Siemens Ltd (GSTIN 19AAAC50764L1Z3), Case Number 22 of 2019, ARN AD190519000862Y

Authority for Advance Ruling — West Bengal

18/WBAAR/2019-20 dated 19/08/2019 (as printed in the order table, the n… Dated **19.08.2019**

Q Questions Before the Authority

- Whether GST is payable on the mobilisation advance of Rs 16,33,33,924 received from KMRCL in 2011, and if so, when (the time of supply) for the portion still unadjusted as on 01/07/2017.
- Whether GST on subsequent invoices raised against contract milestones is to be charged on the gross invoice amount or on the net amount after adjusting the outstanding mobilisation advance.

F Facts

Siemens Ltd, as onshore contractor in an open consortium with Siemens AG, holds a contract with KMRCL for design, supply, installation, testing and commissioning of power, third rail and SCADA systems for the Kolkata East-West Metro. KMRCL paid a 10% interest-free mobilisation advance against bank guarantee, recoverable by adjustment against milestone-based tax invoices. About Rs 13.81 crore was outstanding as on 30/06/2017, and the applicant argued that the advance was earnest money not attributable to any specific supply.

H Ruling

Time of supply of the unadjusted mobilisation advance as on 01/07/2017	****Deemed supplied on 01/07/2017**, to the extent covered by the advance credited to the applicant's account on that date; GST leviable**	Under the authority's reading of Section 13(2) and Explanation (i), advance received is treated as consideration because the contract makes the advance applicable to the works contract service. The ruling is confined to the part not taxed under the pre-GST VAT or service tax laws.
Whether GST on later invoices is charged on gross or net amount	****GST on the net amount** remaining after deducting the advance adjusted in each invoice**	Adopted to avoid double taxation, since the advance portion was already taxed on 01/07/2017 under the authority's view.

The Authority held that the applicant is deemed to have supplied works contract service to KMRCL on 01/07/2017 to the extent of the unadjusted advance credited to its account on that date, and GST is leviable on that amount. It further held that GST on subsequent invoices should be charged only on the net amount remaining after the advance adjusted in those invoices, to avoid double taxation.

R Reasoning

The Authority treated the works contract as a single service contract under GST, so the pre-GST divisible-contract position no longer applied. It relied on Section 13(2) to hold that receipt of advance payment fixes the time of

supply, and on the Explanation to that section for deemed supply to the extent covered by the advance. Under Section 2(31), a deposit counts as consideration once the supplier applies it to the supply, which the Authority found the contract's ring-fenced, bank-guaranteed mechanism did. It distinguished the CESTAT decisions in Thermax Instrumentation and GB Engineering as relevant only to the Finance Act, 1994 valuation rule (Rule 2A(i)), and held that the earnest-money characterisation was of little relevance under GST.

P Provisions Relied On

- Section 13(2) of the GST Act (time of supply) and its Explanation (i)
- Section 2(31) of the GST Act (consideration; proviso on deposits)
- Section 15(1) of the GST Act (valuation)
- Section 31 of the GST Act (referred to in Section 13(2)(a)-(b))
- Section 97(2)(c) of the GST Act (admissibility)
- Sections 103 and 104(1) of the GST Act (binding effect and voidness)
- Section 5(2) of the Central Sales Tax Act, 1956 (pre-GST treatment, as recorded in the invoices)
- West Bengal Value Added Tax Act, 2003 (pre-GST, referred to by the Authority)
- Finance Act, 1994 and Rule 2A(i) of the Service Tax (Determination of Value) Rules, 2006 (pre-GST, as described by the Aut…

! For the Practitioner

This ruling is useful for works and EPC contractors holding mobilisation or other advances. It indicates that a ring-fenced advance linked to a contract may be treated as consideration, with GST payable on the unadjusted balance at the transition date and later invoices reduced accordingly. It does not decide the rate of tax, the classification of the works contract, or the position for advances not ring-fenced by a bank guarantee. The applicant's reliance on Notification 25/2012-ST and the Point of Taxation Rules, 2011 is not addressed in the Authority's findings.

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 -> wb_aar_18_2019_siemens_ltd_19.08.2019.pdf

Prepared 07-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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

Patron Accounting LLP