M/s Haryana State Warehousing Corporation, Bay No. 15-18, Sector-2, Panchkula, Haryana (GSTIN 06AAACH3948K1ZF)

Authority for Advance Ruling — Haryana

ADVANCE RULING NO.HAR/HAAR/R/2019-20/22 (In Application No.: 22/2… Dated **03.03.2020**

Q Questions Before the Authority

- (a) Whether interest charged for delay in delivery of goods is taxable under Section 9 of the CGST Act, 2017 or HGST Act, 2017, or exempt under Section 11 of the CGST Act, 2017 or HGST Act, 2017.
- (b) What is the HSN Code of the service mentioned in para (a).

F Facts

The applicant is a statutory warehousing corporation that procures paddy from arthias in Haryana and gets it milled by rice millers on behalf of the State and Central Governments. Under its written contracts with the rice millers, the millers pay 12% per annum, computed daily, as interest for delay in delivering milled rice within the contractual period, and the applicant books this as holding charges. The applicant does not sue for specific performance but accepts the delay and levies the holding charges.

H Ruling

Whether interest charged for delay in delivery of goods (holding charges) is taxable or exempt	**Taxable under Section 9 of the CGST Act, 2017**	The order treats the charge as a supply of service under para 5(e) of Schedule II. It does not expressly rule on the HGST Act limb of the question. No exemption under Section 11 is recognised.
HSN Code of the service in (a)	**HSN 999794 (Agreeing to tolerate an act)**	The order states the service 'merits classification' under this code. No rate of tax is stated in the order.

The authority held that interest charged for delay in delivery of goods is **taxable under Section 9 of the CGST Act, 2017** . It also held that the service **merits classification under HSN 999794** (agreeing to tolerate an act). The order does not record any finding that the supply is exempt under Section 11.

R Reasoning

The authority reproduced Section 9 and Section 11 of the CGST Act and para 5 of Schedule II, and then found that para 5(e), which treats agreeing to tolerate an act or situation as a supply of services, applies. It accepted the applicant's submission that the three elements of toleration were met: a written contract, a benefit to the miller (extended time) and a corresponding obligation to pay interest on delay, and the applicant's toleration of the delay without seeking specific performance. On that basis it held that the holding charges are consideration for a taxable service, so the exemption route under Section 11 was not engaged. The order relies on the applicant's own characterisation of the facts and does not separately test whether the charge is liquidated damages under Sections 73 and 74 of the Indian Contract Act, 1872, which the applicant had set out.

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

P Provisions Relied On

- Section 9, CGST Act, 2017 (levy and collection)
- Section 11, CGST Act, 2017 (power to grant exemption from tax)
- Para 5(e), Schedule II, CGST Act, 2017 (agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or…
- HSN 999794 (Agreeing to tolerate an act), as listed in the order
- Sections 73 and 74, Indian Contract Act, 1872 (cited by the applicant on liquidated damages)
- Section 97(2)(a) and (e) of CGST/HGST Act, 2017 (grounds on which the application was raised)

! For the Practitioner

This order helps public sector and other procurement agencies that charge delay or holding interest under supply contracts, because it confirms such charges are taxable services under Section 9 and classified under HSN 999794. It is a single-authority ruling from Haryana and is not binding on other states, though the Central member is a party to it. The order does not decide the tax rate, the valuation under Section 15, or whether the charge is better characterised as liquidated damages not chargeable to GST, and a practitioner should check the full order and the applicant's submissions before relying on it for those points.

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 -> har_aar_22_2019-20_03.03.2020_hswc.pdf

Prepared 19-11-2026.

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

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

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

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

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

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