

State Industries Promotion Corporation of Tamilnadu Limited

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 22 /ARA/2023 Dated: 20.06.2023

Q Questions Before the Authority

- Whether the Supply of raw water and its incidental charges are liable to be taxed under the prevailing GST Laws.
- Whether the Maintenance charges for usage of common facilities are liable to be taxed under the prevailing GST Laws.
- Whether the Participatory Infrastructure Development Scheme (PIDP) charges are liable to be taxed under the prevailing GST Laws.
- Whether the interest collected towards delayed payment for Upfront lease premium and Differential lease premium are liable to be taxed under the prevailing GST Laws.
- Whether the interest for delayed payment of consideration for the points mentioned in Sr.No.01 to 03, as above, are liable to be taxed under the GST Laws.
- Whether the Penalty for delay in execution of the project and delay in execution of lease deed are liable to be taxed under the prevailing GST Laws.

F Facts

The applicant is a State Industrial Development Corporation that develops industrial complexes and parks. They provide infrastructure facilities and lease land to allottees, collecting various charges including upfront lease premiums, maintenance fees, and water supply charges. The applicant sought a ruling on the taxability of these various receipts and associated interest or penalty payments under GST.

H Ruling

Supply of raw water and incidental charges	Not liable to be taxed	Principal supply is exempt under Notification No. 02/2017-CT(Rate)
Maintenance charges for common facilities	Liable to be taxed	Considered a supply of service under Section 7(1)(a) of CGST Act
Participatory Infrastructure Development Scheme (PIDP) charges	Liable to be taxed	Considered a supply of service under Section 7(1)(a) of CGST Act
Interest on delayed payment of Upfront/Differential lease premium	Not liable to be taxed	Principal supply is exempt under Notification No. 12/2017-CT(Rate)
Interest on delayed payment for points 1 to 3	Mixed ruling	Interest on water charges (point 1) is not liable; interest on maintenance/PIDP (points 2 & 3) is liable

Penalty for delay in project/lease deed execution

Not liable to be taxed

Linked to exempt upfront lease premium

The authority ruled that the supply of raw water is exempt, and consequently, associated interest and penalties are also exempt. However, maintenance charges and PIDP charges are held to be taxable as supplies of services. Interest on upfront lease premiums is exempt, while interest on taxable supplies like maintenance and PIDP charges is taxable.

R Reasoning

The authority determined that the taxability of incidental charges like interest and penalties follows the taxability of the principal supply. Since the supply of raw water and the grant of long-term land leases are exempt, the associated interest and penalties are also exempt. Conversely, maintenance and PIDP charges were found to be taxable services because the applicant failed to prove they acted as a 'pure agent' under Rule 33 of the CGST Rules. The ruling relies on Section 7(1)(a) of the CGST Act regarding the definition of supply and various exemption notifications.

P Provisions Relied On

Section 7(1)(a) of CGST Act 2017

Section 15(2) of CGST Act 2017

Rule 33 of CGST Rules 2017

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

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

Circular No. 178/10/2022-GST

! For the Practitioner

This ruling clarifies that **incidental charges follow the tax status of the principal supply**. It serves as a warning that claims of 'pure agent' status for maintenance or infrastructure charges will be rejected without formal contractual documentation. It does not provide a blanket exemption for all receipts by industrial development corporations.

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 -> 22 aar 2023 sipcot.pdf

Prepared 17-10-2026.

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