

IMPORTANT GST UPDATES



Issued in case of M/s Manappuram Finance Ltd by Kerala Authority for Advance Ruling
Advance Ruling No. KER/13/2023 | Date: 03-04-2023

Ruling

AAR, Kerala ruled that payment made to state government for the change of land description will attract GST.

Observations & Findings

M/s. Manappuram Finance Limited ("the Applicant") is a non-banking financial company engaged in various activities, including generating income from gold loans, money transfer business, and buying and selling foreign currency. Additionally, the company owns a piece of land situated in Valapad village, located in Thrissur district. According to the records of the village authorities, this land is categorized as a wetland.

In order to construct an office complex on this land, the Applicant sought to change the description of the land from wetland to dry land. As per the provisions of the Kerala Conservation of Paddy land and Wetland Act, 2018, the Applicant duly paid the required fees to the State government for this purpose. To seek clarity on the matter, the Applicant filed an application before the Authority for Advance Ruling (AAR) in Kerala, seeking clarification on whether the payment made to the State government for the change of land description attracts GST under reverse charge or not.

The AAR observed that the payment made by the Applicant to the State government was intended to facilitate the change of land description, specifically for the purpose of constructing an office complex. Additionally, the AAR noted that the activity carried out by the State government cannot be considered as an activity related to a function entrusted to a panchayat under Article 243G of the Indian Constitution.

Considering the above factors, the AAR concluded that the activity undertaken by the State government cannot be termed as "neither a supply of goods nor a supply of service" under the provisions of Notification No. 14/2017 Central Tax (Rate) dated June 28, 2017.

As a result, the payment made by the Applicant to the State government for the change of land description will attract GST under reverse charge.