

Membership subscriptions and Admission fees paid to club not liable to GST

The Hon'ble AAAR, Maharashtra in ***Re: Rotary Club of Mumbai Nariman Point [Order No. MAH/AAAR/SS-RJ/20/2019-20 dated December 11, 2019]*** held that where membership subscription and admission fees received from the members of the club and was utilized solely towards meetings and administrative expenditure and not for providing any specific facility or benefits to its members against such subscription, it would not amount to supply of service. Hence, not liable to GST.

Facts:

Rotary Club of Mumbai Nariman Point ("**the Appellant**") is an International organization having clubs in 216 countries engaged in humanitarian and charitable services. These services are executed through various districts comprising of many Clubs. In order to facilitate the meetings and administration, reimbursements are collected from members. These amounts are then used for meeting out administration and meetings expenses.

Receipts of Rotary Club can be broadly divided into following categories: -

- i). Club receiving Reimbursements from its members: These are purely collected to defray its expenditure on meetings and communications. No facilities/benefits are provided such as recreation, etc. by Individual clubs.
- ii). District receiving its payments from Clubs to meet the expenses of Administration since one district comprises of more than 100 clubs.

Issue:

Whether the amount collected as membership subscriptions and admission fees from members is liable to GST as supply of services?

Held:

The Hon'ble AAAR, Maharashtra in ***Order No. MAH/AAAR/SS-RJ/20/2019-20 dated December 11, 2019*** held as under:

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- The Court observed that the Appellant is not providing any specific facility or benefits to its members against the membership subscription charged by it, as the entire subscription amount is spent towards meetings and administrative expenditures only. The Appellant has categorically submitted that it do not provide any facility or benefit to any of its members against the said subscription or membership fee. Thus, the Appellant is not doing any business as envisaged under Section 2(17) of the Central Goods and Services Tax Act, 2017 (“CGST Act”).
- Since it has been established that the Appellant is not doing any business in terms of Section 2(17) of the CGST Act, the activities carried out by the Appellant would not come under the scope of supply as envisaged under Section 7(1) of the CGST Act.
- If the impugned activities of the Appellant were to be supply, then the membership fees collected by the Appellant, which is purely in the nature of a reimbursement for the meetings and administrative expenditures incurred by the Appellant to sustain and propagate their inherent objectives and programs, would be subject to the double taxation as the amount spent towards the meetings and administrative expenditures is already subjected to GST at the hands of the suppliers of these input services or goods used in the meetings, events and other administrative functions of the Appellant. Thus, doing so would clearly be against the legislature’s intention of the formulation of GST, which certainly does not embrace the idea of double taxation.
- Therefore, the amount collected as membership subscriptions and admission fees from members is not liable to GST as supply of services.

Our Comment:

Similar stand was taken by Hon’ble AAAR, Maharashtra in ***Re: Rotary Club of Mumbai Queens Necklace [Order No. MAH/AAAR/SS-RJ/15/2019-20 dated 06.11.2019]***. However, a contrary ruling has been given by AAAR, West Bengal on same facts in

Association of Inner Wheel Clubs of India [Appeal Case No. 11/WBAAAR/2018 dated 20.03.2019] holding that GST is leviable on such membership fees.

To know more details, kindly watch the video by CA Bimal Jain on “**No GST on Membership Fees and Admission Fees collected by Club from its Members**”- <https://www.youtube.com/watch?v=msCUC5QtqOU>

Relevant Provisions:

Section 2(17)(e) of the CGST Act:

“(17) “business” includes-

(a).....

(b).....

(e) provision by club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;

.....”

Section 7(1) of the CGST Act:

“(1) For the purposes of this Act, the expression “supply” includes-

“all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be “made for a consideration by a person in the course or furtherance of business.”

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