M/s. CHENNAI PORT TRUST

Authority for Advance Ruling — Tamil Nadu

ORDER No.32 /AAR/2019 DATED: 25.07.2019 (Tamil Nadu Advance Rulin… Dated **25.07.2019**

Q Questions Before the Authority

- Whether the applicant is entitled to take credit of input tax charged on the inward supply of (i) medical and diagnostic equipment; (ii) medical apparatus and instruments, medical consumables and disposable items, and other machinery installed in the in-house hospital; (iii) spares for such equipment, apparatus, instruments and machinery; and (iv) repairing services for the same, where these are used or intended to be used in the course or furtherance of the applicant's business.
- The question is further made subject to (1) conditions and restrictions prescribed in the CGST Rules 2017, particularly rules 36 to 45; (2) conditions in sub-sections (2) to (4) of section 16; (3) the manner specified in section 49; and on the presumption that these inward supplies are not blocked credit under section 17(5)(e), 17(5)(h) and 17(5)(i).

F Facts

The applicant, a major port trust, runs an in-house hospital within the port premises for its employees, pensioners, their dependents and family pensioners under two Chennai Port Trust regulations made under the Major Port Trusts Act, 1963. The hospital is treated as a cost centre; treatment, in-patient food and medicines are provided free of charge, and the applicant buys the medical equipment, consumables, spares and repair services needed for it. The applicant argued that the goods and services are not for personal consumption because the applicant itself pays for them.

H Ruling

Input tax credit on medical and diagnostic equipment, medical apparatus and instruments, consumables and disposables, other machinery, spares, and repairing services, for the in-house hospital (employees, pensioners and dependents)	**Not entitled to take credit**	Applies to these goods and services used to provide medical facilities to employees, pensioners and dependents in the in-house hospital. The ground is section 17(5)(g) (personal consumption). The ruling does not separately address the conditions in rules 36 to 45 or the exclusions in section 17(5)(e), (h) and (i).

The authority ruled that the applicant is not entitled to take credit of input tax on the inward supply of medical and diagnostic equipment, apparatus, instruments, consumables, disposables, spares and repairing services used to provide medical facilities to employees, pensioners and dependents in the in-house hospital. The bar rests on the **personal consumption** exclusion in section 17(5)(g). The order does not separately give reasons on the conditions in rules 36 to 45 or on sections 17(5)(e), (h) and (i).

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

R Reasoning

The authority started from section 16(1), which allows credit only on goods or services used in the course or furtherance of business. It then applied section 17(5)(g), which denies credit on goods or services used for personal consumption. It found that the hospital exists under the Major Port Trusts Act regulations to provide in-patient and out-patient care to employees, pensioners and dependents, so the goods and services serve their personal medical care. It rejected the applicant's argument that the applicant pays for them, holding that **who pays for the goods and services is irrelevant to their use** . The order does not discuss the CESTAT decision the applicant cited or the State officer's comments on free medicine supply beyond recording them.

P Provisions Relied On

- Section 16(1) of the CGST Act 2017 and TNGST Act 2017
- Section 17(5)(g) of the CGST Act 2017 and TNGST Act 2017
- Sections 16(2) to (4), section 49 and rules 36 to 45 of the CGST Rules 2017 (cited in the question only)
- Section 17(5)(e), (h) and (i) (cited in the question only)
- Section 124(1) read with section 132(1) of the Major Port Trusts Act, 1963
- Chennai Port Trust Employees (Contributory Outdoor and Indoor Medical Benefit After Retirement) Regulations, 1989 (GSR…
- Chennai Port Trust Employees (Medical Attendance in the Trust's Hospital and Reimbursement of Hospital Charges) Regulati…

! For the Practitioner

The order helps tax advisers for ports, PSUs and employers that run free in-house medical facilities for staff, because it shows that the employer paying for the inputs does not avoid section 17(5)(g). It is a single AAR ruling and binds only the applicant, but it signals the department's view. It does not decide whether sections 17(5)(e), (h) or (i) apply, nor the position for medical services that are provided in the course of business to outsiders. Advisers should read the full order before relying on its treatment of the free medicine supply point.

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 -> tn_aar_32_2019_chennai_port_trust.pdf

Prepared 05-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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

Patron Accounting LLP