Rotary Club of Mumbai Nariman Point (Appellant)

Appellate Authority for Advance Ruling — Maharashtra

ORDER NO. MAH/AAAR/SS-RJ/20/2019-20 Date- 11.12.2019 Dated **11.12.2019**

Q Questions Before the Authority

- Whether contributions from members to the Administration Account, recovered for expending on weekly and other meetings and petty administrative expenses (including location and light refreshments), amount to or result in a supply within the meaning of supply?
- If yes, whether that supply is a supply of goods or services?
- Whether the applicant would be a taxable person under the Act?
- If yes, who is the person responsible for GST, given that office bearers change every year?
- Whether the collection of funds under a common pool and spending the same back on the contributors would entail supply as defined in law?
- If yes, whether that supply is a supply of goods or services?

F Facts

The Rotary Club collects annual budgeted contributions from its members, including per capita dues payable to Rotary International and the district, and runs a separate Administration Account that meets the costs of weekly meetings, communication, printing, stationery and similar expenses. Office bearers hold one-year honorary posts, and the club says that any annual deficit is usually borne by office bearers or members, with no recreation or other facilities provided to members. The AAR had held the membership subscription and admission fees taxable as supply of services, and the club appealed.

H Ruling

Whether membership subscription and admission fees collected from members are taxable as supply of services	****Not liable to GST as supply of services****	The order does not answer the six AAR questions item by item. It states that the answers to the other questions follow from this core finding and need no separate discussion.

The Appellate Authority set aside the AAR ruling and held that the amounts collected as membership subscription and admission fees from members are not liable to GST as supply of services. The club was found not to be carrying on business, so the transaction is not a supply under section 7(1). The order does not separately answer the six questions, saying the remaining answers follow from the core finding.

R Reasoning

The authority first examined the definition of business in section 2(17), specifically clause (e) on provision of facilities or benefits to members by a club or association. It found that the entire subscription is spent on meetings and administrative expenses and that no facility or benefit is provided to members, so the club is not doing

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

business. Because section 7(1) requires supply to be made in the course or furtherance of business, the activity was held outside the scope of supply. The authority also reasoned that taxing the reimbursement would result in double taxation, since the underlying inputs already bear GST, which the legislature did not intend. The order does not address the appellant's deemed-acceptance argument under section 98(6), nor the mutuality case law cited by the appellant.

P Provisions Relied On

Section 7(1) of the CGST Act, 2017 (scope of supply)

Section 2(17)(e) of the CGST Act, 2017 (business includes provision by a club, association or society of facilities or benefits t…

Section 98(6) of the CGST Act, 2017 (time limit for advance ruling), argued by appellant and not decided

! For the Practitioner

This order helps unincorporated clubs and member bodies that collect pure cost-sharing contributions with no member benefits, by holding such collections outside the definition of business and so outside supply. A practitioner should note that the holding rests on the finding that no facilities or benefits are provided, and that the order does not rule on the mutuality, deemed-acceptance, or taxable-person and liability questions. Those points remain open for other clubs whose members receive facilities or whose arrangements differ.

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 -> mh aaar ss-rj 20 2019-20 11.12.2019.pdf

Prepared 15-11-2026.

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