

M/s JOLARPETTAI VEERAMUTHU SREEDHAR

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 2/ARA/2026

Dated **09.01.2026**

Q Questions Before the Authority

- Whether the place of supply of service rendered by the Applicant is outside India?
- Whether the service rendered by the Applicant can be deemed to be 'Export of Services' under the IGST Act, 2017 and therefore be a zero-rated supply?
- Whether the service rendered by the applicant shall attract payment of any Goods and Service Tax (GST) and if yes, then amount of GST that is payable by the applicant considering the fact that major portion of the service is rendered outside India?

F Facts

The applicant, a shareholder in M/s SmartPoint Technologies Pvt Ltd, entered into a non-compete and non-solicitation agreement with M/s RFXCEL Corporation (USA) and M/s Antares Vision India Pvt Ltd upon the sale of his shares. Under this agreement, the applicant receives a fee for refraining from competing with the businesses of the purchasers in various jurisdictions. The applicant sought a ruling on the taxability and place of supply of this non-compete fee, specifically regarding whether it qualifies as an export of services.

H Ruling

Place of supply	Not a matter under which Advance Ruling can be sought	The authority stated this does not fall under the matters for which a ruling can be sought under Section 97(2)
Export of services status	Qualifies as export of services	Applicable to the service rendered to M/s RFXCEL Corp, attracting Nil rate of GST
Taxability of non-compete fee	Taxable as inter-state or intra-state supply	Applicable to the portion of services rendered in India, while the export portion is zero-rated

The Authority ruled that the non-compete service provided to the foreign entity (RFXCEL Corporation) qualifies as an export of service, attracting a 'Nil' rate of GST. However, the portion of the service related to refraining from competition with entities operating in India is subject to GST as either inter-state or intra-state supply. The applicant is required to pay tax on the portion of the fee attributable to services rendered within India.

R Reasoning

The Authority determined that the act of refraining from an act is a 'Supply of Service' under Clause 5(e) of Schedule II of the CGST Act. For the portion provided to the foreign entity, the conditions of Section 2(6) of the IGST Act for 'export of services' were satisfied, rendering it a zero-rated supply. For the domestic portion, the Authority applied the provisions of Section 7 and Section 8 of the IGST Act to determine the nature of the supply

as inter-state or intra-state, making it liable to GST.

P Provisions Relied On

Section 97(2) of the CGST Act, 2017	Clause 5(e) of Schedule II of the CGST Act, 2017
Section 2(6) of the IGST Act, 2017	Section 7 of the IGST Act, 2017
Section 8 of the IGST Act, 2017	Section 9 of the CGST Act, 2017

! For the Practitioner

This ruling clarifies that **non-compete fees** can be bifurcated for GST purposes based on the location of the business being protected. It confirms that such fees paid by a foreign entity for refraining from competition outside India can qualify as **zero-rated export of services**. Practitioners should note that the Authority requires a clear segregation of the fee between domestic and international components to claim the benefit of zero-rating.

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 -> 2-jolarpettai_veeramuthu_sreedhar_aar_order_compressed.pdf

Prepared 12-10-2026.

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com