GST Payable on rental, night charges and fuel cost

The AAR, Uttarakhand, in the case of *M/s. Uttarakhand Public Financial Strengthening Project [Ruling No. 15/2022-23 dated March 27, 2023]*, ruled that the service provider has to charge GST on the whole amount of the bill including i.e. monthly rental, night charges and fuel cost.

Facts:

M/s. Uttarakhand Public Financial Strengthening Project ("**the Applicant**") received motor vehicle hire service from M/s. Baba Tour & Travel ("**Service provider-1**") and M/s. Rajeswari Travel (**"Service provider-2"**) (cumulatively referred to as **"the service providers"**).

The service provider- 1 was charging GST @ 5% on the whole amount of bill which includes monthly rental, night charges and fuel on mileage basis, whereas the Service provider- 2 was charging GST @ 5% on monthly rent component of the bill and was not charging GST on night charges and fuel charges.

Issue:

Whether the service provider can charge GST on the whole amount of the bill or only on the amount monthly rental excluding night charges and fuel charges?

Held:

The AAR, Uttarakhand in *[Ruling No. 15/2022-23]* held as under:

- Observed section 15(2)(b) of the Central Goods and Service Tax Act, 2017 (**"the CGST Act"**) which states that the value of a supply of goods or services will be the transactional value, which is the price actually paid or payable for the supply where the supplier and the recipient of the supply are not related persons and the price is the sole consideration for the supply.

- Further observed that, without fuel the motor vehicle cannot operate and without running the act of motor vehicle hire services does not happen, thus, the motor vehicle hire services have the integral component of running/ operating the vehicle to one place to another for transportation.

- Opined that, the contract entered between the Applicant and the Service providers is a comprehensive contract with the consideration and the reimbursement of expenses, such expenses are nothing but the additional consideration for provision of service.

- Observed that, AAR, Karnataka in the case of *M/s. Goodwill Auto's, Hubbali [Advance Ruling No. KAR ADRG 44 /2021 dated July 30, 2021]* held that the cost of the diesel incurred for running DG Set in the course of providing DG Rental Service is nothing but additional consideration for the supply of DG Set on rent as per section 15 of the CGST Act.

- Ruled that, the Service providers has to charge GST on the whole amount of bill which in the instant case is rentals, night charges and fuel cost.

Our comments:

As per Section 103(1) of the CGST Act, the advance ruling is binding only on the Applicant who seeks the advance ruling and the officer who pronounces the ruling. In the present case, the ruling instructs the service providers to charge GST on the whole amount including rental, night charges and fuel cost.

It is to be noted that, AAAR, Tamil Nadu in *M/s. Erode Infrastructure Pvt. Ltd. [2021 (50)G.S.TL. 222 App. AAR. GST]* held that if recipient obtains a ruling on the tax liability of his inward supply of goods or services supplier of such goods or services is not bound by the ruling and is free to assess supply according to his own determination, and, thus ruling will lose its relevance and applicability.

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