

M/s. Manjira Machine Builders (P) Ltd

Authority for Advance Ruling — Telangana

TSAAR Order No. 7/2018 dt. 02-07-2018

Dated 02.07.2018

Q Questions Before the Authority

- Is the concessional tax rate of 5% as given under Notification No. 47/2017 dated 14.11.2017 is applicable only for Interstate sales i.e., on IGST or also applicable for sales within the state i.e., on SGST & CGST.
- If this concessional tax rate of 5% is applicable for both Interstate and within the state sales, then can we avail the Input tax credit (ITC) for the raw materials used for these supplies.

F Facts

The applicant supplies equipment to research institutions including DRDO labs and ISRO centers (SDSC SHAR and VSSC), which issue purchase orders stating that concessional tax certificates under Notification No. 47/2017-Integrated Tax (Rate) will be provided. The applicant sought clarity on whether the 5% concessional rate applies to intrastate transactions as well as interstate transactions. Additionally, they queried whether Input Tax Credit can be claimed on raw materials consumed in executing these concessional supplies.

H Ruling

Applicability of concessional tax rate of 5% for intrastate sales

5% IGST applies for interstate sales under **Notification No. 47/2017-Integrated Tax(Rate); 2.5% CGST + 2.5% SGST applies for intrastate supplies under **Notification No. 45/2017-Central Tax (Rate)****

Subject to compliance with conditions specified in the respective notifications.

Availability of Input Tax Credit (ITC) on raw materials

****Input tax credit is available** on raw materials used for supplies made under concessional rate of tax**

Concessional supplies are not exempt supplies and are not listed under blocked credit in Section 17(5).

The Authority held that interstate sales attract 5% IGST under Notification No. 47/2017-Integrated Tax (Rate), whereas **intrastate sales attract 5% tax (2.5% CGST + 2.5% SGST)** under Notification No. 45/2017-Central Tax (Rate). The Authority further held that **Input Tax Credit is fully available** on raw materials used for making such concessional rate supplies.

R Reasoning

Notification No. 45/2017-Central Tax (Rate) grants a parallel concession for intrastate clearances to specified institutions by capping central tax at 2.5% (resulting in 5% total GST with SGST). Regarding Input Tax Credit, Section 17(5) of the TGST/CGST Act, 2017 lists blocked credits, which do not include goods subject to concessional tax rates. Furthermore, goods supplied at a concessional rate do not constitute **exempt supplies**, so ITC on raw materials used for these supplies remains fully allowable.

P Provisions Relied On

Section 97(1) of TGST Act, 2017

Rule 103 of CGST/TGST Rules, 2017

Notification No. 47/2017-Integrated Tax (Rate) dated 14.11.2017

Notification No. 45/2017-Central Tax (Rate) dated 14.11.2017

Section 17(5) of TGST Act, 2017

Section 5 of IGST Act, 2017

Section 9 of CGST Act, 2017

! For the Practitioner

This order confirms that suppliers catering to scientific and research institutions can extend the **concessional 5% GST rate to intrastate sales** under Notification No. 45/2017-Central Tax (Rate). It establishes that making supplies at a concessional rate does not restrict or demand reversal of **Input Tax Credit on raw inputs**.

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 -> tsaar 07-2018 telangana.pdf

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com