

No GST Exemption on Manpower Services provided to Govt. entities: The AAR, Karnataka

Fact of the Case

The Applicant, Vinayaka Enterprises has engaged in the business of providing manpower supply services to various government and non-government organisations. Manpower supply services include supply of workforce of both skilled and unskilled for security, housekeeping, catering etc. Majority of the services are rendered to Central / State Government and public sector undertakings like ISRO, Central University of Karnataka.

The applicant has sought the advance ruling on the issue

1. Whether the applicant is correct in classifying the services provided to the Government entities as exempted services.
2. Whether the applicant is correct in claiming exemption under Sl. No. 3 of Notification 12/2017 dated 28th June 2017 for the said exempted services.

Decision of the Case

The Coram ruled that The applicant is incorrect in classifying the manpower services provided to the organisations/ institutions as exempted services since the same is not provided by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution.

The Authority observed that the applicant is providing manpower services like security guards, housekeeping staff and catering staff. But these manpower services are not provided by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution. Hence provision of such manpower services are liable to tax at 18% (9% CGST and 9% SGST).

“The applicant is incorrect in claiming exemption under Sl.No.3 of Notification 12/2017 dated 28th June 2017 for the said services, since the services provided by the applicant are not covered under the said entry and therefore are not exempted,” the AAR added.

The Karnataka Authority of Advance Ruling (AAR) ruled that no GST Exemption on Manpower services provided to Government entities.