M/s. Columbia Asia Hospitals Pvt.Ltd. (appellant; the order body also refers to it as Columbia Asia Hospitals Private Limited)

Appellate Authority for Advance Ruling — Karnataka

ORDER NO: KAR/AAAR/05/2018-19 Dated **12.12.2018**

Q Questions Before the Authority

- Whether the activities performed by the employees at the Corporate Office (India Management Office, IMO), in the course of or in relation to employment, such as accounting, other administrative work and IT system maintenance, for units located in other States (distinct persons under Section 25(4) of the CGST Act) shall be treated as a supply under Entry 2 of Schedule I of the CGST Act, or shall not be treated as a supply of service under Entry 1 of Schedule III of the CGST Act.

F Facts

The appellant is a GST-registered healthcare group (GSTIN 29AACCC2943F1ZS) running eleven hospitals across six States, six of them in Karnataka. Its India Management Office in Bangalore handles accounting, administration and IT maintenance for all units, and the IMO's costs such as rent, travel, consultancy and communication are allocated to other units on a turnover basis and cross-charged with GST. The appellant did not treat the employees' work for other units as a supply because it regarded the employees as employed by the single legal entity.

H Ruling

Employees at the Corporate Office (IMO) performing accounting, administrative and IT work for units in other States	**Taxable supply under Entry 2 of Schedule I read with Section 7 of the CGST Act; not excluded by Entry 1 of Schedule III**	Applies to distinct persons under Section 25(4) even without consideration. The order states no HSN code or rate, and the holding is confined to the IMO's services to other units. The appeal was disposed of in this manner (paras 34 and 35).

The Appellate Authority dismissed the appeal and upheld the Karnataka Authority for Advance Ruling's order dated 27.07.2018. It held that **the IMO's accounting, administrative and IT services to its other distinct units are a taxable supply under entry 2 of Schedule I read with Section 7** of the CGST Act. The employee-employer relationship exists only at the IMO, so Entry 1 of Schedule III does not apply.

R Reasoning

The Authority treated the IMO and the other State registrations as distinct persons under Section 25(4), so a transaction between them is a supply under Section 7(1)(c) read with Entry 2 of Schedule I even without consideration. It held that the employee-employer relationship under Entry 1 of Schedule III is assessed

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

separately for each registered unit, so the employees' services to other units are not excluded. The Authority also held that the cost of IMO employees is an integral part of the service and must be valued under Section 15(4) and Rules 28, 30 and 31. It distinguished the ISD mechanism under Section 20 from cross-charge, and it held that the Service Tax decisions relied on by the appellant do not apply under GST.

P Provisions Relied On

- Section 7(1)(a) and 7(1)(c) of the CGST Act
- Section 7(2) of the CGST Act read with Schedule III
- Entry 1 of Schedule III of the CGST Act (services by an employee to the employer)
- Entry 2 of Schedule I of the CGST Act (supply between distinct persons)
- Section 25(4) of the CGST Act (distinct persons)
- Section 22 and 25 of the CGST Act (registration)
- Section 9 of the CGST/KGST Act and Section 5 of the IGST Act
- Section 15(4) of the CGST Act and Rules 28, 30 and 31 of the CGST Rules (valuation)
- Section 16(1) and Section 20 of the CGST Act (ITC and ISD)
- Section 97 and Section 100 of the CGST/KGST Act (advance ruling and appeal)
- Rule 104 of the CGST/KGST Rules (form GST ARA-01)

! For the Practitioner

This order is useful for multi-State groups that route head-office costs through a central unit and cross-charge them, because it confirms that the employee-employer exclusion in Entry 1 of Schedule III is assessed for each registration and cannot shield services to sister registrations. A practitioner advising such a group should check whether its cross-charges attract GST. The order does not decide the valuation of the cross-charge, the ITC position, or whether a cost-only allocation without a service element could be outside the levy. Those points remain open for the full order.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> columbiaasiaappealorder.pdf

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