

# IMPORTANT GST UPDATES



Issued in case of Uttarakhand Public Financial Management Project by Uttarakhand Authority of Advance Ruling (AAR)  
Advance Ruling No: 15/2022-23 | Date: 27-03-2023

## Ruling

### Uttarakhand AAR ruled that GST is applicable on full bill amount for motor vehicle rental services

## Observations & Findings

In a recent order issued by the Uttarakhand Authority of Advance Ruling (AAR), an important clarification has been made regarding the applicability of Goods and Services Tax (GST) on motor vehicle rental services. According to the order, GST must be paid on the monthly rental, overnight charges, and fuel charges calculated on a mileage basis.

The case involved M/S Uttarakhand Public Financial Management Project, which receives motor vehicle hire services from two different providers, namely M/S Baba Tour & Travel and M/S Rajeshwari Travel. The key point of contention was how the leviable tax should be determined when submitting the claim bill for a specific month.

M/S Baba Tour & Travel Services adopted a method where they charged GST at 5% (2.5% SGST and 2.5% CGST) on the entire bill amount, which includes the monthly rental, night charges, and fuel charges calculated based on mileage. On the other hand, M/S Rajeshwari Travel only levied GST at 5% (2.5% SGST and 2.5% CGST) on the monthly rent, excluding any GST on the fuel charges.

The appellant, M/S Uttarakhand Public Financial Management Project, sought clarification on whether GST should be applied to the entire bill amount or only the monthly rental, excluding the night charges and fuel charges based on mileage.

In its analysis, the AAR referred to Section 15 of the CGST Act, 2017, which states that the value of supply should include any other amounts that the supplier is liable to pay for such supplies. It further clarified that these amounts, if incurred by the recipient of the supply and not included in the price paid or payable, should still be part of the value of supply. The AAR also highlighted the importance of fuel in the context of motor vehicle rental services. They noted that a motor vehicle cannot operate or move from one point to another without fuel, and this is a fundamental aspect of providing motor vehicle hire services.

Considering these factors, the AAR ruled that the service provider should add GST to the entire bill amount, which encompasses the monthly rental charges, night charges, and fuel charges calculated on a mileage basis. This decision ensures consistency in the application of GST on motor vehicle rental services and aligns with the provisions of the CGST Act.