



JUDGEMENT

Financial Grants for Operational Expenses Are Not Considered as Payment for Services and Exempt from GST

Issued By:	Kerala Infrastructure and Technology For Education
In Case Of:	Indus Motor Company Pvt. Ltd.
Order No:	WP(C) NO. 12864 OF 2024
Order Date:	22 nd November 2024

FACTS & OBSERVATIONS

- The applicant, 99.99% owned by the Kerala Government, supports schools by procuring and supplying IT hardware, funded through the Kerala Infrastructure Investment Fund Board (KIIFB).
- The Additional/Joint Commissioner imposed a GST liability of ₹99 Crores claiming the taxpayer was engaged in a composite supply of goods and services.
- The taxpayer argued that transactions with the government and schools do not constitute "supply" under Section 7 of the CGST/SGST Acts, with no evidence of applicability under Schedule I.
- Ownership of goods was contested; the taxpayer asserted that ownership rests with the General Education Department, not with them.

JUDGEMENT

- The court observed that grants received for operational expenses like salaries and allowances cannot be deemed "consideration" for any supply of goods or services.
- It was noted that the revenue failed to demonstrate that the taxpayer's activities fall under Schedule I, which allows taxation without consideration.
- Ownership of goods was incorrectly attributed to the taxpayer; the court clarified it lies with the General Education Department.
- The court held that the financial grants are not subject to GST and set aside the order demanding GST liability.

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