Appellant: Commissioner of Central Tax, Bangalore North Commissionerate. Respondent who sought the advance ruling: M/s International Flower Auction Bangalore Ltd (IFAB), GSTIN 29AABCI2041M2ZI.

Appellate Authority for Advance Ruling — Karnataka

ORDER NO. KAR/AAAR-12 //2019-20, DATE: 05-02-2020 Dated **05.02.2020**

Q Questions Before the Authority

- Whether the commission earned from auctioning of flowers is covered under entry no. 54(g) of Notification No. 12/2017 - Central Tax (Rate) dated 28.06.2017 and entry no. 54(g) of Notification (12/2017) FD 48 CSL 2017 dated 29.06.2017?

F Facts

IFAB is a joint venture company of private and public shareholders that runs a daily auction of cut flowers. Growers bring flowers to its premises, where they are lotted, sampled and bid on by registered buyers under a Dutch (descending clock) auction, with the grower fixing the minimum price. IFAB collects the sale consideration, pays growers after deducting a 3.5% commission, and charges buyers a 1.5% commission, and it also issues delivery orders and billing.

H Ruling

Whether commission earned from auctioning flowers is exempt under entry 54(g) of Notification 12/2017-CT(Rate) dated 28.06.2017 and the corresponding Karnataka entry 54(g) (FD 48 CSL 2017 dated 29.06.2017)	**Not eligible for exemption. The commission is not exempt under entry 54(g) of either notification.**	The order does not state any rate or HSN. Its answer rests only on the exemption question. It does not decide whether flowers are agricultural produce (para 21) or the correct classification of the service (the appellant's SAC 9961 argument is recorded but not decided).

The Appellate Authority set aside Advance Ruling No. KAR/ADRG 87/2019 dated 26-09-2019 and allowed the department's appeal. It held that **the commission earned from auctioning flowers is not eligible for exemption under entry 54(g)** of the CGST and KGST notifications. IFAB is an agent under section 2(5) but is not a commission agent, and its services fall under auctioneer service.

R Reasoning

The Authority accepted that IFAB acts as an agent of growers and buyers under section 2(5) of the CGST Act, but held that entry 54(g) covers only services of an APMC or Board or of a commission agent for sale or purchase of agricultural produce. It found that IFAB's wide activities, including receiving sale proceeds, paying growers, issuing delivery orders, billing and online remote buying, take it beyond a commission agent and within auctioneer

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

service, which is a different mercantile agent. It distinguished Board Circular 57/31/2018-GST dated 04.09.2018 as relating to entry 3 of Schedule I. Applying the rule that exemption notifications are strictly construed, it refused to read entry 54(g) to cover all mercantile agents, since the legislature would have said so in plain terms.

P Provisions Relied On

- Section 2(5) of the CGST Act, 2017 (definition of agent, including commission agent and auctioneer)
- Sections 97, 99, 100 and 101 of the CGST Act, 2017 and the corresponding KGST Act provisions (appeal and advance ruling…
- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, entry 54(g) of the Sl. No. 54 heading 9986 and para 2(d) of the…
- Notification (12/2017) FD 48 CSL 2017 dated 29.06.2017 (Karnataka corresponding entry 54(g))
- Board Circular No. 57/31/2018-GST dated 04.09.2018 (distinguished)
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, SAC 9961 entry 5 (raised by the appellant, not decided)
- Section 2 of the Finance Act, 1994 definition of commission agent (cited by the appellant)
- T.V. Abdul Nazar v. P.K. Mohammed Kutty, 1985 (7) TMI 381, and Authorised Officer v. S. Naganatha Ayyar (cited by the res…

! For the Practitioner

The order will be useful to tax officers and advisers dealing with auction platforms that claim the entry 54(g) exemption on auction commission, because it holds that a platform that collects sale proceeds and performs auction services is an auctioneer, not a commission agent, for that entry. It does not decide whether flowers or other produce are agricultural produce, the correct rate or SAC for auction services, or the taxability of the platform's other charges such as packing and registration fees. Read the full order before relying on it, particularly for the agricultural produce and classification points it leaves open.

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 -> kar_aaar_12_2019-20_internationalflower.pdf

Prepared 17-11-2026.

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