M/s Yashaswini Enterprises, #6-2-125, Near BRB College, Kadur Gunda Idapnur, Raichur-584140, Karnataka (GSTIN 29AQAPN4425C1Z4)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 51 / 2019, dated 18th September 2019 Dated **18.09.2019**

Q Questions Before the Authority

- Whether the entry at Sl. No. 3A of Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018 applies to the applicant's supply of drilling bore wells, with energisation, under government-sponsored schemes for small and marginal farmers.

F Facts

The applicant is a partnership firm engaged in drilling bore wells under work orders from Karnataka government corporations and implementing agencies, including Dr. B R Ambedkar Development Corporation Limited and Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited, under the Social Welfare Department. The service covers geo-physical survey, drilling, casing pipes, collar and threading, transport of rigs, and water yield certification, and the goods supplied (PVC casing pipes and collar) are said to be under 5% of the contract value. The corporations pay the applicant in full and the bore wells are provided to SC/ST and OBC small and marginal farmers for agriculture.

H Ruling

Rate of GST on composite supply of energised bore wells to the corporations under the Karnataka scheme (entry 3A, Notification 2/2018-CTR)	**NIL rate, as the supply falls under entry 3A**	Applies only where the recipients are Government entities, the goods are not more than 25% of the composite supply, and the activity relates to a Panchayat function under Article 243G (Eleventh Schedule, entry 3, as implemented through Karnataka Panchayat Raj Act 1993, Schedule II, item IV). The order cites Notification 12/2017-CTR as amended by 2/2018-CTR, although the question refers to Notification 2/2018 alone.

The authority ruled that the composite supply of energised bore wells to recipients that are Government entities is **covered under entry no. 3A** of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended by Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018. The supply therefore attracts a NIL rate of tax. The ruling rests on the applicant's own description of the arrangement and on the three conditions of entry 3A being met.

R Reasoning

The authority held that the first condition of entry 3A is met because the value of goods (PVC casing and collar) is well below 25% of the composite supply. It treated the corporations as Government entities, relying on the

definition in Notification 12/2017-CTR as amended, since they are 100% state-owned bodies set up to carry out a State Government function. On the third condition, it examined Article 243G and the Eleventh Schedule (entry 3, minor irrigation, water management and watershed development). It then held that section 145 and Schedule II, item IV(2) of the Karnataka Panchayat Raj Act 1993, which entrusts Taluk Panchayats with implementing individual irrigation works, covers the drilling and energisation of bore wells. The authority also treated the recipient as the corporation under section 2(93) of the CGST Act, since the corporation pays the consideration.

P Provisions Relied On

- Section 97 and Section 98(4) of the CGST Act, 2017 and KGST Act, 2017
- Rule 104 of the CGST Rules, 2017 and KGST Rules, 2017
- Section 2(93) of the CGST Act, 2017 (definition of recipient)
- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, entry 3A
- Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018, entry 3A
- Notification 32/2017-Central Tax (Rate) dated 13.10.2017 amending the definition of Government Entity (the order also refers…
- Article 243G and Article 243W of the Constitution of India
- Eleventh Schedule of the Constitution, entry 3
- Sections 58, 145 and 184 and Schedules I to III of the Karnataka Panchayat Raj Act, 1993

! For the Practitioner

A practitioner dealing with bore well or similar works for State corporations can cite this ruling for the position that such composite supplies may attract NIL rate under entry 3A, provided the recipient is a Government entity and the work falls within an Article 243G Panchayat function. The ruling is not binding beyond the applicant, and it does not decide the value-of-goods test on other facts or whether other State bodies qualify as Government entities. Because it relies on the 25% threshold and the Karnataka Panchayat Raj Act functions, the practitioner should check those facts and the current notification text 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 -> kar_aar_51_2019_18.09.2019_ye.pdf

Prepared 09-11-2026.

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