Shri Shakil Sikander Gavandi (Prop.- M/s Unique Earthmovers)

Authority for Advance Ruling — Goa

Advance Ruling No. GOA/GAAR/2 of 2019-20/1984 Dated **04.11.2019**

Q Questions Before the Authority

- Whether the supply of labour force/work without material by a sub-contractor to a main contractor, who is engaged in supply of "works contract" service, also falls under "works contract" services?
- Whether 'point No. 12' of the 25th GST Council Meeting held on 18.01.2018, reducing the GST rate from 18% to 12%, is applicable also to such sub-contractors supplying labour force/work without material to the main contractor who is engaged in supply of "works contract" service?

F Facts

The applicant, a GST-registered person, supplies labour and machine-based work, mainly dumping of soil and excavation, to M/s M. Venkata Rao Infra Project Pvt. Ltd. (MVR), which is engaged in bridge construction. The applicant charged GST at 18%, but MVR said the rate for works contract service had been cut to 12% from 18 January 2018 and insisted on 12%. MVR has voluntarily undertaken to pay the 6% difference with interest if the ruling is in the applicant's favour.

H Ruling

Whether labour force/work without material supplied by a sub-contractor to a main contractor engaged in works contract service falls under works contract services	**No**	Labour-only supply by a sub-contractor is not a works contract, because no transfer of property in goods takes place.
Whether the reduced GST rate of 12% (from 18%) under point 12 of the 25th GST Council meeting dated 18.01.2018 applies to such sub-contractors	**No. The 12% rate does not apply; the 18% rate continues.**	The reduction applies only to works contract suppliers, not to labour-only sub-contractors supplying a main contractor.

The authority held that the applicant's supply of labour without material does **not fall under "works contract" services** . It further held that the reduced 12% rate is **not applicable** to such sub-contractors, so the applicant remains liable to GST at 18%. The ruling rests on the absence of any transfer of property in goods from the applicant to the main contractor.

R Reasoning

The authority reproduced the definition of works contract in clause (119) of Section 2 of the GST Act and found

that it requires an activity relating to immovable property together with transfer of property in goods. It relied on Section 3(26) of the General Clauses Act, 1897 for the meaning of immovable property. It then read Section 7 and Schedule II, entry 6, together with the composite supply definition in Section 2(30), and treated works contract as a composite supply of goods and services. Because the applicant only performs labour with its own men and machines and supplies no material, the authority found there was **no transfer of property** and so the activity could not be a works contract.

P Provisions Relied On

- Section 97(2)(a) and (g) of the CGST/GGST Act, 2017 (scope of advance ruling)
- Section 2(119) of the CGST/GGST Act, 2017 (definition of works contract)
- Section 2(30) of the CGST/GGST Act, 2017 (definition of composite supply)
- Section 7(1)(d) of the CGST/GGST Act, 2017 (scope of supply)
- Schedule II, entry 6 of the CGST/GGST Act, 2017 (composite supply treated as supply of services)
- Section 3(26) of the General Clauses Act, 1897 (definition of immovable property)
- Point 12 of the 25th GST Council meeting dated 18.01.2018 (rate reduction to 12%, as cited in the question)

! For the Practitioner

The ruling is useful to labour-only sub-contractors who supply workers or machine-based labour to works contract contractors and are asked to charge the 12% rate. It settles that such supply is not a works contract where no property in goods passes, so the 18% rate applies. It does not decide the rate for sub-contractors who supply goods or materials, and it does not address the main contractor's undertaking to pay the 6% difference. The order is an advance ruling on the applicant's own facts.

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 -> goa_aar_02_2019-20_04.11.2019_ssg.pdf

Prepared 13-11-2026.

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