M/s International Flower Auction Bangalore Ltd., No.24, Bellary Road, Hebbal, Bengaluru 560024 (GSTIN 29AABCI2041M2ZI)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 87/2019, dated 26th September 2019 Dated **26.09.2019**

Q Questions Before the Authority

- Whether the commission earned from auctioning of flowers is covered under entry no. 54(e) and (g) of Notification No. 12/2017 - Central Tax (Rate) dated 28.06.2017, and entry no. 54(e) and (g) of Notification (12/2017) FD 48 CSL 2017 dated 29.06.2017?

F Facts

The applicant is a joint-venture company that runs a daily auction of cut flowers. Growers, who must be registered members, bring flowers to its premises, and buyers bid in a Dutch (descending-price) auction. The applicant charges growers 3.5% and buyers 1.5% as commission, which is its main source of revenue, and it withdrew the ruling sought on entry 54(e) because it provides no standalone storage service.

H Ruling

Commission earned from auctioning flowers under entry 54(g) of Notification 12/2017-CT(Rate) (CGST)	**Exempt from CGST**	Applicant is a commission agent for sale or purchase of agricultural produce (cut flowers). Entry 54(e) was withdrawn by the applicant and not decided.
Commission earned from auctioning flowers under entry 54(g) of Notification (12/2017) FD 48 CSL 2017 (KGST)	**Exempt from KGST**	Same reasoning as the CGST position. Entry 54(e) was withdrawn and not decided.

The authority held that the commission received for facilitating the purchase and sale of cut flowers is covered by clause (g) of entry 54 of Notification No. 12/2017-Central Tax (Rate) and is therefore **exempt from CGST** . It held the same position under clause (g) of entry 54 of Notification (12/2017) FD 48 CSL 2017 for the Karnataka GST Act, so the activity is **exempt from KGST** as well. The revenue department's view that the activity falls under SAC 9961 (wholesale trade) was rejected.

R Reasoning

The authority accepted that cut flowers are agricultural produce under para 2(d) of the Explanation to the Notification, since they are produce of plant cultivation with no processing. It found that the applicant is a commission agent under section 2(5) of the CGST Act, and that its services for sale or purchase of agricultural produce fall within clause (g) of entry 54. It examined CBIC Circular 57/31/2018-GST dated 04.09.2018 (para 7) on principal-agent relationships. Although the applicant issues invoices for growers' goods, the authority treated

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the growers as principals and the applicant as their agent, so the revenue's SAC 9961 characterisation was not accepted.

P Provisions Relied On

- Section 97, CGST Act, 2017 and Section 97, KGST Act, 2017 (advance ruling application)
- Section 98(4), CGST Act, 2017 and Section 98(4), KGST Act, 2017 (order)
- Section 2(5), CGST Act, 2017 (definition of agent)
- Schedule I, Entry 3, CGST Act, 2017 (as applied to the grower-applicant relationship)
- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, entry 54(g), and para 2(d) of the Explanation (definition of agri…
- Notification No. 12/2017 (FD 48 CSL 2017) dated 29.06.2017, entry 54(g) (Karnataka)
- CBIC Circular No. 57/31/2018-GST dated 04.09.2018, para 7 (principal-agent relationship)

! For the Practitioner

This ruling is useful for auction houses and commission agents in agricultural markets, including flower and produce auctions, that charge commission to growers or buyers. It supports exemption for such commission under entry 54(g) in both the CGST and KGST notifications, and it rejects the wholesale trade classification. The ruling does not decide entry 54(e), which the applicant withdrew, and it is binding only on the applicant. It also does not address activities such as packing charges or registration charges, which the applicant listed as other income.

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_87_2019_26.09.2019_ifabl.pdf

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