

M/s. SPFL Securities Ltd., Kanpur

Appellate Authority for Advance Ruling — Uttar Pradesh

Order No. 06/AAAR/18/4/2019 dated 18.04.2019

Q Questions Before the Authority

- Taxability on Delayed Payment Charges on reimbursement of amount by client to Applicant, where client failed to pay amount paid to Stock Exchanges for purchase of securities with T+1 (trading day plus one day) under SEBI Regulation norms and deducted by Stock Exchanges from Applicant Account being purchase consideration of securities which are neither goods nor service under GST.

F Facts

The applicant is a stockbroker engaged in purchasing and selling shares on behalf of clients. When a client fails to pay the purchase consideration to the stock exchange within the T+1 timeframe, the exchange debits the broker's account. The applicant then charges the client a delayed payment fee for the reimbursement of these funds.

H Ruling

Taxability of delayed payment charges on reimbursement of securities purchase consideration

Not liable to pay GST

The charges are for reimbursement of amounts paid to Stock Exchanges for securities, which are neither goods nor services.

The Appellate Authority modified the original ruling, holding that the applicant is not liable to pay GST on these delayed payment charges. The authority concluded that these charges relate to the reimbursement of purchase consideration for securities, which are excluded from the definition of goods and services under the GST Act.

R Reasoning

The authority reasoned that the transaction involves the **reimbursement of purchase consideration** for securities, which are explicitly excluded from the definition of goods and services under Section 2(52) and Section 2(102) of the CGST Act. Furthermore, the authority relied on the **CBIC FAQ on Banking, Insurance, and Stock** (S. No. 80), which clarifies that interest or delayed payment charges on settlement obligations are in the nature of extending loans or advances and are covered by the exemption under entry No. 27 of notification no. 12/2017-Central Tax (Rate). Consequently, the delayed payment charges are considered linked to the exempted service of trading in securities.

P Provisions Relied On

Section 2(52) of the CGST Act, 2017

Section 2(102) of the CGST Act, 2017

Entry No. 27 of Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017

CBIC FAQ on Banking, Insurance, and Stock (S. No. 80)

! For the Practitioner

This ruling provides significant relief to stockbrokers by confirming that **delayed payment charges** collected from clients for the reimbursement of securities purchase consideration are not subject to GST. It reinforces the position that such charges are linked to the underlying exempted transaction of trading in securities. Practitioners should note that this applies specifically to the reimbursement of purchase consideration and may not extend to other types of service-related penalties.

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 -> up_aaar_06_2018-19_18.04.2019_spflsl.pdf

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