Venbakkam Commandur Janardhanan, Proprietor M/s Law Weekly Journal

Authority for Advance Ruling — Tamil Nadu

ORDER No. 13/AAR/2020 DATED: 27.02.2020 Dated **27.02.2020**

Q Questions Before the Authority

- Whether the assessee/dealer which publishes law journals in print and sells the same content in books in an electronic form on DVDs/CDs, with software to search and read it on computers and hand-held devices, comes under the category of 'E-book', so that it can avail the benefit of Notification dated 26.07.2018 in respect of e-book?
- Whether the liability on the sale of DVD/pen drive which contains printed version of law citations can be adjusted against the available ITC?
- Whether the liability on sale of e-book of printed version of law citation can be adjusted against the available ITC?
- Whether the balance of ITC after adjustment accrued on the purchase of paper and other material can be reversed while filing GSTR 9?

F Facts

The applicant publishes the Law Weekly, a law journal reporting judgments of the Madras High Court and the Supreme Court, in print. It also sells DVDs/CDs carrying a proprietary 'The Law Weekly Desktop' software, with a dongle as a security lock, for searching and reading case law on computers and hand-held devices. The initial supply carries one year's subscription, weekly online updates and a separate renewal, and the applicant also offers online access to its database through its website on a user id and password basis.

H Ruling

Q1: Whether DVD/CD software-based law database qualifies as e-book under Sl. No. 22 of Notification 13/2018 (and whether online database access qualifies)	**Not eligible for the benefit of entry at Sl. No. 22 of Notification No. 13/2018-C.T.(Rate) dated 26.07.2018.**	The DVD/CD supply is a composite supply whose principal element is goods (CTH 85238020), and the online database access is a service under SAC 998431, not an e-book supply.
Q2, Q3 and Q4: Adjustment of tax liability against ITC on DVD/pen drive and e-book sales, and reversal of ITC on GSTR 9	**Not answered.**	Not in the ambit of advance ruling under Section 97(2), as these concern utilisation and reversal of credit.

The supply of DVDs/CDs with the Law Weekly Desktop software and end user licence, and the supply of online database access on the applicant's website, are not eligible for the benefit of Sl. No. 22 of Notification No. 13/2018-C.T.(Rate) dated 26.07.2018. Questions 2, 3 and 4 were not answered because they concern utilisation or reversal of credit, which falls outside the scope of Section 97(2).

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

R Reasoning

The authority held that the DVD/CD with the dongle is a composite supply under Section 2(30) of the CGST Act, where the optical media loaded with software is the principal supply and classifiable under CTH 85238020, while the licence to use the software for the subscription period is a service supplied with it. The Explanation to Sl. No. 22 of Notification 11/2017-C.T.(Rate) (as amended) defines an e-book as an electronic version of a printed book falling under tariff item 4901 and supplied online, readable on a computer or hand-held device. The DVD contained an executable setup file and an end user licence rather than machine-readable files of the printed journal, so it was not an electronic version of the journal. The online database access was classified under SAC 998431 as online text-based information, not an e-book. The authority limited its ruling to Question 1 under Section 97(2), declining Questions 2 to 4 as outside its jurisdiction.

P Provisions Relied On

- Section 97(2) of the CGST Act / TNGST Act (scope of advance rulings)
- Section 2(30) of the CGST Act (definition of composite supply)
- CTH 8523 of the Customs Tariff, with the Supplementary Note to Chapter 85 (definition of information technology software)
- Notification No. 13/2018-C.T.(Rate) dated 26.07.2018, Sl. No. 22 (amending Notification No. 11/2017-C.T.(Rate) dated 28.06.…
- Explanation to Sl. No. 22 of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 (definition of e-book, tariff item 4901)
- SAC 998431 (on-line text based information)

! For the Practitioner

Publishers that bundle legal content with proprietary search software on DVD, CD or dongle should note that the supply is treated as goods, not as an e-book, and so does not get the reduced 2.5% rate of Sl. No. 22. The ruling also confirms that online database access on a website is a separate service under SAC 998431 and not an e-book supply. It does not decide whether tax paid on these supplies can be set off against ITC, nor whether ITC on paper and other inputs must be reversed, since the authority declined to answer Questions 2 to 4.

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 -> tn_aar_13_2020_27.02.2020_lwj.pdf

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