



Goods and Services Tax Alert Delivering Clarity

Maharashtra Authority for Advance Ruling holds that back office support services is in nature of intermediary services. Rejects applicant's contention that such services qualify as export under GST laws

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Facts of the case

- Vservglobal Private Limited (Applicant) is engaged in providing back office support services to overseas clients (client). Such services include the following:
 - Co-ordination with client`s suppliers / customers for execution of purchase and sales contracts
 - Creating and arranging of documentation (purchase order, sales contract, proforma invoice etc.) to be exchanged between clients and their suppliers / customers
 - Liaising with suppliers / inspection authorities on behalf of clients
 - Processing of payments for clients
 - Arranging inspection certificates for clients
 - Maintaining client employee records, payroll processing, accounting of payments made by clients to suppliers etc.
- The applicant posed a question before the Maharashtra Authority for Advance Ruling (AAR) whether services provided to client would qualify as `zero-rated supply` in accordance with GST laws?

Applicant`s contention

- Applicant contended that it is fulfilling all conditions required for the services to qualify as `export of services` and therefore, covered under the definition of a `zero-rated supply`
- Applicant also contended if any supply of goods (between client and customer) is facilitated due to its principal supply of back office / accounting services provided to the client, then such facilitation is merely incidental to the principal supply
- Applicant stated that it is providing services to client on a principal-to-principal basis, and therefore, excluded from the definition of an intermediary
- Applicant relied on the ruling in case of *GoDaddy India Web Services Private Limited*. Applicant stated that the facts of the case are similar to the case of *GoDaddy*, where it was held that the services (marketing, branding etc.) provided to its parent company shall qualify as export of service

Ruling of the AAR

- AAR observed that all activities performed by applicant for its client indicate that the applicant is engaged in `arranging / facilitating` supply of goods or services between client and its customers and therefore, qualifying as an intermediary
- AAR also stated that facts of the current case are not similar to the facts pertaining to the *GoDaddy* case in as much as in case of *GoDaddy*, support services were

provided on a principal-to-principal basis and were provided with the sole intention of promoting brand GoDaddy US in India.

AAR held that in the current case, activities undertaken by applicant are for and on behalf of clients to facilitate supply of goods / services between clients and their customers.

Comments

The preliminary analysis suggests that the concept of exclusion of “main service” from intermediary services seems to have been ignored. India is a hub for export of an array of information technology-enabled services. Hopefully, there is an early resolution on this matter to address industry’s concerns and to avoid unwarranted disputes.

Therefore, industry needs to analyze the impact of this ruling on their operations, adopting a holistic approach.

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