M/s Saryu Babu Engineers For Resource Development, C-51, K-Park, Mahanagar, Lucknow, U.P.-226 024 (GSTIN 09AAHTS2684K1ZT)

Authority for Advance Ruling — Uttar Pradesh

Order No. 54, dated 11-02-2020 (Authority for Advance Ruling, Uttar Pra… Dated **11.02.2020**

Q Questions Before the Authority

- Whether the Project Development Service (Detailed Project Report service) and Project Management Consultancy Services provided by the applicant to the recipient under the contract with State Urban Development Authority (SUDA), and the Project Management Consultancy services under the contract for Pradhan Mantri Awas Yojana (PMAY), qualify as an activity in relation to functions entrusted to a Panchayat or Municipality under Article 243G or Article 243W of the Constitution of India.
- If the answer to the first question is affirmative, whether such services qualify as pure services (excluding works contract service or composite supplies involving supply of any goods) under Serial No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017, as amended by Notification No. 2/2018-Central Tax (Rate) dated 25 January 2018, and the corresponding UPGST notification, where the project cost includes reimbursement of the cost of goods procured for rendering the service, so as to be exempt from CGST and UPGST.

F Facts

The applicant is a registered GST taxpayer engaged to prepare detailed project reports and to provide project management consultancy for housing projects. Under one contract it serves SUDA, a state-level nodal agency under the Urban Employment and Poverty Alleviation department, and under another it provides project management consultancy for PMAY (Urban) through Urban Local Bodies. The project cost in these contracts includes reimbursement of the cost of goods procured to render the service.

H Ruling

Whether DPR and PMC services under the SUDA contract and PMAY relate to functions entrusted to Panchayats or Municipalities (Art. 243G / 243W)	**Yes. The services are in relation to functions entrusted to Municipalities under Article 243W and to Panchayats under Article 243G**	Based on the scope of work in the sample contracts and the Eleventh and Twelfth Schedule functions cited by the authority. The ruling is limited to the contract terms examined.

Whether the services qualify as pure services under Sl. No. 3 of Notification 12/2017-CT(Rate), as amended by 2/2018-CT(Rate), and the corresponding UPGST notification	**Yes. Such services qualify as pure services (excluding works contract service or other composite supplies involving supply of any goods) and are exempt from GST (CGST and UPGST)**	Exemption is stated to apply where the project cost includes the cost of the service along with reimbursement of the cost of procuring goods for rendering that service. Works contract and composite supplies involving goods are excluded from the exemption.

The authority held that the services rendered under the SUDA contract and for PMAY are in relation to functions entrusted to Municipalities under Article 243W and to Panchayats under Article 243G. It further held that these services are **pure services** within the meaning of Serial No. 3 of Notification No. 12/2017-CT(Rate), as amended, and are therefore **exempt from GST** , both CGST and UPGST.

R Reasoning

The authority admitted the application because the question concerns the applicability of a notification, which is a matter barred under Section 97(2)(b) of the CGST Act. It then examined the scope of work under the SUDA and PMAY contracts, covering DPR preparation, coordination and supervision of construction, quality control and beneficiary management. It linked these activities to Article 243G and 243W functions such as urban poverty alleviation, slum improvement, water supply and urban planning. On the second question, it treated the contracted services as pure services under Serial No. 3 of Notification 12/2017-CT(Rate) as amended by 2/2018-CT(Rate), with the corresponding Uttar Pradesh notification, noting that the project cost includes reimbursed goods cost.

P Provisions Relied On

- Section 98 of the CGST Act, 2017 (advance ruling procedure)
- Section 97(2)(b) of the CGST Act, 2017 (admissibility: applicability of a notification)
- Section 103(2) of the CGST Act, 2017 (binding effect of ruling)
- Section 104(1) of the CGST Act, 2017 (ruling declared void)
- Article 243G of the Constitution of India (Panchayat functions; Eleventh Schedule)
- Article 243W of the Constitution of India (Municipality functions; Twelfth Schedule)
- Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017, Serial No. 3 (pure services)
- Notification No. 2/2018-Central Tax (Rate) dated 25 January 2018, Serial No. 3A (amendment)
- Corresponding Uttar Pradesh notification No. KA.N.I.-2-843/X1-9(47)/17-UP.Act-1-2017-Order-(10)-2017, Lucknow, dated 30…
- Order No. 22 dated 25.01.2019 of the Uttar Pradesh Authority for Advance Ruling in M/s Rudhrabhishek Enterprises Ltd (cite…

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

! For the Practitioner

This ruling helps DPR and project management consultants engaged under SUDA or PMAY (Urban) contracts in Uttar Pradesh, since it treats such work as pure services exempt from CGST and UPGST. It is binding only within the Uttar Pradesh jurisdiction under Section 103(2) and rests on the specific scope of the sample contracts. It does not decide the treatment of works contracts or any supply of goods, and it does not resolve the position for contracts with different scopes or for other states.

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 -> up_aar_54_11.02.2020_sbe.pdf

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

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

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

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

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

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