

M/s Zenith Residence Association

Authority for Advance Ruling — Karnataka

KAR.ADRG/35/2026

Dated **06.07.2026**

Q Questions Before the Authority

- Whether the recovery of electricity and water charges by the applicant from its members on an actual basis (without any markup) forms part of the value of taxable supply under Section 15 of CGST Act, 2017 or is exempt from GST as: (a) Reimbursement of actual expenses incurred as a pure agent under Rule 33 of the CGST Rules, 2017 or (b) Being supplies not liable to tax, as electricity (under entry 104 of Notification No. 02/2017- Central Tax (Rate) dated 28.06.2017) and water (Entry 99 of the same Notification).

F Facts

The applicant is an Apartment Owners' Association that collects common area maintenance (CAM) charges from members. It also recovers electricity and water charges from members on an actual basis without any markup. The applicant sought a ruling on whether these recoveries form part of the taxable value of services or qualify as exempt reimbursements.

H Ruling

Taxability of recovered electricity and water charges

Forms part of the taxable supply of services (Home Owners Association Services) and is subject to GST at applicable rates.

Subject to the exemption ceiling prescribed under Notification No. 12/2017-Central Tax (Rate).

The Authority ruled that the recovery of electricity and water charges from members, even on an actual basis, is considered part of the taxable supply of services provided by the association. It cannot be treated as a separate supply of goods or a pure agent reimbursement. Consequently, these charges are subject to GST at the applicable rates, subject to the exemption ceiling prescribed under Notification No. 12/2017-Central Tax (Rate).

R Reasoning

The Authority determined that the association and its members are treated as distinct persons under Section 7 of the CGST Act, 2017. It held that the applicant does not satisfy the conditions of a pure agent under Rule 33 of the CGST Rules, 2017, because the utility bills are in the name of the applicant and the utilities are consumed as an input for providing maintenance services. Therefore, the recovery of these charges is **part of the consideration** for the supply of maintenance services. The ruling relies on the definition of supply under Section 7 and the exemption criteria in Notification No. 12/2017-Central Tax (Rate).

P Provisions Relied On

Section 7 of the CGST Act, 2017

Section 15 of the CGST Act, 2017

Rule 33 of the CGST Rules, 2017

Notification No. 12/2017-Central Tax (Rate)

Notification No. 02/2017-Central Tax (Rate)

! For the Practitioner

This ruling clarifies that Resident Welfare Associations cannot claim the pure agent exemption for electricity and water charges recovered from members. Practitioners should advise clients that such recoveries are **taxable as part of the composite service** provided by the association. It settles the position that these charges must be included in the calculation of the monthly contribution limit for GST exemption.

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 -> 8-zenith residence association.pdf

Prepared 11-10-2026.

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