

M/s Rajashri Foods Pvt. Ltd.

Authority for Advance Ruling — Karnataka

KAR ADRG 06 / 2018 dated 23rd April, 2018

Dated 23.04.2018

Q Questions Before the Authority

- Whether the transaction would amount to supply of goods or supply of services or supply of goods & services?
- Whether the transaction would cover under sl.no.2 of the Notification No.12/2017-Central Tax (Rate) dated 28.06.2017?

F Facts

The Applicant operates three animal feed manufacturing units and proposed to sell one independent unit at Hiriyrur for a lump sum consideration. The sale envisaged transferring all fixed assets, current assets, and liabilities to the buyer as an ongoing operation. The Applicant filed for an advance ruling to clarify the GST classification and applicability of tax exemption on this transaction.

H Ruling

Classification of business unit transfer	Supply of service	Transfer of business as a whole in the nature of a going concern
Exemption under Notification No. 12/2017-Central Tax (Rate)	Covered under Sl. No. 2	Subject to the condition that the unit is a going concern

The Authority held that the transfer of an independent business unit as a going concern constitutes a **supply of service**. It further ruled that the transaction qualifies for GST exemption under Sl. No. 2 of Notification No. 12/2017-Central Tax (Rate), provided the unit is factually established as a **going concern**.

R Reasoning

The Authority analyzed Section 7 and Schedule II of the CGST Act, 2017, noting that paragraph 4(c) of Schedule II excludes the transfer of a business as a going concern from being treated as a supply of goods. It then referred to Entry Sl. No. 2 of Notification No. 12/2017-Central Tax (Rate), which lists services by way of transfer of a going concern and prescribes a Nil rate of tax. Since the applicant proposed to transfer all assets and liabilities of an operational unit to be continued by the transferee, the transaction qualifies as a supply of service eligible for exemption.

P Provisions Relied On

Section 7, CGST Act, 2017

Section 7(1)(d), CGST Act, 2017

Schedule II, CGST Act, 2017

Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017

! For the Practitioner

This ruling establishes that a slump sale or transfer of an independent operational unit along with its assets and liabilities is classified as a **supply of service** rather than goods. It confirms that such transactions qualify for **Nil GST rate** under Notification No. 12/2017-Central Tax (Rate), provided the taxpayer maintains adequate documentary evidence to prove the business was transferred as an active going concern.

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 -> 06-rajashree_foods-aar-order.pdf

Prepared 17-10-2026.

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