M/s Yum Restraunts (India) Pvt. Ltd., Tower-D, Global Business Park, 12th Floor, MG Road, Gurugram, Haryana (GSTIN 06AAACY1883E1ZD)

Authority for Advance Ruling — Haryana

Advance Ruling No. HAR/HAAR/R/2018-19/24 (In Application No. 24/2018… Dated **19.11.2018**

Q Questions Before the Authority

- Under Section 97(2)(a) (classification of any goods or service or both), what is the correct classification and GST rate for the applicant's activity of granting franchisees the right to use the 'system' and 'system property' under its technology licence agreement? The question text itself is not clearly legible on the scan; this is taken from the Section 97(2) clause and the order's framing of the issue.

F Facts

The applicant owns various trademarks, service marks and trade names and runs a comprehensive restaurant system for preparing, marketing and selling food products. Under a technology licence agreement with franchisees across India, it grants the licensee the right to use the system, the system property and its marks for a term, solely for business at the outlet, subject to the agreement's terms.

H Ruling

Classification and rate for the right to use 'system' and 'system property' under the technology licence agreement with franchisees	**Heading 9973 (group 99733), licensing of intellectual property. CGST 6% and SGST 6%.**	Covered by serial 17(i) of Notification 11/2017-CT (Rate) dated 28.06.2017, which applies to intellectual property other than information technology software. Trademarks were excluded because they are under a separate agreement.

The authority held that the right to use the **'system' and 'system property'** is a right to use intellectual property, which falls under heading 9973 (group 99733). The activity is covered by serial number 17(i) of the rate notification and is chargeable to **CGST at 6% and SGST at 6%** . Trademarks were excluded from the ruling because they are governed by a separate agreement.

R Reasoning

The authority reviewed the services classification scheme and found that code 997336 (licensing for trademarks and franchises) and code 998396 (trademarks and franchises) did not fit, because the explanatory notes place franchise licensing under 997336 and 998396 covers only original ownership of brands. It found that group 99733 covers licensing of intellectual property. The system and system property (manuals, know-how, specifications and data) are intangible property capable of being possessed, transferred and licensed, so they fall within that group. Under clause (c) of paragraph 5 of Schedule II of the CGST Act, 2017, the transfer or permitting of use of such intellectual property is treated as a supply of services. The rate followed from serial 17(i) of the rate notification.

P Provisions Relied On

Section 97(2)(a) of the CGST/HGST Act, 2017

Clause (c) of paragraph 5 of Schedule II, CGST Act, 2017

Notification No. 11/2017-CT (Rate) dated 28.06.2017, serial 17(i) of the Table, and serial 232 (heading 9973) and serial 250 (…

Explanatory notes to the services classification, codes 997336 and 998396 (trademarks and franchises)

! For the Practitioner

Franchisors that license operating systems, manuals and know-how separately from their trademarks can rely on this ruling for a **6% CGST and 6% SGST** rate under serial 17(i). It is useful for showing why the franchise-system licence is classified as intellectual property licensing rather than trademark licensing. It does not decide the treatment of trademark licences, which were excluded, nor the rate for software-based intellectual property, nor how a bundled franchise fee should be split between supplies.

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 -> har_aar_24_2018-19_19.11.2018_yripl.pdf

Prepared 27-10-2026.

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