THE MOBILE WALLET PVT LTD.

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-87/2018-19/B-8, Mumbai, dated 16.1.2019 (Maharashtra Aut… Dated **16.01.2019**

Q Questions Before the Authority

- Whether the portion of the Merchant Discount Rate received by the issuing bank as 'Interchange Fee' is liable to tax under the Goods and Services Tax?
- Why a different practice prevails by the Network in the industry?

F Facts

The applicant issues and operates pre-paid payment instruments, including mobile wallets and pre-paid cards, as Business Correspondent of Federal Bank under an agreement dated 16 January 2018. In a card transaction, the acquiring bank deducts a Merchant Discount Rate from the merchant, and part of that MDR is paid to the issuing bank as interchange fee. The applicant contends that the interchange fee forms part of a single composite supply by the acquiring bank, so that GST is being charged twice on the same amount.

H Ruling

The authority held that the application is **not maintainable** and rejected it. It found that the applicant is neither the supplier nor the recipient in the transaction described, so the first question is not in relation to a supply undertaken or proposed to be undertaken by the applicant under section 95. The second question, on industry practice of networks, does not fall within the matters listed in section 97(2) and was held inadmissible.

R Reasoning

The authority read section 95 as confining advance rulings to supplies of goods or services being undertaken or proposed to be undertaken by the applicant. It observed that the MDR is fixed by agreement between the acquiring bank and the merchant, and that the applicant is not a party to that supply. On the first question it therefore found no applicant-specific supply to rule on. On the second question it found that industry practice of card networks is not among the matters in section 97(2). The order does not reach the merits of the composite-supply and interchange-fee contentions the applicant raised.

P Provisions Relied On

Section 95 of the CGST Act and MGST Act, 2017 (definition of advance ruling)

Section 97(1) of the CGST Act and MGST Act, 2017 (application for advance ruling)

Section 97(2) of the CGST Act and MGST Act, 2017 (matters on which advance ruling may be sought)

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

Section 98 of the CGST Act and MGST Act, 2017 (order of the authority)

! For the Practitioner

This order is useful mainly as a procedural precedent on maintainability. It shows that an intermediary who is neither supplier nor recipient in the relevant transaction may be refused a ruling on that transaction under section 95. It does not decide whether interchange fee is taxable, whether it forms part of a composite supply, or how card networks account for GST. Practitioners should read the full order for the exact findings on maintainability before relying on it.

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 -> ara_order_87_2018_maharashtra_tmpl.pdf

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