Crown Beers India Private Limited

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-31/2018-19/B-102, Mumbai, dt. 4/9/2018 (the date is handwr… Dated **04.09.2018**

Q Questions Before the Authority

- Whether CGST under Section 9(1) of the CGST Act, MGST under Section 9(1) of the MGST Act, or IGST under Section 5(1) of the IGST Act can be levied on the fixed fee and costs paid by the applicant to Privilege Industries Limited (PIL) for brewing, packaging and supplying beer, given that supply of alcoholic liquor for human consumption is excluded from the levy.
- Without prejudice to the above, if the supply of beer is held to be a service by way of job work in relation to beer, what rate of CGST/UTGST/IGST shall be levied on the taxable supply?

F Facts

The applicant entered into a tie-up agreement with PIL, which has surplus manufacturing capacity at its bottling unit in Satara. Under the agreement, PIL brews, packages and supplies beer to buyers and distributors in the applicant's territory, and the applicant pays PIL a fixed fee plus specified costs such as raw materials, labour, power and insurance. The applicant asked whether GST can be levied on those payments when the product is alcoholic liquor for human consumption.

H Ruling

Whether CGST/MGST/IGST can be levied on the fixed fee and costs paid by the applicant to PIL for brewing, packaging and supplying beer	**Tax is to be discharged by PIL on the fixed fee received, and not on the costs received.**	The answer is given on the basis that the costs are reimbursements of inputs and that the fixed fee is consideration for the job work.
If supply of beer is a service by way of job work, what rate of CGST/UTGST/IGST applies	**No rate stated. The order holds that supply of beer per se is not taxable under GST, and that the taxable item is the job work service provided by PIL to the applicant.**	The question is answered only in principle. The rate is not specified anywhere in the operative answer.

The authority held that the costs paid to PIL are not taxable, since they are reimbursements for inputs that PIL buys on its own account. Tax is payable by PIL only on the fixed fee it receives. Beer as such is not taxable under GST, but the job work that PIL performs for the applicant is a taxable service. The order does not state any rate for the second question.

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

R Reasoning

The authority accepted that the costs paid by the applicant are for inputs that PIL purchases and arranges for itself, so no supply of goods or services takes place between them on those costs. It treated the fixed fee as consideration for brewing, packaging and supplying beer, which is a job work service rendered by PIL to the applicant. The order relies on the definition of 'supply' in Section 7 of the CGST Act, on the exclusion of alcoholic liquor for human consumption under Section 9(1) of the CGST and MGST Acts and Section 5(1) of the IGST Act, and on the observation that beer as such falls outside GST. Because the taxable activity is job work, the answer to the second question turns on the classification of that service, which the order does not address.

P Provisions Relied On

- Section 7, CGST Act, 2017 (definition of supply)
- Section 9(1), CGST Act, 2017 and MGST Act, 2017 (levy on intra-State supply, excluding alcoholic liquor for human consump…
- Section 5(1), IGST Act, 2017 (levy on inter-State supply, excluding alcoholic liquor for human consumption)

! For the Practitioner

The order is useful for contract bottling arrangements in which a fixed fee is paid together with pass-through input costs. It indicates that pass-through input costs are not taxable where the contract manufacturer buys the inputs on its own account. It does not fix a rate for job work on beer, so the second question remains open. The ruling binds only the applicant and rests on the particular terms of the agreement. An appeal lies to the Maharashtra Appellate Authority for Advance Ruling, as noted in the order.

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 -> maha-gst-ara-31-b-102_dt._04.09.18_cbipl.pdf

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