Gujarat State Financial Services Ltd

Authority for Advance Ruling — Gujarat

ADVANCE RULING NO. GUJ/GAAR/R/10/2019 (In Application No. Advan… Dated **27.06.2019**

Q Questions Before the Authority

- The Applicant is providing financial assistance in the form of loan to various Government of Gujarat entities. Whether all such Gujarat State owned entities and GSFS become related persons in GST?
- The Applicant is not charging any processing fees or any other charges for providing loans to Government of Gujarat State owned entities, and interest is charged as full consideration. Whether GST will be chargeable on notional processing fees or notional other charges provided by way of loans to Gujarat State owned entities?

F Facts

The applicant is a wholly owned subsidiary of the Government of Gujarat and is registered with the RBI as a Non-Banking Finance Company. The State Government has directed all State Government owned entities to park their surplus funds with the applicant, which lends those funds to other State owned entities that need finance, for tenors ranging from 90 days to 3-5 years. The applicant charges only interest and no processing fees or other charges on these loans.

H Ruling

Whether GSFS and Gujarat State Government owned entities are related persons	**Yes. They are related persons.**	As defined under Section 15 of the Central GST Act, 2017 and the Gujarat GST Act, 2017.
Whether GST is chargeable on notional processing fees or other notional charges on government loans where only interest is charged	**No. The loans are covered by sub-entry (a) of entry 27 of Notification No. 12/2017-CT (Rate) and the corresponding State notification, which is exempt (Nil rate).**	Applies only where interest is the sole consideration. If the applicant actually charges processing fees or other charges other than interest, GST will apply.

The authority held that the applicant and Government of Gujarat entities are related persons under Section 15 of the CGST Act and GGST Act. It further held that, as interest is the only consideration, the loans are covered by sub-entry (a) of entry 27 of Notification No. 12/2017-Central Tax (Rate) and the corresponding State notification, so no GST arises on notional charges. **Actual processing fees or other charges, other than interest, would be taxable.**

R Reasoning

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

The authority noted that the applicant's only consideration for the loans is interest. It held that the exemption in entry 27(a) of the rate notification applies to loans where the consideration is interest, and that the notification draws no distinction between related and unrelated parties. It also found that the notification does not refer to notional consideration, so the question of GST on notional charges does not arise. The related-party question was answered by reference to the definition in Section 15 of the CGST and GGST Acts.

P Provisions Relied On

- Section 15 of the Central Goods and Services Tax Act, 2017 (related person)
- Section 15 of the Gujarat Goods and Services Tax Act, 2017 (related person)
- Section 97(2)(e) of the CGST / GGST Act, 2017 (clause under which the question was raised)
- Notification No. 12/2017-Central Tax (Rate), entry 27, heading 9971, sub-entry (a)
- Corresponding State notification No. 12/2017-State Tax (Rate) under the GGST Act, 2017

! For the Practitioner

This ruling is useful for NBFCs and other entities lending to State-owned bodies that charge interest only. It settles that related-party status does not by itself remove the entry 27(a) exemption, and that no GST is payable on notional charges that are not actually levied. It does not decide how GST applies to processing fees or other charges that are actually collected, and it does not address valuation or other financial services. Because it is an advance ruling on the applicant's specific facts, it should be checked against the full order before being relied on for other entities.

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 -> guj_aar_10-2019_gsfs_27.06.2019_0.pdf

Prepared 05-11-2026.

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