

IGST is leviable on the interest component of EMI of loan advanced by the Bank through credit card

The Hon'ble Calcutta High Court in *Mr. Ramesh Kumar Patodia v. Citi Bank NA & Ors. [WPO 547 of 2019 dated June 24, 2022]* held that interest component of Equated Monthly Instalments (“EMI”) of the loan, through credit card services by a bank, attracts payment of Integrated Goods and Service Tax (“IGST”).

Facts:

Mr. Ramesh Kumar Patodia (“**the Petitioner**”) is a holder of a valid credit card issued by Citi Bank (“**the Respondent**”). The Petitioner was offered a loan along with interest above the credit limit of its credit card, wherein, the Petitioner gave his assent to the proposition vide SMS communication. Subsequently, the Petitioner received the loan, repayable in EMI along with interest. After encashing the loan, the Petitioner vide receipt of the credit card statements for two successive periods, detected that IGST @ 18% was being charged on the initial interest as well as on the interest component of the EMI. The Petitioner through several letters protested against the levy of IGST on the interest component of the EMI and requested the Respondent to reverse the said IGST, but no steps were taken for reversing the IGST. Being arrived, this writ petition has been filed.

The Petitioner contended that the loan granted by the Respondent squarely fell under the meaning of “supply” as provided in Section 7 of the Central Goods and Services Tax Act, 2017 and the interest component of the loan which was included in the EMI was the value of such supply of service granted as loan. Such consideration for supply of service by way of granting loan cannot be categorized under credit card service merely because the EMI was mentioned on the credit card statement. Further, the interstate supply of services by way of extending loans for the consideration of payment of interest is exempted from levy of IGST as per **Notification No. 09/2017 - Integrated Tax (Rate) dated June 28, 2017 (“N/N 09”)**.

The Respondent contended that the loan was extended to the Petitioner on the basis of the credit card issued and the interest component of EMI is on account of credit card services, and is not exempted under N/N 09.

Issue:

Whether the IGST is leviable on the interest component of EMI of the loan through credit card services provided by the Respondent?

Held:

The Hon'ble Calcutta High Court in ***WPO 547 of 2019 dated June 24, 2022*** held as under:

- Noted that, the offer of loan was not an offer to all intending borrowers but was restricted to a particular category of persons holding the Citi Bank Credit Card. The criteria for processing the loan, the manner in which the EMI of loan is reflected in the Credit Card statements and the charging of interest in case of shortfall in the payment of the amount due as well as the mode of payment, all goes to prove that the service rendered by the Bank in extending the loan is nothing but a service pertaining to the credit card.
- Observed that, the services rendered by the Respondent by way of extending loans to the Petitioner amounts to credit card services and the interest component of EMI of the loan was nothing but interest involved in credit card services which was not exempted under N/N 09.
- Analysed N/N 09, and stated that the interest involved in credit card services is not exempted.
- Held that, the services rendered by the Respondent by way of extending loans through credit card to the Petitioner attracts IGST on the interest component of the EMI of the loan.

(Author can be reached at info@a2ztaxcorp.com)

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