

**THE AUTHORITY FOR ADVANCE RULING
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009**

F. No. KAR. AAR 13/2026

Order No. KAR. ADRG 13/2026

Date: 11.02.2026

Present:

1. Shri. Kalyanam Rajesh Rama Rao

Additional Commissioner of Customs & Indirect Taxes . . . Member (**Central**)

2. Shri. Sivakumar S Itagi

Additional Commissioner of Commercial Taxes . . . Member (**State**)

| | | |
|---|---|---|
| 1 | Name and address of the applicant | M/s Godrej United Owner's Association, #No.30, Survey 28/2, Godrej United, Hoodi Village, Krishnarajapuram Hobi, Whitefield Road, Bengaluru-560048. |
| 2 | GSTIN or User ID | 29AAHAG1194P1Z1 |
| 3 | Date of filing of Form GST ARA-01 | 26.02.2024 |
| 4 | Represented by | CA Mahendar Lachharam Choudhary, Authorised Representative, |
| 5 | Jurisdictional Authority – Centre | The Principal Commissioner of Central Tax, Bengaluru East Commissionerate, BED-8 |
| 6 | Jurisdictional Authority – State | ACCT, LGSTO-036, Bengaluru |
| 7 | Whether the payment of fees discharged and if yes, the amount and CIN | Yes, discharged fee of Rs.5, 000/- under CGST Act, 2017 & Rs.5, 000/- under KGST Act, 2017 through Electronic Cash Ledger Debit reference No. DC2902240343421 dated 26.02.2024. |

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

M/s Godrej United Owner's Association (herein after referred to as '**the Applicant**'), #No.30, Survey 28/2, Godrej United, Hoodi Village, Krishnarajapuram Hobi, Whitefield Road, Bengaluru-560048, having GSTIN 29AAHAG1194P1Z1, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. The applicant is a registered apartment owners association formed for the upkeep and maintenance of common area facilities and providing other amenities to the members of the association. The applicant, collects



maintenance from its members which is the main source of funds to the association; raises funds in form of contribution from its members for common area maintenance which includes the supply of water to its members, invoices its members on quarterly basis for common area maintenance. The contribution is collected based on the area of the apartment i.e. per sq. ft. rate.

3. In view of the above, the applicant has sought advance ruling in respect of the following questions:

- I. *Whether the availability of exemption up to an amount of Rs.7,500/- per member per month for sourcing of goods or services for common use of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated 28-06-2017 (as amended) is to be ascertained on per annum basis i.e. 90,000/- (7500*12) per financial year per member or on the basis of invoicing period i.e. Monthly/Quarterly Invoicing?*
- II. *Whether contribution collected from members for supply of water procured through water tanker or BWSSB are covered under entry 99 of Notification.2/2017 Central Tax (Rate) dated 28-06-2017 i.e. under HSN Code 2201 and therefore exempt?*
- III. *Whether the applicant is liable to pay GST on amounts which it collects from its members for setting up a corpus fund/sinking fund which is in form of deposit?*
- IV. *Whether the application of deposit towards consideration at the time of actual supply of service (Capital asset purchase) can be proportion to the depreciation charged in books of accounts in relation to a capital asset?*
- V. *Whether the exemption up to an amount of Rs.7,500/- per member per month for sourcing of goods or services for common used of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated:28-06-2017 (as amended) is available at the time of actual supply of service i.e. when deposit is applied towards consideration? If exemption is available then whether sinking/repair fund contribution from members is to be clubbed with common area maintenance collection for determination of availability of exemption?*
- VI. *Whether the exemption up to an amount of Rs.7,500/- per member per month for sourcing of goods or services for common used of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated:28-06-2017 (as amended) is available for sinking/repair fund collected by the applicant from its members being in nature of advance? If exemption is*



available then whether sinking/repair fund contribution from members is to be clubbed with common area maintenance collection for determination of availability of exemption?

VII. Whether voluntary contribution received from members for celebration of cultural festivals such as Ganesh Chaturthi, Durga Pooja, etc., is liable to GST?

4. **ADMISSIBILITY OF THE APPLICATION:** The applicant, under column 13 of the application ARA-01, selected the following issues "Applicability of a notification issued under the provisions of the Act, " Determination of time and value of supply of goods and services", " Determination of the liability to pay tax on any goods and services" and "Whether any particular thing done by the applicant with respect to any goods and /or services or both amounts to or results in a supply of goods and /or services or both, within the meaning of that term". However, it is observed that the issue on which advance ruling sought for are "Applicability of a notification issued under the provisions of the Act", "Determination of time and value of supply of goods and services" and "Determination of the liability to pay tax on any goods and services ". Hence, the instant application is admissible under Section 97(2)(b), 97(2)(c) & 97(2)(e) of the CGST Act, 2017.

5. **BRIEF FACTS OF THE CASE:** - The applicant submits that it currently avails the exemption of up to ₹7,500 per month per member for sourcing goods and services for the common use of its members under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended by Notification No. 02/2018. The applicant also states that it supplies water to its members, and the consideration for such supply is presently recovered as part of the common area maintenance charges. Where the per-member monthly charges exceed ₹7,500, GST is discharged on the entire consideration, treating the activity as a composite supply of maintenance services.

5.2 The applicant plans to issue separate invoices for water charges, recovered at actuals, and seeks to claim exemption for such supply under Entry No. 99 of Notification No. 2/2017-Central Tax (Rate) dated 28.06.2017, under HSN 2201. The applicant also plans to collect deposits/advances in the form of corpus/sinking funds for future contingencies relating to general repairs and maintenance. Additionally, the applicant intends to collect voluntary donations from members for organizing cultural events and festivals.

6. **APPLICANT'S INTERPRETATION OF LAW:** - The Applicant submits the following facts relevant to the issue:



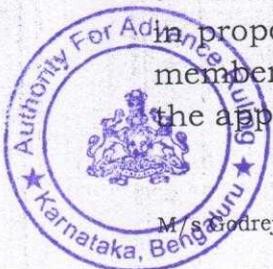
6.1 The Applicant submits that exemption under Entry 77 of Notification No. 12/2017-Central Tax (Rate), as amended, need to be determined with reference to the invoicing period (monthly/quarterly) and not on an annual basis. Since, Common Area Maintenance charges fluctuate across months particularly being higher during summer due to increased consumption of electricity, water, and other utilities—the exemption of ₹7,500 per member per month applies independently for each tax period. Therefore, GST would be payable only in months where the member's contribution exceeds ₹7,500, even if the aggregate annual contribution exceeds ₹90,000. Further, even if the invoicing is quarterly, half-yearly, or annually, the exemption must still be computed month-wise.

6.2 The Applicant states that water procured through tankers or BWSSB qualifies as exempt goods under Entry 99 of Notification No. 2/2017-CTR, falling under HSN 2201. The water supplied to members is stored and distributed in the same form as received, without any treatment, and is not aerated, mineral, purified, distilled, medicinal, ionic, battery, or de-mineralized, nor supplied in sealed containers. Accordingly, the Applicant considers such supply of water as an exempt supply of goods.

6.3 Further, the applicant raises funds from its members in the form of deposits towards corpus/sinking funds for future supplies of services relating to unforeseen or planned events. Relying on Section 2(31) of the CGST Act, the applicant submits that such deposits do not constitute consideration until they are applied towards an actual supply. Hence, the amount collected towards corpus/sinking fund shall be liable to GST at the time of actual supply of service.

6.4.1 The applicant submits that the deposit collected in the form of corpus/sinking fund should be proportion to the depreciation charged in books of account in relation to a capital asset. Such capital assets are utilized over their useful life. The applicant states that, in accordance with Section 2(31) of the CGST Act, a deposit is not treated as consideration until it is applied towards the supply of services.

6.4.2 The applicant further submits that upon acquisition of the capital asset out of the sinking/corpus fund, the asset is capitalized in the books and depreciation is charged annually as per the accounting policy. Correspondingly, an equivalent amount is transferred from the deposit account to the income & expenditure account, thereby applying a proportionate portion of the deposit as consideration for the actual supply of service rendered to members over the life of the asset. Thus, the applicant contends that the deposit is applied gradually, in proportion to depreciation, since the asset remains available for use by the members throughout its useful life. Accordingly, the applicant understands that the application of deposit towards consideration must be made proportionate to



depreciation, as this reflects the actual period and extent of service derived from the capital asset.

6.5 The Applicant states that Entry 77 of Notification No. 12/2017-Central Tax (Rate), as amended, exempts the share of contribution received from members for sourcing goods or services from third parties for the common use of members. The Applicant submits that the exemption entry does not distinguish between periodic Common Area Maintenance collections and deposit amounts later applied as consideration. Since, the deposit, when applied, also represents consideration for services procured from third parties for common use, the Applicant contends that the exemption under Entry 77 should remain available until such deposit is actually applied towards consideration in the relevant monthly or quarterly Common Area Maintenance billing.

6.6 The applicant contends that the exemption of ₹7500/- per member per month under Entry No.77 of Notification No. 12/2017 (GST) is applicable not only to periodic common area maintenance charges but also to sinking/repair fund contributions collected from members. The applicant explains that it prepares an expense budget for each tax period and fixes common area maintenance contributions accordingly, which are just sufficient to meet routine expenses and do not include contingencies. To address possible shortfalls due to factors such as inflation or increased costs, the association separately collects amounts as repair fund/general fund. These collections are stated to be in the nature of advances.

According to the applicant, Entry No. 77 grants exemption for members' contributions collected for sourcing goods or services from third parties for the common use of members, without distinguishing between regular maintenance charges and advance contributions. Therefore, the applicant argues that repair/sinking fund contributions should be clubbed with Common area maintenance collections for the relevant period to determine eligibility for the ₹7500/- per member per month exemption, and the exemption should apply at the time such advance contributions are collected.

6.7 The Applicant also submits that voluntary contributions received from members for cultural events (such as Ganesh Chaturthi, Durga Puja, etc.) are not liable to GST, as such donations are made without any obligation or quid pro quo. Since, there is no supply of goods or services linked to the payment, and the Applicant is not required to perform any activity in return, the essential elements of "supply" under Section 7 and "consideration" under Section 2(31) are not satisfied. Hence, voluntary donations are outside the scope of GST.



7. PERSONAL HEARING PROCEEDINGS HELD ON 20.11.2025:-

CA Mahendar Lachharam Choudhary, Authorised Representative of the applicant appeared for personal hearing proceedings held on 20.11.2025, before this authority and reiterated the submissions already made along with the application. Further, Authorised Representative submitted the fact that the deposit collected from members are refundable in nature, if there is cancellation of RWA membership (i.e. selling of property).

FINDINGS & DISCUSSION

8. *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.*

9. *We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.*

10. We have carefully examined the application made by the applicant M/s Godrej United Owner's Association, the submissions provided therein, the arguments advanced during the personal hearing. The main issues for consideration are "Applicability of a Notification issued under the provision of the Act", "Determination of time and value of supply of goods and services" and "Determination of the liability to pay tax on any goods and services or both".

11. The applicant seeks advance ruling in respect of the questions mentioned at para 3 supra. We proceed to answer the all questions separately:-

12. The first question raised by the applicant is:-

"Whether the availability of exemption up to an amount of Rs.7, 500/- per member per month for sourcing of goods or services for common use of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated 28-06-2017 (as amended) is to be ascertained on per annum basis i.e. 90,000/- (7500*12) per financial year per member or on the basis of invoicing period i.e. Monthly/Quarterly Invoicing?"



12.2 In this regard, the applicant has submitted that availability of exemption is to be calculated based on the invoicing period i.e Monthly/Quarterly invoicing, and not on a per annum basis and in support of the same the applicant has relied upon Entry No. 77 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, as amended.

12.3 The exemption of ₹7,500 per month per member is provided under Entry No. 77 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, as amended. The said entry is reproduced below for the purpose of examining and determining the issue raised in the questions under consideration.

Notification No. 12/2017 dated 28.06.2017, as amended: -

| SL. No | Chapter, Section, Heading, Group or Service Code (Tariff) | Description of Services | Rate (per cent.) | Condition |
|--------|---|---|------------------|-----------|
| 77 | Heading 9995 | Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution- (a) as a trade union; (b) for the provision of carrying out any activity which is exempt from the levy of Goods and service Tax; or (c) up to an amount of Seven thousand five hundred rupees per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex. | Nil | Nil |



From the above, it is very clear that the exemption of ₹7,500 per month per member, in respect of sourcing of goods or services from a third party for the common use of its members in a housing society or residential complex, is available on a **monthly basis**, irrespective of the pattern of issuance of invoices, whether monthly or quarterly.

13.1 The second question raised by the applicant is: -

“Whether contribution collected from members for supply of water procured through water tanker or BWSSB are covered under entry no. 99 of Notification.2/2017 Central Tax (Rate) dated 28-06-2017, as amended i.e. under HSN Code 2201 and therefore exempt?”

13.2 Applicant’s Submission: -

- I. The applicant submits that GST is leviable only when there is a **“supply”** as defined under Section 7 of the CGST Act, 2017, and that tax is chargeable on the value determined under Section 15 of the Act, 2017.
- II. The applicant has relied upon the definitions of **“goods”** and **“services”** under **Sections 2(52) and 2(102), respectively**, contending that water qualifies as **goods**, being movable property, and is specifically covered under Entry No. 99 of Notification No. 02/2017–Central Tax (Rate), as amended. Accordingly, the applicant argues that the supply of water should be treated as a supply of goods and, therefore, exempt from GST.
- III. Further, the applicant submits that **Sections 7(1A) and 7(3)** deem only specified transactions, as listed in Schedule II or notified activities, to be supplies of goods or services. Since the activities of an apartment owners’ association are not included under Schedule II or any relevant notification, the applicant contends that the supply of water cannot be deemed a service and should be treated as a supply of goods.
- IV. The applicant has also relied on the following judgments of the Hon’ble CESTAT:
 - *Plaza Maintenance & Services Ltd* (2011-TIOL-47-CESTAT-MAD)
 - *Chitralli Properties Pvt. Ltd Vs CCE Pune-III* (2013-TIOL-236-CESTAT-MUM)
 - *Econ Hinjewadi Infrastructure Pvt. Ltd Vs CCE, Pune-III* (2012-TIOL-1688-CESTAT-MUM)Wherein it was held that supply of water and electricity are **goods** and therefore not leviable to Service Tax.



13.3 The definitions of “supply”, “goods”, and “services” under the CGST Act, 2017 are reproduced below for the purpose of examining and determining the issues raised in the present case.

13.4 Definition of supply as per Section 7 of CGST Act, 2017:

Section 7(1) of CGST Act, 2017:- the expression “supply” included

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made **for a consideration by a person in the course or furtherance of business;**

[(aa) the activities or transactions, by a person, other than an individual, **to its members or constituents or vice versa**, for cash, deferred payment or other valuable consideration.

Explanation: For the purposes of this clause, it is clarified that, notwithstanding anything contained in any other law or judgment, the person and its members shall be deemed to be **two separate persons**, and the supply of activities or transactions inter se shall be deemed to take place from one such person to another;]

(b).....

(c).....

7 (1A) Where certain activities or transactions constitute a supply in accordance with the provisions of sub section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.]

13.5 According to Section 7 of CGST Act, 2017, the expression “supply” includes the activities or transactions, by a person, other than individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration.

The term person is defined in Section 2 (84) of the CGST Act, 2017 and d same is as under:

“Person” includes-

(a) An individual;

(b)

.....

(f) **an association of persons or a body of individuals, whether incorporated or not, in India or outside India;**

(g).....

.....

.....

13.6 It is a fact that the applicant (such as a housing society/apartment association) is registered under the *Karnataka Apartment Ownership Act, 1972*.

This means it is a **legal entity**, not just a group of individuals. The applicant carries out activities like: maintenance of common areas, day to day



management, renewal of upkeep of common area facilities, work of emergency nature for repair, painting of the building, rectification/modification, addition or alteration of building or facilities etc. Members pay money for these activities as decided by Management committee. The activities of the applicant constitute **“supply” under Section 7 of CGST Act, 2017**, as they are doing activities to its member for consideration. Therefore, the activities performed by the applicant meet the definition of supply under Section 7 of CGST Act, 2017.

13.7 The next issue is to determine **whether the activity constitutes a supply of goods or a supply of services:-**

Goods and services defined under Sections 2 (52) and 2(102) of CGST Act, 2017 respectively, which is reproduced as below:

Section 2 (52) of CGST Act, 2017:- Definition of Goods:

“Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply.

Section 2 (102) of CGST Act, 2017:- Definition of Services:-

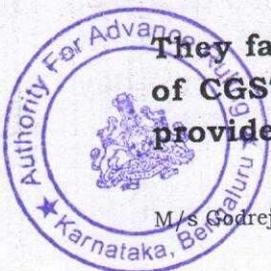
“Services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Explanation.- For the removal of doubts, it is hereby clarified that the expression “Services” includes facilitating or arranging transactions in securities.

13.8 As per **Notification No. 11/2017–Central Tax (Rate) dated 28.06.2017**, as amended, read with **Schedule II of the CGST Act, 2017**, activities undertaken by an association, club, or society for its members are classified as **“services provided by membership organizations”**, falling under **Service Accounting Code (SAC) 9995**.

The applicant, being membership organizations, provide various facilities and administrative services to their members. These activities do not involve “goods” as defined under Section 2(52) of CGST Act, 2017. Therefore:

They fall squarely within the definition of “services” under Section 2(102) of CGST Act, 2017 and they are classified under SAC 9995 as “services provided by membership organizations.”



Hence, **the supply made by applicant to its members is appropriately classified as a supply of services under GST law.**

13.9 The submissions made by the applicant are not acceptable. While it is not in dispute that water, per se, may qualify as “goods” under Section 2(52) of the CGST Act, 2017 and is covered under Entry No. 99 of Notification No. 02/2017–Central Tax (Rate), the crucial aspect to be examined is the nature of the supply made by the applicant.

In the present case, the applicant is engaged in providing upkeep and maintenance services to its members. The procurement, storage, pumping, and distribution of water through common infrastructure form an integral and incidental part of such upkeep and maintenance services. The applicant does not undertake independent supply or trading of water as goods. Water is supplied only in conjunction with and as a component of the overall maintenance services.

As per Section 2(30) of the CGST Act, 2017, a composite supply consists of two or more supplies which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. In the present case, the principal supply is upkeep and maintenance services, and the supply of water is ancillary thereto.

13.10 Accordingly, the entire consideration collected from the members, including amounts attributable to water supply, forms part of the value of the composite supply, the principal supply being services classifiable under SAC 999598. Therefore, the exemption under Entry No. 99 of Notification No. 02/2017–Central Tax (Rate) is not applicable to the applicant, and the applicant’s contention that the supply of water should be treated as an independent exempt supply of goods is untenable.

13.11 The reliance placed by the applicant on the decisions of the Hon’ble CESTAT in *Plaza Maintenance & Services Ltd.*, *Chitralli Properties Pvt. Ltd.*, and *Econ Hinjewadi Infrastructure Pvt. Ltd.* is misplaced and not applicable to the facts of the present case. These judgments pertain to the **pre-GST Service Tax regime** and are **not applicable under GST**, which has a broader definition of supply and introduces the concept of **composite supply**.

14. The third question is that:

“Whether the applicant is liable to pay GST on amounts which it collects from its members for setting up a corpus fund/sinking fund which is in form of deposit?”

14.2 In this regard, the applicant argues that funds collected from members as corpus or sinking funds are meant for future services, whether planned or unforeseen. Referring to Section 2(31) of the CGST Act, 2017, they contend that deposits for future supply do not constitute consideration until they are actually applied toward a supply. Accordingly, the corpus/sinking fund collected does not form part of consideration and



is not liable to GST at the time of collection. GST becomes payable only when these funds are utilized for the actual provision of services.

14.3 The applicant has referred Section 2 (31) of CGST Act, 2017 which defines the term "Consideration which is reproduced below-

Section 2 (31) of CGAT Act, 2017- "Consideration" in relation to the supply of goods or services or both includes -

- (a) Any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- (b) The monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

14.4 It is evident from the above definition that an amount to get transformed into "consideration" either there should be actual supply of goods or services or both or there should be a promise to supply of goods or services. The applicant himself stated that the corpus/sinking fund collected is the amount collected towards the future supply of service and gets applied as consideration towards the supply of services only at the time of actual supply of services.

14.5 There are well-recognized distinctions between an **advance** and a **deposit**. An **advance** is generally a payment made upfront toward a future supply and is typically **non-refundable**, whereas a **deposit** is ordinarily refundable and held as security, subject to return upon occurrence of specified conditions.

It is an admitted and established fact that the applicant is an Association constituted for the purpose of providing services to its members. The members, in turn, are liable to pay consideration to the applicant for such activities, as specified in the by-laws of the Association.

14.6 The activities undertaken by a Resident Welfare Association for its members are classifiable under **Chapter Heading 9995**, falling under the description "**Services of Membership Organisations**", and more specifically under **Service Code 999598**, described as "**Home Owners Association**", as per the Scheme of Classification of Services (Annexure).

Accordingly, the amounts collected towards the corpus fund are **indisputably in the nature of advances for future supply of service and not deposits**.

As discussed earlier, the corpus fund collected by the applicant for future contingencies constitutes **consideration for a future supply of services** and,



therefore, **attracts GST** in terms of **Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017**, under **SAC 999598**.

14.7 Thus, issue before us to decide the timing of GST liability on corpus/sinking fund collection towards future supply of service.

Although, these expenditures will occur in the future, the collection itself takes place upfront. Section 13 of CGST Act, 2017 speaks about time of supply for GST liability which is reproduced below -

2. Applicability of Time of Supply Provisions (Section 13 of the CGST Act)

Section **13(2)(a)** of the CGST Act, 2017 provides:

*The time of supply of services shall be the **earlier** of:*
(i) *the date of issue of invoice (if issued within prescribed time), or*
(ii) *the **date of receipt of payment**.*

In this case:

- The applicant (RWA) collects corpus/sinking fund **in advance**, and
- Receipt of payment occurs **before** any actual supply of service or before any invoice is raised.

Therefore, as per Section 13(2)(a), the **time of supply is triggered on the date of receipt of the corpus fund amount**, if such collection is considered an advance towards a future supply.

In view of the above, the answer of the question is GST is payable at the time of collection of the corpus/sinking fund, and the time-of-supply provisions under Section 13 of the CGST Act apply to corpus fund collections treated as advances.

15. The fourth question is that:

- I. “Whether the application of deposit towards consideration at the time of actual supply of service (Capital asset purchase) can be proportion to the depreciation charged in books of accounts in relation to a capital asset?”**

15.2 In this regard, the applicant contends that the deposit should be treated as consideration only at the time of actual supply of services and in proportion to the depreciation of the related capital asset. They explain that sinking/corpus funds are collected to procure capital assets for members’ common use and are initially recorded as liabilities. Once the asset is acquired, it is capitalized and depreciated over its useful life. Each year, an amount equal to the depreciation is transferred from the deposit account to income, thereby reducing the deposit liability. This transfer represents the application of the deposit towards the actual supply of services, which is considered to occur over the useful life of the capital asset as it is made available for members’ use.

15.3 The applicant’s contention that consideration arises only in proportion to depreciation charged in the books of accounts is not acceptable.



Firstly, the CGST Act, 2017 is a self-contained code and the levy, valuation, and timing of tax are governed strictly by the provisions of the Act and the rules made thereunder. Accounting treatment or book entries, including recognition of depreciation or transfer from corpus/deposit to income, cannot determine the taxability or the time of supply under GST.

Secondly, the procurement of a capital asset out of the sinking fund/corpus fund does not, by itself, result in a taxable supply to members. Any taxable supply, if at all, arises when identifiable services are provided to members, such as maintenance, repair, or other facilities, for which consideration is charged. The method of spreading the cost of an asset over its useful life through depreciation is an accounting concept and cannot be equated with the actual provision of taxable services under GST law. The transfer of an amount equivalent to depreciation from the deposit account to the income and expenditure account is an internal accounting adjustment.

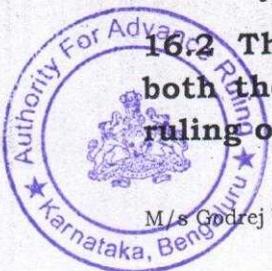
Accordingly, the applicant's argument that GST should be levied only in proportion to depreciation over the life of the capital asset is not supported by the provisions of the CGST Act. Taxability must be determined based on the existence of a supply, the time of supply as per Sections 12 or 13, and the consideration attributable to such supply, independent of accounting treatment or depreciation practices.

16. The fifth and Sixth question are that:

5. "Whether the exemption up to an amount of Rs.7,500/- per member per month for sourcing of goods or services for common used of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated:28-06-2017 (as amended) is available at the time of actual supply of service i.e. when deposit is applied towards consideration? If exemption is available then whether sinking/repair fund contribution from members is to be clubbed with common area maintenance collection for determination of availability of exemption?"

6. "Whether the exemption up to an amount of Rs.7,500/- per member per month for sourcing of goods or services for common used of its members under entry No.77 of notification 12/2017 Central Tax (Rate) dated:28-06-2017 (as amended) is available for sinking/repair fund collected by the applicant from its members being in nature of advance? If exemption is available then whether sinking/repair fund contribution from members is to be clubbed with common area maintenance collection for determination of availability of exemption?"

16.2 The fifth and sixth question are interlined and combined reading of both the question, it is understood that the applicant basically want to ruling on "Whether the exemption up to an amount of ₹7,500 per member per



month for sourcing of goods or services for the common use of members under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended) is available in respect of sinking/repair fund contributions collected from members, either at the time of actual supply of services when such deposits are applied as consideration or at the time of collection treating them as advances; and if such exemption is available, whether the sinking/repair fund contributions are required to be clubbed with common area maintenance charges for the purpose of determining eligibility for the said exemption ?”

16.3 In this regard, the applicant contends that Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, exempts the share of contribution received from members for sourcing of goods or services, or both, from third parties for the common use of its members. The said exemption entry does not distinguish between monthly common area maintenance charges and amounts representing deposits or advance contributions subsequently applied towards consideration.

The applicant further submits that the deposit or advance contribution, when applied as consideration, relates to services provided by the applicant to its members, which are procured from third persons for their common use. Therefore, the benefit of exemption under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate), as amended, should be available both at the time when such amounts are received as advance contributions and when they are applied towards consideration, and such amounts should be clubbed with common area maintenance charges for the purpose of determining eligibility for the exemption.

16.4 As discussed in paragraph 14 above, the amount collected by the applicant from its members towards sinking fund/corpus fund constitutes an advance received against future supply of services to its members. Accordingly, the time of supply is determined at the time of receipt of such advance, in terms of Section 13 of the CGST Act, 2017.

The next issue for determination is whether the amounts so collected towards sinking fund/corpus fund are required to be clubbed with common area maintenance charges for the purpose of determining eligibility for exemption up to ₹7,500 per member per month under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended.

16.5 Before deciding the issue, it is necessary to examine the nature and purpose of the Monthly Maintenance Charges and the Corpus Fund/Sinking Fund, as detailed below:



1. **Monthly Maintenance Charges:** - Monthly maintenance charges collected by the RWA are applied toward regular, recurring, and continuous services necessary for day-to-day upkeep and functioning of the residential society. These include:

- Cleaning and housekeeping of common areas (lobbies, corridors, staircases, parks, gardens, swimming pool, play areas, sports areas, open spaces, etc.)
- Waste collection and disposal
- Salaries of security staff, housekeeping personnel, and office/administrative staff
- Payment of common electricity and water charges
- Other operational and routine expenses of the society

2. **Corpus Fund / Sinking Fund:** - The corpus fund (also called sinking or reserve fund) is collected one-time or infrequently, and it is specifically earmarked for capital or major non-recurring expenditures, such as:

- Major structural repairs of the building
- External/internal painting of the building
- Replacement or major overhaul of lift etc.

This demonstrates that the corpus fund is ring-fenced, separately accounted for, and used only for specific long-term capital purposes and
Because:

- The monthly maintenance charges constitute consideration for ongoing services, and
- The corpus fund is not a payment for any current supply of service but a contribution toward future supply of service and
- The corpus fund is independently maintained and restricted in use
- **Thus, the nature of collection of monthly maintenance charge and sinking fund/corpus fund are distinct in character and purpose.**

Accordingly, **the corpus fund/sinking fund can be treated as separate and independent from monthly maintenance charges for GST applicability.**

16.6 Entry No. 77 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017 provides exemption **up to an amount of Seven thousand five hundred rupees per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex as produced in para no. 12 above.**

Further, Circular No. 109/28/2019-GST dated 22.07.2019, issued vide F. No. 332/04/2017-TRU by the CBIC, clarifies that the exemption provided under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) is applicable only to recurring monthly maintenance charges collected from members. The said exemption does not extend to one-time contributions such as corpus fund or sinking fund collections.



In view of the above clarification and the specific scope of the exemption, it is held that the amounts collected towards sinking fund/corpus fund are not required to be clubbed with common area maintenance charges for the purpose of determining eligibility for exemption under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended.

17. The seventh question is that: -

“Whether voluntary contribution received from members for celebration of cultural festivals such as Ganesh Chaturthi, Durga Pooja, etc., is liable to GST?”

17.2 In this regard, the applicant submits that it collects voluntary donations from its members for the celebration of festivals such as Ganesh Chaturthi, Dussehra, etc. Such contributions are made by the members out of their own free will and without any obligation or quid pro quo on the part of the applicant to provide any goods or services in return.

The applicant further refers to the definitions of “supply” under Section 7 and “consideration” under Section 2(31) of the CGST Act, 2017, and submits that, in terms of Section 9 of the CGST Act, GST is leviable only where there is a supply of goods or services or both made for a consideration. Consideration, by definition, implies a payment made in respect of, in response to, or for the inducement of a supply.

In the present case, the applicant contends that there is no obligation to supply any goods or services in return for the voluntary donations received from members. Accordingly, the collection of voluntary donations from members for the purpose of celebrating cultural festivals does not constitute consideration for any supply and, therefore, is not liable to GST.

17.3 We find that the applicant is collecting voluntary donations from its members for the celebration of cultural and religious festivals such as Ganesh Chaturthi, Dussehra, etc. It is observed that such contributions are made purely on a voluntary basis and there is no compulsion on the members to make such payments, nor is there any specific or identifiable benefit or service promised by the applicant to the contributing members in return.

Under Section 7 of the CGST Act, 2017, a transaction qualifies as a “supply” only when there is a provision of goods or services or both for a consideration. Further, as per Section 2(31) of the CGST Act, 2017, “consideration” necessarily implies a payment made in respect of, in response to, or for the inducement of a supply. Section 9 of the CGST Act provides that GST is leviable only on such supplies made for a consideration.

In the present case, we find that the voluntary donations collected by the applicant do not involve any quid pro quo, as the applicant is not under any contractual or statutory obligation to provide any goods or services in return for



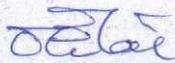
such donations. The contributions are made at the discretion of the members and are not linked to any specific supply.

In view of the above, we hold that the voluntary donations collected by the applicant from its members for the celebration of cultural festivals do not constitute consideration for any supply and, therefore, are not liable to GST.

18. In view of the foregoing, we pass the following.

RULING

- I. The exemption up to an amount of ₹7,500 per member for sourcing of goods or services from third persons for the common use of its members, as provided under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, is applicable on a monthly basis and cannot be aggregated annually or with reference to any other invoicing period.
- II. The contributions collected from members towards the supply of water procured through water tankers or from BWSSB are incidental to the maintenance services provided by the Resident Welfare Association and constitute part of a composite supply. Accordingly, the exemption under Entry No. 99 is not applicable to such supplies.
- III. The amounts collected from members towards corpus fund or sinking fund constitute advance receipts towards future supply of services and are liable to GST at the time of receipt of such amounts, irrespective of the time at which the funds are subsequently applied.
- IV. The levy and time of payment of GST are governed by the provisions of the CGST Act, 2017, and not by accounting treatment or depreciation practices. Accordingly, depreciation charged in the books of accounts has no relevance for determining the value or timing of consideration for the purpose of GST.
- V. The contributions collected from members towards sinking fund or corpus fund constitute advance receipts for future supply of services and are liable to GST at the time of receipt. Further, the nature and character of sinking fund/corpus fund are distinct from monthly maintenance charges; accordingly, such contributions are not required to be clubbed with monthly common area maintenance charges for the purpose of determining eligibility for the exemption of ₹7,500 per member per month under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended.
- VI. The voluntary contributions received from members for the celebration of cultural festivals, without any obligation or quid pro quo on the part of the recipient, do not qualify as "supply" under the provisions of the CGST Act, 2017 and, accordingly, are not liable to GST in terms of Section 9 of the said Act.



(Kalyanam Rajesh Rama Rao)

Member

MEMBER

Karnataka Advance Ruling Authority
Bengaluru - 560 009



(Sivakumar S Itagi)

Member

MEMBER

Karnataka Advance Ruling Authority
Bengaluru - 560 009



Place: Bengaluru,
Date:11.02.2026

To,
The applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bengaluru North Commissionerate
4. The Assistant Commissioner of Commercial Taxes, LGSTO-152, Bengaluru.
5. Office Folder.

