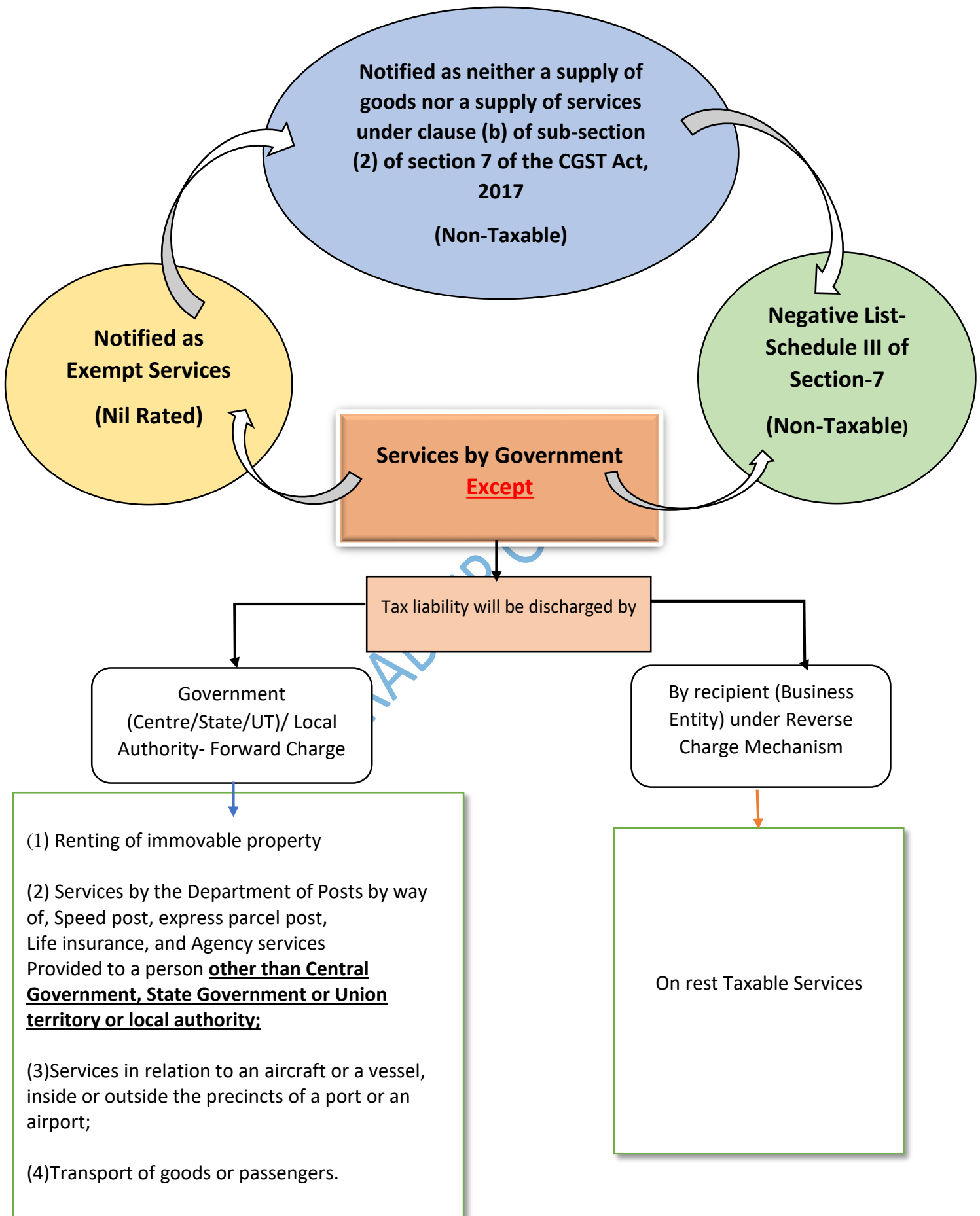


GST ON GOVERNMENT SERVICES



Government Services

Centre Govt.

State Govt.

UT

Local Authority

Governmental Authority

Powers with Governor & executed directly or through Subordinates

Powers with President & executed directly or through Subordinates

Panchayat-Article 243P(f)/243B

Municipality-Nagar Panchayat, Municipal Council, Municipal Corporation- Article 243P(e) /243Q of COI

Municipal Committee, Zilla-Parishad, District Board, Any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;

Cantonment Board

Regional Council/ District Council- 6th Schedule of COI- For tribal areas of "Assam, Meghalaya, Tripura and Mizoram

Development Board-under article 371 of COI- for Gujrat & Maharashtra

Regional Constitution formed under Article 371A of COI- for Nagaland

An authority or a board or any other body,—
(i) Set up by an Act of Parliament or a State Legislature;
OR
(ii) Established by any Government,

(With ninety per cent. or more participation by way of equity or control)
(To carry out any function entrusted to a municipality under article 243W of the Constitution)

PRADEEP

**In respect to following services tax will be paid under Reverse Charge by
Recipient- Notification 10/2017 dated 28.06.2017**

CATEGORY OF SERVICES	SUPPLIER	RECIPIENT
Services supplied by the Central Government, State Government, Union territory or local authority to a business entity EXCLUDING , - (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority; (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.	Central Govt State Govt UT Local Authority	Any business entity located in Taxable territory

PRADEEP GOYAL

EXEMPTION-1

Notification No. 12/2017- Central Tax (Rate)

Dated 28th June, 2017

Entry

No

4 Services

By Central Government, State Government, Union territory, local authority or governmental authority

By way of any activity

In relation to any function entrusted to a municipality under article 243W of the Constitution.

5 Services

By a governmental authority

By way of any activity

In relation to any function entrusted to a Panchayat under article 243G of the Constitution.

87 **Services by the Central Government or State Government or any local authority by way of any activity in relation to a function entrusted to a Panchayat under article 243G** of the Constitution is neither a supply of goods nor a supply of service. (Inserted Vide Notification no. 14/2017 Central Tax-Rate, 11/2017-IGST-Rate dated 28.06.2017, w.e.f. 01.07.2017) - **As per Clause (b) of Section 7(2) of CGST Act, 2017**

Exempt Services, by way of an ACTIVITY in relation to below Functions, by Centre Govt/State Govt/Local Authority/Governmental Authority

The functions entrusted to a Panchayat under Eleventh schedule to article 243G of Constitution

- (a) The preparation of plans for economic development and social justice;
- (b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

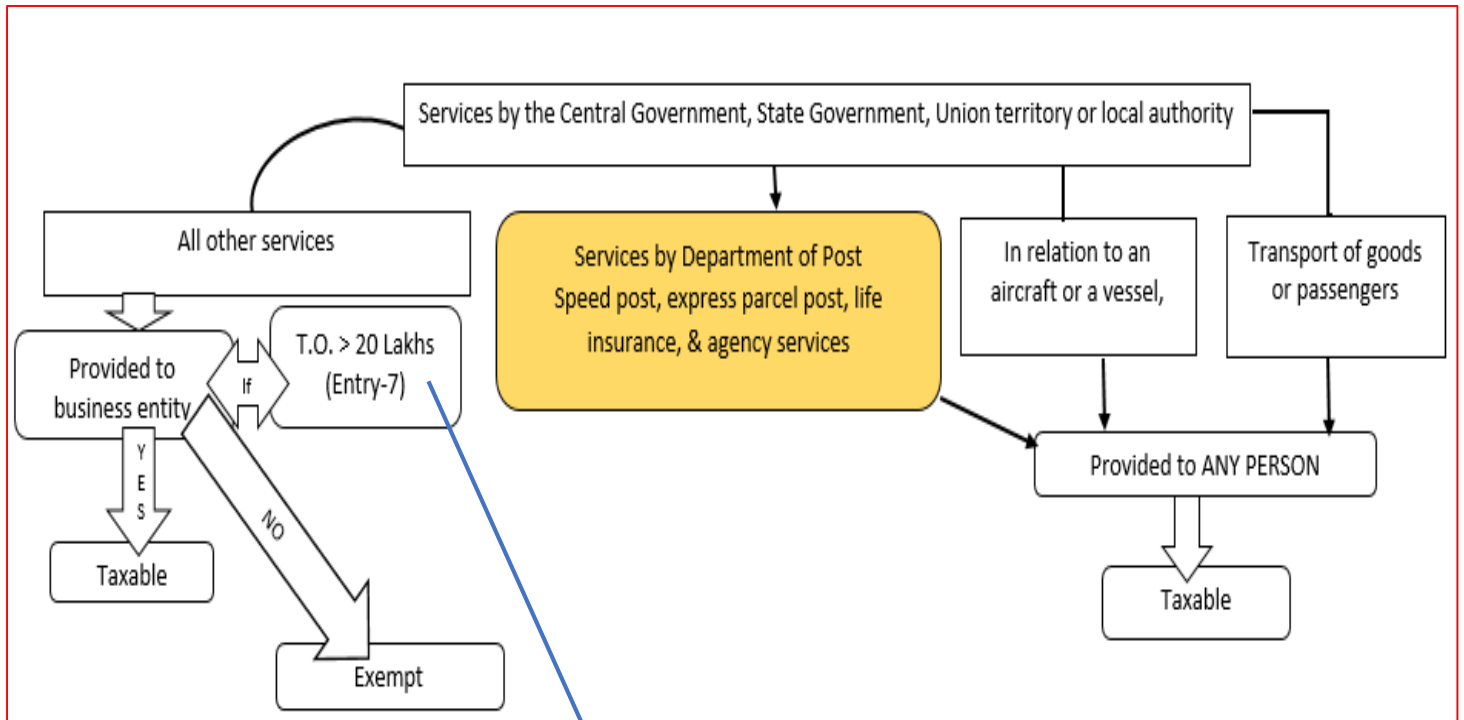
1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries. 6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication. 14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries. 24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

The functions entrusted to a municipality under the Twelfth Schedule to Article 243W of the Constitution

- (a) Urban planning including town planning.
- (b) Regulation of land-use and construction of buildings.
- (c) Planning for economic and social development.
- (d) Roads and bridges.
- (e) Water supply for domestic, industrial and commercial purposes.
- (f) Public health, sanitation conservancy and solid waste management.
- (g) Fire services.
- (h) Urban forestry, protection of the environment and promotion of ecological aspects.
- (i) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
- (j) Slum improvement and upgradation.
- (k) Urban poverty alleviation.
- (l) Provision of urban amenities and facilities such as parks, gardens, playgrounds.
- (m) Promotion of cultural, educational and aesthetic aspects.
- (n) Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.
- (o) Cattle pounds; prevention of cruelty to animals.
- (p) Vital statistics including registration of births and deaths.
- (q) Public amenities including street lighting, parking lots, bus stops and public conveniences.
- (r) Regulation of slaughter houses and tanneries.

EXEMPTION-2

Entry No: 6, 7, 8 & 9



Exception (Entry 7(b): Services by way of renting of immovable property

Exception (Entry 9): If consideration for such services does not exceed five thousand rupees

OTHER EXEMPTIONS-3

Notification No. 12/2017- Central Tax (Rate)

Dated 28th June, 2017

Entry Description

No

- 15 Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation below one thousand rupees per day or equivalent.
- 16 Transport of passengers, with or without accompanied belongings, by –
 - (a) Air, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal;

(a) Non-air-conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire;

Or

(c) Stage carriage other than air-conditioned stage carriage.

18 Service of transportation of passengers, with or without accompanied belongings, by:-

(a) Railways in a class other than—

(i) First class; or

(ii) An air-conditioned coach;

(b) Metro, monorail or tramway;

(c) Inland waterways;

(d) Public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and

(e) Metered cabs or auto rickshaws (including e-rickshaws).

19 Services by way of transportation of goods-

(a) By road except the services of—

(i) A goods transportation agency;

(ii) A courier agency;

(b) By inland waterways.

20 Services by way of transportation of goods by an aircraft from a place outside India up-to the customs station of clearance in India.

21 Services by way of transportation by rail or a vessel from one place in India to another of the following goods:-

(a) Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;

(b) Defence or military equipment;

(c) Newspaper or magazines registered with the Registrar of Newspapers;

(d) Railway equipment or materials;

(e) Agricultural produce;

(f) Milk, salt and food grain including flours, pulses and rice; and

(g) Organic manure.

- 22 Services provided by a goods transport agency, by way of transport in a goods carriage of -
- (a) Agricultural produce;
 - (b) Goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees;
 - (c) Goods, where consideration charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred and fifty;
 - (d) Milk, salt and food grain including flour, pulses and rice;
 - (e) Organic manure;
 - (f) Newspaper or magazines registered with the Registrar of Newspapers;
 - (g) Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
 - (h) Defence or military equipment.
- 24 Service by way of access to a road or a bridge on payment of toll charges.
- 25 Services by way of loading, unloading, packing, storage or warehousing of rice.
- 26 Transmission or distribution of electricity by an electricity transmission or distribution utility.
- 27 Services by the Reserve Bank of India.
- 28 Services by way of:
- (a) Extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services);
 - (b) Inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.
- 29 Services of life insurance business provided by way of annuity under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India under the Pension Fund Regulatory and Development Authority Act, 2013 (23 of 2013).
- 30 Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.

- 31 Services by the Employees' State Insurance Corporation to persons governed under the Employees' State Insurance Act, 1948 (34 of 1948).
- 32 Services provided by the Employees Provident Fund Organisation to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952 (19 of 1952).
- 33 Services provided by the Insurance Regulatory and the Development Authority of India to insurers under the Insurance Regulatory and the Development Authority of India Act, 1999 (41 of 1999).
- 34 Services provided by the Securities and Exchange Board of India set up under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- 36 Services of general insurance business provided under following schemes –
- (a) Hut Insurance Scheme;
 - (b) Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna (earlier known as Integrated Rural Development Programme);
 - (c) Scheme for Insurance of Tribals;
 - (d) Janata Personal Accident Policy and Gramin Accident Policy;
 - (e) Group Personal Accident Policy for Self-Employed Women;
 - (f) Agricultural Pumpset and Failed Well Insurance;
 - (g) Premia collected on export credit insurance;
 - (h) Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture;
 - (i) Jan Arogya Bima Policy;
 - (j) National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana);
 - (k) Pilot Scheme on Seed Crop Insurance;
 - (l) Central Sector Scheme on Cattle Insurance;
 - (m) Universal Health Insurance Scheme;
 - (n) Rashtriya Swasthya Bima Yojana;
 - (o) Coconut Palm Insurance Scheme;
 - (p) Pradhan Mantri Suraksha BimaYojna;
 - (q) Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999)

- 37 Services of life insurance business provided under following schemes-
- (a) Janashree Bima Yojana;
 - (b) Aam Aadmi Bima Yojana;
 - (c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of fifty thousand rupees;
 - (d) Varishtha Pension Bima Yojana;
 - (e) Pradhan Mantri Jeevan Jyoti Bima Yojana;
 - (f) Pradhan Mantri Jan Dhan Yojana;
 - (g) Pradhan Mantri Vaya Vandana Yojana.
- 38 Services by way of collection of contribution under the Atal Pension Yojana.
- 39 Services by way of collection of contribution under any pension scheme of the State Governments.
- 42 Services received by the Reserve Bank of India, from outside India in relation to management of foreign exchange reserves.
- 43 One time upfront amount (called as premium, salami, cost, price, development charges or by any other name) leviable in respect of the service, by way of granting long term (thirty years, or more) lease of industrial plots, provided by the State Government Industrial Development Corporations or Undertakings to industrial units.
- 44 Services provided by the Central Government, State Government, Union territory or local authority by way of allowing a business entity to operate as a telecom service provider or use radio frequency spectrum during the period prior to the 1st April, 2016, on payment of licence fee or spectrum user charges, as the case may be.
- 45 Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by the Indian Railways Finance Corporation to Indian Railways.
- 49 Services provided by the Central Government, State Government, Union territory or local authority by way of-
- (a) Registration required under any law for the time being in force;
 - (b) Testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force.
- 51 Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India.
- 52 Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material.

- 53 Services provided by the Goods and Services Tax Network to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.
- 56 Services by way of sponsorship of sporting events organised -
- (a) By a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
 - (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
 - (c) By the Central Civil Services Cultural and Sports Board;
 - (d) As part of national games, by the Indian Olympic Association; or
 - (e) Under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.
- 57 Services relating to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce by way of—
- (a) Agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
 - (b) Supply of farm labour;
 - (c) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;
 - (d) Renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
 - (e) Loading, unloading, packing, storage or warehousing of agricultural produce;
 - (f) Agricultural extension services;
 - (g) Services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
- 61 Services provided by the National Centre for Cold Chain Development under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of cold chain knowledge dissemination.
- 62 Services by a foreign diplomatic mission located in India.
- 63 Services by a specified organisation in respect of a religious pilgrimage facilitated by the Ministry of External Affairs, the Government of India, under bilateral arrangement.

- 64 Services provided by the Central Government, State Government, Union territory or local authority by way of issuance of passport, visa, driving licence, birth certificate or death certificate.
- 65 Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Central Government, State Government, Union territory or local authority under such contract.
- 66 Services provided by the Central Government, State Government, Union territory or local authority by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.
- 67 Services provided by the Central Government, State Government, Union territory or local authority by way of assignment of right to use any natural resource where such right to use was assigned by the Central Government, State Government, Union territory or local authority before the 1st April, 2016:
- Provided that the exemption shall apply only to tax payable on one time charge payable, in full upfront or in instalments, for assignment of right to use such natural resource.
- 68 Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges.
- 69 Services provided -
- (a) By an educational institution to its students, faculty and staff;
 - (b) To an educational institution, by way of,-
 - (i) Transportation of students, faculty and staff;
 - (ii) Catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;
 - (iii) Security or cleaning or house-keeping services performed in such educational institution;
 - (iv) Services relating to admission to, or conduct of examination by, such institution; up-to higher secondary:
- Provided that nothing contained in entry (b) shall apply to an educational institution other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

- 70 Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme: -
- (a) two year full time Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT) conducted by the Indian Institute of Management;
 - (b) Fellow programme in Management;
 - (c) five year integrated programme in Management.
- 71 Services provided to a recognised sports body by-
- (a) An individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body;
 - (b) Another recognised sports body.
- 72 Any services provided by, _
- (a) the National Skill Development Corporation set up by the Government of India;
 - (b) a Sector Skill Council approved by the National Skill Development Corporation;
 - (c) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;
 - (d) A training partner approved by the National Skill Development Corporation or the Sector Skill Council, in relation to-
 - (i) The National Skill Development Programme implemented by the National Skill Development Corporation; or
 - (ii) A vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
 - (iii) Any other Scheme implemented by the National Skill Development Corporation.
- 73 Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under the Skill Development Initiative Scheme.
- 74 Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training.
- 75 Services provided to the Central Government, State Government, Union territory administration under any training programme for which total expenditure is borne by the Central Government, State Government, Union territory administration.

- 76 Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation.
- 77 Services by way of-
- (a) Health care services by a clinical establishment, an authorised medical practitioner or paramedics;
 - (b) Services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.
- 78 Services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto.
- 79 Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.
- 80 Service by an unincorporated body or a non-profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution –
- (a) As a trade union;
 - (b) For the provision of carrying out any activity which is exempt from the levy of Goods and service Tax; or
 - (c) Up to an amount of five thousand rupees per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex.
- 82 Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo.
- 83 Services by way of training or coaching in recreational activities relating to:
- (a) Arts or culture, or
 - (b) Sports by charitable entities registered under section 12AA of the Income-tax Act.
- 84 Services by way of right to admission to-
- (a) Circus, dance, or theatrical performance including drama or ballet;
 - (b) Award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;
 - (c) Recognised sporting event, where the consideration for admission is not more than Rs 250 per person as referred to in (a), (b) and (c) above.
- 85 Services provided to the United Nations or a specified international organization is exempt by way of refund.

86 Services provided to a foreign diplomatic mission or consular post in India or for personal use or for the use of the family members of diplomatic agents or career consular officers posed therein, is exempt by way of refund.

FREQUENT ASKED QUESTIONS- ISSUED BY CBEC

Question: Would a statutory body, corporation or an authority constituted under an Act passed by the Parliament or any of the State Legislatures be regarded as 'Government' or "local authority" for the purposes of the GST Acts?

Answer: A statutory body, corporation or an authority created by the Parliament or a State Legislature is neither 'Government' nor a 'local authority'. Such statutory bodies, corporations or authorities are normally created by the Parliament or a State Legislature in exercise of the powers conferred under article 53(3)(b) and article 154(2)(b) of the Constitution respectively. It is a settled position of law (Agarwal Vs. Hindustan Steel AIR 1970 Supreme Court 1150) that the manpower of such statutory authorities or bodies do not become officers subordinate to the President under article 53(1) of the Constitution and similarly to the Governor under article 154(1). Such a statutory body, corporation or an authority as a juridical entity is separate from the State and cannot be regarded as the Central or a State Government and also do not fall in the definition of 'local authority'. Thus, regulatory bodies and other autonomous entities would not be regarded as the government or local authorities for the purposes of the GST Acts.

Question: Are various corporations formed under the Central Acts or State Acts or various government companies registered under the Companies Act, 1956/2013 or autonomous institutions set up by special Acts covered under the definition of 'Government'?

Answer: No. The corporations formed under the Central or a State Act or various companies registered under the Companies Act, 1956/2013 or autonomous institutions set up by the State Acts will not be covered under the definition of 'Government' and therefore, services provided by them will be taxable unless exempted by a notification.

Question: Are various regulatory bodies formed by the Government covered under the definition of 'Government'?

Answer: No. A regulatory body, also called regulatory agency, is a public authority or a governmental body which exercises functions assigned to them in a regulatory or supervisory capacity. These bodies do not fall under the definition of Government.

Examples of regulatory bodies are - Competition Commission of India, Press Council of India, Directorate General of Civil Aviation, Forward Market Commission, Inland Water Supply Authority of India, Central Pollution Control Board, Securities and Exchange Board of India.

Question: The Department of Posts provides a number of services. What is the status of those services for the purpose of levy of tax?

Answer: The services by way of speed post, express parcel post, life insurance, and agency services provided to a person other than the Government or Union territory are not exempt. In respect of these services the Department of Posts is liable to pay tax without application of reverse charge.

However, the following services provided by the Department of Posts are not liable to tax.

- (a) Basic mail services known as postal services such as post card, inland letter, book post, registered post provided exclusively by the Department of Posts to meet the universal postal obligations.
- (b) Transfer of money through money orders, operation of savings accounts, issue of postal orders, pension payments and other such services.

Question: What is the scope of agency services provided by the Department of Posts mentioned in the Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017?

Answer: The Department of Posts also provides services like distribution of mutual funds, bonds, passport applications, collection of telephone and electricity bills on commission basis. These services are in the nature of intermediary and generally called agency services. In these cases, the Department of Posts is liable to pay tax without application of reverse charge.

Question: What is the significance of services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority ?

Agreeing to the obligation

- To refrain from an act, or
- To tolerate an **act** or a **situation**, or
- To do an act

Is supply of service under clause (e) of entry 5 of schedule-II "Declared List".

Answer: Non-performance of a contract or breach of contract is one of the conditions normally stipulated in the Government contracts for supply of goods or services. The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the

contract, then such person is liable to pay damages in the form of fines or penalty to the other party. Non-performance of a contract is an activity or transaction which is treated as a supply of service and the person is deemed to have received the consideration in the form of fines or penalty and is, accordingly, required to pay tax on such amount.

However non-performance of contract by the supplier of service in case of supplies to Government is covered under the exemption from payment of tax. Thus any consideration received by the Government from any person or supplier for non-performance of contract is exempted from tax.

Illustration: Public Works Department of Karnataka entered into an agreement with M/s. ABC, a construction company for construction of office complex for certain amount of consideration. In the agreement dated 10.7.2017, it was agreed by both the parties that M/s. ABC shall complete the construction work and handover the project on or before 31.12.2017. It was further agreed that any breach of the terms of contract by either party would give right to the other party to claim for damages or penalty. Assuming that M/s. ABC does not complete the construction and handover the project by the specified date i.e., on or before 31.12.2017. As per the contract, the department asks for damages/penalty from M/s. ABC and threatened to go to the court if not paid. Assuming that M/s ABC has paid an amount of Rs. 10,00,000/- to the department for non performance of contract. Such amount paid to department is exempted from payment of tax.

Question: Whether services in the nature of change of land use, commercial building approval, utility services provided by a governmental authority are taxable?

Answer: Regulation of land-use, construction of buildings and other services listed in the Twelfth Schedule to the Constitution which have been entrusted to Municipalities under Article 243W of the Constitution, when provided by governmental authority are exempt from payment of tax.

Question: Whether fines and penalty imposed by Government or a local authority for violation of a statute, bye-laws, rules or regulations liable to tax?

Answer: No. This gets covered under the exemption by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority.

Question: A small business entity is carrying on a business relating to consulting engineer services in Delhi. Does it need to pay tax on the services received from Government or a local authority?

Answer: If turnover of the entity is less than the limit of Rs. 20 lakhs in a financial year, no tax would be payable. The exemption from payment of tax is applicable to services provided to a business entity having a turnover up to Rs. 20 lakh rupees.

However, this exemption is not applicable to (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government; (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of an airport or a port; (iii) services of transport of goods or passengers and (iv) services by way of renting of immovable property.

Question: Whether reverse charge is applicable to services provided by Government or local authorities?

Answer: Yes, reverse charge is applicable in respect of services provided by Government or local authorities to any person whose turnover exceeds Rs.20 lakhs (Rs.10 lakhs for Special Category States) excluding the following services:

- (i) renting of immovable property;
- (ii) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;
- (iii) services in relation to an aircraft or a vessel, inside or outside the precincts of an airport or a port;
- (iv) transport of goods or passengers.

Thus, the recipient of supply of goods or services is liable to pay the entire amount of tax involved in such supply of services or goods or both

MEANING OF GOVERNMENT AUTHORITY

Governmental authority” has the same meaning as assigned to it in the *Explanation* to clause (16) of section 2 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017);- As defined in clause (zf) of serial no. 2 of notification (Exemption Notification) no. 12/2017 CT-R dated 28.06.2017

> *Explanation* to clause (16) of section 2 of the Integrated Goods and Services Tax Act, 2017

Explanation.—For the purposes of this clause, the expression “governmental authority” means an authority or a board or any other body,—

- (i) Set up by an Act of Parliament or a State Legislature; or
- (ii) Established by any Government,

With ninety per cent. or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution;