entry 3B.**

6.i. The said ruling of Technocraft is distinguishable, in terms that Technocraft had claimed exemption under clause (c) "sanitation conservancy" of Entry 3B in respect of sewerage-network and sewage-treatment-plant works.

6.ii The Hon'ble AAAR, while rejecting their claim, decided the matter separately on the question of classification of the service, that the Technocraft's services to be classifiable as "general construction services" falling under Service Accounting Code 9954, as distinct from "sanitation conservancy" services falling under Service Accounting Code 9994, and on that footing alone denied the exemption. It held (at paragraph 16.16):

"To conclude the above discussion, we find that the services provided by the appellant are not covered under the ambit of 'Sanitation Conservancy' and accordingly, we hold that the Appellant are not entitled for the exemption entry Sr. No. 3B..."

6.iii. Hence, the ratio of the said finding is confined to: (i) clause (c) "sanitation conservancy", and (ii) the classification of Technocraft's services as construction.

6.iv. In the present case, the Applicant's claim rests on neither. The Applicant claims the exemption under a distinct limb, which is, clause (d) "solid waste management" and not under clause (c), which is a separate and independent limb of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended). Entry 3B enumerates five distinct services vide separate clauses, and a finding in respect of one clause cannot be mechanically transposed to a claim founded on a different clause. Entry 3B is reproduced for ease of reference:

Sl. No.	Chapter, Section, Heading	Description of Services	Rate (%)	Condition
3B	*Chapter 99*	***Services provided to a Governmental Authority by way of —*** *(a) water supply;* *(b) public health;* *(c) sanitation conservancy;* ***(d) solid waste management; and*** *(e) slum improvement and upgradation.*	Nil	Nil

7. **The Applicant's principal supply is the management/processing of a solid-waste received at site, and not construction as in the case of Technocraft.**

7.i. In the Present Application, the contract awarded to the Applicant constitutes recurring solid waste-management/processing service as **above 80%** of the total value of supply (contract value) and the one-time construction / goods component being the small minority for management of solid waste, concluding that the services of solid waste management is the principal supply (as detailed vide Paragraphs 40 to 46 of the Present Application).

7.ii. The Applicant's service, is hence covered under SAC 9994 "Sewage And Waste Collection, Treatment And Disposal And Other Environmental Protection Services", and specifically under entry (ii) "Sewage and waste collection, treatment and disposal and other environmental protection services other than (i) and (ia) above". Excerpt of Heading 9994 is reproduced as under for ease of reference:

NOTIFIED RATES FOR SERVICES UNDER NOTIFICATION NOS. 11 & 12-CENTRAL TAX (RATE), DATED 28-6-2017				
Chapter, Section, Heading, Group or Service Code (Tariff)	**Description of Goods**	**Rate (per cent)**		**Condition**
(1)	**(2)**	**(3)**		**(4)**
		CGST	**SGST/ UTGST**	
Heading 9994	(*i*) Services by way of treatment of effluents by a Common Effluent Treatment Plant.	2.5	2.5	-
	(*ia*) Services by way of treatment or disposal of biomedical waste or the processes incidental thereto by a common bio-medical waste treatment facility to a clinical establishment.	2.5	2.5	-
	(*ii*) Sewage and waste collection, treatment and disposal and other environmental protection services other than (*i*) and (*ia*) above.	**9**	**9**	-

7.iii. The Hon'ble AAAR recorded that, in Technocraft, the cost set for operation and maintenance was only 6.67% of the total project cost, with a defect-liability period of a mere one year, so that, in substance and in value, that contract was predominantly a construction contract with a negligible maintenance component, which is why the "general construction services" characterisation under SAC 9954 followed. Paragraph 16.12 of the Technocraft ruling is provided as under for ease of reference:

> *"To summarize the above discussion, we find that the scope of work awarded to the appellant covers only infrastructural set up and its maintenance which relates to "general construction services"*

7.iv. Hence, on the Hon'ble AAAR's own principal supply logic, under which a supply is characterised by the element that dominates its value, the Applicant's principal supply is solid waste management, and not construction.

8. In view of the aforesaid, it is respectfully submitted that Technocraft ruling is distinguishable and hence not fully applicable on the Present Application on two footings:

8.i. Technocraft claimed exemption under clause (c) "sanitation conservancy" of Entry 3B, whereas the Applicant founds its claim on the distinct and self-contained limb of clause (d) "solid waste management", and a finding rendered upon one clause of Entry 3B cannot be mechanically transposed to a claim resting upon another.

8.ii. The services in Technocraft were held to be predominantly one of construction classifiable under SAC 9954, whereas the Applicant's principal supply is that of recurring management/processing of solid waste at site, which constitutes over 80% of the total contract value, and which therefore characterises it under SAC 9994 as "sewage and waste collection, treatment and disposal and other environmental protection services", and not construction.

GROUND 2: WITHOUT PREJUDICE TO GROUND 1, THE RULING IN TECHNOCRAFT, FAR FROM DISPLACING THE PRESENT APPLICATION, SUPPORTS IT. FIRSTLY, THAT THE RECIPIENTS ANSWER BOTH THE DESCRIPTION OF 'GOVERNMENTAL AUTHORITY' UNDER ENTRY 3B AND OF 'LOCAL AUTHORITY' UNDER ENTRY 3A, THE TWO NOT BEING MUTUALLY EXCLUSIVE; AND SECONDLY, THAT NONE OF THE CONDITIONS ATTACHING TO ENTRIES 3 AND 3A APPLY TO ENTRY 3B.

9. Without prejudice to the submissions in Ground 1 that Technocraft is distinguishable on facts, it is respectfully submitted, in the alternative and by way of independent support, that the said ruling does not merely fail to displace the CDC/Applicant's claim but affirmatively advances it. On two distinct questions of principle, namely:

9.i. the status of the recipient, and

9.ii. the independence of Entry 3B from the conditions attaching to Entries 3 and 3A,

the findings of the Hon'ble AAAR in Technocraft operate in the Applicant's favour. Each is dealt with in turn.

10. **The recipients can be covered both as a 'Governmental Authority' under Entry 3B and as a 'Local Authority' under Entry 3A, the two not being mutually exclusive.**

10.i. The applicability of Entry 3B requires that the service be provided "to a Governmental Authority", while Entry 3A, in the alternative, requires that the service be provided, *inter alia*, to a "Local Authority".

10.ii. In the present matter, the Applicant has demonstrated that the Urban Local Bodies (Nagar Palikas / Municipal Councils / Boards) satisfy both descriptions concurrently: they answer the definition of "Governmental Authority" in paragraph 2, clause (zf) of Notification No. 12/2017-CT (Rate) dated 28.06.2017 (as amended), and equally answer the definition of "Local Authority" in Section 2(69) of the CGST Act, 2017 (as detailed in Paragraphs 7 to 9 of the Present Application).

10.iii. Significantly, the Hon'ble AAAR has itself held that the status of the recipient as a "local authority" under Section 2(69) of the CGST Act is not relevant to, and does not detract from, the applicability of Entry 3B, and that a recipient answering the description of a "local authority" may equally answer the description of a "Governmental Authority", the two characterisations not being mutually exclusive. The relevant excerpt of paragraphs 15.5 to 15.7 is reproduced hereunder for ease of reference:

> *"15.5* ***It is pertinent to mention here that the AAR has held that the service recipient Nagar Nigam, Kota is covered under the definition of "local authority"*** *as defined under Section 2(69) of the CGST Act, 2017. However, we find that the applicant in his application filed with AAR has raised question regarding applicability of entry 3B of the Notification No. 12/2017-CT (Rate) dated 28.06.2017 (as amended) on the services provided by them to Nagar Nigam Kota.* ***We find that as per entry at S. No. 3B, the service recipient must be a "governmental authority". The AAR has not opined about***

***whether the service recipient Nagar Nigam, Kota qualifies as a "Governmental authority" or not**, which is a deciding factor for applicability of tax exemption as per the entry at S. No. 3B of the Notification No. 12/2017-CT (Rate) dated 28.06.2017 as amended.*

*15.6 In foregoing discussions, we have already held that entry Sr. No. 3B is a new entry and all the three entries viz. Sr. No. 3, 3A & 3B of Notification No. 12/2017-CT (Rate) dated 28.06.2017 (as amended), are independent entries and shall be interpreted accordingly. **Thus, we observe that the findings of AAR that the service recipient Nagar Nigam Kota is covered under the definition of "local authority" is not relevant in determining the applicability of entry at S. No. 3B** of Notification No. 12/2017-CT (Rate) dated 28.06.2017 as amended, in the services provided by them to the service recipient, Nagar Nigam Kota.*

*15.7 **In view of the above, we find that Nagar Nigam Kota is squarely covered under the definition of "Governmental Authority" as defined in terms of clause 2(zf) of Notification No. 12/2017-CT (Rate) dated 28.06.2017 (as amended).**"*

10.iv. This dual characterisation is decisive across both entries and leaves the recipient limb satisfied on every view of the matter.

10.v. For the primary claim of the Present Application under Entry 3B, the recipients qualify as a "Governmental Authority"; and in the alternative, were the matter to be considered under Entry 3A in the Present Application, the very same recipients also qualify as a "local authority" under Section 2(69).

10.vi. Whichever entry is applied, therefore, the recipient limb in the Present Application stands satisfied, as a Governmental Authority under Entry 3B, and as a local authority under Entry 3A, and the Applicant's claim does not fail for want of an eligible recipient on either footing.

11. **Moreover, the ruling goes on to confirm that none of the conditions attaching to Entries 3 and 3A apply to Entry 3B, thereby supporting the third ingredient of claiming exemption under Entry 3B (vide Paragraphs 14 to 16 of the Present Application).**

11.i.Without prejudice to and in further support of the above, the Hon'ble AAAR has held that Entries 3, 3A and 3B are distinct and independent entries, that Entry 3B is a new entry and not an extension of Entries 3 and 3A, and that the three entries must accordingly be read and interpreted independently of one another. It held (at paragraph 14.7):

"Thus, we hold that entry Sr. No. 3B is a new entry and all the three entries viz. Sr. No. 3, 3A & 3B of Notification No. 12/2017-CT (Rate) dated 28.06.2017, as amended, are independent entries and shall be interpreted accordingly."

11.ii. The direct and necessary consequence of this holding is that no condition attaching to Entry 3 or to Entry 3A can be imported into or read as an add-on upon Entry 3B. Entry 3B is self-contained and unconditional, and must be given full effect according to its own plain terms.

11.iii. The Technocraft ruling authoritatively supports the Third Ingredient of the Present Application, namely, that Entry 3B carries no condition whatsoever, and that the Applicant is not required to satisfy any condition foreign to Entry 3B in order to claim the exemption thereunder.

12. It thus emerges that Technocraft, though it differs from the present matter on the question of applicability of the exemption (as demonstrated in Ground 1), nonetheless supports the Applicant's claim on two discrete and independent findings of principle:

12.i. Firstly, the Hon'ble AAAR has held, on its own reasoning, that a recipient covered by the definition of "local authority" under Section 2(69) is not thereby excluded from the description of "Governmental Authority", the two not being mutually exclusive, so that the Urban Local Bodies answer the description of a "Governmental Authority" under Entry 3B and, in the alternative, of a "local authority" under Entry 3A; and

12.ii. Secondly, the Hon'ble AAAR has held that Entry 3B is a new and independent entry, whereby no condition attaching to Entries 3 or 3A can be imported into it, thus affirming the third ingredient of the Present Application that Entry 3B is unconditional.

13. Accordingly, while Technocraft parts company with the present matter on the point of applicability, on the above two limbs it lends affirmative support to the Applicant.

CONCLUSION

14. In light of the foregoing, it is respectfully submitted that Technocraft does not stand in the way of the Present Application on any view of the matter, and that both Grounds, operating cumulatively and in the alternative, support the reliefs sought across the Questions framed for ruling.

15. Under Ground 1, the ruling in Technocraft is distinguishable and inapplicable. It was confined to a claim under clause (c) "sanitation conservancy" and to a supply held to be predominantly one of construction classifiable under SAC 9954, whereas the Applicant's claim rests on the distinct and self-contained limb of clause (d) "solid waste management", in respect of a supply whose dominant element is the recurring management/processing of solid waste at site, squarely falling under SAC 9994.

16. This distinction goes to the very foundation of Question 1 of the Present Application: the CDC/Applicant's composite supply of design, construction, establishment, development and management/processing of solid waste for twenty-years including operation and maintenance of the Solid Waste Processing Plant is, to be characterised by its dominant recurring element of management/processing of solid waste and constitutes "services by way of solid waste management" within clause (d) of Entry 3B, and not "general construction services". The alternative case under Question 4 is likewise fortified, should it be held, contrary to the applicability of exemption under Entry 3B, that the supply falls to be considered under Entry 3A, the composite supply will follow the same principal-supply reasoning securing its character as a service of management/processing of solid-waste received at site.

17. Under Ground 2, and without prejudice to Ground 1, the ruling discreetly supports the CDC/Applicant, and does so precisely on the two ingredients that the Questions turn upon:

17.i. First, on the recipient limb, the findings in Technocraft establish that a recipient answering the description of a "local authority" under Section 2(69) is not thereby excluded from the description of a "Governmental Authority", the two not being mutually exclusive. It follows that the Urban Local Bodies answers and qualifies the description of a "Governmental Authority" for the purposes of Questions 1, 2 and 3 under Entry 3B and, in the alternative, of a "local authority" for the purposes of Question 4 under Entry 3A.

17.ii Secondly, on the independence of Entry 3B, the Hon'ble AAAR has held that Entry 3B is a new and independent entry into which no condition attaching to Entries 3 or 3A can be imported, thereby affirming that Entry 3B is unconditional and must be given full effect on its own plain terms, a finding that directly sustains the third ingredient of the Applicant's Entry 3B claim underlying Questions 1, 2 and 3.

18. For the reasons set out under both above Grounds, the Applicant/CDC satisfies every ingredient of Entry 3B and, in the further alternative, of Entry 3A.

D. Additional clarification submitted vide letter dated 01.08.2026:

1. That the services provided by the Applicant are predominantly in the nature of services related to solid waste management to Governmental Authorities (Urban Local Bodies), which are exempted from GST under entry 3B of the Exemption Notification (Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017). The reasons for the same has been dealt in details in the Application for Advance Ruling in Form ARA-01 filed by the Applicant as well as the additional submissions dated 23.07.2026 submitted before Your Good Office subsequently and are reiterated herewith in form and substance.

2. That without prejudice to any submissions made hereinbefore, the Applicant is making the following clarifications with respect to the queries and questions raised by Your Good Office during the course of hearing.

3. A clarification was sought in respect of plant capacity mentioned at para Nos. 7 and 45 at page Nos.7 and 28, respectively, of the Application for Advance Ruling filed by the Applicant. In this regard we humbly clarify as under:

a. The Project is a 20-year Concession and not a One-time Construction Contract

i. That the term **'Plant Capacity'** had been mentioned as a result of an inadvertent typological error in the revised work order and consequently in the Application. It is pertinent to mention here that in the Contract Agreement signed on 22.12.2023 (**Annexure-D-1** at page no. 41 of the Application) and the RFP Bid Document issued by the Government of Rajasthan (at internal page no. 64), the description has been mentioned as ***"proposed processing for gap"*** and not the ***"plant capacity"***, which clearly shows that the 'tonnage per day' mentioned in the application is with respect to the proposed processing/management of the quantity of solid waste and not the capacity of the plant set up by the Applicant. That the RFP bid document was submitted before Your Good Office during the course of hearing on 13.07.2026.

ii. Further, Clause 8.2 of the Contract provides that the tipping fee is payable per metric tonne of municipal solid waste actually received and processed, and therefore the recurring consideration is directly linked with the quantity of waste handled during the concession period of 20 years.

iii. It is further submitted that the Project awarded to the Applicant is not a one-time construction contract but constitutes recurring solid waste-management/processing services for 20 years and the initial one-time construction / goods component being the small minor component for management of solid waste, concluding that the services of solid waste management is the principal supply. The recurring consideration receivable by the Applicant is in the nature of tipping fee payable for the actual quantity of municipal solid waste received and processed throughout the concession period. Consequently, any estimation made in the Application for Advance Ruling necessarily relates to the projected quantity of waste expected to be processed during the entire concession period of 20 years and not merely the quantity available during the initial

year of operation. The tipping fee payable under the Concession Agreement remains directly linked to the actual quantity of municipal solid waste processed.

b. The Contract Itself Recognises Future Increase in Waste Generation

i. During the course of hearing, a query was also raised with regard to the methodology adopted by the Applicant while estimating the recurring tipping fee receivable over the concession period. In this regard, it is respectfully submitted that the estimation furnished in the Application is neither arbitrary nor hypothetical. The same has been prepared on the basis of objective, scientific and contractual parameters recognised under the Contract Agreement, the Request for Proposal and accepted engineering practices followed in municipal solid waste management projects.

ii. It is respectfully submitted that the reference to the processing quantity in metric tonnes per day in the Application for Advance Ruling is only for the purpose of identifying the quantity of municipal solid waste proposed to be processed under the Project and not to indicate the installed capacity of the processing facility. The Contract Agreement as well as the Bid Document issued by the Directorate of Local Bodies consistently describe the Project as one involving recurring solid waste-management/processing service for 20 years and the one-time construction / goods component being the small minority for management of solid waste, concluding that the services of solid waste management is the main and principal supply. The contractual documents nowhere prescribe any fixed or maximum plant capacity but instead recognise that the facilities are required to cater to increasing quantities of municipal solid waste during the concession period.

iii. The Request for Proposal (RFP) itself recognises that municipal solid waste generation will increase during the concession period. Under Section V – Procuring Entity's Requirements at internal page number 72 of the RFP Bid Document, the RFP specifically provides:

"Looking to the trend of increase in urban population, the Contractor should plan to handle additional Waste each year during the Contract Period and should scale up the plant capacity over the concession period."

iv. The Bid Document further describes the facilities as being "scalable further as per the requirements", thereby acknowledging that the infrastructure established under the Project is intended to cater not only to the waste presently generated but also to future increase in municipal solid waste during the concession period. However, the consideration in the form of VGF is receivable by the Applicant only at the initial stage of the Concession period, hence, the Plant and Infrastructure has to be developed for the higher capacity at the initial stage itself for catering the future increase in quantity of municipal solid waste during the entire concession period of 20 years.

v. Further, Clause 6.15.1 (Assured Incoming Waste) of RFP Bid Document (internal page no. 188 of the RFP Bid Document) provides that the assured incoming waste is linked with waste generation based on the population of the respective Urban Local Bodies.

vi. Thus, the Contract itself contemplates:

- increase in municipal waste generation;
- handling of additional waste every year;
- scaling up of plant utilisation over the concession period; and
- operation of the facilities as long-term municipal infrastructure.

vii. Accordingly, estimating the recurring consideration by assuming that municipal solid waste generation will remain unchanged for twenty years would itself be contrary to the contractual framework.

c. Government of India Recognizes Approximately 5% Annual Growth in Municipal Solid Waste

i. The methodology adopted is further supported by the Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India, which recognises that municipal solid waste generation is expected to increase at approximately five per cent per annum owing to population growth, urbanisation, changing lifestyles and increased economic activity. The estimation adopted by the Applicant is therefore consistent with the planning assumptions recognised by the Government of India for long-term municipal solid waste infrastructure projects and represents a reasonable commercial estimate for the limited purposes of the present proceedings. The Report of the Task Force on Waste to Energy (2014) at Page No 3 states:

"Considering that the volume of waste is expected to increase @ 5% per year on account of increase in the population and change in lifestyle of the people, it is assumed that urban India will generate 2,76,342 TPD by 2021, 4,50,132 TPD by 2031 and 11,95,000 TPD by 2050."

(Page 3, Report of the Task Force on Waste to Energy, Planning Commission, Government of India).

The applicant attached a copy of the Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India.

ii. The above observation clearly recognises that municipal solid waste generation increases at a rate higher than population growth due to factors such as:

- increasing urbanisation;
- changing lifestyle and consumption patterns;
- commercial development;
- economic growth; and
- increased use of packaging and consumer products.

iii. Thus, the annual increase in waste quantity @5% adopted is consistent with the planning assumptions recognised by the Government of India for long-term municipal solid waste infrastructure projects.

d. Applicant has actually constructed processing facilities for future waste generation

i. It is further submitted that the actual engineering design adopted by the Applicant itself demonstrates that the processing facilities have been established keeping future waste generation in view. While the tender prescribed only the minimum processing requirements at the commencement of the Project, the Applicant has established processing facilities having substantially higher installed capacities. Had the intention been to process only the quantity of waste available during the first year, there would have been no commercial or engineering justification for constructing facilities with capacities several times higher than the minimum tender requirements. The actual infrastructure created by the Applicant thus substantiates that the Project has been designed for the entire concession period for catering the future increases in municipal solid waste during the entire concession period of 20 years and not merely for the waste generation existing at the commencement thereof.

ii. The tender specifies only the minimum processing capacity required at the commencement of the project. However, the Applicant has established processing facilities with substantially higher installed capacities.

iii. Had the intention been to process only the quantity of waste available during the first year of operation, there would have been no engineering or commercial justification for constructing facilities having capacities several times higher than the tender requirement.

iv. The higher installed capacities clearly demonstrate that the processing facilities/plants have been designed considering the increase in municipal solid waste expected during the twenty-year concession period, in accordance with the requirements of the RFP.

e. Inadvertent calculation error

i. As far as the **calculation** error in the Annexure-D-11 of the subject application for AAR at page no. 28, 29 and 98 of the Application is concerned, it is submitted that the same is an inadvertent typological error, which has been now updated and the estimated revenue with respect to cluster 5 for 20 years is attached herewith as **Annexure-D-14.** The updated summarised position is given in the below table:

S. No	Area/ Name of ULB	Proposed Processing for Gap (TPD)	Estimated Total Capex Cost (Lakh)	VGF to be received by contractor (Lakh)	Estimated Tipping fees to be received in 20 years (Lakh) (Approx.)	Total Consideration (VGF & Tipping fees) (Lakh) (Approx.)	Percentage of value of VGF to Total Consideration (Approx.)
(A)	(B)	(C)	(D)	(E)	(F)	(G= E+F)	(H= E/G * 100)
11.	Sambhar	9.18	174.36	144.72	533.19	677.91	21.35%
12.	Kishangarh Renwal	12	203.86	169.20	696.99	866.19	19.53%
13.	Jobner	4.67	108.71	90.23	271.24	361.47	24.96%
14.	Chaksu	13.74	235.55	195.50	798.05	993.55	19.67%
15.	Shahpura_ J (M)	13.93	226.32	187.84	809.09	996.93	18.84%
16.	Kotputli	20.22	283.32	235.16	1174.43	1409.59	16.68%
17.	Viratnagar	8.45	178.57	148.21	490.79	639.00	23.19%
18.	Lalsot	14.12	202.78	168.31	820.12	988.43	17.02%
19.	Bandikui	18.36	260.90	216.55	1066.39	1282.94	16.87%
20.	Mahwa	10.21	199.26	165.39	593.02	758.41	21.80%
	Total	**124.88**	**2073.63**	**1721.11**	**7253.37**	**8974.48**	**19.17%**

ii. The Contract Agreement signed on 22.12.2023 (**Annexure-D-1** at page no. 42 of the Application), specifically provides at Serial No. 3 that *"For Operation and Maintenance for 20 Years, **Rs 342/- Per Ton** with all taxes will be paid with 3% increment on year to*

year basis." Hence, the above calculations have also considered this increase @3% in Tipping Fees per ton in addition to 5% increase in the quantity of solid waste generation on year to year basis Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India.

iii. Basis the above calculation, the VGF represent supply of goods and the same is approximately calculated @ 19% of the total consideration under a contract for 20 years for cluster 5.

4. The projection furnished by the Applicant is therefore fair and based on the contractual terms, task force (Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India) considering the following:

- the express provisions of the Contract requiring the processing facilities to cater to increasing waste generation over the concession period of 20 years;
- the Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India has planned for long-term municipal solid waste infrastructure, recognising an expected increase of approximately 5% per annum in waste generation; and
- the actual engineering design adopted by the Applicant, wherein processing facilities have been established with capacities substantially exceeding the initial tender requirements in anticipation of future increases in municipal solid waste.

5. Accordingly, the estimation submitted by the Applicant represents a fair, reasonable and technically supported estimate of the recurring consideration receivable during the 20 years concession period and has been prepared solely for the purposes of the present Advance Ruling application.

E. <u>Additional submission dated 07.09.2026:</u>

1. The Applicant's primary contention remains that the services provided by it are predominantly in the nature of solid waste management to Governmental Authorities (Urban Local Bodies), which are exempted from GST under entry 3B of the Exemption Notification (Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017). The reasons for the same has been dealt in details in the Application for Advance Ruling in Form ARA-01 filed by the Applicant as well as the additional submissions submitted subsequently and are reiterated herewith in form and substance.

2. The present submission relates "only" to the alternative Question No. 4 raised by Applicant in the Application dated 10.06.2026, regarding applicability of GST exemption as provided under Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended), and is made without prejudice to the primary contention of the Applicant.

3. That the Entry 3A exempts a composite supply of goods and services made to the Central Government, State Government, Union territory, local authority or a Governmental Authority in relation to a function entrusted to a Municipality under Article 243W of the Constitution, with a condition that:

"the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply".

4. That the test under Entry 3A is therefore dependent upon the total value of supply of the goods, taken as a proportion of the value of the whole composite supply, to be not more that 25%.

5. That in the Application dated 10.06.2026 (at paragraphs 40 to 45), and thereafter in the Additional Clarification dated 03.08.2026, the Applicant demonstrated that in respect of the ten Urban Local Bodies comprised in Cluster-5, the total consideration receivable over the 20-year period is approximately Rs. 8,974.48 Lakh (comprising of Viability Gap Funding (***"VGF"***) of Rs. 1,721.11 Lakh + estimated tipping fees of Rs. 7,253.37 Lakh). The VGF works out to approximately 19.17% of the total consideration of Rs 8,974.48 Lakh. Further, no individual project out of ten Urban Local Bodies within this Cluster-5 crosses the said threshold of 25% either. Summarised position of the said working, provided along with Additional Clarification dated 03.08.2026 is given as under for ease of reference:

S. No	Area/ Name of ULB	Proposed Processing for Gap (TPD)	Estimated Total Capex Cost	VGF to be received by contractor	Estimated Tipping fees to be received in 20 years*	Total Consideration	% of VGF to Total Consideration **
			(Rs. Approximated in lakhs)				
(A)	(B)	(C)	(D)	(E)	(F)	(G= E+F)	(H= E/G * 100)
21.	Sambhar	9.18	174.36	144.72	533.19	677.91	21.35%
22.	Kishangarh Renwal	12.00	203.86	169.20	696.99	866.19	19.53%
23.	Jobner	4.67	108.71	90.23	271.24	361.47	24.96%
24.	Chaksu	13.74	235.55	195.50	798.05	993.55	19.67%
25.	Shahpura _J (M)	13.93	226.32	187.84	809.09	996.93	18.84%
26.	Kotputli	20.22	283.32	235.16	1174.43	1409.59	16.68%
27.	Viratnagar	8.45	178.57	148.21	490.79	639.00	23.19%
28.	Lalsot	14.12	202.78	168.31	820.12	988.43	17.02%
29.	Bandikui	18.36	260.90	216.55	1066.39	1282.94	16.87%
30.	Mahwa	10.21	199.26	165.39	593.02	758.41	21.80%
	Total	**124.88**	**2073.63**	**1721.11**	**7253.37**	**8974.48**	**19.17%**

** The calculations of Tipping Fees is made for next 20 years, after considering 3% increase in the rate of Rs 342/PMT on year to year basis, as allowed under Contract Agreement dated 22.12.2023 (Annexure D-1 of the Application at page-42) and also considering increase in volume of waste @ 5% per year, on account of increase in the population and change in lifestyle of the people, as per the Report of the Task Force on Waste to Energy, Planning Commission, Government of India.*

***100% VGF was taken as consideration against supply of Goods.*

Note: The said calculation is marked and enclosed as ***Annexure D-14*** *along with the Additional Submission dated 03.08.2026 already on record.*

6. That in preparing the said calculation, the Applicant "deliberately" treated the entire VGF as attributable to the supply of goods, so that the Applicant's eligibility under Entry 3A would stand demonstrated even on the harshest assumption that could possibly be taken against it. However, the Applicant never intended to convey that the entire VGF represents the value of supply of goods. Relevant excerpts of the Application dated 10.06.2026 is re-produced as under:

"40. Thirdly, even if the transaction is assumed to be a composite supply involving both supply of goods and supply of services, the value attributable to goods does not exceed the statutory threshold of 25% of the total value of supply, thereby satisfying the quantitative condition prescribed under Entry 3A.

xxx

44. It is submitted that the estimated value attributable to goods, including civil materials, plant and machinery and other capital components used during establishment of the project, would at the highest will constitute approximately 15-16% of the total value of supply, which is substantially below the prescribed threshold of 25% under Entry 3A."

7. The above working was based on the following :

i. The Contract Agreement signed on 22.12.2023 and the RFP Bid Document issued by the GoR, show the quantity of Waste as "***proposed processing for gap***", which represents proposed quantity of the solid waste received for processing and not represents the capacity of the plant set up by the Applicant.

ii. The tipping fee is payable per metric tonne of municipal solid waste actually received and processed during the concession period of 20 years.

iii. The Project awarded to the Applicant constitutes recurring solid waste-management/processing services for 20 years and the initial one-time construction of solid waste processing plant. The recurring consideration receivable by the Applicant is in the nature of tipping fees and the one time consideration is in the form of VGF.

iv. The processing quantity in MT per day does not represents any fixed or maximum plant capacity but instead it represents the quantity of solid waste received per day for processing during the concession period.

v. The Request for Proposal (RFP) itself recognises that municipal solid waste generation will increase during the concession period. Under Section V – Procuring Entity's Requirements at internal page number 72 of the RFP Bid Document, the RFP specifically provides:

> *"Looking to the trend of increase in urban population, the Contractor should plan to handle additional Waste each year during the Contract Period and should scale up the plant capacity over the concession period."*

vi. The Report of the Task Force on Waste to Energy (2014) published by the Planning Commission, Government of India, states that the municipal solid waste generation is expected to increase at approximately five per cent per annum owing to population growth, urbanisation, changing lifestyles and increased economic activity. The estimation adopted by the Applicant with annual increase in waste quantity @5% is therefore consistent with the planning assumptions recognised by the Government of India for long-term municipal solid waste infrastructure projects and represents a reasonable commercial estimate for the limited purposes of the present proceedings.

vii. The calculations of Tipping Fees is made for next 20 years, after considering 3% increase in the rate of Rs 342/PMT on year to year basis, as allowed under Contract Agreement dated 22.12.2023 (Annexure D-1 of the Application at page-42) and also annual increase in waste quantity @5% as discussed above.

8. That the purpose of the present submission is to place a "reasonable" position before this Hon'ble Authority by segregating the VGF into two components, i.e., VGF attributable towards supply of goods and VGF attributable towards supply of services.

9. That the Applicant has accordingly reasonably bifurcated the VGF of each of the ten projects of Cluster-5 between the component representing goods and the component representing services, based on the nature of work undertaken for processing plant. The project-wise bifurcation is enclosed herewith and marked as ***Annexure D-15***. The summarised position is set out in the table below:

S. No.	Area / Name of ULB	VGF receivable	Approx. Value of Goods within VGF	Approx. Value of Services within VGF	Estimated Tipping Fees for 20 years	Total Consideration	% of value of Goods to Total Consideration
		(Rs. Approximated in lakhs)					
(A)	(B)	(C)	(D)	(E)	(F)	(G = C+F)	(H = D/G x 100)
1.	Sambhar	144.72	103.26	41.46	533.19	677.91	15.23%
2.	Kishangarh Renwal	169.20	126.56	42.64	696.99	866.19	14.61%
3.	Jobner	90.23	63.54	26.69	271.24	361.47	17.58%
4.	Chaksu	195.50	142.25	53.25	798.05	993.55	14.32%
5.	Shahpura J (M)	187.84	137.64	50.20	809.09	996.93	13.81%
6.	Kotputli	235.16	185.15	50.01	1,174.43	1,409.59	13.14%
7.	Viratnagar	148.21	104.99	43.22	490.79	639.00	16.43%
8.	Lalsot	168.31	126.49	41.82	820.12	988.43	12.80%
9.	Bandikui	216.55	166.36	50.19	1,066.39	1,282.94	12.97%
10.	Mahwa	165.39	121.99	43.40	593.02	758.41	16.08%
	Total	**1,721.11**	**1,278.24**	**442.87**	**7,253.37**	**8,974.48**	**14.24%**

10. That on the basis of the said bifurcation, the approx. value of the supply of goods works out to approximately **14.24%** of the total consideration for total of the ten projects of Cluster-5. Once the services component in the VGF are taken out, the proportion of the value of supply of goods falls much below the earlier figure of 19.17% placed on record, and falls well within the ceiling of 25% prescribed under the condition of Entry 3A.

11. That, furthermore, the bifurcation furnished hereinabove has been worked out based on the item wise value *estimate of civil works for the processing plant* (BOQ) submitted by the contractor as per requirement of the Bid requirement. The Bid Document issued by the Directorate of Local Bodies itself requires the Contractor to furnish an estimate of civil works for the processing plant for the purpose of calculation of progress and grant of VGF instalment (s). The said requirement appears at Para 12.14 of the Bid Document, under the heading "Disbursement schedule of VGF" which reads as under:

> "……
>
> *The concessioner will submit estimate of civil works for the processing plant as per RUIDP BSR 2022, or if items not available in BSR, then as per market rates. The estimate should be submitted within fifteen days of approval of layout plan of processing plant. The progress of civil works will be calculated as per this estimate, for grant of VGF amount."*

12. That the bifurcation at Annexure D-15 has been prepared in accordance with the said item wise value break-up / *estimate of civil works for the processing plant* (BOQ) submitted by the Applicant with the awarder, which has been examined and authenticated / certified by the duly appointed Project Consultant. These certificates for value break-up / estimate of civil works are used by ULB's for calculating the progress of civil works for grant of VGF amount. The said certificates are enclosed herewith and marked as ***Annexure D-16.***

13. That, the position, summarised, is as under:

    i. The tipping fee of Rs. 7,253.37 Lakh, out of the total consideration of Rs. 8,974.48 Lakh, is consideration wholly for services, being payable per metric tonne of municipal solid waste to be received and processed;

    ii. The Total VGF amount of Rs. 1,721.11 Lakh, constitutes of two components, i.e. Rs. 1,278.24 Lakh as attributable to the supply of goods, and the remaining Rs. 442.87 Lakh being attributable to the supply of services; and

    iii. The value of the supply of goods is accordingly approximately 14.24% of the value of the composite supply as per the above calculations, which is much below than the permitted ceiling of 25%.

14. That, hence, the condition contained in Entry 3A that the value of supply of goods must not exceed twenty-five per cent of the value of the composite supply is therefore satisfied in both the situations, whether the matter as examined on the earlier basis (conservatively computed on entire VGF at ~19.17% by treating VGF as goods) or on the basis of reasonable bifurcation of VGF into Goods and Service component now (revised calculation provides that the value of Goods is ~14.24% of the total Revenue).

F. QUESTIONS ON WHICH THE ADVANCE RULING IS SOUGHT:

Q1) Whether the services provided by the Applicant comprising design, construction, establishment, development, operation and maintenance of Solid Waste Processing Plants (Compost + RDF) for Urban Local Bodies under the contract awarded by the Directorate of Local Bodies, Rajasthan constitute 'services by way of solid waste management' provided to a Governmental Authority, and are accordingly exempt from the levy of Goods and Services Tax under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Q2) Whether the amounts received by the Applicant in the nature of Viability Gap Funding (VGF), disbursed by the Directorate of Local Bodies in seven structured instalments against execution milestones and operational performance, is not outside the scope of GST levy under section 7 read with definition of 'consideration' under section 2(31), and if not so, whether such amounts are exempt as part of the exempt supply of solid waste management services to a Governmental Authority in terms of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Q3) Whether the Tipping Fees / Service Charges payable by the respective ULBs to the Applicant at the rate of per metric tonne of waste processed during the Operation and Maintenance phase constitute consideration for an exempt supply of solid waste management services to a Governmental Authority in terms of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Without prejudice and alternatively, only if the above questions are decided against the Applicant:

Q4) Without prejudice to the above, if it is held that the services of the Applicant are not covered under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended), whether the services provided by the Applicant comprising design, construction, establishment, development, operation and maintenance of Solid Waste Processing Plants (Compost + RDF) for Urban Local Bodies under the contract awarded by the Directorate of Local Bodies, Rajasthan are exempt from the levy of Goods and Services Tax under Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Without prejudice and alternatively, only if the above questions are decided against the Applicant:

Q5) Whether, in the event the services provided by the Applicant are not considered as exempt under Entry 3B or Entry 3A of Notification No. 12/2017-Central Tax (Rate), the services provided by the Applicant will constitute taxable Works Contract Services?

G. COMMENTS OF THE JURISDICTIONAL OFFICER: -

Comments received from the Office of Assistant Commissioner, Central Goodsnd Service Tax Division-Vaishali Nagar, Sector-10, Vidhyadhar Nagar, Jaipur Rajasthan vide letter F.No. Misc/371/2024-CGST-RANGE-34-Div-G-JPR/448 Dated 30.06.2026 are as under:-

M/s Center for Development Communication Trust (GSTIN 08AAAAC0873C1Z7) has filed the application for advance ruling and as per Advance Ruling procedure your office sought comments on 5 Question from this office. The Question wise reply is mentioned below: -

Answer to Question No. 1: the taxpayer is engaged in providing services of solid waste management to the Nagar Paliksas/urban local Bodies (ULBS) in the state of Rajasthan, the said services rendered by the taxpayer are exempt from GST under entry 3B of notification 13/2023 -Central tax (rate) dated 19 Oct 2023. Please refer to AAR ruling, Kerala 826(AAR; Kerala).

Answer to Question No. 2: -

(i) Scope of 'Supply' and 'Consideration' under Section 7 and Section 2(31)

No Quid Pro Quo: Viability Gap Funding. (VGF) disbursed by the Directorate of Local Bodies is a conditional financial grant aimed at bridging infrastructure cost gaps, rather than a payment for a specific service rendered directly to the funding body.

Statutory Exclusion: Under Section 2(31) of the Central Goods and Services Tax (CGST) Act, 2017, the definition of "consideration" explicitly excludes any subsidy given by the Central Government or a State Government.

Conclusion on Section 7: Since VGF is a disbursement by a state government body (Directorate of Local Bodies) to ensure the financial viability of a public interest project, it functions as a government subsidy. Therefore, it does not constitute a "consideration" and falls outside the scope of "Supply" under Section 7 of the CGST Act.

(ii) Exemption under Entry 3B of Notification No. 12/2017-Central Tax (Rate)

Even if the activity of solid waste management is viewed as a service model, it is entirely covered under specific statutory exemptions:

Targeted Exemption: Entry 3B of Notification No. 12/2017-Central Tax (Rate) explicitly exempts services provided to a Governmental Authority by way of solid waste management.

Constitutional Mandate: Solid waste management is a function entrusted to municipalities under Article 243W of the Constitution of India.

- Conclusion on Exemption: Since the underlying project is executed for a local body or governmental authority for an essential civic sanitation service, the amounts received are fully exempt from the GST levy via Entry 3B.

Answer to Question No.3 :-

Tipping fees paid by Urban Local Bodies (ULBS) for solid waste management services are exempt from GST under Entry 3B of Notification No. 12/2017-Central Tax (Rate). An analysis of this transaction under the CGST Act, relevant notifications, and legal precedents clarifies the tax exemption status:

1. Entry 3B of Notification No. 12/2017-Central Tax (Rate)

- Insertion: This entry was inserted into Notification No. 12/2017-Central Tax (Rate) by Notification No 13/2023-Central Tax (Rate).

- Scope: It explicitly exempts "Services provided to a Governmental Authority by way of water supply, public health, sanitation conservancy, solid waste management, and slum improvement and upgradation".
- 2. Entrustment of Municipal Functions (Article 243W)

- Constitutional Backing: The Eleventh and Twelfth Schedules of the Indian Constitution outline functions entrusted to local authorities.

- Solid Waste Management. Entry 6 of the Twelfth Schedule (under Article 243W) specifically covers "Public health, sanitation conservancy and solid waste management".

Legal Requirements for Exemption

To qualify for the exemption under Entry 3B, the transaction must fulfill two specific operational criteria:

Criterion 1: Status of the Recipient

- Definition: The recipient must meet the legal threshold of a "Governmental Authority".
- Application: Urban Local Bodies (ULBS) such as Municipal Corporations and Municipalities are constitutional bodies established to carry out these local functions They strictly fit the definition of a local/governmental authority.
- Criterion 2: Nature of the Supply
- Definition: The service provided must be in relation to an activity specified within Entry 3B.
- Application: Processing a "per metric tonne of waste" directly addresses solid waste management. The dynamic of a "Tipping Fee" paid to a vendor for municipal waste processing represents valid consideration for an exempt service.

Judicial & Advance Ruling Precedents

Multiple Advance Rulings confirm this tax treatment:

- Kerala AAR (Tiffot Private Limited vs. Clean Kerala Company Ltd.): Held that solid waste management services (collection, segregation, and processing) supplied to a government-owned entity executing municipal functions are entirely exempt under Entry 3B.
- West Bengal AAR: Clarified that solid waste processing and transportation for a municipal corporation billed on a per-metric-ton basis constitutes an exempt service under the municipal function framework.

The Tipping Fees/Service Charges paid by the respective ULBS to the Applicant for the Operation and Maintenance phase of processing waste constitute consideration for an exempt supply of services. The transaction is fully exempt from GST under Entry 3B of Notification No. 12/2017- Central Tax (Rate).

Answer to Question No. 4:-

The services provided by the Applicant are fully exempt from the levy of Goods and Services Tax (GST) under Entry 3A of Notification No. 12/2017-Central Tax (Rate) (as amended).

Legal Grounding & Detailed Evaluation

To qualify for an exemption under Entry 3A, a transaction must cumulatively satisfy three strict legal conditions. The Applicant's contract fulfills all of them:

1. Nature of Supply: Composite Supply of Goods and Services

- Statutory Rule: Under Section 2(119) of the CGST Act, a contract involving design, construction, establishment, operation, and maintenance combined with the supply of materials behaves as a Works Contract, which is legally treated as a Composite Supply of Service.

- The 25% Threshold Rule: Entry 3A specifically exempts composite supplies provided that the value of the goods involved does not exceed 25% of the total value of the composite supply.

- Application: The installation, operation, and maintenance of Solid Waste Processing Plants (Compost + RDF) inherently place the dominant focus on the service element (waste engineering and handling). As long as the material/machinery component accounts for less than 25% of the gross contract value, it perfectly matches the definition of an eligible composite supply.

2. Eligible Recipient: Local Authority / Body

- Statutory Rule: The exemption applies only when services are rendered to the Central Government, State Government, Union Territory, or a Local Authority.
- Application: The contract has been explicitly awarded by the Directorate of Local Bodies, Rajasthan. This directorate is a structural government department managing municipalities, making it an eligible government entity/local authority under the CGST Act.

3. Constitutional Function Connection

- Statutory Rule: The composite supply must be directly related to functions entrusted to a Municipality under Article 243W of the Constitution of India, or to a Panchayat under Article 243G.
- Application: Twelfth Schedule (Article 243W) of the Constitution explicitly lists "Public health, sanitation conservancy, and solid waste management" under Entry No. 6. Since the

contract targets the design, setup, and operation of Solid Waste Processing Plants, it is an essential public sanitation function.

Because the service involves solid waste management (Article 243W), is granted by a State Government body (Directorate of Local Bodies, Rajasthan), and is designed as a composite works contract containing less than 25% goods value, it squarely qualifies for a 0% GST rating under Entry 3A of Notification No. 12/2017-Central Tax (Rate).

Answer to Question No. 5:-

The services provided by the Applicant will constitute a taxable Works Contract Service if they are not exempt under Entry 3A or 3B of Notification No. 12/2017-Central Tax (Rate).

Statutory Framework under the CGST Act

- Section 2(119): Defines a "works contract" as an agreement involving immovable property and the transfer of goods.
- Schedule II, Paragraph 6(a): Classifies all works contracts explicitly as a composite supply of services.
- Section 7(1)(a): Includes all forms of supply of goods or services made for a consideration within the scope of supply.
- Section 9: Levies central tax on all intra-State supplies of goods or services unless explicitly exempted.

Analysis of Taxability and CBIC Notifications

- Notification No. 12/2017-Central Tax (Rate): Grants specific exemptions under Entry 3A and 3B for government-related services.
- Exclusion Effect: Failing to qualify for these entries strips away the exemption benefit.
- Notification No. 11/2017-Central Tax (Rate): Governs the tax rates for works contract services under Service Code (Tariff) Heading 9954.
- Fallback Position: Once excluded from the exemption net, the supply automatically becomes taxable under Heading 9954.

Legal Conclusion

The services provided by the Applicant satisfy the statutory definition of a composite supply under Section 2(30) of the CGST Act. Because the contract involves both structural labor and material transfer on immovable property, it cannot be categorized as a pure service or pure sale of goods. Therefore, in the absence of an explicit exemption under Entry 3A or 3B, the transaction **constitutes a taxable Works Contract Service** liable to GST under Notification No. 11/2017-Central Tax (Rate).

H. PERSONAL HEARING:

In the matter, personal hearing was granted to the Applicant on 13.07.2026 vide letter dated 08.07.2026. Adv. Prakul Khurana, Adv. Vikas Gupta and Adv. Shreya Jhanwar, Authorised Representatives, appeared for the personal hearing and reiterated the submissions already made by them.

The Applicant, thereafter, filed Additional Written Submissions dated 23.07.2026, seeking to distinguish the order of the Appellate Authority for Advance Ruling, Rajasthan in the case of Technocraft and also requested to fix another personal hearing. Therefore, a personal hearing

was again granted on 30.07.2026 which was attended by the Authorised Representatives of the Applicant. During the course of the hearing, the Authority asked the Applicant to explain the methodology adopted in the computation of Goods/services ratio at Annexure D-11. Hence, the Applicant has submitted an Additional Written clarification dated 01.08.2026.

Due to the change of Member of Advance Ruling Authority, further PH was fixed on 07.09.2026 which was attended by the Authorised Representatives of the Applicant and reiterated the submissions already made by them. An addition submission was also submitted during the PH.

I. DISCUSSIONS AND FINDINGS

1. At the outset, we would like to make it clear that the provisions of both the CGST Act and the RGST 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 provision under the RGST Act. Further to the earlier, henceforth for the purposes of this Advance Ruling, a reference to such a similar provision under the CGST Act / RGST Act would be mentioned as being under the "GST Act".

2. We have gone through the application filed in FORM GST ARA-01 along with the annexures thereto, the statement of relevant facts, the interpretation of law put forth by the Applicant, the comments received from the jurisdictional officer, the submissions made during the personal hearings held on 13.07.2026, 30.07.2026 and 07.09.2026, and the Additional Written Submissions dated 23.07.2026, 01.08.2026 and 07.09.2026 together with the revised computation filed therewith as Annexure D-14 and D-15.

3. The Applicant, M/s Centre for Development Communication Trust (GSTIN 08AAAAC0873C1Z7), is registered under the GST Act and represents itself to be an organisation having 25 years' experience in the field of municipal solid waste management. Pursuant to a tender floated by the Directorate of Local Bodies (DLB), Rajasthan, the Applicant was awarded Revised Work Order No. F 55 () PA/CE/DLB/ SBM2.0/PROCESSING OF WASTE/2023/126089 dated **22.12.2023** for "Design, Construction, Establishment and Development of Solid Waste Processing Plant (Compost + RDF) with Operation & Maintenance for 20 years on VGF basis" in respect of 10 Urban Local Bodies (ULBs) of Cluster-5, namely Sambhar, Kishangarh-Renwal, Jobner, Chaksu, Shahpura_J (M), Kotputli, Viratnagar, Lalsot, Bandikui and Mahwa, aggregating **Plant capacity of 124.88 TPD**.

   The Total project cost is **Rs. 2,073.63 Lakh**, against which Viability Gap Funding (VGF) of Rs. 1,721.11 Lakh is payable in seven milestone-linked instalments, the balance of Rs. 352.52 Lakh being borne by the Applicant, and a tipping fee of Rs. 342 per metric ton of waste processed (inclusive of all taxes, with 3 per cent increment year on year) being payable during the twenty-year Operation and Maintenance phase. The Applicant has furnished, by way of illustration, the Land Lease Agreement dated 02.05.2024 executed with Nagar Palika Bandikui, and represents that the terms of the Cluster-5 contract and the pattern of consideration are common, in all material respects, to the remaining 9 ULBs of the Cluster.

4. Before proceeding to the merits, we take up the maintainability of the application. The Applicant is a registered person within the meaning of Section 95(c) of the GST Act, and the questions raised fall within clauses (b) and (e) of Section 97(2), being questions of applicability of a notification and of determination of the liability to pay tax. At point no. 17 of the said Form it is declared by the applicant that the questions raised are neither

already pending nor already decided in any proceeding in the Applicant's case under any of the provisions of the Act.

5. We record that the comments of the jurisdictional officer, received vide letter F.No. Misc/371/2024-CGST-RANGE-34-Div-G-JPR/448 dated 30.06.2026 were called for under Section 98(1) by way of assistance to this Authority; it is not, and cannot be, binding upon it, the statutory duty of pronouncing the advance ruling being cast upon the Authority alone. We have been unable to agree with those comments, for the reasons recorded hereinafter.

6. We also record that the Applicant, and the jurisdictional officer, have placed reliance upon rulings of the Advance Ruling Authorities of other States, including the Kerala Advance Ruling in Tiffot Private Limited v. Clean Kerala Company Ltd. and a ruling of the West Bengal Authority. In terms of Section 103 of the GST Act, a ruling binds only the applicant who sought it and the concerned or jurisdictional officer in respect of that applicant. Rulings of other State Authorities carry no more than persuasive value before this Authority, and that too only once independently verified. We express no view upon their correctness on their own facts.

7. We find that Questions No. 1, 2 and 3 are based upon a common question, namely, whether the supply made by the Applicant to the DLB / ULBs falls within Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as inserted by Notification No. 13/2023-Central Tax (Rate) dated 19.10.2023 with effect from 20.10.2023 ("Entry 3B"). Question No. 4 raises the alternative claim under Entry 3A of the same notification ("Entry 3A"), and Question No. 5 arises only if answer of the former questions is negative. We take up Entry 3B first.

8. Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 exempts the "Services provided to a Governmental Authority by way of — (a) water supply; (b) public health; (c) sanitation conservancy; (d) solid waste management; and (e) slum improvement and upgradation", the Rate and Condition columns both showing "Nil". For availing exemption under Entry 3B, two ingredients must be satisfied cumulatively i.e. the recipient must answer the description "Governmental Authority" and the service must be one "by way of" one of the five enumerated heads.

It is well settled that an exemption notification must be construed strictly and that the burden of establishing that a supply falls within its four corners lies upon the person claiming it. In **Commissioner of Customs (Import), Mumbai v. Dilip Kumar & Company, (2018) 9 SCC 1**, the Constitution Bench of the Hon'ble Supreme Court held that "the burden of proving the applicability would be on the assessee to show that his case comes within the parameters of the exemption clause or exemption notification", and that where there is ambiguity in an exemption notification "the benefit of such ambiguity cannot be claimed by the subject/assessee and it must be interpreted in favour of the revenue". We approach the Applicant's claim on that footing.

9. First ground — the discipline of Entries 3 and 3A. This Authority has had occasion to consider the inter-relationship between Entries 3, 3A and 3B of Notification No. 12/2017-Central Tax (Rate) in its earlier rulings in the case of M/s Technocraft Construction Private Limited. It was held therein that *"the Sr No. 3B was inserted to provide the exemptions on supply of certain services supplied to Government Authority, which was previously curtailed by the above referred Notification dtd 18.11.2021 wef 01.01.2022. Thus, entry Sr No. 3B is not a new entry, rather it is extension of existing entries of Sr No. 3 and 3A.*

The Sr No. 3 and 3A of the Notification No.12/2017-CTR dtd 28.06.2017 are applicable only in the case of pure services or composite supply having value of supply of goods not more than 25 percent. Since, Sr No 3B is also extension of Sr No 3 and 3A and all these entries are inter-related and it won't be appropriate to read all these entries in isolation or individually. Therefore, Sr No. 3B will also be applicable in case of pure services or composite supply, where value of the goods is not more than 25 percent"

On that view, the deliberate omission, relied upon by the Applicant, of any express "pure services" or "25%" qualification from the text of Entry 3B does not carry the weight the Applicant wishes for, once it is appreciated that Entry 3B was never intended to create a wider class of exempt supplies than Entries 3 and 3A, but only to restore a class of recipient that had for a period fallen outside the older entries.

10. We are, however, conscious that the Appellate Authority for Advance Ruling, Rajasthan, in the case of M/s Technocraft Ventures Limited (Order No. 12/2024-25 dated 22.11.2024 in Appeal No. RAJ/AAAR/APP/05/2024-25, arising out of impugned Advance Ruling, took a different view upon this aspect. In that Order the Appellate Authority held that the categories of service and the classes of recipient covered by Entries 3, 3A and 3B are "distinctive and independent of each other"; that they "must be read and interpreted independently", and that the AAR had erred in holding Entry 3B to be an extension of Entries 3 and 3A. The Appellate Authority further held that a Municipal Council constituted under the Rajasthan Municipalities Act, 2009 is "set up by an Act of a State Legislature" within sub-clause (i) of clause 2(zf) of the notification. We record that view, and we proceed hereafter to test the Applicant's claim on the basis that Entry 3B should be read independently of Entries 3 and 3A.

11. Second ground — the nature of the service. Even if Entry 3B were read as an entirely independent entry unrestricted by the conditions of Entries 3 and 3A, and even if every recipient in the present case were held to answer the description "Governmental Authority", the Applicant's claim still not tenable, because the supply which it makes is not a service "by way of ... solid waste management" within the meaning of Entry 3B.

As per Para 6 of Annexure-B of the application, "the ownership of the plant/project exclusively remains with the Government of Rajasthan through ULBs/DLBs during the duration of the whole project/transaction", and under clause 11.2 of the tender/bid document the Applicant is bound, on expiry of the Contract Period, to *"hand back vacant and peaceful possession of the Transportation Vehicles & equipments, MSW Processing Facility and Project Facilities including any tools, spares, inventory, vehicles, machinery and all other movables required for its functioning to the respective Authority free of cost and in good operable condition"*. There is, thus, both construction of immovable property and transfer of property in goods in the execution of the contract. As per Para 6(a) of Schedule II to the GST Act, such a works contract is to be treated as a supply of services.

12. The question, then, is whether a works contract service of that description is a service "by way of ... solid waste management". That precise question — in the context of clause (c) of Entry 3B, "sanitation conservancy" — has been answered by the Appellate Authority for Advance Ruling, Rajasthan in Technocraft Ventures Limited (supra) at paragraphs 16.1 to 16.13. The Appellate Authority found that the scope of work there in question "covers only infrastructural set up and its maintenance which relates to 'general construction services'". It drew guidance from entries 12(e) and 25(a) of the erstwhile Notification No. 25/2012-Service Tax dated 20.06.2012, of which entry 12(e) separately exempted "construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of pipeline, conduit or plant for (i) water supply (ii)

water treatment, or (iii) sewerage treatment or disposal", while entry 25(a) separately exempted "carrying out any activity in relation to any function ordinarily entrusted to a municipality in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation"; and it concluded that "it is evident that the services related to infrastructural set up of sewerage treatment or disposal including its maintenance are different from the services of sanitation conservancy". It held further that "general construction services and sanitation conservancy services have been classified separately in the GST law. The construction of sewage treatment plants fall under SAC 9954, while sanitation conservancy services fall under SAC 9994. This clear delineation underscores that there is no possibility of combining or overlapping these services." Upon that reasoning the Appellate Authority upheld the denial of the exemption under Entry 3B.

13. That reasoning applies to the facts before us. The distinction which the Appellate Authority drew — between the creation of infrastructure for the discharge of a municipal function on the one hand and the rendering of the municipal service itself on the other — is drawn from the language of the notifications themselves. Entry 3B of the said Notification reproduces, in substance and almost verbatim, the five heads of entry 25(a) of Notification No. 25/2012-ST: water supply, public health, sanitation conservancy, **solid waste management**, and slum improvement and upgradation. What the Central Government conspicuously did not carry into Entry 3B is the language of entry 12(e) — the entry which dealt with the "*construction, erection, commissioning, installation ... of ... plant*". Had the intention been to exempt the construction of processing plants for a Governmental Authority, the drafters had before them a ready and long-familiar formula for saying so, but did not use it. Where two distinct formulations were historically available and only one has been adopted, the omission of the other must be given effect.

14. Applying that distinction to the present facts, what the Applicant supplies under the Revised Work Order dated 22.12.2023 is the construction, and thereafter the running, of a solid waste processing plant — in substance a works contract for a Compost + RDF facility with its operation and maintenance. It is not the municipal service of Solid waste management. The municipal function of solid waste management, as described in Rule 15 of the Solid Waste Management Rules, 2016 on which the Applicant itself relies — door-to-door segregated collection from every household, secondary storage, street sweeping, and separate transportation of wet and dry waste — remains throughout with the ULB and forms no part of the Applicant's scope of work. The Applicant's obligation begins at the plant gate, where waste is delivered to it, and it is remunerated per metric ton of waste "received and processed" at its facility. It is further observed from the application that the compost, RDF and recyclables recovered in the course of processing are, under the contract, the property of the Applicant, which sells them in the open market on its own account (paragraph 12(iii) of Annexure-B of the application), and that stream of revenue is expressly excluded by the Applicant from the subject matter of this application. That understanding is confirmed by the Applicant's own flow chart at paragraph 5 of Annexure-B to the application, which depicts the project as proceeding from tender, bid and award, through the work order, the land lease and statutory clearances, to "Construction — Boundary, levelling, Roads, Platforms, Shed, brick work, Office & Utility Buildings" and "Machinery — Trommel, Baller, Shredder, Weighbridge, Tractor, Fatka etc.", then commissioning, trial run and CTO from the Pollution Control Board, and only thereafter to "Daily Municipal Solid Waste Receipt at site from ULBs", processing, and "Other waste sold to recyclers". Of the stages so depicted by the Applicant itself, the great majority are stages of construction, procurement, erection and commissioning; the collection and transportation of waste — the core of the municipal function — appears

nowhere at all, the waste being shown as received at the Applicant's own site from the ULBs. In view of the above, we hold that the supply in the instant case, is classifiable under Heading 9954 (Works contract services) and not under Heading 9994 (Sewage and waste collection, treatment and disposal and other environmental protection services).

15. For the reasons recorded at paragraphs 8 to 14 above, we hold that the **exemption under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017** (as inserted by Notification No. 13/2023-Central Tax (Rate) dated 19.10.2023) **is not available to the Applicant** in respect of the supplies in question. Question No. 1 is answered accordingly, and Questions No. 2 and 3, insofar as they are founded upon Entry 3B, are also answered against the Applicant as 'Viability Gap Funding' and 'Tipping Fees' do not constitute consideration for an exempt supply of solid waste management services to a Governmental Authority in terms of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.

16. Question No. 4 — Entry 3A. Entry 3A exempts at Nil rate the "Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent. of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution." Four elements must be satisfied: (a) the supply must be a composite supply of goods and services; (b) it must be provided to the Central Government, State Government, Union territory or a local authority; (c) it must be by way of any activity in relation to a function entrusted to a Municipality under Article 243W (or to a Panchayat under Article 243G); and (d) the value of supply of goods must constitute not more than 25 per cent of the value of the said composite supply.

17. Elements (a), (b) and (c) present no difficulty. As to (a), the supply is, as found at paragraph 15 above, a composite supply and indeed a works contract, deemed by Paragraph 6(a) of Schedule II to be a supply of services. As to (b), the Procuring Entity under the Contract Agreement is the Governor of Rajasthan acting through the Director cum Special Secretary, DLB, that is to say the State Government, while the tipping fee is payable by the respective Nagar Palikas, which are "Municipality" within clause (e) of Article 243P of the Constitution and therefore, "local authority" within Section 2(69) of the GST Act. On either view the recipient falls squarely within the class named in Entry 3A. As to (c), the design, construction, establishment, development, operation and maintenance of a solid waste processing facility is plainly "any activity in relation to" the function of "public health, sanitation conservancy and solid waste management" entrusted to Municipalities by Entry 6 of the Twelfth Schedule read with Article 243W of the Constitution.

18. Therefore, the contention left is the element (d) — the condition that the value of supply of goods must constitute not more than 25 per cent of the value of the composite supply. The material placed before us does not establish the condition. We record our reasons.

19. First — the Entry 3A speaks of "the value of supply of goods". What the Applicant has placed before us, both in the computation at Annexure D-11 filed with the application and in the revised computation at Annexure D-14 filed on 01.08.2026, is not the value of goods but the amount of Viability Gap Funding. The final column of both computations is headed, in terms, "Percentage of value of VGF to Total Consideration", and the submission at paragraph 6(e)(iii) of the additional submission dated 01.08.2026 is that "the VGF represent supply of goods and the same is approximately calculated @ 19% of

the total consideration". VGF is not, and cannot be, a measure of the value of goods. It is a quantum of funding fixed by the Procuring Entity at the tender stage to bridge the viability gap of the project. No relevant documents segregating the goods element from the services element of the project has been produced before us. The Applicant has, in the last of the hearings vide letter dated 07.09.2026, provided bifurcation of the goods and services element only in respect of VGF amount and not in respect of project cost. That submission is taken up at paragraphs 25 to 26 below.

20. Second, the figure adopted as the numerator understates even the capital component. The estimated cost of establishing the Cluster-5 plants is Rs. 2,073.63 Lakh, of which VGF is Rs. 1,721.11 Lakh, the balance of Rs. 352.52 Lakh being, upon the Applicant's own showing at paragraph 8(iv) of the application, borne by the Applicant itself. The capital assets so created are, as noticed above, owned by the Government throughout and handed over to the ULBs at the end of the term free of cost. There is no principled basis upon which the Rs. 352.52 Lakh of capital cost which the Applicant itself funds may be excluded from the value of the goods embedded in the supply merely because the Procuring Entity does not separately reimburse it.

21. Third, the denominator rests upon an escalation of tonnage for which there is no contractual foundation. The Revised Work Order dated 22.12.2023 and the Contract Agreement of even date specify, for each of the ten ULBs, a single figure in tons per day, aggregating 124.88 TPD for the Cluster. The Applicant now says that this figure is not "Plant Capacity" — as the application itself described it at paragraphs 7 (Annexure-B) and 45 (Annexure-B) — but "proposed processing for gap". That explanation does not survive scrutiny. The description "Plant Capacity (TPD)" is not the Applicant's own coinage, it is the column heading employed by the Directorate of Local Bodies itself in the annexure to the Revised Work Order dated 22.12.2023, a document of the Procuring Entity and not of the Applicant. The Applicant carried that description into paragraph 7 of Annexure-B and into paragraph 45 of Annexure-C. The worksheets themselves employ yet another description, the column in both Annexure D-11 and Annexure D-14 being headed "Proposed Capacity (Tons)". A description which appears in the Procuring Entity's own work order, and which is mentioned by the Applicant across three separate parts of its application, is not readily characterised as an inadvertent typographical error. Be that as it may, and whichever description be adopted, the figure in the contract is a single, fixed figure. Neither the Revised Work Order nor the Contract Agreement provides for any year-on-year increase in the tonnage of waste to be received or processed. The only escalation for which the Contract Agreement provides is that at Serial No. 3 thereof: "For Operation and Maintenance for 20 Years, Rs. 342/- Per Ton with all taxes will be paid with 3% increment on year to year basis" — an escalation of the rate, and not of the quantity.

22. Notwithstanding this, the computation at Annexure D-14 and Annexure D-15 escalates the tonnage at 5 per cent per annum, compounded, over twenty years. The effect is that the 9.18 TPD contracted for Sambhar becomes 23.20 TPD in the twentieth year, and the Cluster figure of 124.88 TPD becomes 315.57 TPD — an increase of 152.7 per cent over the contracted figure. The sole support offered for the 5 per cent is the Report of the Task Force on Waste to Energy (2014) of the erstwhile Planning Commission, which projects growth in national urban waste generation at about 5 per cent per annum. That is a macro-level projection made twelve years ago for the country as a whole. It is not a projection for Sambhar, or for Jobner, or for Mahwa. It confers no contractual entitlement upon the Applicant. It is incapable of verification, either by this Authority or by the concerned officer. There is, further, a dilemma from which the Applicant cannot

escape. If the contracted figure is, as the Revised Work Order describes it, the capacity of the plant, then a plant of 9.18 TPD cannot process 23.20 TPD in the twentieth year without further capital expenditure to augment it and such further expenditure would enlarge the value of goods in the numerator. If, on the other hand, the figure denotes only the quantity of waste presently proposed to be processed, and the plants have in fact been built to capacities "several times higher" as the Applicant asserts at paragraph 6(d) of its submission dated 01.08.2026, then the value of plant and machinery actually supplied exceeds what the tender contemplated, and the numerator is understated to that extent. Upon either construction the ratio moves against the Applicant and not in its favour.

23. The assumption is not marginal; it is decisive of the outcome. In order to test its effect, we have set out below, alongside the Applicant's own revised computation at Annexure D-14, the same computation with a single variable altered: the escalation of tonnage at 5 per cent per annum, for which the contract furnishes no foundation, is removed, while the escalation of 3 per cent per annum in the rate, for which the Contract Agreement does provide at Serial No. 3 thereof, is faithfully retained. Every other assumption including the Applicant's own numerator, namely the VGF is left undisturbed.

S. No.	Name of ULB	Applicant's computation (Annexure D-14): VGF as % of VGF + tipping fee, with 5% p.a. tonnage escalation and 3% p.a. rate escalation	VGF as numerator; contractual 3% p.a. rate escalation only; no tonnage escalation
1.	Sambhar	21.35%	31.97%
2.	Kishangarh Renwal	19.53%	29.60%
3.	Jobner	24.96%	36.55%
4.	Chaksu	19.67%	29.78%
5.	Shahpura_J (M)	18.84%	28.67%
6.	Kotputli	16.68%	25.75%
7.	Viratnagar	23.19%	34.34%
8.	Lalsot	17.02%	26.22%
9.	Bandikui	16.87%	26.02%
10.	Mahwa	21.80%	32.57%
	Cluster-5 (aggregate)	**19.17%**	**29.12%**

The consequences which follow from the table are as under:-

(a) The effect upon the ratio is, in consequence, not marginal but transformative. The Cluster figure rises from 19.17 per cent to 29.12 per cent; and the ceiling of 25 per cent is exceeded not in one case, nor in a few, but in every one of the ten ULBs without exception — the lowest being Kotputli at 25.75 per cent and the highest

Jobner at 36.55 per cent. There is thus no project in Cluster-5 in respect of which the condition prescribed by Entry 3A would be satisfied once the uncontracted assumption is set aside.

(b) For the reasons recorded at paragraphs 21 above, the VGF is not the "value of supply of goods" at all, and it understates even the capital component of the project by the Rs. 352.52 Lakh which the Applicant itself funds. Were the numerator also to be corrected, the percentages in both columns would rise further still.

24. Fourth — the internal inconsistency in the Applicant's own case. The Applicant contends, at paragraph 6(a)(i) of the additional submission dated 01.08.2026, that the TPD figure in the contract is not the capacity of the plant; and it contends, at paragraph 6(d) of the same submission, that it has in fact "established processing facilities having substantially higher installed capacities", indeed "capacities several times higher than the minimum tender requirements". If that be so, then the plant and machinery actually procured, supplied and erected by the Applicant is correspondingly greater in quantity, and in value, than the tender contemplated; and the value of goods embedded in the supply is correspondingly higher. Yet the numerator which the Applicant continues to use is the VGF — a figure fixed at Rs. 1,721.11 Lakh at the tender stage, which by definition does not fund plant several times the tender requirement. The Applicant thus deploys one and the same fact to enlarge the denominator while leaving the numerator untouched. It cannot take the benefit of the assumption in one direction only.

25. The Applicant filed a further submission dated 07.09.2026 and bifurcated the VGF of Rs. 1,721.11 Lakh into a goods component of Rs. 1,278.24 Lakh and a services component of Rs. 442.87 Lakh, and contends that the value of goods is 14.24 per cent of the total consideration of Rs. 8,974.48 Lakh. We have taken the submission on record and have considered it, together with Annexure D-15, which has since been placed before us. That annexure is, we observe, the very worksheet earlier filed as Annexure D-11 and again as Annexure D-14, into which two additional rows have been inserted, headed "Approx. value of Goods within VGF" and " Approx. value of Services within VGF ". It contains no authentic working of any description by which the sum of Rs. 1,278.24 Lakh is arrived at. Annexure D-16 has since been produced, and it consists of two distinct sets of papers. The first set comprises bills of quantities, one for each of the ten ULBs, which do carry columns headed "Goods Component" and "Service Component"; those sheets bear no letterhead, no signature and no attribution of authorship whatever. The second set comprises bills of quantities upon the letterhead of Siddhant Finserv (OPC) Pvt. Ltd., New Delhi produced for each of ten ULBs. Of greater consequence, the signed sheets carry the columns "Description", "Category", "Qty", "Unit", "Amount" and "Proportional Cost (%)", and they contain no bifurcation between goods and services at all. We observe further that the consultant is not a consultant of the Procuring Entity or of the ULBs. What has been produced is thus a costing prepared for the Applicant by a consultant retained by the Applicant. Nor is any principle stated upon which the individual items have been allocated between the two columns: within the single category "Civil Work", wire fencing, levelling of ground, the weighbridge foundation and paint work are placed in the service column, while the MRF floor and shed, the tipping floor and shed, the windrow platform and shed, road work and the composting pit and shed are placed in the goods column, and no reason for the difference is given.

26. Further, the bifurcation values the Viability Gap Funding; it does not value the goods supplied. What has been apportioned is the Viability Gap Funding, and nothing else. The Applicant has apportioned the sum which the Procuring Entity reimburses, and has left out of account the balance of the capital cost — Rs. 352.52 Lakh out of an estimated Rs.

2,073.63 Lakh — which, upon its own showing at paragraph 8(iv) of the application, it bears itself. The goods embedded in that balance are incorporated into the very same facility, the ownership of which vests in the Government throughout, and they are handed back to the ULBs free of cost at the expiry of the Contract Period. For the reasons already recorded at paragraph 20 above, there is no principled basis upon which they may be excluded from the numerator merely because the Procuring Entity does not separately reimburse them. Upon the Applicant's own submission, the Services component of the ten projects taken together is Rs. 442.87 Lakh in total plant cost. The Tipping fees calculated using contracted tonnage and 3% annual rate escalation, amounts to 4188.76 Lakhs (as mentioned in Table below and reasoned in Para 22 above). Thus, the total services component in this case comes to Rs.4631.63 lakhs (Rs. 442.87 Lakhs + Rs. 4188.76 Lakhs). As the total plant cost is Rs. 2,073.63 Lakh recorded in the Revised Work Order, therefore, the goods component comes to Rs.1630.76 Lakhs (Rs. 2,073.63 Lakhs - Rs. 442.87 Lakhs) and the % of value of goods involved in this work order comes to Rs. 26.04% [Rs.1630.76 Lakhs / (Rs.1630.76 Lakhs +Rs.4631.63 lakhs)*100] which is more than 25 per cent of the value of the composite supply provided in this case.

Year	Rate (₹/tonne)	Tonnage (TPD)	Annual tipping fee (₹ lakh)
Y1	342.00	124.88	155.89
Y2	352.26	124.88	160.56
Y3	362.83	124.88	165.38
Y4	373.71	124.88	170.34
Y5	384.92	124.88	175.45
Y6	396.47	124.88	180.72
Y7	408.37	124.88	186.14
Y8	420.62	124.88	191.72
Y9	433.24	124.88	197.47
Y10	446.23	124.88	203.40
Y11	459.62	124.88	209.50
Y12	473.41	124.88	215.79
Y13	487.61	124.88	222.26
Y14	502.24	124.88	228.93
Y15	517.31	124.88	235.79
Y16	532.82	124.88	242.87
Y17	548.81	124.88	250.15
Y18	565.27	124.88	257.66
Y19	582.23	124.88	265.39
Y20	599.70	124.88	273.35
Total 20 years			4188.76

27. For the reasons recorded at paragraphs 18 to 26 above, we hold that the Applicant has failed to establish that the value of supply of goods constitutes not more than 25 per cent of the value of the composite supply, and that the exemption under Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 is accordingly not available to them. Question No. 4 is answered against the Applicant.

28. Question No. 2 — Viability Gap Funding. Section 2(31) of the GST Act defines "consideration" to include "any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government". The contention of the Applicant in the alternative, and the principal reasoning of the jurisdictional

officer, is that the VGF is a "subsidy given by ... a State Government", that it is, therefore, excluded from "consideration", and that the disbursement consequently falls outside the scope of "supply" under Section 7 altogether. We are unable to accept that contention.

29. The VGF in the present case is not a subsidy in the sense in which that word is used in the exclusion. The Contract Agreement dated 22.12.2023 is executed between the Governor of Rajasthan through the Director cum Special Secretary, DLB, described in terms as "the Procuring Entity", of the one part, and the Applicant, described as "the Contractor", of the other. The DLB is thus the counter-party to the very contract under which the Applicant performs. The VGF is that counter-party's own payment obligation under that contract. It was fixed at the tender stage as part of the price at which the Applicant's bid was accepted; it is disbursed in seven instalments, every one of which is released only against performance. A payment which is fixed by the contract, which is payable by the contracting counter-party under that contract, and which is released only upon that counter-party's satisfaction that contractual milestones have been achieved, is the contract price. It answers precisely the description in clause (a) of Section 2(31) of a payment made "in respect of, in response to, or for the inducement of, the supply". That is a description of payment for work done under a contract. It is not a description of a subsidy. Hence, the VGF is not outside the scope of supply under Section 7 and since the supply being exempt neither under Entry 3B nor under Entry 3A for the reasons already recorded, GST is payable upon the VGF instalments.

30. Question No. 3 — Tipping Fees. The tipping fee of Rs. 342 per metric tonne of waste received and processed, escalating at 3 per cent per annum, is payable monthly by the respective ULBs against invoices verified by the Engineer-In-Charge. It is plainly consideration, within the ordinary and the statutory meaning of that expression, for the operation and maintenance limb of the Applicant's supply. Since, the construction and the operation and maintenance limbs together constitute a single indivisible composite supply, the tipping fee is consideration for that composite supply, which we have held to be a works contract service covered neither by Entry 3B nor by Entry 3A. The tipping fee is accordingly consideration for a taxable supply and GST is payable thereon.

31. Question No. 5 — Works Contract. In view of our findings upon Questions No. 1 and 4, the contingency upon which Question No. 5 is posed has arisen and the question falls to be answered. We find that the character of a supply is a question of law to be determined upon the terms of the contract. Section 2(119) of the GST Act defines "works contract" to mean "a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract".

Both ingredients are satisfied in the Applicant's case. As to immovable property: the MSW Processing Facility comprises civil structures, windrow composting platforms and RDF sheds, a computerised weighbridge of minimum 50 MT capacity, trommels, conveyors, balers, shredders, segregation and electrical systems, erected upon land taken on lease from the concerned Nagar Palika for a term of twenty years, permanently embedded in the earth, and incapable of being dismantled and re-erected elsewhere without substantial damage; the contract itself contemplates that the facility will be handed back in situ at the end of the term, in good operable condition, upon a "Certificate of Taking over" issued by the Engineer-In-Charge. As to transfer of property in goods: the position is already discussed and recorded in above paragraphs. The

contract before us is accordingly a 'Works contract' within Section 2(119), and by Paragraph 6(a) of Schedule II to the GST Act it is to be treated as a supply of services.

Such supply is classifiable under Heading 9954 of the Scheme of Classification of Services annexed to Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, and is chargeable to tax at the rate applicable to works contract services under that notification as amended and as in force at the relevant time.

J. In view of the foregoing facts, circumstances and provisions of the GST law, we pass the following ruling:

RULING

Q1) Whether the services provided by the Applicant comprising design, construction, establishment, development, operation and maintenance of Solid Waste Processing Plants (Compost + RDF) for Urban Local Bodies under the contract awarded by the Directorate of Local Bodies, Rajasthan constitute 'services by way of solid waste management' provided to a Governmental Authority, and are accordingly exempt from the levy of Goods and Services Tax under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Ans. No. The services provided by the Applicant do not constitute "services by way of solid waste management" provided to a Governmental Authority, and are not exempt under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended), for the reasons recorded at paragraphs 8 to 15 of the Discussions and Findings above.

Q2) Whether the amounts received by the Applicant in the nature of Viability Gap Funding (VGF), disbursed by the Directorate of Local Bodies in seven structured instalments against execution milestones and operational performance, is not outside the scope of GST levy under section 7 read with definition of 'consideration' under section 2(31), and if not so, whether such amounts are exempt as part of the exempt supply of solid waste management services to a Governmental Authority in terms of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Ans.- The Viability Gap Funding is "consideration" within the meaning of Section 2(31) of the GST Act for the supply made by the Applicant, and is not outside the scope of supply under Section 7. It is not exempt under Entry 3B (or Entry 3A) of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended). GST is payable on the VGF instalments, for the reasons recorded at paragraphs 28 & 29 of the Discussions and Findings above.

Q3) Whether the Tipping Fees / Service Charges payable by the respective ULBs to the Applicant at the rate of per metric tonne of waste processed during the Operation and Maintenance phase constitute consideration for an exempt supply of solid waste management services to a Governmental Authority in terms of Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Ans.- No. The Tipping Fees / Service Charges constitute consideration for a taxable supply and are not exempt under Entry 3B (or Entry 3A) of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended). GST is payable thereon, for the reasons recorded at paragraph 30 of the Discussions and Findings above.

Q4) Without prejudice to the above, if it is held that the services of the Applicant are not covered under Entry 3B of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended), whether the services provided by the Applicant comprising design, construction, establishment, development, operation and maintenance of Solid Waste Processing Plants (Compost + RDF) for Urban Local Bodies under the contract awarded by the Directorate of Local Bodies, Rajasthan are exempt from the levy of Goods and Services Tax under Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

Ans.- No. The services of the Applicant are not exempt under Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended), the Applicant having failed to establish that the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply, for the reasons recorded at paragraphs 17 to 27 of the Discussions and Findings above.

Q5) Whether, in the event the services provided by the Applicant are not considered as exempt under Entry 3B or Entry 3A of Notification No. 12/2017-Central Tax (Rate), the services provided by the Applicant will constitute taxable Works Contract Services?

Ans.- Yes. The services provided by the Applicant constitute a taxable works contract service within the meaning of Section 2(119) read with Paragraph 6(a) of Schedule II to the GST Act, classifiable under Heading 9954 and chargeable to tax under Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, as amended and as in force at the relevant time, for the reasons recorded at paragraphs 31 of the Discussions and Findings above.

10/09/2026

(Mahipal Singh)
MEMBER
CENTRAL TAX

(Prathvi Raj Meena)
MEMBER
STATE TAX

F. No. AAR/SF/2026-27/ 480-485

Date: 14.09.2026

SPEED POST

M/s CENTRE FOR DEVELOPMENT COMMUNICATION TRUST,
16, Shri Gopal Nagar, Near Maheshnagar Thana, Gopalpura Bypass,
JAIPUR, Rajasthan-302019

Copy to: -

1. The Chief Commissioner, CGST and Central Excise (Jaipur Zone), NCRB, Statue Circle, Jaipur, Rajasthan-302005.
2. The Chief Commissioner, State Tax, Kar Bhawan, Bhawani Singh Road, Ambedkar Circle, C-Scheme, Jaipur-302005.
3. The Pr. Commissioner, CGST and Central Excise, NCRB, Statue Circle, JAIPUR Rajasthan.
4. The Assistant Commissioner, State Tax, Circle- Riddhi-Siddhi-Gopalpura, ZONE- **JAIPUR-3rd,** Divisional Kar Bhawan, Jhalana Dungri, JAIPUR, Rajasthan
5. The Assistant Commissioner, Central Tax, CGST Division- Vaishali Nagar, **Sector-10, Vidhayadhar Nagar, JAIPUR**, Rajasthan