

M/s Columbia Asia Hospitals Private Limited

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 15 / 2018 dated 27th July 2018

Dated 27.07.2018

Q Questions Before the Authority

- Whether the activities performed by the employees at the corporate office in the course of or in relation to employment such as accounting, other administrative and IT system maintenance for the units located in the other states as well i.e. distinct persons as per Section 25(4) of the Central Goods and Services Tax Act, 2017 (CGST Act) shall be treated as supply as per Entry 2 of Schedule I of the CGST Act or it shall not be treated as supply of services as per Entry 1 of Schedule III of the CGST Act?

F Facts

The applicant is a private limited company operating a chain of hospitals across six states, with its India Management Office (IMO) located in Karnataka. Employees at the IMO perform centralized management, administrative, accounting, and IT system maintenance services for all operational units across different states. While third-party expenses like rent and consultancy were cross-charged to other units, the applicant did not cross-charge employee salary costs, claiming protection under the employee-employer exclusion under GST.

H Ruling

Activities performed by corporate office employees for distinct units in other states

Treated as supply as per Entry 2 of Schedule I of the CGST Act

Employee-employer relationship exists only with the employing corporate unit, not with distinct units in other states.

The AAR held that activities performed by employees at the corporate office for units in other states constitute a **taxable supply of services** between distinct persons under Entry 2 of Schedule I of the CGST Act. The authority ruled that the employee-employer relationship exists solely between the employee and the specific registered office employing them, not with distinct units in other states. Consequently, corporate office allocations to distinct entities must be treated as taxable supplies, and their valuation must explicitly include **employee costs**.

R Reasoning

The authority reasoned that under Section 25(4) of the CGST Act, units of the same legal entity located in different states holding separate registrations are distinct persons. Under Section 7(1)(c) read with Entry 2 of Schedule I, any supply of goods or services between distinct persons in the course or furtherance of business constitutes a supply, even if made without consideration. While Entry 1 of Schedule III excludes services by an employee to an employer from being treated as a supply, this relationship exists strictly between the employee and the specific registered entity that hired them. The IMO employees have no direct employment relationship with the distinct registered units in other states, making the support services taxable cross-charges whose valuation under Section 15 must incorporate all overhead costs, including employee salaries.

P Provisions Relied On

Section 7(1)(c) of the CGST Act, 2017

Section 7(2) of the CGST Act, 2017

Section 15 of the CGST Act, 2017

Section 25(4) of the CGST Act, 2017

Entry 2 of Schedule I of the CGST Act, 2017

Entry 1 of Schedule III of the CGST Act, 2017

! For the Practitioner

This ruling established the principle that multi-state corporate entities must cross-charge administrative overheads, specifically including **employee salary costs**, to distinct registered units in other states. It settles that corporate employment cannot be extended across state lines to claim Schedule III immunity for inter-unit services. Tax practitioners must ensure that corporate office cross-charge mechanisms accurately factor in employee costs for GST valuation purposes.

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 -> [krntk_15_2018_cahpl.pdf](#)

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com