# M/s Takko Holding GmbH

Authority for Advance Ruling — Tamil Nadu

**ORDER No.14/AAR/2018 DATED:27.09.2018** Dated **27.09.2018**

## Q Questions Before the Authority

- Whether a liaison office is liable to pay GST?
- Whether a liaison office is required to be registered under GST Act?
- Whether the activities of a liaison office amount to supply of services?

## F Facts

Takko Holding GmbH, a German company, operates a liaison office in Tirupur under RBI permission. The office passes order enquiries from the German head office to Indian garment suppliers, collects and forwards price quotes, and coordinates production, quality checks and shipment. The head office reimburses all of the office's expenses from abroad, and the office charges no commission or fee and has no income of its own.

## H Ruling

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| **Whether the liaison activities amount to a supply of services (Q3)** | **No. The activities do not amount to supply under the CGST and SGST Act.** | Applies only when the activities are strictly in line with the conditions of the RBI permission letter. |
| **Whether the liaison office is liable to pay GST (Q1)** | **No. The applicant is not liable to pay CGST, SGST or IGST, as applicable.** | Follows from the first ruling that there is no supply. |
| **Whether the liaison office is required to register under GST (Q2)** | **No. The applicant is not required to register under GST for the liaison activities.** | Follows from the first ruling that there is no supply. |

The authority held that the liaison activities, when strictly within the conditions of the RBI permission, do **not amount to a supply** under the CGST and SGST Act. Because there is no supply, the applicant is **not liable to pay CGST, SGST or IGST** . It is therefore also not required to register under GST for the liaison activities.

## R Reasoning

The authority first asked whether the activities are a supply at all, since liability and registration follow only if they are. Under section 7(1) of the CGST Act, a supply requires either a consideration in the course or furtherance of business, or an activity listed in Schedule I made without consideration. The office receives no consideration, since the head office reimburses its costs and it charges no fee, so the first limb is not met. The authority held that


Prepared as a reading aid. Where this summary and the original order differ, the order governs.

the office is not a related person or a distinct person under section 25, because it acts as an extension of the German office and works as its employees, so the Schedule I entry for supplies without consideration between related or distinct persons does not apply. With no supply, there is no taxable event and no need to register under section 22.

## P Provisions Relied On

- Section 7(1)(a) of the CGST Act, 2017
- Section 7(1)(c) of the CGST Act, 2017 (read with Schedule I)
- Schedule I of the CGST Act, 2017
- Section 25 of the CGST Act, 2017 (distinct persons)
- Section 22 of the CGST/SGST Act, 2017 (registration)

## ! For the Practitioner

The order gives a practitioner a reasoned position for a foreign company's Indian liaison office that is limited to RBI-permitted activities and funded entirely by head office remittances. It turns on the absence of consideration and on the office being an extension of the parent, not a separate person. It does not decide the position for a liaison office that charges fees, earns income, or goes beyond the RBI conditions, and it is not binding on other authorities or applicants.

### 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 -> tn-14-aar-2018-thg.pdf

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**Pune (HQ)**
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

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

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

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

**Ahmedabad**
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

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