

Hiring of goods transportation vehicle by GTA is exempted from GST

The AAR, Chhattisgarh in the matter of *M/s Prahallad Ray Rekhraj Agarwal [Advance Ruling No. STC/AAR/04/2020/39 dated October 8, 2020]* has ruled that no Goods and Services Tax (“GST”) will be chargeable on the hiring of a transportation vehicle by a Goods Transportation Agency (“GTA”) and also has no liability under Reverse Charge Mechanism (“RCM”).

Facts:

M/s Prahallad Ray Rekhraj Agarwal (“**the Applicant**”) is a Proprietorship firm and is planning to venture business into the business of transportation of goods by road and will issue consignment notes. However, the Applicant does not own any goods transportation vehicle and therefore, will receive hiring services from vehicle owners wherein, the vehicle owner will have complete control over the vehicle including the driver and all incidental expenses. Further, the vehicle owner will raise invoice in the name of the Applicant and the Applicant will further raise invoice in the name of customers whose goods were transported by the Applicant.

The Applicant submitted that the services by way of providing goods transportation vehicle on hire is exempt as per Entry No. 22 (b) of *Notification No. 12/2017- Central Tax (Rate) dated June 28, 2017* (“**the Services Exemption Notification**”) which stated that services by way of giving on hire to a goods transport agency are exempt. Therefore, no liability under RCM shall arise to the Applicant as per *Notification No. 13/2017- Central Tax (Rate) dated June 28, 2017* (“**the Services RCM Notification**”) and no Input Tax Credit (“ITC”) can be claimed by the Applicant.

Issue:

Whether the hiring service of goods transportation vehicle to a GTA is exempt from GST?

Held

The AAR, Chhattisgarh in **Advance Ruling No. STC/AAR/04/2020/39** held as under:

- Noted that, as per the definition of 'GTA' in clause 2(ze) of the Services Exemption Notification, it is confirmed that the Applicant is a GTA as they will be issuing consignment notes while providing the service of transportation of goods.
- Held that, as per the Entry No. 22 (b) of the Services Exemption Notification, the service by way of giving on hire a means of transportation of goods to the Applicant is eligible to Nil rate of GST.
- Further held that, the hire service is classifiable under Heading No. 9966: Rental services of transport vehicles with or without vehicles.
- Further held that, since such supply is taxable at Nil rate, no liability under RCM shall arise upon the Applicant as per the Services RCM Notification.

Relevant Provisions:

Entry No. 22 (b) of the Services Exemption Notification:

<i>“Sl. No.</i>	<i>Chapter, Section, Heading, Group or Service Code (Tariff)</i>	<i>Description of Services</i>	<i>Rate (per cent.)</i>	<i>Condition</i>
22	Heading 9966 or	Services by way of giving on hire – (a) to a state transport undertaking, a motor vehicle meant to carry more than twelve passengers; or	Nil	Nil”

	<p><i>Heading</i> 9973</p>	<p><i>(aa) to a local authority, an Electrically operated vehicle meant to carry more than twelve passengers; or</i></p> <p><i>Explanation- For the purposes of this entry, “Electrically operated vehicle” means vehicle falling under Chapter 87 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) which is run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicle.</i></p> <p><i>(b) to a goods transport agency, a means of transportation of goods.</i></p> <p><i>(c) motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.</i></p>		
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