

M/s Muthur Town Panchayat

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 52/ARA/2026

Dated **10.08.2026**

Q Questions Before the Authority

- Whether the activity of leasing of weekly market to the tender contractors for the purpose of collection of fees on the week market days basis from the merchants/farmers/public for usage of open space for selling of fruits/vegetables/domestic animals/birds etc., is an activity covered under the functions entrusted to Panchayat under the [Eleventh Schedule] under Article 243G as a local authority in which they are engaged as public authority.
- If so the above activity shall not be treated as a supply of service and in that case the same is covered as an activity which is not a service as per central tax Notification No 14/2017 Rate, dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75, dated 29.06.2017-GST as amended and as a result Central tax and state tax are not chargeable for the said activity.

F Facts

The applicant, a Town Panchayat, leases out the right to collect entrance and market fees from merchants, farmers, and the public on weekly market days to tender contractors through an auction/tender process. The tender contractors collect fees strictly as prescribed by the Panchayat, issue official receipts bearing the Panchayat seal, and pay a fixed consideration to the Panchayat. The applicant sought clarification on whether leasing these fee collection rights to contractors is subject to GST.

H Ruling

Leasing of weekly market collection rights to tender contractors under Article 243G	Covered under functions entrusted to a Panchayat under Eleventh Schedule to Article 243G	Engaged as a local authority / public authority
Applicability of Notification No. 14/2017-CT (Rate) and taxability	Neither a supply of goods nor a supply of services	No GST is chargeable pursuant to Section 7(2)(b) of the CGST Act, 2017

The Authority ruled that leasing the weekly market fee collection rights to tender contractors is an activity directly in relation to functions entrusted to a Panchayat under Article 243G and the Eleventh Schedule of the Constitution. Consequently, under Section 7(2)(b) of the CGST Act, 2017 read with Notification No. 14/2017-Central Tax (Rate), the activity is treated as **neither a supply of goods nor a supply of services**, and no GST is chargeable.

R Reasoning

The applicant qualifies as a local authority under Section 2(69) of the CGST Act, 2017, and maintaining markets and fairs is a statutory function under Item 22 of the Eleventh Schedule to Article 243G of the Constitution. Engaging private tender contractors is merely an administrative and operational mechanism to execute statutory functions on behalf of the Panchayat under its prescribed conditions and control. This engagement does not alter the underlying constitutional character or convert a statutory function into an independent commercial transaction. Therefore, the essential nexus under Section 7(2)(b) read with Notification No. 14/2017-Central Tax (Rate) is satisfied.

P Provisions Relied On

Section 7(2)(b) of the CGST Act, 2017

Section 2(69) of the CGST Act, 2017

Notification No. 14/2017-Central Tax (Rate) dated 28.06.2017

Tamil Nadu GO (Ms.) No. 75 dated 29.06.2017-GST

Article 243G of the Constitution of India (Eleventh Schedule, Item 22)

! For the Practitioner

This ruling provides clear support to local authorities (Panchayats and Municipalities) that outsource fee collection rights for public markets and fairs via tenders. It confirms that delegating operational collection to private contractors under municipal supervision does not transform a sovereign/statutory activity into a taxable commercial supply under GST.

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 -> [muthur town panchayat aar order.pdf](#)

Prepared 16-10-2026.

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