

**AUTHORITY FOR ADVANCE RULING, TAMIL NADU**  
**No.207, 2<sup>nd</sup> FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,**  
**CHENNAI 600 006.**

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND**  
**UNDER SECTION 98(4) OF THE TNGST ACT, 2017**

**Members present:**

<b>Shri C. Thiyagarajan, I.R.S., Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.</b>	<b>Shri B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.</b>
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**Advance Ruling No. 31/ARA/2026, dated 09.04.2026**

1. *Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*

2. *In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-*

- (a) *On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.*
- (b) *On the concerned officer or the Jurisdictional Officer in respect of the applicant.*

3. *In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*

4. *Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*

5. *The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the Act) are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any / User id	<b>33AADCR7253E1ZK</b>
Legal Name of Applicant	<b>M/s. RENAULT NISSAN TECHNOLOGY &amp; BUSINESS CENTRE INDIA PRIVATE LIMITED</b>
Trade Name of Applicant	<b>M/s. RENAULT NISSAN TECHNOLOGY &amp; BUSINESS CENTRE INDIA PRIVATE LIMITED</b>
Registered Address / Address provided while obtaining user id	No.TP 2/1, Ascendas IT Park, Natham Sub Post Office, Mahindra World City, Kancheepuram, Tamil Nadu-603 004.
Details of Application	GST ARA – 01 Application dated 17.07.2025
Jurisdictional Officer	<b>State:</b> Maraimalai Nagar Assessment Circle, Chengalpattu Division.
Concerned Officer	<b>Center:</b> Chennai-Outer Commissionerate, Maraimalai Nagar Division.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for  A Category  B Description (in brief)	<p>Service Provision.</p> <p>The Applicant is primarily a support centre for all of its Group entities located outside India for providing various engineering, IT and IT Enabled services, Back Office and Business process outsourcing services at SEZ Unit.</p> <p>Employees engaged by the applicant are staying in different places outside the MWSEZ area and hence, a fleet of motor vehicles have been arranged to transport the employees from various identified pick-up places of their location to the MWSEZ office at the above mentioned address and drop them back from the office to these identified places.</p> <p>In that connection, applicant has entered into contract with Transport Service Provider for providing buses for transport facilities to the employees from their respective pickup location till the office premises and the return. The regular routes are fixed.</p>

	<p>The applicant has obtained 'Private Service Vehicle Permit' (PSVP) from the State/Regional Transport Authority of Tamil Nadu in respect of Buses and minibuses in the name of the company.</p> <p>The applicant recovers a nominal amount from the employees on monthly basis. Such recoveries are shown as a deduction in the monthly pay slip of the employees.</p> <p>The applicant seeks to beseech the Hon'ble AAR to rule on the applicability of GST on the nominal amount of recovery made by the applicant.</p>
<p>Issue/s on which advance ruling required</p>	<ol style="list-style-type: none"> <li>1. Determination of the liability to pay tax on any goods or services or both.</li> <li>2. Whether any particular thing done by the applicant with respect to any goods and/or services or both amounts to or results in a supply of goods and/or services or both, within the meaning of that term.</li> </ol>
<p>Question(s) on which advance ruling is required</p>	<p>Q1. Whether the nominal amounts recovered by the applicant from employees for transportation services would be considered a "supply" under the provisions of Section 7 of the CGST Act 2017.</p> <p>Q2. In case answer to the above is "Yes"  - At what value, the applicant is required to remit GST? Whether on the amount recovered from the employees for the transport services provided or on the amount paid by the applicant to the Transportation Service Provider?</p>

**M/s. RENAULT NISSAN TECHNOLOGY & BUSINESS CENTRE INDIA PRIVATE LIMITED**, TP 2/1, Ascendas IT Park, Natham Sub Post Office, Mahindra World City, Kancheepuram, Tamil Nadu - 603 004 (hereinafter called as the

“Applicant”) are registered under the GST Act with **GSTIN 33AADCR7253E1ZK**. The applicant primarily acts as a support center for all of its Group entities located outside India for providing various engineering, IT and IT Enable Services, Back Office and Business process outsourcing services at SEZ Unit. The applicant has sought advance ruling on the following question:

Q1. Whether the nominal amounts recovered by the applicant from employees for transportation services would be considered a “supply” under the provisions of Section 7 of the CGST Act 2017.

Q2. In case answer to the above is “Yes”

- At what value, the applicant is required to remit GST? Whether on the amount recovered from the employees for the transport services provided or on the amount paid by the applicant to the Transportation Service Provider?

## **2. Statement of relevant facts having bearing on the questions raised:**

2.1 On relevant facts having bearing on the questions raised, the applicant has stated the following:

- a. That the Applicant is a company incorporated under the provisions of the Companies Act, 1956 and is primarily a support center for all of its Group entities located outside India for providing engineering, IT and IT enable services, Back Office and Business process outsourcing services at SEZ Unit.
- b. That the employees engaged by the applicant are staying in different places outside the MWSEZ area and hence, a fleet of motor vehicles have been arranged to transport the employees from various identified pick-up places of their location to the MWSEZ office at the above-mentioned address and drop them back from the office to these identified places.
- c. That in this connection, they have entered into contract with Transport Service Provider for providing buses for transport facilities to the employees from their respective pick-up location till the office premises and the return. The regular routes are fixed.
- d. That the applicant recover nominal amount from the employees on monthly basis. Such recoveries are shown as a deduction in the monthly pay slip of the employees. In the employment contract, the transportation details are covered under the perquisites category. The deduction amount towards applicant transportation can change subject to Company’s discretion and

the same will be intimated at the time of change. The grade-wise recovery details per employee per day is tabulated below:

<b>Sl. No.</b>	<b>Designation</b>	<b>Recovery Amount per Day</b>
1.	Employee (Below DGM Level)	Rs.140/-
2.	Employee (DGM Level)	Rs.225/-

- e. That for the procurement of transportation services from the transport service provider, the company is availing Input Tax Credit on the tax charged.
- f. That the recovery made from the employees is credited to the expense account in which transportation expense is booked and debited to the salary payable account in respect of employees on the rolls of the applicant.
- g. That the services in relation to transportation through motor vehicles are provided by the Transportation Service Provider to all the employees, who have opted for such benefit from the applicant. It is agreed that the applicant shall enter into a contract and pay in full to the transportation service provider for the service provided during the prescribed period on behalf of the employees and nominal amount is recovered from the employees on a monthly basis and the balance amount is borne by the applicant.
- h. That the applicant is seeking advance ruling to ascertain the GST implication on the existing arrangement of recovering a nominal amount towards transportation facility provided to employees by the applicant for the purpose of commuting from office to identified pick-up points and vice versa.

### **3. Interpretation of Law by the Applicant based on the statement of facts:**

3.1 On interpretation of law, the applicant stated the following:

- a. That the nominal amount recovered from the salary of the employees for providing the subsidized transportation facility, cannot be considered as supply as per section 7 of CGST Act, therefore, GST cannot be levied on such activity.
- b. That the term "Supply" includes all forms of supply (goods and/or services) and includes agreeing to supply when the supply is for a consideration and is in the course or furtherance of business. The word 'supply' is all-encompassing, subject to exceptions carved out in the relevant provisions.

- There shall be a **legal intention** of both the parties to the contract to supply and receive the goods or services or both. The absence of such intention would not amount to Supply within the meaning of CGST Act.
  - It should involve **quid pro quo** — viz, the supply transaction requires something in return, which the person supplying will obtain, which may be in monetary terms/ in any other form except in cases of deeming provision as specified in Schedule I;
  - Employment contract's relation to transport facility is established by the fact that only employees are allowed to utilise the facility. Also, it is to be seen that recovery towards these charges are recovered through Payslip which suggests that the recovery is incidental to the employment contract only
  - The-Supply of goods or services or both shall be affected by a person in the course or furtherance of business.
- c. That Schedule III of the CGST Act provides the activities or transactions which shall be treated neither as a Supply of Goods nor a Supply of Services. One of the activities mentioned therein is Services by an employee to the employer in the course of or in relation to his employment. The applicant noted that the term “in the course of or in relation to” is a wider term, which is enough to cover all transactions between employer and employee due to employment contract.

The applicant relied on various case laws to strengthen their argument:

- Faiveley Transport Rail Technologies India Pvt. Ltd. ((2024) 17 Centax 288 (A.A.R. - GST - T.N.) [20-12-2023]).
- Cadmach Machinery (P.) Ltd - [2022] 140 taxmann.com 638 (AAR - Gujarat)
- Integrated Decisions and Systems India Pvt. Ltd. [2022 (58) G.S.T.L.596 (A.A.R.-GST Mah)
- Brandix Apparel India Pvt. Ltd. AAR No. 02/AP/GST/2023, decided on 21-3-2023,
- North Shore Technologies Pvt. Ltd. (2021 (49) G.S.T.L. 315 (A.A.R. - GST - U.P.))
- ION Trading India (P.) Ltd - [2020] 113 taxmann.com 609 (AAR- Uttar Pradesh)

- Amneal Pharmaceuticals (P.) Ltd - [2021] 126 taxmann.com 228 (AAAR-Gujarat)
- Dishman Carbogen Amcis Ltd - Advance Ruling No Guj/GAAR/R/22/2021
- Bharat Oman Refineries Ltd - [2022] 142 taxmann.com 95
- RITES Ltd-2022-VIL-283-AAR
- Emcure Pharmaceuticals Ltd - [2022] 134 taxmann.com 74 (AAR - Maharashtra)

d. That CBIC, vide Circular No. 172/04/2022 — GST dated 6th July, 2022, has clarified as to whether various perquisites provided by the employer to its employees in terms of contractual agreement entered into between the employer and the employees are liable for GST. The applicant highlighted that since the facility itself is provided only to employees and as part of employment arrangement, such facility itself qualify as perquisite, despite a nominal amount is recovered and there cannot be supply merely there is some recovery, maximum such arrangement can be seen only as a cost sharing arrangement between employer and employee and not as a supply.

To drive their point home, the applicant has relied on the following case laws:

- M/s Bhimas Hotels Pvt Ltd Vs Union Of India,
  - Woodlands Hotel (P) Ltd. v. The State of Karnataka (1995) 97 S.T.C. 251
  - Bihar Alloy Steels Ltd. and Ors. Vs State of Bihar and Ors, Hon'ble High Court of Patna Bench (Ranchi Bench) (MANU/BH/0150/1996)
  - Coimbatore v, South India Textile Research Association MANU/TN/0426/1977: 1978 41. S.T.C. 197 (Mad)
- e. That the facility of transportation is provided due to the existing 'Employer-Employee' relationship, an employee is not allowed to use the transportation facility once the 'Employer-Employee' relationship ceases i.e., when the employment is terminated. Schedule III read with Section 7(2) of the CGST Act specifies that any services provided by an employee to the employer in the course of or in relation to his employment shall be neither a supply of goods nor supply of services. In short, the consideration paid by the

employer to the employee as part of the employment contract shall be out of the scope of levy of GST. Reliance is placed on the following case laws:

- Tata Motors Limited [GST-ARA -23/2019-20/B-46 dated 25 August 2020],
  - M/s The TATA Power Company Limited (NO.GST-ARA-99/2019-20/B-92),
  - Posco India Pune Processing Center Private Limited [GST-ARA-36/2018-19/B-110 dated 7 September 2018],
  - M/s Jotun India Pvt Ltd [2019 (10) TMI 482]
  - KIRBY BUILDING SYSTEMS AND STRUCTURES INDIA PVT. LTD [(2023) 13 Centax 341 (A.A.R. - GST - Telangana)],
  - M/s. Cadila Health Care Limited (2022-VIL-125-AAR)
- f. That in the light of the above judgement, there must be a legal intention to enter in a contractual relationship with its recipient, which casts roles and responsibility on each of the contractual party, in order to fall under the ambit of Supply under GST. Unless there is an intention to provide a service, the same shall not be treated as Supply within the meaning of Section 7 of the CGST Act. Basis the above, the Applicant wishes to submit that there is no 'Supply' by him in the form of provision of transportation facility to its employees.
- g. That a supply must involve enforceable reciprocal obligations. If something has been used, but there was no agreement for its supply between the relevant parties, any payment subsequently received by the aggrieved party is not consideration for supply. The receipt of payment is not premised on the enforcement of reciprocal obligations between parties and cannot be linked to a supply for the purpose of levying GST. Hence, the deduction in employees' salary made by the Applicant would constitute a mere transaction in money between the Applicant and its employees. Also, the Applicant wishes to highlight the judgement of Hon'ble Bombay High Court in the case of Bai Mamubai Trust, Vithaldas Laxmidas Bhatia, Smt. Indu Vithaldas Bhatia vs. Suchitra [Commercial Suit (1) No. 226 of 2017], has held that for GST to be payable on any payment, there must be the necessary quality of reciprocity to make it a 'supply'.
- h. That in the instant case, the Applicant deducts a pre-determined amount from the employee's salary as a recovery of expenses under employment

relationship without any commercial objective. The same is also shown as a deduction in the salary slip provided to the employees. Based on the above interpretation, it can be said that there is no reciprocity of any activity or transaction i.e. when is no express or implied reciprocity i.e. quid-pro-quo, between the Applicant and the employees. Thus, in the absence of an identifiable supply, the activity would not constitute 'consideration' for any supply.

- i. That the Transport services cannot be treated as ancillary to the business activity of the Applicant. Though the expenses towards transport are incurred in the course of business of the applicant, it is not a business activity performed by the applicant so as to be termed as 'supply' to be taxed under GST.
- j. That even if the aforesaid transaction qualifies as supply. then GST is applicable on the nominal amount recovered from the employees.
- k. That the valuation of supplies under GST is governed by Section 15 of the CGST Act, which stipulates that the value of a supply is the transaction value, i.e., the price actually paid or payable for the supply, provided the supplier and recipient are not related and the price is the sole consideration. Even where the supplier and recipient are related (as in the case of employer and employee), the law recognizes the value declared in the invoice as the open market value, especially where the recipient is eligible for full input tax credit. In the context of employee transport facilities, the only amount actually paid by the employee is the nominal recovery, with the balance subsidized by the employer. Therefore, the transaction value for GST purposes is the nominal amount recovered from the employee. The consistent approach under GST is that, if at all GST is applicable, it is chargeable only on the nominal amount recovered from employees, not on the full cost incurred by the employer. The employer is not in the business of providing transport services to employees, but merely facilitates the service by contracting with a third-party provider and recovering a portion of the cost from employees. Even if the employer and employee are considered related parties, the law provides that the value of supply between related persons shall be the open market value or the value of supply of like kind and quality. However, where the recipient is eligible for full input tax credit, the value declared in the invoice is deemed to be the open market value. In the case of employee recoveries, the only value declared and actually

received is the nominal recovery, which should be the taxable value. The correct valuation for GST purposes is the nominal amount recovered from employees for transport facilities. The balance cost borne by the employer is a perquisite, outside the scope of GST.

3.2 In the additional submissions made by the applicant during the personal hearing, the applicant adds the following arguments:

- i. That there is no separate commercial contract between the Applicant and employees for provision of transportation services, other than the employment contract where the facility is offered as a perquisite/benefit linked to employment. Only employees are eligible to use the facility, and the facility ceases once the employer— employee relationship terminates, indicating that the transportation is part of the employment arrangement rather than an independent business supply to employees.
- ii. That the recovery is nominal and not directly proportional to the actual cost of transportation, the substantial portion of which is borne by the employer purely due to the employment relationship. The Applicant merely facilitates collection of the employees' share and remits the entire amount to the third-party Transport Service Providers; no margin or profit element is retained by the Applicant. Thus, the recovery is in the nature of cost-sharing/recovery of a part of expense, and not "consideration" for a service supplied by the Applicant to its employees.
- iii. That Schedule II read with Section 7(2) of the CGST Act excludes from the scope of "supply" any services provided by an employee to the employer in the course of or in relation to his employment; the corresponding perquisites/benefits provided by the employer are understood as part of the employment package, falling outside the taxable domain in the absence of a separate supply relationship. The Applicant emphasises that transportation is a perquisite under the employment contract and also forms part of the employee's cost-to-company (CTC) structure, indicating its nature as an employment-related benefit and not as an outward commercial supply by the Applicant.
- iv. That the Applicant's primary business is provision of engineering, IT/ITES and BPO services to group entities, not the provision of transportation services as a commercial activity. Arranging employee transportation is a perquisite measure to facilitate attendance and convenience; it is not

integrally connected to the core revenue-generating activity as an outward supply in the course or furtherance of the Applicant's business as defined under Section 2(17) of the CGST Act, 2017.

- v. That arrangement of transport facility to their employees and making payment to the third-party vendor for arranging such facilitation provided by the company to the employer is not an activity which is incidental or ancillary to the activity of developing software, nor can it be called an activity done in the course of or in furtherance of development of software.
- vi. That as per the GST press release dated 10th July 2017, "perquisites" are outside the purview of GST. The press release laid down that supply by the employer to the employee in terms of contractual agreement entered into between the employer and the employee, will not be subjected to GST.
- vii. that without prejudice to the primary position that no "supply" exists, the Applicant submits an alternate argument: even if the arrangement is considered a taxable supply by the Applicant to its employees, GST liability, if any, can arise only on the nominal amount recovered from employees. The Applicant does not retain any margin on the recoveries; the entire amount recovered is effectively offset against transportation expenses and paid to the third-party transporter. Therefore, the only consideration from the employees' perspective is the nominal amount deducted from salary, which alone can form the taxable value under any interpretation that treats the arrangement as supply.

4.0 The applicant falls within the administrative jurisdiction of 'CENTER'. No remarks have been received from the State and Central jurisdictional authorities. Hence, it is construed that there are no pending proceedings against the applicant on the questions raised by them in their advance ruling application.

#### **5.0 Personal Hearing:**

5.1 The applicant was given an opportunity to be heard in person on 17.12.2025 vide this office memorandum No.39/2025, dated 04.12.2025. The applicant replied through email on 12.12.2025 stating that the Authorized Representatives of their company are out of town and are not in a position to attend the personal hearing granted on 17.12.2025 and requested adjournment for four weeks.

5.2 Accordingly, as per the request of the applicant, another opportunity of personal hearing was granted on 20.01.2026 vide this office memorandum No.39/2025, dated 09.01.2026. Mr.M.Hari Sudhan, Chartered Accountant, Mr.R.Prabhakaran, Chartered Accountant and Mr.Hemant Prakash, Chartered Accountant appeared for the personal hearing as the authorized representatives of M/s. Renault Nissan Technology and Business Centre India Private Limited. The Authorized representatives reiterated the submissions made in their application for advance ruling.

5.3 The Authorized representatives have informed that they do not provide bus transportation service on their own, they engage a vendor who supplies the bus transportation service to transport the employees to and from their SEZ unit located in Mahindra World City. The applicant needs to bring the employees to the office location and thus, as a company policy, they provide bus facility. The applicant collects a part of the transportation charges raised by the vendor from the employees and this fact is mentioned in the employment contract. The Authorized Representative stressed that the provision of bus facility to their employees is not a supply of service as it is part of a perquisite and also forms part of the employer-employee relationship. The facility is subject to continuation of employment of the employee. The Authorized Representative also informed that they are not accounting the deducted amount into their books of account as income but they include this amount while paying the overall charges to the bus transportation vendor. To the query whether the employee has to mandatorily avail the transport facility, the AR replied that it is not mandatory and the employee can opt out of the option and arrange his own transport.

5.4 They submitted synopsis and additional documents like a copy of employment contract, copies of case laws relied upon by them in the instant application. Further stated that they have nothing more to add.

## **6. Discussions and Findings:**

6.1 We have carefully considered the submissions made by the applicant in the advance ruling application, and the submissions made during the personal hearing held on 20.01.2026. We find that the applicant is primarily a support center for all of its Group entities located outside India for providing various engineering, IT and IT Enabled services, Back office and Business process outsourcing services at SEZ

unit. The applicant has engaged contractors for providing buses for transport facilities to their employees to travel from their respective pickup location till the office premises and back. The Applicant recovers a nominal amount from the employees on monthly basis. Such recoveries are shown as a deduction in the monthly pay slip of the employees. The applicant seeks ruling on the applicability of GST on the nominal amount recovered by the Applicant from the employees.

6.2 The applicant claims that the nominal amount recovered from the salary of the employees for providing the subsidized transportation facility, cannot be considered as supply in terms of Section 7 of CGST Act, therefore, GST cannot be levied on such activity. Also, the facility of transportation is provided due to the existing 'Employer-Employee' relationship, an employee is not allowed to use the transportation facility once the 'Employer-Employee' relationship ceases i.e., when the employment is terminated. It is a facility provided to all employees as a perquisite and is included as part of the CTC (Cost to Company) in the offer letter issued to the employees.

6.3 Before proceeding to examine the questions raised, it is necessary to recognise that the overall arrangement involves two separate and distinct transactions, namely: -

- i) Supply of transportation services by the transport contractor to the Applicant (employer); and
- ii) Arranging transportation services by the Applicant (employer) to its employees.

6.4 In respect of the first transaction, the transport service provider has been supplying transportation services to the Applicant (employer) for which the transport service provider receives a consideration from the Applicant; on which the Applicant is charged GST at the applicable rates by the transport service provider.

6.5 The question raised by the applicant i.e.;

*“Whether the nominal amounts recovered by the applicant from employees for transportation services would be considered a “supply” under the provisions of Section 7 of the CGST Act 2017?”*

pertains to the second transaction, namely, the arrangement of transport services to their employees for which the Applicant is receiving nominal amount from their employees.

6.6 To answer the applicant's query whether the transportation facility provided by the applicant amount to supply under the provisions of CGST Act, 2017, it is necessary to examine the scope of 'supply' as defined under Section 7 of the CGST Act, 2017, which reads as follows:

*Section 7. Scope of supply.*

*(1) For the purposes of this Act, the expression - "supply" includes-*

*(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;*

.....

.....

6.7 The term, "supply" has been defined inclusively under the Act. The meaning and scope of supply under GST can be understood in terms of following six parameters, which can be adopted to characterize a transaction as supply:

1. Supply of goods or services. Supply of anything other than goods or services does not attract GST
2. Supply should be made for a consideration
3. Supply should be made in the course or furtherance of business
4. Supply should be made by a taxable person
5. Supply should be a taxable supply
6. Supply should be made within the taxable territory

6.8 Out of the above parameters, we are of the opinion that the most critical parameters which need to be examined elaborately are "Supply should be made in the course or furtherance of business" and "Supply should be made for a consideration".

6.9 Supply should be made in the course or furtherance of business

This is the most critical aspect which needs to be examined to arrive at a conclusion as to whether the activity undertaken by the applicant is covered under the scope of supply or not. The statute does not define the phrase 'in the course or furtherance of business'. But business is defined in Section 2 (17) of the CGST Act, 2017 as

*(17) "business" includes -*

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;*
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);*
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;*
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;*
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;*
- (f) admission, for a consideration, of persons to any premises;*
- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;*
- (h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed bookmaker in such club; and*
- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;*

6.10 The applicant's business is to primarily act as a support center for all of its Group entities located outside India for providing various engineering, IT and IT Enabled services, Back office and Business process outsourcing services at SEZ unit. The service under question, i.e., the transportation service is not forming part of business of the applicant. Further, it is observed that the said transportation service is not provided on his own account by the applicant and that the same is procured from a third party operator, i.e., the transportation service provider. Hence, the sub-clause (a) of the definition is not fulfilled by the applicant as far as it relates to arranging transportation service.

6.11 Now, it needs to be examined as to whether the said activity, i.e., arranging transportation service is in connection with, or, incidental or ancillary to the applicant's core business (IT and IT Enabled services, Back office and Business

process outsourcing services, etc.), as referred to in sub-clause (b) of Section 2 (17) of the CGST Act, 2017, which says:

*(b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);*

That is to say, whether the transportation of employees from designated pick-up points to the office premises in Mahindra World City and back to such points after work hours is in connection with, or, incidental or ancillary to the applicant's business. It is to be noted here that the business activity of the applicant is to act as a support center for all of its Group entities located outside India for providing various engineering, IT and IT Enabled services, Back office and Business process outsourcing services. We are of the opinion that the transportation of employees to and from a designated place near their residences is not part of the business operations, and accordingly, not in connection with their business.

6.12 As far as the terms 'Incidental or ancillary' to business is concerned, we find that these terms have not been defined in the CGST Act, 2017. However, based on some of the circulars issued by the CBIC, an analogy could be drawn as to what constitute 'incidental or ancillary' to business. The following circulars are reproduced only to consider the essence of the words '*incidental or ancillary*' used in the definition of Business, and the contents/merits per se, discussed in the circulars mentioned below, are not required to be considered for analysis.

(I) C.B.I. & C. Circular No. 245/02/2025-GST, dated 28-1-2025

**9. Regularizing payment of GST on certain support services provided by an electricity transmission or distribution utility.**

9.1 The GST Council, in its 54th meeting recommended to exempt supply of services by way of providing metering equipment on rent, testing for meters/transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity *transmission and distribution* utilities to their consumers. Thereafter, entry at Sr. No. 25A was inserted in the Notification No. 12/2017-C.T. (R), dated 28-6-2017 *vide* Notification No. 8/2024-C.T. (R), dated 8-10-2024, with effect from 10-10-2024.

9.2 In its 55th meeting, the GST Council recommended that the entry at Sr. No. 25 and 25A may be aligned and the same has been brought into effect *vide* Notification No. 6/2025-C.T. (R), dated 16-1-2025. Accordingly, these incidental or ancillary services to the supply of *transmission or distribution* of electricity supplied by *transmission or distribution* utilities are now covered under the said exemption entry. Further, it was also recommended that the intervening period *i.e.*, 10-10-2024 (effective date of entry at Sr. No. 25A in Notification No. 12/2017-C.T. (R), dated 28-6-2017) up to 15-1-2025 (till the date of amending Notification No. 6/2025-C.T. (R), dated 16-1-2025) may be regularised on '*as is where is*' basis.

9.3 Thus, as recommended by the 55th GST Council, the payment of GST on certain incidental or ancillary services to the supply of transmission or distribution of electricity, as mentioned in Para 9.1 above, supplied by an electricity transmission or distribution utility is regularized for the period 10-10-2024 to 15-1-2025, on '*as is where is*' basis.

(II) C.B.I. & C. Circular No. 234/28/2024-GST, dated 11-10-2024

**6. *Whether incidental/ancillary services such as loading/unloading, packing, unpacking, transshipment, temporary warehousing etc., provided in relation to transportation of goods by road is to be treated as part of Goods Transport Agency service, being composite supply, or these services are to be treated as separate independent supplies:***

6.1 Representations have been received to clarify whether incidental/ancillary services such as loading/ unloading, packing, unpacking, transshipment, temporary warehousing etc., provided in relation to transportation of goods by road is to be treated as part of Goods Transport Agency (GTA) service, being composite supply, or these services are to be treated as separate independent supplies.

6.2 It has been brought to notice that enforcement agencies are raising demands for such services holding them leviable to GST at the rate of 18% by interpreting last para of Question No. 6 of the FAQ issued by CBIC which states that "*If such incidental services are provided as*

*separate services and charged separately, whether in the same invoice or separate invoices, they shall be treated as separate supplies”, to mean that if a GTA shows packing charges, loading, unloading charges etc., separately in the invoice, the GTA becomes liable to pay GST at the rate of 18% on these services by treating them as cargo handling services.*

6.3 After deliberations on the issue and based on recommendations of the 54th GST Council, it is hereby clarified that ancillary or incidental services provided by GTA in the course of transportation of goods by road, such as loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. will be treated as composite supply of transport of goods. The method of invoicing used by GTAs will not generally alter the nature of the composite supply of service. However, if such services are not provided in the course of transportation of goods and are invoiced separately, then these services will not be treated as composite supply of transport of goods.

From the CBIC circulars quoted above, the following aspects become evident, i.e.,

- (i) In respect of supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers, the incidental or ancillary services are providing metering equipment on rent, testing for meters/transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc.,
- (ii) In respect of Goods Transport Agency (GTA) service, the incidental or ancillary services are loading/ unloading, packing, unpacking, transshipment, temporary warehousing etc.,

6.13 From the above, an analogy can be drawn that the incidental or ancillary services should be in or in relation to the principal activity / service of the applicant. The principal activity of the applicant is to act as a support center for all of its Group entities located outside India for providing various engineering, IT and IT Enabled services, Back office and Business process outsourcing services at SEZ unit. So, the incidental or ancillary services to this main service may be procurement of IT software required to provide such service, recruitment of engineers, infrastructure setup for providing such back office or business process

outsourcing services, etc. We, are therefore of the opinion that 'Transportation service', especially when the same is actually provided by a third-party source to their employees, cannot be considered as an incidental or ancillary service to their principal service of providing IT and IT Enabled services, Back office and Business process outsourcing services.

6.14 The other sub-clauses of the definition of 'business' under Section 2 (17) of the CGST Act, 2017 as enumerated above, are not taken up for discussion, as they are not applicable to the instant case.

6.15 In fine, we are of the opinion that the business of the applicant can continue even when the transportation facility is not provided to their employees. Even when such facility were not provided by the applicant, the employees would commute to and from the premises of the applicant. The facility of arranging buses or mini buses for transportation is not mandatory but is only an option given by the applicant company to their employees. When a specific query in this regard was raised by the Members during the personal hearing held on 20.01.2026, the AR explained in clear terms that it is not mandatory on the part of the employees and that they can opt out of the option and arrange their own transport. We are therefore of the opinion that the transportation facility provided to their employees is not in the course of business, since it is only a welfare measure or a facility extended by the applicant company to their employees, who in turn have the liberty to exercise the option or otherwise.

6.16 Further, we find that in common parlance, furtherance means advancement, and therefore furtherance of business may also be seen as advancement of business. It may be noted that for instance, when an employer intends to provide training to the employees in their field of specialization, or upgrading the IT skills of the employees, the same may be helpful in the furtherance of business, or advancement of business of the employer, since utilizing the upgraded skills of their employees, the applicant may obtain new projects from their clients. Whereas in the case of arrangement of transportation facility through a third party to the employees, the same can at best be considered as a facility extended as a welfare measure, and not in the furtherance or advancement of business, especially when the option of availing the said facility is left to the employee.

6.17 From the above discussion, it is evident that provision of transportation facility to their employees through a third-party service supplier is neither in the course nor in the furtherance of business of the applicant.

Supply should be made for a consideration

6.18 Section 2(31) defines consideration as:

*(31) "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;*

6.19 It is to be noted that the transportation service is not being carried out by the applicant on their own account, and that it is being availed reportedly through third party "Transport Service Providers". Therefore, it becomes clear that in the instant case, the Transport Service Providers are the actual services providers, and that the applicant is not involved in any supply of transportation service to the employees. Further, in the instant case the applicant themselves pay up the actual cost of transportation to the service providers, i.e., the Transport Service Providers, but recovers only a nominal portion of the transportation cost from the employees, whereby the remaining portion of the transportation cost is borne as expenditure by the applicant. Further, since the nominal amount recovered from the employees forms part of the total cost reimbursed to the transportation service providers, no consideration actually accrues to the applicant. The recovery of the nominal amount from the

employees is in the nature of cost-sharing of a part of expense and not consideration for a transport service.

6.20 Therefore, we find that both the basic parameters for an activity to be considered as 'supply', viz., (i) supply should be in the course or furtherance of business, and (ii) supply should be made for a consideration, are not fulfilled in the instant case. In conclusion, the arrangement of a fleet of motor vehicles to transport employees from designated pick-up points to the applicant's office premises and back to such points after work hours through buses/mini-buses engaged by entering into contracts with third party transport service providers ("Transport Service Providers") does not fall under the scope of supply as defined in Section 7 of the CGST Act, 2017.

Further and independently, we note that the transportation facility provided by the applicant to its employees is a perquisite extended in terms of the contractual employment agreement. Schedule III to the CGST Act, 2017 read with Entry 1 thereof specifies that "services by an employee to the employer in the course of or in relation to his employment" shall be treated neither as a supply of goods nor a supply of services. The CBIC has, vide Circular No. 172/04/2022-GST dated 06.07.2022, clarified that perquisites provided by an employer to its employees in terms of a contractual agreement entered into between the employer and the employee are in lieu of the services provided by the employee to the employer in relation to his employment, and shall not be subjected to GST. In the present case, the transportation facility is expressly covered under the employment agreement of the applicant as a perquisite forming part of the cost-to-company structure, and only employees are eligible to avail it. The facility ceases upon termination of employment. Accordingly, on this independent and additional ground as well, the arrangement does not constitute a "supply" within the meaning of Section 7 of the CGST Act, 2017.

6.21 The second question raised by the applicant is as follows :-

*b. In case answer to the above is "Yes",*

*- At what value, the applicant is required to remit GST? Whether on the amount recovered from the employees for the transport services provided or on the amount paid by the Applicant to the Transportation Service Provider?*

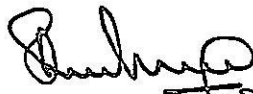
As the first query is answered in negative, in view of the detailed discussion above, the question of answering the second query, does not arise at all.

7. Based on the above discussion, we rule as under:

**RULING**

(a) The nominal amount recovered by the applicant from the employees for arranging the transportation services through a third-party transport service provider to their employees cannot be considered as "supply" under the provisions of Section 7 of the Central Goods and Services Tax Act, 2017 in as much as the same does not fulfill the parameters for an activity to be considered as "supply".

(b) Since the answer to the above is not in the affirmative, the question of answering the second query, does not arise.

  
(B. Suseel Kumar)  
Member (SGST)



  
(C. Thiyagarajan)  
Member (CGST)

To

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**/By Speed Post/**

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