M/s. INDO THAI SECURITIES LIMITED (GSTIN 23AAACI4380E1ZZ), PU4, Capital Tower, Indore

Authority for Advance Ruling — Madhya Pradesh

Order Number 08/2019, Order dated 25/06/2019 (Case Number 12/2019; fi… Dated **25.06.2019**

Q Questions Before the Authority

- Applicant charges interest from customers for delayed payment. The amount on which interest is charged has two components, cost of securities and brokerage. Interest charged on the cost of securities is exempt under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as amended. What is the tax liability on such interest charged from customers?
- The three questions under s. 97(2) raised are: (a) classification of any goods or services or both; (b) applicability of a notification issued under the provisions of the Act; and (c) determination of the liability to pay tax on any goods or services or both.

F Facts

The applicant is a registered NSE/BSE stock broker that buys and sells securities for clients and charges brokerage. Its recovery from a client is made up of the cost of the securities and the brokerage. When a client pays late, the applicant levies an additional amount, described as interest, late fee or penalty, on the total due.

H Ruling

Classification and tax liability of the additional amount charged on delayed payment (Q-a and Q-c)	****Taxable as stock broking services**, being the principal supply. The order gives no rate or SAC code.**	The order holds that the additional amount is a principal supply, not ancillary, and takes its classification from the original stock broking service. It is included in value under s. 15(2)(d). The order does not state a rate of tax.
Whether the delayed-payment charge is 'interest' so as to attract the exemption at entry 27 of Notification No. 12/2017-Central Tax (Rate) (Q-b)	****Not interest, so the entry 27 exemption does not apply.****	The charge is not levied at a specified percentage on a daily or periodic basis, so it is characterised as penalty. The applicant has not extended deposits, loans or advances to its clients.

The authority held that the delayed-payment charge is not a separate supply. It takes the classification of the principal supply, which is stock broking service, and is taxable as that service. The additional amount cannot be treated as 'interest' for the purposes of Notification No. 12/2017-Central Tax (Rate), so the exemption at entry 27 does not apply to it.

R Reasoning

The authority read s. 15(2)(d) of the CGST Act as bringing interest, late fee or penalty for delayed payment of any

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

consideration into the value of supply. It found that the additional charge on both the securities cost and the brokerage has no classification of its own and follows the underlying stock broking service, relying on s. 8 (composite supply) and the explanation to s. 2(102) on facilitating or arranging transactions in securities. On the applicant's own description, the charge was not a fixed periodic percentage, so the authority treated it as penalty rather than interest. It then relied on the reasoning in Circular No. 102/21/2019-GST dated 28.06.2019 on EMI transactions to conclude that entry 27 covers only extension of deposits, loans or advances, which the broker had not made. The order cites clause 2(zk) of the notification as the definition of 'interest'.

P Provisions Relied On

- Section 15(2)(d) of the CGST Act, 2017 (interest, late fee or penalty for delayed payment included in value of supply)
- Section 2(102) of the CGST Act, 2017 (definition of 'services', with explanation on facilitating or arranging transactions in secu…
- Section 8 of the CGST Act, 2017 (composite supply, as reproduced in the order)
- Section 2(30) of the CGST Act, 2017 (composite supply, cited in the applicant's submission)
- Section 97(2), Section 98, Section 103(2) and Section 104(1) of the CGST Act, 2017
- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, entry 27 and clause 2(zk)
- Circular No. 102/21/2019-GST dated 28.06.2019 (EMI transaction examples)

! For the Practitioner

A stock broker or similar intermediary facing a late-payment charge on client dues can rely on this order for the view that the charge is taxed with the underlying brokerage service and cannot be carved out under entry 27. It settles the classification and entry 27 points for a charge of this kind. It does not fix a rate or SAC code, and it does not decide the position where a charge is genuinely a periodic interest percentage on a loan or deposit. As an advance ruling it binds only the applicant and the officers named under s. 103(2).

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 -> mp_aar_08-2019_25.06.2019_indo_thai_securites_limited.pdf

Prepared 04-11-2026.

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