

Govt Tenders to Attract GST, Deemed a Service

Maha Authority for Advance Ruling says any tendering should attract GST on processing fee

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Mumbai: The government's tendering process is all set to come under the goods and services tax (GST) umbrella after a tax ruling has said it constitutes supply of services.

In a recent ruling Maharashtra Authority for Advance Ruling (AAR) said any tendering should attract GST on the processing fee and that 18% GST should apply wherever such forms are bought online or offline.

Tax experts interpret this

in two ways. While one view is that the tendering process should be exempt, the second one holds that tender processing fees do not specifically find mention in the exemption notification, hence should be taxable.

"This ruling is in line with an earlier ruling issued by Maharashtra



AAR in the case regarding Navi Mumbai Municipal Corporation on online/offline tendering and has rightly concluded the activities as supply of services," said Harpreet Singh, partner, KPMG.

From now on any tendering process, which means buying of tenders or forms to apply for any government contract, will come under GST.

Both online and offline tendering would be considered as "supply of service," the

rulings said.

The only difference between online and offline tendering is that in the case of the former, tender forms are sold online and in the case of the latter, the tender forms are sold as printed matter.

In both the cases, forms are sold, collected from the applicant, processed and finally after the entire process of documentation and verification of the applicant's position to perform the contract, tenders are allotted to a particular person to the exclusion of others, the ruling added.

"With this and other rulings on supplies made against fees, charges etc. it becomes critical to appreciate that GST valuation rules specifically provides for duties, fees and charges levied under other laws, to be included under GST," said Singh.