



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

GST & Indirect Taxes Committee

CAPACITY BUILDING PROGRAM FOR GST OFFICERS

GST on Banking & Event Management Services

& Ancillary Services

FACULTY

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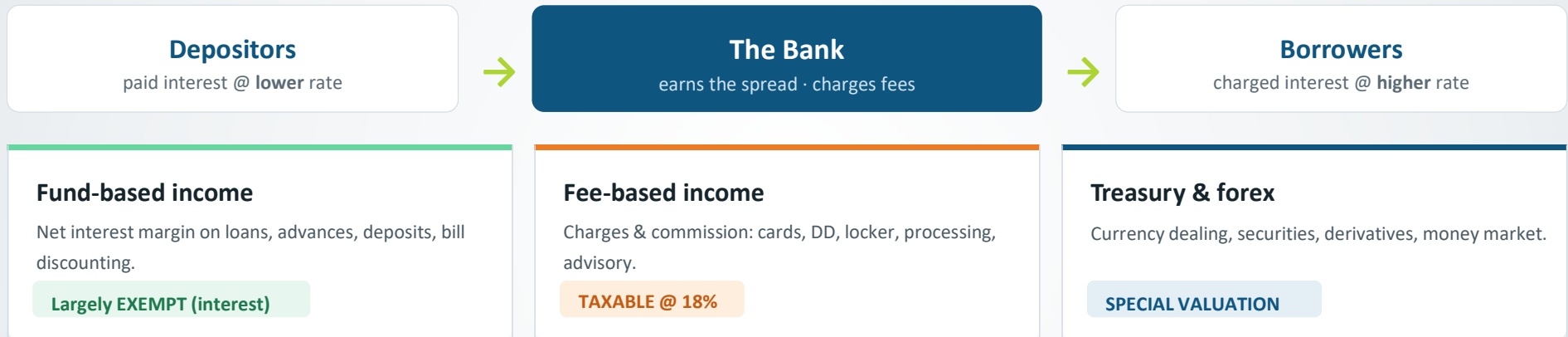
**PART A**

Banking & Financial Services

A sector where most income is exempt — but fee income, forex and input credits make it one of the most rule-dense areas of GST.



The bank as a financial intermediary





Four revenue streams — four GST answers

Revenue stream	Typical line items	GST treatment
Net interest income	Interest on loans, advances, deposits, discount on bills	Exempt — Entry 27, Notf 12/2017
Fee & commission	Processing fee, card fees, DD, locker, NEFT/RTGS, advisory	Taxable @ 18%
Treasury & forex	Sale/purchase of foreign currency, securities, derivatives	Taxable — Rule 32(2) value
Recoveries & distribution	Insurance & MF commission, BC income, recovery charges	Largely taxable @ 18%

Audit lens: confirm taxable fee income has not been mis-classified into the exempt interest pool.



The dividing line: money vs. facilitation

“Money” is outside the tax base

Under **Sec 2(52) & Sec 2(102)**, money is excluded from the definitions of goods and services — except where a separate consideration is charged for its conversion or use.

2(102): “services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion ... for which a separate consideration is charged.

Hence the corpus of a loan or deposit is never ‘supplied’; only the **interest** — the price of money — needs an express exemption.

“Facilitation” is a taxable service

The moment the bank charges a fee, commission or margin for a service *around* the *around* the money — processing, transfer, advice, currency conversion — that is a supply that is a supply of service.

Same loan, two outcomes: interest exempt, processing fee taxable.



The interest exemption — and its limits

ENTRY 27 • NOTIFICATION 12/2017-CT(R) “Services by way of 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).”

Exempt — it is “interest”

- EMI interest on any loan
- Interest on FDs, RDs, savings
- Discount on bills / promissory notes

Taxable — it is not interest

- Loan processing & documentation fee
- Credit-card interest (express carve-out)

Interest defined (zk): interest payable in any manner in respect of moneys borrowed or debt incurred ... but **does not include** any service fee or other charge in respect of the moneys borrowed or any credit borrowed or any credit facility which has not been utilised.



Other charges — interest or “tolerating an act”?

CIRCULAR 178/10/2022-GST — additional interest or penalty for breach of the loan contract is **not** separate consideration for ‘agreeing to tolerate an act’ (Sch. II 5(e)); it takes the character of the principal supply.

EXEMPT Additional interest on delayed EMI follows interest — Circular 102.

TAXABLE Fixed late-payment fee on cards.

NOT TAX Cheque / mandate bounce charge — penal in nature.

DISPUTED Foreclosure charges — taxable per Circular 178, but exempt per Larger Bench in Repco.

NOT TAX Penal charges per RBI Circular 18.08.2023 — no GST (Circular 245).

DISPUTED Minimum account balance as consideration — recently decided by Karnataka HC.



Pure-agent recoveries — Rule 33

Excluded from value

- Stamp duty & registration on loan / mortgage docs
- CERSAI & ROC filing fees
- Advocate & valuer fees recovered at actuals
- Car leasing — RTO, road tax & insurance charge

If Rule 33 met: agent under contract · separately shown · actual amount supplied to the borrower.

Not pure agent — taxable

- The bank's own processing fee
- Inspection & documentation charges
- Any margin retained on a recovery

These are the bank's own service — fully within value @ 18%.



Fee-based services — all taxable @ 18%

Account & transaction

- Min-balance non-maintenance
- Cheque book, DD, pay-order
- NEFT / RTGS / IMPS & remittance
- ATM use beyond free limit

Cards & lending fees

- Card issuance & annual fees
- Credit-card interest & late fee
- Loan processing & appraisal
- Foreclosure / swap charges

Other services

- Safe-deposit locker rent
- Demat / depository charges
- SMS & statement alerts
- Guarantee & LC commission

No charge, no supply — RBI-mandated free services bear no GST; the levy attaches the moment a fee is recovered.



Foreign exchange — value under Rule 32(2)

OPTION 1 · DIFFERENCE

Margin over the RBI reference rate

- Value = (transaction rate – RBI reference rate) × units
- No RBI reference rate → 1% of gross INR amount
- Currency-to-currency: 1% of the lesser INR leg

OPTION 2 · SLAB ON GROSS

A tapering percentage of turnover

Up to ₹1 lakh	1% (min ₹250)
₹1L – ₹10L	₹1,000 + 0.5%
Above ₹10 lakh	₹5,500 + 0.1% (max ₹60,000)

Option once chosen applies for the whole financial year.



Forex valuation — the two methods compared

Customer buys USD 10,000 · bank card rate ₹83.50 · RBI reference rate ₹83.00

OPTION 1 · DIFFERENCE

Margin = $83.50 - 83.00 = ₹0.50$ Value = $0.50 \times 10,000 = ₹5,000$ GST @ 18% = ₹900

OPTION 2 · SLAB ON GROSS

Gross = $10,000 \times 83.50 = ₹8,35,000$ Value = $1,000 + 0.5\% \times 7,35,000 = ₹4,675$ GST @ 18% = ₹842

Methods diverge with rate spreads & ticket size — verify the bank applies its elected method uniformly across the year.



Where is a banking service supplied?

DOMESTIC · SEC 12(12) IGST

Location of the recipient on record

- The address linked to the account governs place of supply. Communication Address or KYC address
- If not on record (e.g. walk-in DD) → location of the supplier.

CROSS-BORDER · SEC 13(8) IGST

Location of the supplier of services

- Banking services to NRI are taxed in India — **not** zero-rated export.
- “Account” includes NRE & NRO accounts bearing interest.



Invoicing reliefs for high-volume banking

RULE 47 • TIME LIMIT

45 days

from date of supply to issue the tax invoice (vs. 30 days for other suppliers) — for banks, NBFCs & financial institutions.

RULE 54(2) • FORM

Any document will do

Need not be serially numbered or carry recipient address — a address — a consolidated statement with the Rule 46 particulars suffices, physical or electronic.

E-INVOICE

E – Invoice Applicability

E – Invoice Exemption



The 50% ITC option — Sec 17(4) & Rule 38

50%

of eligible ITC availed every month
— the **balance 50%** lapses

A bank makes both **exempt** (interest) and **taxable** (fee) supplies. Rather than apportion credit transaction-by-transaction under Sec 17(2), Sec 17(4) lets a banking company / NBFC elect the flat 50% route — no item-level apportionment.

- **Irrevocable** for the remainder of the financial year once exercised.
- **Full credit** on inward supplies between distinct persons (own branches) — the 50% cut does not apply.
- Replaces Rule 42/43 apportionment for the bank's common credits.



The 50% scheme — the fine print

- Applies to the **whole eligible pool** each month — inputs, input services & capital goods alike; no taxable-vs-exempt identification.
- First strip out **blocked credit u/s 17(5)** — not 'eligible' at all. Then avail 50% of the balance.
- Even credit used **exclusively for taxable fee income** is cut to 50% — the price of simplicity. Branch (distinct-person) ITC allowed at 100%.
- If the bank is registered separately per vertical (e.g. banking vs. credit-card services), check supplies invoiced on the credit-card division.
- ITC not availed on invoices appearing in GSTR-2A/2B — does it automatically lapse in that month?

SEC 17(4): a banking company / NBFC supplying services by way of accepting deposits, extending loans or advances may either comply with sub-section (2) or avail, every month, 50% of eligible ITC on inputs, of eligible ITC on inputs, capital goods and input services — and the rest shall lapse.



Computing the 50% credit for a month

Total eligible ITC for the month (after removing 17(5) blocked credit)	₹1,00,00,000
Less: ITC on distinct-person (branch) supplies — full credit	– ₹10,00,000
Balance subject to 50% restriction	₹90,00,000
50% availed	₹45,00,000
50% lapses (cost to bank)	₹45,00,000
Total ITC availed (10L + 45L)	₹55,00,000



ATM disposal, renovation & blocked credit

Capital goods (ATMs, servers): credit also restricted to 50% under the scheme.

Disposal of an ATM / capital good — Sec 18(6) r/w Rule 44: pay the higher of [ITC less 5% per quarter of use on 50% ITC availed] or [tax on transaction value].

Branch renovation / construction — Sec 17(5)(c)&(d): works contract & civil works for immovable property are **fully blocked** for banks too — not merely the 50% cut.

Distinguish **movable assets** (creditable @ 50%) from **capitalised civil works** (no credit).



When the bank pays GST as recipient

Service	Who supplies	Charge
Recovery agent	Agent → bank / NBFC	RCM — Entry 8, Notf 13/2017
DSA — individual	Individual agent → bank / NBFC	RCM — Entry 11, Notf 13/2017
DSA — body corporate / LLP / partnership	Body corp / LLP / firm → bank	Forward charge
Banking facilitator / correspondent	Facilitator → bank	RCM — Entry 12, Notf 13/2017



Foreign bank charges

Foreign bank / correspondent charges

Deducted from import payments / export proceeds → **import of service** ; Bank?
Importer/Exporter? → **RCM @ 18%** .

CESTAT Judgment holding that the bank is liable to pay service tax.



HO—branch cross-charge & valuation & ISD

Branches in different States are **distinct persons** (Sec 25(4)). Internal functions HO provides them — treasury, IT, HR, management — are a supply under **Schedule I**, taxable even without consideration.

Valuation — Rule 28

Open market value. 2nd proviso: if recipient gets full ITC, invoice value = OMV (even nil)

⚠ **Is Bank eligible for full ITC as Same PAN Rule.**

ISD – Section 20 w.e.f. 01.04.2025

ISD Provision mandatory. Import of services – Software, Advertisement, Multiple ISD etc.



Banking exemptions at a glance — Notf 12/2017

Entry 27

Interest / discount on deposits, loans & advances (except credit-card interest) & inter-se sale & purchase of foreign currency among banks / authorised dealers.

Entry 27A

Basic Savings Bank Deposit (BSBD) account holders under Pradhan Mantri Jan-Dhan Yojana (PMJDY).

Entry 39

Business facilitator / correspondent / intermediary services for accounts in a rural branch.
branch.

Entry 26

Services **by** the Reserve Bank of India are exempt up to 17-07-2022 — Now services **to** RBI are also taxable.

Entry 34

Services by an acquiring bank, to any person in relation to settlement of an amount up to two thousand rupees.



The bank as a distribution platform

Distribution income

- Insurance commission
- Mutual-fund trail & upfront
- Bond / IPO distribution

Wealth & custody

- Demat / DP charges
- Portfolio & advisory fees
- Custodial services

Corporate banking

- Guarantee & LC commission
- Trade-finance documentation
- Cash-management services

All taxable @ 18%.



Securitization & Repossessed assets

NOT TAXED

Assignment / sale of loans & receivables — **actionable claims** ? → Schedule III → neither goods nor services or discounted future interest or security ?

TAXABLE

The servicing / collection-agent / management fee in a securitisation — @ **18%**.

TAXABLE

Sale of repossessed vehicles / assets — **margin scheme Rule 32(5)** : sale price – purchase value purchase value (less 5%/quarter).

NOT TAXED

Recovered immovable property auctioned before OC (occupancy certificate).

Rule 32(5): purchase value of goods repossessed from an unregistered defaulting borrower = the borrower's purchase price reduced by 5% per quarter between purchase and disposal.



Co-branding — a barter transaction



A barter is still a **supply**. Where each party renders services to the other without full monetary consideration, GST attaches on the **open market value** of each leg — both directions are taxable even though no cash may change hands.

**PART B**

Event Management Services

From management fees and turnkey packages to ticketing, sponsorship and performing artists — one event, many supplies, many place-of-supply rules.



How an event organiser earns

Management fee

Flat fee or % of budget for organising & coordination.

Turnkey package

Buys all inputs, bills one consolidated amount with markup.

Ticketing / admission

Sale of entry to concerts, shows, exhibitions.

Space & stall rental

Letting exhibition stalls, hoarding & on-site space.

Sponsorship

Brands pay for visibility — note the reverse-charge twist.

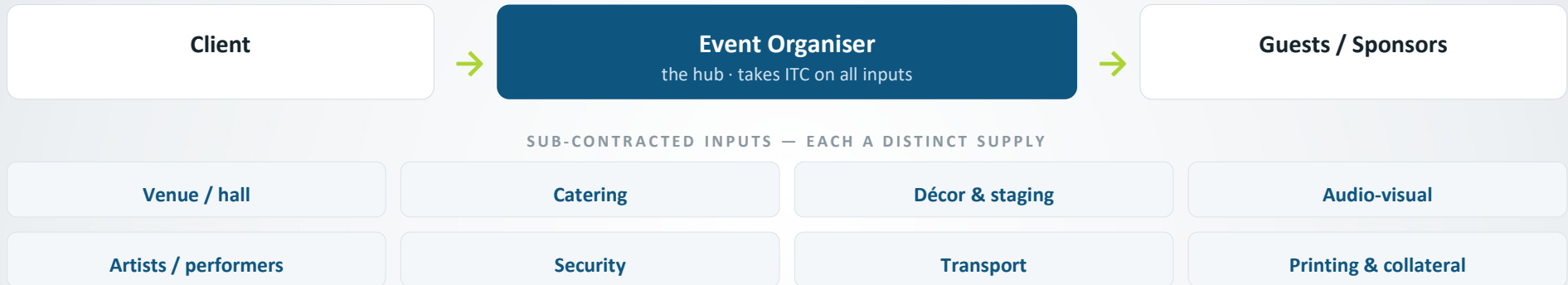
On-site & F&B

Catering, merchandise & concession revenue.

First question every time: what is being supplied, and to whom — agency fee, organisation, or admission?



One event, many supplies





Event management is taxable @ 18%

18%

on the organising service

The organising service — **planning, coordination, execution** — is taxable at the standard rate, whether for a wedding, conference, exhibition or concert.

Full ITC is generally available on sub-contracted inputs (venue, décor, AV, artists) used to make the taxable supply.



Admission to events — restructured under SAC 9996

Admission category	Till 21 Sep 2025	From 22 Sep 2025
Casinos, race clubs, betting & gambling	28%	40%
IPL & other non-recognised sporting events	28%	40%
Recognised sporting events · ticket ≤ ₹500	Exempt	Exempt
Recognised sporting events · ticket > ₹500	18%	18%
Circus, dance, drama, concerts · ticket ≤ ₹500	Exempt	Exempt
Circus, dance, drama, concerts · ticket > ₹500	18%	18%
Amusement / theme / water parks, joy rides, go-karting, ballet	18%	18%
Cinema admission · ticket ≤ ₹100 (above ₹100 stays 18%)	12%	5%



Place of supply — the decisive question

SEC 12(7) — ORGANISATION & ANCILLARY · SPONSORSHIP Event In India

Recipient registered → location of the registered recipient

Recipient unregistered → where the event is held

SEC 12(6) — ADMISSION & ANCILLARY (event in India)

Recipient registered/Recipient unregistered → location of
event

Admission always follows the **venue**.

SEC 13(5) — ORGANISATION / ADMISSION / SPONSORSHIP SPONSORSHIP (event outside India)

Place of supply → **location of the event**, wherever the
recipient is.



Admission vs. organising — which rule applies?

Service	Type	POS rule
Company hires you to arrange its dealer meet	Organising	12(7) — recipient (regd.) or event (unregd.)
Public buys tickets to your concert	Admission	12(6) — venue
Exhibitor pays for a stall at your expo	Organising	12(6) — recipient (regd.) or event (unregd.)
Sound engineering for an artistic event	Organising	12(7) — recipient (regd.) or event (unregd.)
Courier agency used to distribute entry tickets	Neither	Sec 12 does not apply
Indian co. participates in business exhibition in Germany	Admission	13(5) — venue
Indian co. appoints vendor to set up stall in Germany	Organising	13(5) — venue



Where is the event taxed?

Organiser registered in **Rajkot, Gujarat**. Place of supply & tax type for each case:

Scenario	Place of supply	Tax
Registered Gujarat co. — conference in Mumbai	Gujarat (reg)	CGST + SGST
Unregistered family — wedding in Udaipur	Rajasthan (event)	IGST
Registered Mumbai co. — admission ticket for event in Rajkot	Gujarat – Rajkot (event)	CGST + SGST
Registered Mumbai co. — event organised in Rajkot	Maharashtra– Mumbai (reg.)	IGST
Registered Mumbai co. — admission ticket for event in Kolkata	West Bengal – Kol (event)	IGST (WB)



Virtual events — where is the venue?

Physical event: admission taxed where held. **Virtual event:** no venue — the classification question reopens.

Live-streamed concert

Ticketed stream — is it admission or a digital (OIDAR) service?

Online fitness class

Zoom yoga / gym session — OIDAR?

Pay-per-view sport

Online match — admission or broadcasting?

Virtual science exhibition

Virtual museum / expo tour — admission or information service?



Sponsorship — who pays the GST?

BASE RULE • NOTF 13/2017 (up to 15-01-2025)

Sponsorship to a body corporate / partnership firm by any person → **Reverse charge** : the recipient (sponsor) pays GST, not the organiser receiving the money.

⚠ 2025 CHANGE (from 16-01-2025)

Sponsorship supplied by a **body corporate** → **forward charge** (Notf 07/2025-CT(R)); sponsorship other than by a body corporate remains on RCM.

Sponsorship ≠ sale of space. A pure sale of advertising space, stalls or naming as media is an ordinary supply → forward charge @ 18%.

ITC impact: sponsorship income is treated as exempt supply in the organiser's hands and requires reversal of ITC.



The performing-artist exemption — Entry 78

₹1.5L

per performance — exemption
ceiling

Exempt

A performing artist in **folk or classical** music, dance or theatre, where consideration \leq ₹1,50,000 per performance.

Not exempt

Consideration above ₹1.5L (whole amount taxable) · commercial / film performances · services as a brand ambassador.



Paying the artist — exempt or RCM

Registered commercial artist

Charges GST forward (FCM); the manager takes ITC.

Folk / classical ≤ ₹1.5L

Exempt (Entry 78) — no GST, no ITC.

Foreign artist in India

Event held in multiple States → import of service → RCM
→ RCM in each State where the event is held.



Tickets first, costs later — the ITC accumulation

Output tax up front: for services, time of supply includes advances — ticket money is taxed on receipt, months before the event.

Inputs & ITC later: venue, artists & production credit arrives near / after the event → credit accumulates with no matching output.

Not refundable: neither zero-rated nor inverted-duty → it only carries forward.



Other open issues



Complimentary tickets

Liable to output tax / reversal of ITC / business promotion?



Transfer of equipment between States

Delivery challan + rent for equipment?



Registration

Is registration mandatory in the State where the event is held? Is only CGST / SGST applicable to admission?



Thank You

Questions & discussion welcome

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