M/s. Rajkot Nagarik Sahakari Bank Ltd

Authority for Advance Ruling — Gujarat

ORDER NO. GUJ/GAAR/R/9/2019 (In Application No. Advance Ruling/GG… Dated **15.05.2019**

Q Questions Before the Authority

- Whether the Refundable Interest Free Deposit received could be treated as a supply under the CGST/GGST Act, 2017 and be chargeable to tax in the hands of the applicant.
- Whether the Rs. 2500/- refundable interest free deposit, which gives the depositor certain benefits, would attract GST.
- Whether the first 10 free transactions, subject to a maximum of Rs. 5 lakh, allowed to a Demat account holder who deposits the refundable interest free deposit would attract GST.

F Facts

The applicant, a multi-state scheduled co-operative bank, runs Demat account schemes, including a Rajkot Nagarik Free Scheme under which the account holder places a refundable, interest-free deposit and in return receives certain free services, such as the first 10 transactions up to Rs. 5 lakh. The applicant contended that the deposit is not consideration, since it is refundable and is not adjusted against any supply, so no GST arises on the deposit or the free services. The Commissionerate noted that a pre-GST service tax demand on the same issue had been confirmed in favour of Revenue.

H Ruling

Whether the refundable interest free deposit can be treated as supply and chargeable to tax in the applicant's hands	**Yes. The monetary value of the act of providing the deposit is consideration for the services, so the services are a taxable supply.**	The deposit amount itself is not treated as consideration because of the proviso to Section 2(31). The reasoning rests on the 'or otherwise' and 'monetary value of any act' limbs of the definition.
Whether the Rs. 2500/- refundable interest free deposit attracts GST	**The Rs. 2500/- deposit will not attract GST, but the monetary value of the act of providing it will attract GST.**	The Rs. 2500/- is a deposit and is not payment unless the supplier applies it as consideration under the proviso to Section 2(31).
Whether the first 10 free transactions, up to Rs. 5 lakh, attract GST	**No. They are in the nature of discount and do not attract GST.**	Applies only subject to fulfilment of the conditions in Section 15(3) of the CGST/GGST Act, 2017.

The authority held that the monetary value of providing the refundable interest-free deposit is consideration for the bank's services, so those services can be treated as a supply chargeable to tax in the applicant's hands. The Rs. 2500/- deposit itself does not attract GST, but the monetary value of the act of providing it does. The first 10 free

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transactions are treated as a discount that does not attract GST, provided the conditions in Section 15(3) are met.

R Reasoning

The authority read the proviso to Section 2(31) as excluding a deposit from consideration unless the supplier applies it against the supply, so the deposit amount alone is not taxable. It then held that the notional monetary value of the act of extending an interest-free deposit falls within the 'or otherwise' and 'monetary value of any act or forbearance' limbs of the same definition. It treated the deposit as an additional commercial consideration covering the risk of the Demat account. For the free transactions, it applied Section 15(3), which excludes certain discounts from the value of supply when they are recorded in the invoice or are governed by a prior agreement and the related input tax credit has been reversed. The authority also noted that the pre-GST service tax position was similar. The applicant's reliance on Section 7, Section 9, Section 15(1) and Rule 27 was recorded, but the Rule 27 argument is not expressly decided in the reasoning.

P Provisions Relied On

- Section 7 of the CGST Act, 2017 (scope of supply)
- Section 2(31) of the CGST/GGST Act, 2017 (consideration), including the proviso on deposits
- Section 9 of the CGST Act, 2017 (levy)
- Section 15(1) of the CGST Act, 2017 (value of taxable supply), as quoted by the applicant
- Section 15(3) of the CGST/GGST Act, 2017 (discounts excluded from value)
- Section 20 of the IGST Act, 2017 (application of CGST provisions), as quoted by the applicant
- Rule 27 of the CGST Rules, 2017 (value where consideration is not wholly in money), as cited by the applicant

! For the Practitioner

This ruling is useful for co-operative banks and depository participants that take refundable interest-free deposits in exchange for free or discounted services. It shows the authority will look past the deposit amount to the monetary value of the arrangement and treat the services as taxable. It also indicates that a free-transaction allowance may be treated as a discount if the Section 15(3) conditions are met. It does not settle the valuation of such supplies under Rule 27, and it does not resolve the pre-GST service tax dispute, which the Commissionerate described as settled in Revenue's favour.

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_09-2019_rajkot_nagrik_15.05.2019.pdf

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