M/s Cadmaxx Solutions Education Trust, No.2095, 5th Main, 9th Cross, Vijayanagar 2nd Stage, Bengaluru 560104 (GSTIN 29AABTC0127F1Z6)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 85/2019, dated 25th September 2019 Dated **25.09.2019**

Q Questions Before the Authority

- Does the reimbursement of the monthly stipend, which the Trust collects from the client and passes on in full to the trainee, attract GST?
- Does the predetermined training charge that the Trust levies for continuing to train the trainee to acquire skills and enhance employability attract GST?
- Does the recovery, on a monthly basis, of the Group Health Insurance and Workmen Compensation premium for deployed trainees, at a rate based on the premium, attract GST?
- Does the Trust's recovery of expenditure incurred on onboarding the trainee attract GST?
- Does the on-rolls conversion charge the Trust collects if the client absorbs a trainee into its regular employment attract GST?

F Facts

The applicant is a trust registered under section 12A of the Income Tax Act and a NEEM (National Employability Enhancement Mission) facilitator under the AICTE regulations. It places trainees with client companies for on-the-job training of three to 36 months, under agreements in which the client pays a stipend (passed on in full to the trainee), a training fee, insurance and workmen compensation premiums, and sometimes a one-time sourcing fee or on-rolls absorption fee. The applicant contended that these services fall under heads 9991, 9992, 9983 and 9985 and are therefore exempt.

H Ruling

Reimbursement of trainee stipend collected from client and paid to trainee	**Does not attract tax under the GST Acts**	The authority treated the applicant as a conduit for the trainee-to-client service; the stipend is not the applicant's consideration.
Additional training charge for trainees, paid by the client (trainer company)	**Taxable at 9% CGST under entry 35 of Notification 11/2017-Central Tax (Rate) dated 28.06.2017; 9% SGST under entry 35 of Notification (12/2017) No. FD 48 CSL 2017 dated 29.06.2017**	Not exempt under Notification 12/2017-Central Tax (Rate), because the applicant did not establish a qualifying training-partner approval.

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

Recovery of Group Health Insurance and Workmen Compensation premium from client	**Not liable to tax under the GST Acts**	Treated as reimbursement of premium actually paid, with the trainee as beneficiary; any tax on the policy would be collected by the insurer.
Recovery of onboarding expenditure, as raised in the question (the order's ruling addresses sourcing fees at this point)	**Sourcing fees taxable at 9% CGST under entry 23(ii) of Notification 11/2017-Central Tax (Rate) dated 28.06.2017; 9% SGST under entry 23(ii) of Notification (12/2017) No. FD 48 CSL 2017 dated 29.06.2017**	The mapping of this ruling to question (d) is inferred from paragraph 6.6 of the order and should be checked against the question wording.
On-rolls conversion (absorption) charge collected when client employs the trainee	**Taxable at 9% CGST under entry 23(ii) of Notification 11/2017-Central Tax (Rate) dated 28.06.2017; 9% SGST under entry 23(ii) of Notification (12/2017) No. FD 48 CSL 2017 dated 29.06.2017**	Treated as a supply of service under SAC 998519.

The stipend reimbursement and the reimbursed insurance and workmen compensation premiums are outside GST. The additional training fee, the sourcing fee and the on-rolls conversion charge are each taxable at 9% CGST and 9% SGST. The applicant's claimed exemption under the charitable-activities entry was rejected because its activities are not listed charitable activities, and it had not shown approval as a training partner under the NSDC, SSC or DDU-GKY schemes.

R Reasoning

The authority held that the applicant's section 12A registration alone does not bring its supplies within the exemption in entry 1 of Notification 12/2017-Central Tax (Rate), because the clause (r) definition of charitable activities covers only listed categories (public health, religion, education or skill development for specified groups, and environment), and the applicant's activities fall outside them. It also found no evidence that the applicant was an NSDC or SSC approved training partner or a DDU-GKY provider, so the skill-development exemption was unavailable. On the stipend and premiums, it found that the client pays the trainee's consideration through the applicant, which acts only as a conduit, so these amounts are not taxable in the applicant's hands. The fees for additional training, sourcing and absorption were held to be consideration for the applicant's own services and taxed at the rates in the cited entries.

P Provisions Relied On

Central Goods and Services Tax Act, 2017, section 97 and section 98(4)

Karnataka Goods and Services Tax Act, 2017, section 97 and section 98(4)

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Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, entry 1 and paragraph 2(r) (definition of charitable activities)

Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, entry 35

Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, entry 23(ii)

Notification (12/2017) No. FD 48 CSL 2017 dated 29.06.2017 (Karnataka), entries 35 and 23(ii)

Income Tax Act, 1961, section 12A and section 12AA

AICTE NEEM Regulations 2017 (as referred to in the order)

! For the Practitioner

This ruling is useful for placement and staffing trusts that act as conduits for trainee stipends and pass-through insurance premiums, since it confirms those flows are outside GST. It also warns that a section 12A registration does not by itself secure the charitable-services exemption, and that training fees, sourcing fees and absorption charges are taxable at 9% CGST and 9% SGST. The order does not decide whether a trust with listed charitable or approved skill-training status would be exempt, and it turns on the applicant's specific evidence and contract terms.

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_aar_85_2019_25.09.2019_cset.pdf

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