

M/s. Shreenath Polyplast Pvt. Ltd.

Authority for Advance Ruling — Gujarat

GUJ/GAAR/R/2018/3

Dated **19.02.2018**

Q Questions Before the Authority

- Whether an amount charged as interest on transaction based short term loan given by the Del Credere Agent (DCA) to buyers of material is exempt from tax in terms of the Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (Serial Number 27)?

F Facts

The applicant acts as a Del Credere Agent (DCA) for a principal supplier, facilitating order booking and guaranteeing payments. When buyers cannot pay the principal on time, the applicant extends short-term loans to the buyers to settle the principal's dues, charging interest for this service. The applicant maintains that this lending activity is a separate transaction from the supply of goods.

H Ruling

Interest on short-term loans

Exempt

Applicable where consideration is represented by way of interest

The authority ruled that the interest charged by the applicant on short-term loans is **exempt from GST**. It concluded that this activity falls under the scope of services covered by Serial Number 27 of the specified notification.

R Reasoning

The authority determined that the extension of a loan by the DCA is a transaction distinct from the supply of goods by the principal. It relied on Section 15(2)(d) of the CGST Act, noting that the interest is not for delayed payment of consideration for a supply, but for a separate loan service. Consequently, the service qualifies for exemption under Serial Number 27 of Notification No. 12/2017-Central Tax (Rate), which exempts services by way of extending loans where the consideration is interest.

P Provisions Relied On

Section 15(2)(d) of the CGST Act, 2017

Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (Serial Number 27)

Notification No. 12/2017-State Tax (Rate) dated 30.06.2017



For the Practitioner

This ruling provides clarity for Del Credere Agents who provide financing to buyers, confirming that interest earned on such loans is **not taxable as part of the supply of goods**. It helps practitioners argue that financial services provided by agents are distinct from their agency services. However, it does not address scenarios where the interest might be construed as part of the value of the supply under different commercial arrangements.

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-2018-3 dt 19-02-18 shreenath poly.pdf](#)

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