

**GUJARAT AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
D/5, RAJYA KAR BHAVAN, ASHRAM ROAD,
AHMEDABAD – 380 009.**



ADVANCE RULING NO. GUJ/GAAR/R/2026/03
(IN APPLICATION NO. Advance Ruling/SGST&CGST/2025/AR/23)

Date: 19/ 02/2026

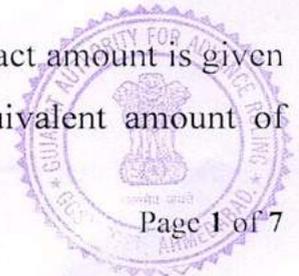
Name and address of the applicant	:	P C Snehal Construction Private Limited, 10, Pravesh Apartment, Mahadev Nagar Society, Stadium Road, Naranpura, Ahmedabad, Gujarat-380014
GSTIN of the applicant	:	24AAJCP2964L1Z0
Jurisdiction Office	:	Office of the Assistant Commissioner of State Tax, Unit-8, Range-2, Division-1, Ahmedabad.
Date of application	:	08.07.2025
Clause(s) of Section 97(2) of CGST/GGST Act, 2017, under which the question(s) raised.	:	(c)
Date of Personal Hearing	:	04.12.2025
Present for the applicant	:	Shri Bhargav Desai and Shri Kannaiyalal Modi, Accountant

Brief facts:

M/s P C Snehal Construction Private Limited, 10, Pravesh Apartment, Mahadev Nagar Society, Stadium Road, Naranpura, Ahmedabad, Gujarat-380014 [for short – ‘applicant’] is registered under GST and their GSTIN is 24AAJCP2964L1Z0.

2. The applicant is a Government Contractor providing services related to Sewage Treatment Plant. As the facts of the case were not clear from the application filed by the applicant, they were asked to submit the facts properly in writing during the course of hearing held on 04.12.2025. As per the letter dtd. 13.12.2025 received from the applicant, the applicant has received a contract for providing services related to storm water drainage, for the newly developed areas falling under Ahmedabad Urban Development Authority (AUDA).

3. As per the terms of the tender, 10 % of the accepted contract amount is given as advance/loan to the applicant, which is backed by an equivalent amount of



security to be given by the applicant to AUDA. The said terms are mentioned in clause 14.2 and sub-clause 14.2.1 of the contract. Further, all payments made by AUDA to them towards execution of the contract are paid along with GST @ 18%. However, in case of the advance payment, AUDA does not pay GST @ 18%. This clearly indicates that the advance payment is not a payment for the services rendered, but is in the nature of a loan to facilitate execution of the work. All such payments are recovered in subsequent payments of the R.A. Bills as per the tender conditions. On receipt of payment of R.A. Bills, they are paying GST on the full payment. In the event of the contract getting terminated, the full or part balance amount of the advance payment shall be recovered by AUDA from the guarantee submitted by us. In such an eventuality, the GST paid by them will remain deposited with the GST Department and they shall incur a huge loss. Therefore, they are of the opinion that payment of such advance does not attract GST @ 18%.

4. In view of the above, the applicant has sought an advance ruling on the following issue: -

“GST Applicability on the advance payment which will be recovered from running account bills subsequently, resulting in GST payable at the time of issuance of invoices.”

5. Personal hearing was granted on 04.12.2025 wherein Shri Bhargav Desai, Authorised Representative and Shri Kannaiyalal Modi, Accountant appeared on behalf of the applicant. They submitted that they have been awarded the contract by the AUDA for providing services related to storm water drainage; that they are given 10% of the accepted contract amount as advance/loan which is backed by an equivalent amount of security to be given by them to AUDA; that the said advance is adjusted in the R.A. Bills raised from time to time; that they are of the opinion that no GST is payable of the advance; that they seek an advance ruling as to whether GST is payable on the said advance. They also submitted a brief note of the work undertaken by them along with the relevant provisions mentioned in the Tender regarding Advance Payment. As mentioned earlier, as the application was not clear on facts as well as the ruling which is being sought, the applicant was requested to submit a proper submission as well as the copy of the contract. The facts of the case has been submitted vide letter dtd. 13.12.2025, which has already been reproduced supra. The copy of the contract was not provided by the applicant. However, they

have enclosed two pages of the contract i.e PCC-3 and PCC-35, which they felt are relevant to their case.

Discussion and findings

6. At the outset, we would like to state that the provisions of both the CGST Act and the GGST Act are the same, except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the GGST Act.

7. We have considered the submissions made by the applicant in their application for advance ruling as well as the submissions made both oral and written during the course of personal hearing. We have also considered the issue involved, the relevant facts & the applicant's submission/interpretation of law in respect of question on which the advance ruling is sought.

8. The short question to be answered is whether the advance received by the applicant will attract GST or otherwise and if yes, when would the tax liability arise. At the cost of repetition, the applicant has got a contract for providing storm water drainage services to AUDA, which is being financed by the Asian Development Bank. The total tender cost is Rs. 109,54,62,973/- out of which 10% of the amount will be given by AUDA as mobilisation advance, which is to be utilised only for the procurement of project resources. As per GCC Clause 14.2 of the Tender condition, the advance payment is an interest free loan for mobilisation and design, which would be backed by a guarantee given by the applicant. As per PCC Clause 14.2.3, the deductions of the advance payment shall be made at the amortisation rate of 25%.

9. Mobilisation advances are usually given to the contractors by the service recipients to meet the needs of working capital incurred at the commencement of a project. The Brief scope of work mentioned by the applicant is as under: -

- *Storm Water Drainage Network in catchment area of 194.78 Ha of Shela including RCC NP3/NP4 pipeline and Box*
- *Storm Water Drainage Network in catchment area of 372.10 Ha of Manipur - Godhavi including RCC NP3/NP4 pipeline and Box.*
- *Storm Water Drainage Network in catchment area of 144.76 Ha of Sanathal-Telav including RCC NP3/NP4 pipeline and Box.*



- Storm water pumping stations in Shela - 1 No
- Storm water pumping stations in Manipur-Godhavi - 2 No
- Storm water pumping stations in Sanathal-Telav - 1 No

Further, as per the written submissions, the name of the work to be undertaken is 'Construction and 5 years of operation and maintenance of Storm Water Drainage System for Shela, Manipur, Godhavi, Sanathal and Telav'. Thus, it appears that the applicant is providing works contract services to AUDA.

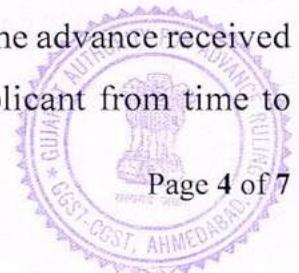
10. Before proceeding on the applicability of GST on the advance, it would be prudent to first examine whether the same falls under the definition of 'consideration' under the CGST Act, 2017. As per Section 2(31) of the CGST Act-

"Consideration" in relation to the supply of goods or services or both includes - (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

As per the definition, any payment made or to be made whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person is a consideration for supply. However, as per the proviso, a deposit given in respect of the supply of goods or services shall not be considered as payment made for such supply, the exception being that the supplier applies such deposit as consideration for the said supply. The advance collected by the applicant is a form of deposit, which they can utilise for meeting the expenses prior to the commencement of the project, and is a payment made in response for the inducement of the supply by the applicant. Further, the proviso also makes it clear that any deposit given in respect of the supply of services, if applied as a consideration for the said supply, would be considered as payment made for such supply. As per the terms of the contract, the advance received by the applicant is adjusted in the R.A. bills raised by the applicant from time to



time, for the supply made to AUDA. By adjusting the advance in the R.A. bills, the applicant is applying it as a consideration for the supply. Therefore, the advance would be considered as a payment made for the supply and as an extension fall under the ambit of 'consideration' made for such supply.

11. Having held that the advance is a consideration for the supply to be made by the applicant, we move on to the next question as to when the GST would be payable on the said Advance. The applicant is of the view that it would be payable when the same is adjusted in the R.A bills. The time of supply, at which the liability to pay tax arises, is prescribed under Section 12 and Section 13 of the Central Goods and Services Tax Act, 2017, Section 12 relating to goods and Section 13 relating to services. As mentioned earlier, the applicant is providing works contract service. As per Schedule-II of the CGST Act, works contract shall be treated as a supply of service. Therefore, the relevant Section in the applicant's case would be Section 13, which is reproduced below: -

Section 13 -

(1) *The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.*

(2) *The time of supply of services shall be the earliest of the following dates, namely: -*

(a) *the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under section 31 or the date of receipt of payment, whichever is earlier; or*

(b) *the date of provision of service, if the invoice is not issued within the period prescribed under section 31 or the date of receipt of payment, whichever is earlier; or*

(c) *the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply*

Provided that xx xx xx

Explanation. - For the purposes of clauses (a) and (b) -

(i) *the supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment;*

(ii) *"the date of receipt of payment" shall be the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier.*

12. As per Section 13, the liability to pay tax on services shall arise at the time of supply and the time of supply of services would be the earliest of the following—

- *the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under section 31*
- *the date of receipt of payment*



- *the date of provision of service, if the invoice is not issued within the period prescribed under section 31*
- *the date on which the recipient shows the receipt of services in his books of account, in a case where the above do not apply*

As per Section 31(2) of the CGST Act, 2017, a registered person supplying taxable services shall before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value of tax charged thereon and such other particulars as may be prescribed. Thus, an invoice for the advance can be raised before the provision of service. From the submissions of the applicant, it does not appear that any invoice is being issued by the applicant when the advance is received by the applicant, because as per their view, they are not liable for payment of GST on the advances received. The advance is being adjusted during the issue of R.A. Bills and the GST is being proposed to be paid by the applicant on the advance during this stage. This means that the invoice for the advance is raised in the R.A. Bill, at a much later stage from the date of receipt of advance. Therefore, the time of supply of services would be date of receipt of payment of the advance and consequently, liability to pay tax would be on the date of receipt of payment.

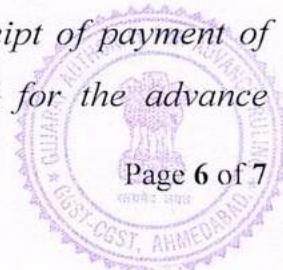
13. We also find that a similar issue was decided by this Authority in the case of *Re: S.P. Singla Constructions P. Ltd* (GAAR Ruling No. GUJ/GAAR/R/2022/06 dtd. 07.03.2022), wherein it was held that time of supply of advances received for supply of services is the date of receipt of the said advance. The said ruling was carried into appeal before the Appellate Authority by *S.P. Singla Constructions P. Ltd.* which rejected the appeal [2025 (95) G.S.T.L. 334 (App. A.A.R. - GST - Guj.)].

14. In view of the foregoing, we rule as under: -

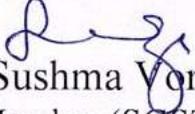
RULING

Ques: GST Applicability on the advance payment which will be recovered from running account bills subsequently, resulting in GST payable at the time of issuance of invoices.

Ans: GST is liable to be paid on the advance payment received and the liability to pay tax shall arise on the date of receipt of payment of advance. However, in case an invoice is issued for the advance



received, within the period prescribed under Section 31 of the CGST Act, 2017, the liability to pay tax would be the date of issue of invoice or the date of receipt of payment of advance, whichever is earlier.


(Sushma Vora)
Member (SGST)




(Vishal Malani)
Member (CGST)

Place: Ahmedabad
Date: 19/02/2026

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