Rotary Club of Mumbai Western Elite

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-09/2019-20/B-105, Mumbai, dt. 04.10.2019 Dated **04.10.2019**

Q Questions Before the Authority

- The amount collected by Rotary club is towards convenience of members and pooled together for paying meeting expenses, communication expenses, RI per capita dues, subscription fees to the Rotarian or Rotary regional magazine, district per capita assessment, and the same is deposited in single bank account. As there is no furtherance of business in this activity and neither any services are rendered nor are any goods being traded, whether the above transaction can be considered as supply of goods or services to its Members under GST?

F Facts

The applicant is an unincorporated association of Rotary members that collects fees from members to meet meeting, communication, Rotary International and district per capita dues, magazine subscriptions and club annual dues, all pooled into one bank account. It argued that the club and its members are the same body under the principle of mutuality, so no supply arises. It obtained GST registration from 16.11.2017 because its receipts exceeded Rs. 20 lakh.

H Ruling

Whether pooled member fees for meeting, communication, Rotary dues and similar expenses are a supply of goods or services to members under GST	**Yes. The transaction is a supply of goods or services and is liable to GST.**	The body of the order states that only membership fees spent solely on administrative expenses would be exempt from GST. The operative answer does not carve this out, so the position is not fully consistent.

The authority held that the transaction between the club and its members is a supply of goods or services and is liable to GST. It refused to follow the Maharashtra Appellate ruling in Lions Club of Poona Kothrud, which exempts membership fees, because the applicant had not shown the fees were used only for administrative expenses. The body of the order also notes that only membership fees spent solely on administrative expenses may be exempt.

R Reasoning

The authority distinguished the Lions Club of Poona Kothrud ruling, which exempts membership fees, on the ground that the applicant had not shown its fees were used only for administrative purposes. The applicant's income and expenditure statement showed receipts of about Rs. 70.95 lakh from membership fees and Rs. 32.65 lakh spent on club events, which the authority treated as expenditure beyond administration. Relying on its earlier rulings in Rotary Club of Queens Necklace and Rotary Club of Nariman Point, the authority held that fees pooled for these expenses are taxable. The order does not expressly discuss the mutuality arguments or the statutory

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

definitions of supply, business and related persons that the applicant relied on.

P Provisions Relied On

Section 98 of the CGST Act, 2017 and the corresponding provision of the MGST Act, 2017 (order heading)

Amended Order No. MAH/AAAR/SS-RJ/32A/2018-19 dated 14.08.2019 of the Maharashtra Appellate Authority for Advance…

Earlier AAR rulings in Rotary Club of Queens Necklace and Rotary Club of Nariman Point (as referred to in the order)

! For the Practitioner

This ruling is useful for Maharashtra clubs that collect pooled member fees for meetings, Rotary dues and similar expenses, because it shows the authority will tax such receipts unless the club proves they are used only for administrative expenses. It does not settle the mutuality question in the applicant's favour, and it does not address the applicant's cited judgments on service tax. The ruling binds only the applicant and the Maharashtra authorities, and the applicant could appeal to the Maharashtra Appellate Authority for Advance Ruling.

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 -> mh_aar_09_2019-20_b-105_04.10.2019_rcmwe.pdf

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