Sri. N.C. Prakash, M/s Wisdom Security Services (GSTIN 29ACIPP7156N1ZQ)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 107/2019, dated 30th September, 2019 Dated **30.09.2019**

Q Questions Before the Authority

- Is GST applicable on man power services provided to Karnataka Rural Road Development Agency?

F Facts

The applicant, a proprietary concern, supplies manpower such as data entry operators, field engineers, software engineers, office assistants, peons and watchmen to Karnataka Rural Road Development Agency (KRRDA) across Karnataka under work orders issued against e-tenders. KRRDA's audit team took the view that GST does not apply because the services are pure services covered by entry 3 of Notification No. 12/2017-Central Tax (Rate), and the applicant sought a ruling on that point.

H Ruling

Whether GST is applicable on manpower services (Data Entry Operators, Field Engineers, Diploma Field Engineers, Senior Software Professionals, IT Cell Software Engineers, Graduate Assistant, Office Assistant, Peon, Watchman) supplied to KRRDA	****Not exempt from GST**; not covered under entry 3 of Notification No. 12/2017-Central Tax (Rate)**	The order does not state the applicable rate or any HSN code. The ruling addresses exemption only.

The Authority held that the manpower services supplied to KRRDA are not covered by entry 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. The services are therefore **not exempt from GST** . The Authority accepted that the contract is for pure services and that KRRDA is a governmental authority, but found that the manpower supply is not an activity **in relation to a function entrusted to a Panchayat or Municipality** .

R Reasoning

The Authority first found that the contract involves no supply of goods, so it is a pure service. It then held that KRRDA, a society registered under the Societies Registration Act, 1960 and established by the Government to create rural infrastructure such as village roads, is a governmental authority within clause 2(zf) of the notification and the Explanation to section 2(16) of the IGST Act. On the 'in relation to' limb, the Authority applied the dictionary meaning of 'in relation to' as 'in connection with' and found that the manpower roles manage back-end work and KRRDA's offices. These roles are not directly linked to road construction or maintenance, are not project-specific, and are only support services. For that reason the activity is not one 'in relation to a function entrusted' under Article 243G or 243W, and entry 3 is not satisfied.

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

P Provisions Relied On

- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, Serial No. 3 (pure services exemption)
- Clause 2(zf) of Notification No. 12/2017-Central Tax (Rate)
- Section 2(16) of the Integrated Goods and Services Tax Act, 2017 and its Explanation (definition of governmental authority)
- Article 243G of the Constitution (functions entrusted to a Panchayat)
- Article 243W of the Constitution (functions entrusted to a Municipality)
- Section 97 of the CGST Act, 2017 and Section 97 of the KGST Act, 2017 (application for advance ruling)
- Section 98(4) of the CGST Act, 2017 and Section 98(4) of the KGST Act, 2017 (order on advance ruling)

! For the Practitioner

This ruling helps practitioners advising manpower or outsourcing contractors to government-linked bodies. It shows that even where the recipient is a governmental authority, the nil-rate pure services entry for Panchayat and Municipal functions is read narrowly, and back-office or support staffing is unlikely to qualify. The order does not decide the rate of tax payable, and it does not settle the position for contracts with bodies whose work is directly linked to Panchayat or Municipal functions. Its reasoning turns on the specific roles supplied, so a different manpower mix could lead to a different result.

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 -> kar_aar_107_2019_30.09.2019_ncp.pdf

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