

Hiring of Non AC Buses to Company for Transport of Staff is taxable under “Rent-a-cab” Service: The AAR, Maharashtra

Fact of the Case

The applicant, Shailesh Ramsunder Pande is a proprietor of M/s Pooja Vaishnavi School Bus Services entered into a contract with M/s Ratan India Power Limited for the supply of NON AC Buses for transportation of their staff under contract carriage.

M/s. Shailesh Ramsunder Pande (Pooja Vaishnavi School Bus Service) (“the Applicant”) has sought a clarification on Goods and Services Tax (“GST”) applicability on the contract of supplying Non- Air Conditioned (“Non-AC”) Buses and whether exemption is available for stated service under SI No. 15 Heading 9964 of Notification No. 12/2017 – Central Tax (Rate) dated June 28, 2017 (“Services Exemption Notification”) is applicable in the case.

Decision of the Case

The Hon’ble Maharashtra Authority of Advance Ruling (“MAAR”) observed that the Applicant entered into a contract with M/s Ratan India Power Limited (“RIPL”) for transportation of their staff under contract carriage wherein although the ownership of the buses lie with the Applicant, but the buses are strictly operated as per the instructions of RIPL.

Noted, that the recipient of the service is RIPL because consideration of supply by the Applicant is charged from RIPL and not from the passengers. The subject activity in the given case amounts to ‘renting of a motor vehicle’ and shall qualify as a taxable activity under the provisions of the GST Laws.

Further noted, that since the activity is not ‘transportation of passengers’ the provisions as stated under the Services Exemption Notification, hence, exemption on stated service is not available in the instant case. Rather it is under Entry Sr. 10 of Notification No. 11/2017-CT(Rate) dated June 26, 2017, the subject services shall be covered in as much as there is a Rental service of Transport Vehicle.

Held, the impugned service is that of “rent-a-cab” which attracts Integrated Goods and Service Tax (“IGST”) at 5% if Input Tax Credit (“ITC”) of input service in the same line of business has not been taken or IGST at 12% if ITC is availed.

The Maharashtra Authority of Advance Ruling (AAR) ruled that GST is applicable on the hiring of Non-AC buses to Company for Transport of Staff.