



JUDGEMENT

Corporate Guarantees Issued by Foreign Group Entities Are Subject to a One-Time GST Payment, Eliminating Periodic Tax Obligations.

Issued By:	Rajasthan AAR
In Case Of:	M/s Green Infra Wind Farm Assets Limited
Order No:	RAJ/AAR/2024-25/10
Order Date:	2 nd July 2024

FACTS & OBSERVATIONS

- M/s Green Infra Wind Farm Assets Limited, (The Appellant) approached the AAR to get more clarity related to payment mechanism of corporate guarantee issued to it by its foreign group entity.
- The corporate guarantee in question was furnished once for a specific period, with no provisions for renewal until the loan contract's final settlement.
- The central concern was determining the appropriate time of supply and payment structure under the Reverse Charge Mechanism (RCM) for the guarantee's full term.

JUDGEMENT

- The Rajasthan AAR observed that, as per Section 13(3) of GST rules, the time of supply for such corporate guarantees is established on the date of entry in the books of the Indian subsidiary, mandating a one-time GST payment under RCM.
- Since the corporate guarantee is valid for a specified duration without any periodic renewals, AAR found that there is no need for recurring GST filings, thus requiring the tax to be paid upfront at the time of import of service.
- Thereby the AAR ruled that GST must be paid in full upfront for the total guarantee period at 5%. This aligns with the pre-existing Circular.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

WWW.NJJAIN.COM

info@niteshjain.co.in

079-4002-2628