

5% GST on pick-up charges paid to the owner/driver: AAR

Fact of the Case

The applicant, M/s. Kou-Chan Technologies Pvt. Ltd., is a Private Limited Company registered under the Goods and Services Tax Act, 2017 and proposes to operate a mobile-based taxi aggregation service, on a pan-India basis under the trade name "DYUT RIDES".

The applicant sought advance ruling in respect of the various questions.

- ☞ Firstly, do the various supplies (of the Applicant, the Vehicle Owner, the Driver and the Associate partner together) mentioned supra qualify as 'Composite Supply.
- ☞ Secondly, do the pick-up charges paid to the Owner/ Driver fall under GST rate of 5%.
- ☞ Thirdly, do the service charges collected from the passengers fall under the GST rate of 5%?

The Associate Partner renders services to the Passengers and to the Drivers/ Vehicle Owners directly, and in that case does any supply of service exists between the Applicant/Aggregator and the Associate Partner, and if yes, what is the rate at which GST has to be collected and remitted? It may be noted that the Associate Partner is paid up to 10ps per transaction as explained in the above-said example. Fifthly, does the amount received from the Owners / Drivers towards bidding get covered in the 5% GST or should it be separately charged at 18%?

It may be noted that to participate in the bid, the drivers have to pay to the Applicant @ 3 Ops per bid and GST. Sixthly, does the Goodwill Bonus being paid by Passenger to the Driver for good service and on which the Applicant collects the service charges, attract GST and if so at what rate.

Decision of the Case

The Coram held that the various supplies of the applicant, the vehicle owner, the driver, and the associate partner together do not qualify as Composite supply. "The pick-up service is incidental to the main service of transportation of passengers by radio taxi and hence the pick-up charges form part of the service of transportation of passengers by a radio taxi and hence the applicant is liable to pay 5% GST, on such pick-up charges," the AAR said.

The Authority further ruled that 18% by associate partners in case the associate partner is registered under GST. Where the associate partners are not registered under GST, no GST is leviable on the amount remitted to the associate partner. The amount received from drivers/ owners towards bidding get covered should be separately charged at 18%, the AAR added. The goodwill bonus being paid by passenger to the driver and on which the applicant collects the service charges, attract 18% GST, says AAR.

The Karnataka Authority of Advance Ruling (AAR) ruled that 5% GST is applicable on pick-up charges paid to the owner/driver.