

18% GST payable on Cost of Diesel incurred for Running DG Set in the Course of providing DG Rental Service: The AAR, Karnataka

Fact of the Case

The Applicant, M/s Goodwill Auto's is a partnership firm registered under the Goods and Services Tax Act, 2017 and is engaged in the business of leasing DG Set to customers like LIC of India, Syndicate Bank, and SBI in various districts of Karnataka.

Further, the applicant has entered into an agreement with Life Insurance Corporation of India (LIC), Branch Office at Koppa, Udupi to install Diesel Generator on a hire basis for rent along with reimbursement of diesel cost per hour on the usage of the DG Set. The applicant submits that he is discharging tax @ 18% on DG Set hiring charges and also discharging tax @ 18% on reimbursement of diesel cost incurred for running DG Set.

One of the recipient of services, i.e. Life Insurance Corporation of India (LIC) was of the opinion that the taxes collected by the applicant pertaining to the reimbursement of diesel charges for running the Diesel Generator was erroneous as the said commodity diesel does not come under the purview of GST. Since diesel is a non-GST good as per section 9 of the CGST/KGST Act, 2017 the said concern has requested the applicant to reimburse the wrongly collected taxes. The applicant sought the advance ruling in respect of GST applicability of cost of the diesel incurred for running DG Set in the course of providing DG Rental Service.

Decision of the Case

The two-member bench ruled that the cost of the diesel incurred for running DG Set in the course of providing DG Rental Service is nothing but additional consideration for the supply of DG Set on rent as per section 15 of the CGST/KGST Act and hence attracts 9% CGST and 9% KGST.

The Karnataka Authority of Advance Ruling (AAR) ruled that 18% GST is payable on the cost of the diesel incurred for running DG Set in the course of providing DG Rental Service.