
	<b>KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM</b>	
---	--	---

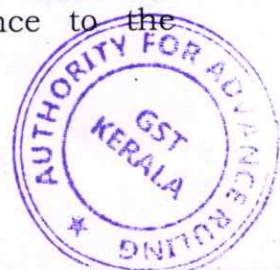
**BEFORE THE AUTHORITY OF : Shri Jomy Jacob IRS &  
: Shri Mansur M.I.**

Legal Name of the applicant	STEEL INDUSTRIALS KERALA LIMITED
GSTIN	32AAECS2705F3ZT
ARN	AD320725003000
Address	Silk Nagar, Athani, Thrissur, Kerala, 680581
Advance Ruling sought for	<p>(i) Whether GST is applicable on the centage charges collected being the centage charges levied for consulting services provided to a Government entity which is covered under Article 243G/243W of the Indian constitution (12th schedule)</p> <p>(ii) Whether the company can claim refund of GST already paid for the year 2017-18 onwards?</p>
Date of Personal Hearing	13-10-2025.
Authorized Representative	Shri.Shajan.T.T, Chartered Accountant

**ADVANCE RULING No. KER/41/2025 Dated 08.12.2025**

**1.** The applicant, M/s STEEL INDUSTRIALS KERALA LIMITED is a Public Sector Undertaking having GSTIN 32AAECS2705F3ZT.

**2.** In this Ruling, a reference hereinafter to the provisions of the CGST Act, Rules or the Notifications issued there under shall include a reference to the



corresponding provisions of the KSGST Act, Rules or the Notifications issued thereunder.

**3. The facts of the issue:** The brief facts of the matter, as submitted by the applicant, are as follows.

3.1 STEEL INDUSTRIALS KERALA LIMITED (hereinafter referred as “SILK” or “the Applicant”) is a Public Sector Undertaking registered under the GST regime. It was established in 1974 by the Government of Kerala with a mission to develop steel based industries and services in Kerala. The company is head quartered at Thrissur and operates multiple manufacturing units and service divisions across the State, and maintains a liaison office at Trivandrum.

3.2 SILK operates as a government accredited agency for the execution of civil, structural and electro mechanical projects in the capacity of a Project Management Consultant (PMC). In addition to its consultancy role, SILK also provides a wide range of services and products, including fabrication, casting, ship building, ship breaking and the manufacture of hospital and home furniture.

3.3 SILK undertook various PMC assignments for client agencies including the Local Self Government Department (LSGD), Scheduled Tribes Development Department (STDD), Kannur District Panchayath, Forest Department and multiple Grama Panchayaths. Some of the projects involved were PMC for installation and repair of Mini and High Mast Lamps for Grama Panchayaths; and development of a Rapid Response Team (RRT) and a Veterinary Emergency Team (VET) at Olavakkode in the Palakkad Forest Division, executed pursuant to a tripartite agreement between the Divisional Forest Officer (DFO), Palakkad, SILK and the project contractor.

3.4 As part of the consideration for the PMC services, SILK collected “centage charges” from the client departments. These centage charges were billed/collected by SILK in respect of the consultancy/PMC activities performed for the



Government entities and local bodies. Centage charges represent a percentage-based consultancy/administrative fee collected by the applicant for project management and supervisory services rendered to Government departments/local authorities.

3.5 During an audit of the Forest Department by the Senior Audit Officer of the Comptroller and Auditor General (C&AG), Kerala, vide audit findings dated 24.10.2024, it was observed that GST had been charged on the centage charges collected by SILK. It was further deemed that it was an “avoidable expenditure on payment of GST on Centage Charges” (amount noted: Rs. 1.91 Lakhs/-), on the basis that the services amounted to “pure services” falling under service code 9983- other professional, technical and business services.

3.6 In consequence of the audit observation, the Forest Department (via letter no. D-1235(3)/2023 dated 24.12.2024) informed SILK that GST would not be paid on future centage charges and requested refund/demands for recovery of GST amounts previously remitted. Similar refund demands and audit observations have been communicated to SILK by other client bodies including Kumbala Grama Panchayath, Kannur District Panchayath and Kavalangad Grama Panchayath.

**4. Applicant’s Interpretation of Law and Position on Taxability** are as follows.

4.1 The applicant undertook PMC assignments for various Government agencies and collected centage charges as consideration for these consultancy/management services.

4.2 Now the applicant is of the view that the centage charges collected by them in respect of the aforementioned PMC services are not liable to GST, considering the nature of the services rendered and the character of the recipient entities.



4.3 The applicant contends that these services were rendered to Government entities and were in relation to functions entrusted to Panchayats and Municipalities under Articles 243G and 243W of the Constitution of India. Additionally, these services were rendered under contractual arrangements, including in some instances through tripartite agreements.

4.4 The applicant further emphasizes that the projects undertaken by them, such as the development of RRT & VET facilities for environmental protection, fall within the scope of functions listed in the 12th Schedule, and are therefore covered under Article 243W. On this basis, the applicant contends that the activity qualifies as pure services provided to Government in relation to constitutionally assigned functions, and is exempt from GST under Serial No. 3 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, read with SRO No. 371/2017.

4.5 Additionally, the applicant submits that the GST amount of Rs. 1.91 Lakhs paid earlier on such services was not legally required and resulted only due to an erroneous application of tax law. It is stated that subsequent audit objections and departmental communications have led to refund related disputes.

4.6 Accordingly, the applicant contends that since the underlying supply is non-taxable/exempt, the GST paid on centage charges was erroneously paid without any tax liability, and therefore the two year limitation prescribed under Section 54 of the CGST Act, 2017 for filing refund claims is not applicable. On this basis, SILK submits that it should be permitted to claim refund of GST already collected/paid on such centage charges for the financial year 2017–18 onwards.

4.7 In support of its position, the applicant relies on the Kerala AAR ruling in the case of Structures India ANZ Project Management Services Pvt. Ltd.(Advance Ruling No. KER/140/2021 dt. 25.06.2022), wherein Project Management

Services provided for civil and infrastructure works to Government agencies such as the Rebuild Kerala Initiative and the Public Works Department were held to be exempt under Entry No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.

4.8 With respect to the refund of GST paid on centage charges, the applicant also places reliance on the decision of the Hon'ble Madras High Court in M/s Lenovo India Private Limited vs. JCIT, wherein it was observed that genuine refund claims should not be rejected solely on the ground of crossing the two year limitation period, in appropriate circumstances.

#### **5. Comments of the Jurisdictional Officer:**

The application was forwarded to the jurisdictional officer as per provisions of section 98 (1) of the CGST Act. The jurisdictional officer has reported that the issue raised in the present application is neither pending nor decided in any proceedings under any provision of the Act.

#### **6. Personal Hearing:**

The applicant was granted an opportunity for a personal hearing on 13.10.2025 through Virtual Mode. Shri.Shajan.T.T, Chartered Accountant represented for the applicant in personal hearing. In the hearing, he explained the nature of activity undertaken by the applicant and reiterated the contentions submitted in the written application..

#### **7. Discussion and Findings:**

7.1. On review of the application, facts of the case and submissions during personal hearing, it is found that the questions fall under Section 97(2) (b) and (e) of the CGST Act, relating to notification applicability and tax liability determination. The application is therefore admitted for consideration on merits.



7.2 The applicant is a Public Sector Undertaking engaged in providing Project Management Consultancy (PMC) services to various local authorities and Panchayaths in the State of Kerala. The applicant undertakes assignments such as supervision, coordination and administrative management of civil, electrical and infrastructure projects, without executing any works contract or supplying goods. As part of such PMC activities, the applicant collects 'centage charges' from the client departments as consideration for the consultancy and project management services rendered.

7.3 In addition to consultancy, the applicant also has manufacturing units and is engaged in activities such as fabrication, casting, ship building/breaking, and the manufacture of hospital and home furniture. However, the present application is confined exclusively to the taxability of 'centage charges' collected in respect of PMC services.

7.4 The main issue under consideration is whether the 'centage charges' collected for the PMC services described in para 7.2 are liable to GST, or whether they fall under the exemption available for 'pure services' under Entry No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. Further, it needs to be determined whether the applicant is eligible to seek refund of the GST already paid on such centage charges for the period from 2017-18 onwards.

7.5 Now Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 provides details of exemptions on supply of services. Entry no. 3 of the said notification is reproduced as under;

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition



3	Chapter 99	Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local 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.	Nil	Nil
---	------------	---	-----	-----

For eligibility under this exemption, the following conditions must be cumulatively satisfied:

- (i) the supply must be pure services (i.e. without supply of goods),
- (ii) the service is being supplied to one of the following entities : Central Government, or State Government, or Union territory, or local authority.
- (iii) the service provided must be in relation to the function entrusted to the Panchayat or Municipality under Article 243G/ 243W of the Constitution.

7.6 The term 'pure services' refers to supply of services without any involvement of supply of goods or transfer of property in goods. In the instant case, the applicant is engaged in rendering PMC services involving supervision, coordination and administrative management of projects, without undertaking



any works contract or supplying any goods. Hence, the supply qualifies as pure services.

7.7.1 Now the recipients of the applicant's PMC services are primarily the following entities:

- (a) Local Self Government Department (LSGD)
- (b) Scheduled Tribes Development Department (STDD)
- (c) Kerala Forest Department
- (d) Kannur District Panchayath
- (e) Various Grama Panchayaths

7.7.2 "Local authority" as per Section 2(69) of the CGST Act, 2017 means-

- (a) a "Panchayat" as defined in clause (d) of article 243 of the Constitution;
- (b) a "Municipality" as defined in clause (e) of article 243P of the Constitution;
- (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal fund or local fund;
- .....
- (f) a Development Board constituted under article 371 and article 371J of the Constitution;.....

7.7.3 (a) The Local Self Government Department (LSGD) is a Department of the State Government responsible for the supervision and administration of local self-government institutions within the State.

(b) The Scheduled Tribes Development Department (STDD) is a Department of the State Government of Kerala entrusted with the planning, implementation and



monitoring of welfare schemes and development programmes for Scheduled Tribes.

(c) The Kerala Forest Department is a Department of the State Government responsible for protection and conservation of forests, wildlife and biodiversity.

(d) Gram Panchayaths and District Panchayaths are rural local bodies established under Part IX of the Constitution and fall within the statutory definition of “local authority” under Section 2(69) of the CGST Act.

7.7.4 Accordingly, the organisations to whom the applicant has rendered services are either State Government Departments (LSGD, STDD, Forest Department) or Local Authorities (District Panchayaths, Grama Panchayaths), and therefore fall squarely within the categories specified in Entry No. 3 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017.

7.8.1 The functions covered under the Eleventh Schedule (Article 243G) are as under:

1. Agriculture, including agricultural extension
2. Land improvement, implementation of land reforms, land consolidation and soil conservation
3. Minor irrigation, water management and watershed development
4. Animal husbandry, dairying and poultry
5. Fisheries
6. Social forestry and farm forestry
7. Minor forest produce
8. Small scale industries, including food processing industries
9. Khadi, village and cottage industries
10. Rural housing
11. Drinking water
12. Fuel and fodder
13. Roads, culverts, bridges, ferries, waterways and other means of communication



14. Rural electrification, including distribution of electricity
15. Non-conventional energy sources
16. Poverty alleviation programme
17. Education, including primary and secondary schools
18. Technical training and vocational education
19. Adult and non-formal education
20. Libraries
21. Cultural activities
22. Markets and fairs
23. Health and sanitation, including hospitals, primary health centres and dispensaries
24. Family welfare
25. Women and child development
26. Social welfare, including welfare of the handicapped and mentally retarded
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes
28. Public distribution system
29. Maintenance of community assets

7.8.2 The functions covered under the Twelfth Schedule (Article 243W) are as under:

1. Urban planning including town planning
2. Regulation of land-use and construction of buildings
3. Planning for economic and social development
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purposes
6. Public health, sanitation conservancy and solid waste management
7. Fire services
8. Urban forestry, protection of the environment and promotion of



- ecological aspects
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
  10. Slum improvement and upgradation
  11. Urban poverty alleviation
  12. Provision of urban amenities and facilities such as parks, gardens, playgrounds
  13. Promotion of cultural, educational and aesthetic aspects
  14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums
  15. Cattle pounds; prevention of cruelty to animals
  16. Vital statistics including registration of births and deaths
  17. Public amenities including street lighting, parking lots, bus stops and public conveniences
  18. Regulation of slaughter houses and tanneries

7.8.3 (a) The Forest Department falls within the scope of "Urban forestry, protection of the environment and promotion of ecological aspects," which is one of the functions listed under the Twelfth Schedule and therefore comes within the purview of Article 243W of the Constitution.

(b) The Scheduled Tribes Development Department (STDD) falls under the function of "Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes," which is included in the Eleventh Schedule and therefore relates to Article 243G of the Constitution.

(c) Similarly, the functions carried out by various District Panchayaths and Grama Panchayaths are activities in relation to matters entrusted to Panchayats under Article 243G or to Municipalities under Article 243W of the Constitution, depending on the nature of the project executed.

7.8.4 Therefore, we are of the opinion that the services rendered by the applicant to the aforesaid Government Departments and local authorities pertain to



activities such as supervision, coordination and administrative management of civil, electrical and infrastructure projects, including projects like the development of RRT & VET facilities for environmental protection. We are also of the opinion that the services involved are pure services and such activities are directly connected with the functions enumerated in the Twelfth Schedule (relating to Article 243W) and the Eleventh Schedule (relating to Article 243G) of the Constitution of India, and therefore qualify as services provided in relation to functions entrusted to Municipalities under Article 243W or to Panchayats under Article 243G. Therefore, we find that the centage charges mentioned in the application are not taxable under GST and are exempted under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as discussed above.

7.9.1 The next issue is whether the applicant can claim refund of Tax already paid and further, they can avail refund of the period over and above the statutory limitation of two years as provided under Section 54 of the CGST Act, 2017. Refund of tax already paid is governed exclusively by Section 54 of the CGST Act, 2017, which requires that refund applications be filed within two years from the relevant date, which in the present case is the "date of payment of tax" as per Explanation (2)(h) to Section 54. This Authority, being a creation of statute, does not possess jurisdiction to extend or relax the statutory time limit prescribed under Section 54.

7.9.2 Refund, if any, must be claimed before the jurisdictional proper officer in accordance with Section 54 of the CGST Act read with Rule 89 of the CGST Rules. Nothing prevents the applicant from claiming a refund of the taxes paid, provided the claim is made within the statutory time limit of two years as stipulated under Section 54. However, this authority cannot comment on the eligibility for refund, since factors not covered under this application, such as the issue of unjust enrichment, need to be examined for granting the refund. It is the prerogative of the jurisdictional officer to consider such matters on merits, on a case-to-case basis.



8. In the light of the facts and legal position as stated above, the following ruling is issued:

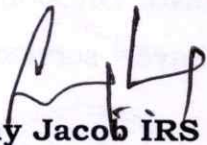
### **RULINGS**

**Question 1-** Whether GST is applicable on the centage charges collected being the centage charges levied for consulting services provided to a Government entity which is covered under Article 243G/243W of the Indian constitution (12<sup>th</sup> schedule)

**Ruling-** GST is not applicable on the centage charges collected for pure PMC / consultancy services provided to Government / local authorities in relation to functions under Article 243G / 243W as these are exempt under Entry 3 of Notification No. 12/2017-CTR, subject to conditions.

**Question 2-** Whether the company can claim refund of GST already paid for the year 2017-18 onwards?

**Ruling-** The applicant can claim refund of GST already paid for the past period, subject to the limitation of two years prescribed under the GST law. However, this authority cannot rule on the eligibility for refund against the claim since all facts related to the eligibility for refund are not available before this authority.



**Jomy Jacob IRS**

Addl. Commissioner of Central Tax  
Member




**Mansur M.I.**

Joint Commissioner of State Tax  
Member



To

M/s STEEL INDUSTRIALS KERALA LIMITED  
Silk Nagar, Athani, Thrissur, Kerala, 680581.

Copy submitted to

1. The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin- 682018.  
[E-mail ID: [cccocoin@nic.in](mailto:cccocoin@nic.in); [ccu-cexcok@nic.in](mailto:ccu-cexcok@nic.in)]
2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
3. The Commissioner of Central Tax and Central Excise, Kochin Commissionerate.
4. The Commissioner of Central Tax and Central Excise, Thiruvananthapuram Commissionerate, GST Bhavan, Statue, Thiruvananthapuram. (E-mail id: [commr-tvmhqrs@gov.in](mailto:commr-tvmhqrs@gov.in))
5. The Commissioner of Central Tax and Central Excise, Calicut Commissionerate.

Copy to :

1. The Additional Commissioner, TPS, HQ, Thiruvananthapuram.
2. The Deputy Commissioner, ITMD, Thiruvananthapuram.
3. The Superintendent, Central Tax, Ayyanthole Range, Thrissur Division.
4. The Assistant Commissioner/ State Tax Officer, Tax Payer services Circle, Vadakkancherry.

