

M/s YKK India Pvt Ltd.

Appellate Authority for Advance Ruling — Haryana

HAAR Order No. HAR/HAAR/R/2018-19/04 dated 11.07.2018 (modified by...

Q Questions Before the Authority

- Whether the applicant (YKK) is eligible to take input tax credit on GST charged by the Contractor for hiring of buses for transportation of employees?
- Whether the applicant (YKK) is eligible to take input tax credit on GST charged by the Contractor for hiring of cars for transportation of employees?
- Whether the restriction on 'Rent a Cab' service specified in Section 17(5)(b)(iii) is applicable to input tax credit on GST charged by the Contractor for hiring of buses for transportation of employees?
- Whether the restriction on 'Rent a Cab' service specified in Section 17(5)(b)(iii) is applicable to input tax credit on GST charged by the Contractor for hiring of cars for transportation of employees?

F Facts

The applicant is engaged in the manufacturing of slide fasteners and related products at a remote location in Haryana. To ensure employees reach the factory, the applicant contracts with service providers to supply buses and cars for employee transportation. The applicant sought an advance ruling on the eligibility of input tax credit (ITC) for the GST charged on these transportation services.

H Ruling

ITC on hiring of buses	Eligible for buses with seating capacity > 13 persons from 30.08.2018	Prior to 30.08.2018, ITC was not admissible
ITC on hiring of cars	Not eligible	Restriction on 'Rent-a-Cab' service applies
Section 17(5)(b)(iii) restriction on buses	Applicable at the relevant time	No restriction after 30.08.2018 for vehicles with seating capacity > 13
Section 17(5)(b)(iii) restriction on cars	Applicable	ITC not available even after 30.08.2018 for vehicles with seating capacity <= 13

The Appellate Authority modified the original ruling, holding that ITC is admissible for buses with an approved seating capacity of more than thirteen persons following the amendment to the CGST Act effective from 30.08.2018. However, ITC remains inadmissible for cars and for buses with a seating capacity of thirteen or fewer persons. The restriction under Section 17(5)(b)(iii) regarding 'Rent-a-Cab' services was held to be applicable to the hiring of cars and smaller vehicles.

R Reasoning

The authority determined that the hiring of vehicles for passenger transportation falls under the scope of 'rent-a-cab' services, which were restricted under Section 17(5)(b)(iii) of the CGST Act. It noted that the CGST (Amendment) Act, 2018, introduced a specific exception for motor vehicles with an approved seating capacity of more than thirteen persons. Consequently, the eligibility for ITC depends on the seating capacity of the vehicle and the date of the transaction relative to the 30.08.2018 amendment. The authority rejected the applicant's argument that 'hiring' is distinct from 'renting' for the purposes of the GST statute.

P Provisions Relied On

Section 16 of the CGST Act, 2017

Section 17(5)(b)(iii) of the CGST Act, 2017

Section 101(1) of the CGST Act, 2017

Central Goods and Services Tax (Amendment) Act, 2018

! For the Practitioner

This ruling clarifies that the **seating capacity** of the vehicle is the decisive factor for claiming ITC on transportation services post-30.08.2018. Practitioners can use this to advise clients that hiring buses with a capacity exceeding thirteen persons is eligible for ITC, while cars and smaller vehicles remain blocked under the 'rent-a-cab' restriction. It does not provide relief for hiring arrangements involving smaller vehicles regardless of the 'hiring' versus 'renting' distinction.

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 -> haryana aaar ykk 2019 06.2019.pdf

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