M/s Informatics Publishing Ltd., No.194, R.V. Road, Basavanagudi, Bengaluru 560004 (GSTIN 29AACCT4896Q1Z8)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 75/2019, dated 24th September 2019 (as… Dated **24.09.2019**

Q Questions Before the Authority

- Whether input tax credit is available when online educational journals and periodicals are supplied to educational institutions other than pre-school and higher secondary school or equivalent, which is exempt by virtue of Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018?

F Facts

The applicant imports online journals from foreign publishers and supplies them mainly to educational institutions, and it argues that the conditional exemption under Notification No. 2/2018-CT(Rate) means the supply is not exempt for Section 17 purposes, so input tax credit should be available. The authority examined the arrangement and found that the applicant does not publish or sell journals. It provides subscribers with a catalogued database of links to articles, with access to full text in some cases, and charges a subscription fee for that access.

H Ruling

Input tax credit on supply of online journals and periodicals to educational institutions (other than pre-school and higher secondary) claimed exempt under Notification 2/2018-CT(Rate)	****Input tax credit is not restricted**; the supply is taxable, not exempt**	The authority recast the activity as database access under SAC 998431, taxable at 9% CGST and 9% KGST under entry 22 of Notification 11/2017. The ruling does not decide whether a genuine supply of online journals would qualify for the Notification 2/2018 exemption.

The authority held that providing access to online content is an online information and database access and retrieval service classifiable under SAC 998431, not a supply of online educational journals. It is taxable at 9% CGST under entry 22 of Notification No. 11/2017-Central Tax (Rate) and at 9% under the KGST Act under entry 22 of Notification (11/2017) No. FD 48 CSL 2017. Because the transaction is not exempt, Section 17(1) and 17(2) do not restrict input tax credit.

R Reasoning

The authority first examined the actual transaction and found that the applicant only provides access to articles through a metadata database, so the exemption in serial no. 66(b)(v) of Notification 12/2017-CT(Rate), as amended by Notification 2/2018, did not apply on its terms. It then classified the service under SAC 998431 and taxed it at 9% under entry 22 of Notification 11/2017. Since the supply was not exempt, the bar in Section 17(1) and 17(2) read with Rule 42 did not arise. The applicant's reliance on Sobha Developers and Deloitte Haskins &

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

Sells, both on conditional exemptions under the erstwhile CENVAT regime, was not separately discussed in the findings.

P Provisions Relied On

- Section 17(1) and Section 17(2) of the CGST Act, 2017 (and SGST/IGST equivalents)
- Rule 42 of the CGST Rules
- Section 2(47) of the CGST Act (definition of exempt supply)
- Section 11 of the CGST Act (as cited in the order)
- Section 97 and Section 98(4) of the CGST Act and KGST Act
- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, serial no. 66(b)(v), as amended by Notification No. 2/2018-Ce…
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, entry 22
- Notification (11/2017) No. FD 48 CSL 2017 dated 29.06.2017, entry 22
- SAC 998431 (heading 9984, group 99843)
- Section 5(4) and Section 13(12) of the IGST Act (cited by the applicant in its submissions, not relied on by the authority)

! For the Practitioner

Vendors of online database or article-access platforms to educational institutions can use this ruling to support taxing such access at 9% under SAC 998431 with input tax credit unrestricted. It is useful where a supplier's service is characterised as database access rather than a supply of journals. It does not decide whether a genuine supply of online educational journals to eligible institutions qualifies for the Notification 2/2018 exemption, and it binds only the applicant on its own facts. Readers should check the full order for the facts on which the characterisation rests.

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_75_2019_ipl_24.09.19.pdf

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