

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

F.No.KAR.AAR/12/2026

Order No. KAR.ADRG/12/2026

Dated 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 Sandeep Vihar Owners Association (M/s SVOA), # AWHO, SANDEEP VIHAR, HOSKOTE WHITEFIELD ROAD, BANGLAORE, Bengaluru Urban, Karnataka, 560067
2	GSTIN or User ID	29AAPAS4383L1ZK
3	Date of filing of Form GST ARA-01	29.08.2024
4	Represented by	Shri. Madhusudhan N Hiremath, CA and Authorized Signatory
5	Jurisdictional Authority - Centre	The Principal Commissioner of Central Tax, Bengaluru East Commissionerate, Bengaluru (Range EED7)
6	Jurisdictional Authority - State	ACCT, LGSTO 140 -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 debit from Electronic Cash Ledger vide reference No. DC2908240348543 dated 29.08.2024

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

1. M/s Sandeep Vihar Owners Association, (herein after referred to as '**the Applicant or M/s SVOA,**) # AWHO, SANDEEP VIHAR, HOSKOTE WHITEFIELD ROAD, BANGLAORE, Bengaluru Urban, Karnataka, 560067, having GSTIN 29AAPAS4383L1ZK, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104

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of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. The Applicant is an Apartment Owners' Association/Resident Welfare Association (RWA) duly registered under the Karnataka Societies Registration Act, 1960. The Sandeep Vihar Apartment Complex, constructed by the Army Welfare Housing Organisation, provides residential accommodation for Indian Army personnel, including serving soldiers, veterans, war widows, and their families. The Applicant is responsible for the security, housekeeping, and overall maintenance of the complex, including waste management, essential services, and the supply of potable water. All expenses incurred by M/s SVOA—such as water charges and electricity charges—are proportionately allocated to the members and recovered from them. Monthly subscription charges are collected from members on a quarterly basis to fund these services. A corpus fund is also maintained to meet future contingencies and major repair requirements. The Sandeep Vihar Community Centre (SVCC), located within the apartment complex, provides paid recreational, shopping, and guest room facilities. For the upkeep of SVCC, a separate charge of ₹450 per flat is levied.

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

1. *If a housing society recovers the actual costs of water supplied to the society and its members through separate monthly debit notes, does this recovery attract GST, despite water being generally exempted from the tax?*
2. *Whether the applicant liable to pay CGST/SGST on collection of Common Area Electricity Charges paid by the members and the same recovered on the actual electricity charges billed?*
3. *Whether the applicant is liable to pay CGST/SGST on amounts which it collects from its members towards a Corpus Fund for future contingencies/major CAPEX. Whether such fund from members will come under the definition of supply and liable to be taxed? If yes, whether it is subject to GST at the time of collection or at the time of utilization?*
4. *Could the monthly charges levied for the upkeep of the Sandeep Vihar Community Centre be classified as Monthly Maintenance Charges under GST provisions, thereby qualifying for the exemption threshold of Rs. 7500/-per month as per Clause (c) of Sl. No. 77 to the Notification No. 12/2017 State Tax (Rate) dated 30.06.2017?*



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4. **Admissibility Of The Application:** The applicant, under Column 13 of Form ARA-01, has selected category of issues, "Determination of the liability to pay tax on any goods and services or both," However, upon examination of the application and the questions raised, it is observed that the **substantive issues** for which the applicant seeks an advance ruling primarily relate to:

1. Applicability of a notification issued under the provisions of this Act;
2. Determination of time and value of supply of goods or services or both and
3. Determination of the liability to pay tax on any goods and services or both.

Accordingly, the present application is **admissible** in terms of **Section 97(2)(b),97(2)(C)** and **Section 97(2)(e)** of the CGST Act, 2017.

5. **Brief Facts of The Case:** - The Applicant collects monthly maintenance charges from its members to meet the day-to-day maintenance expenses of the society and ensure the smooth functioning of common facilities and services. In addition to these regular charges, the Applicant also collects contributions towards a **corpus fund**, which serves as a reserve to meet future contingencies, unforeseen expenses, major repairs, and long-term capital improvements such as building repainting, structural repairs, refurbishment of water supply systems, and similar infrastructure-related requirements.

6. **The key issue raised by the Applicant** is as follows :

- I. *Whether recovery of water bills from its member on actual cost basis is liable for GST even though water is exempted from the tax?*
- II. *Whether recovery of Electricity bills from its members for common areas on actual cost basis is liable for GST?*
- III. *Whether the collection of corpus fund from members for the purpose of meeting future capital expenditure amounts to a "supply" under Section 7 of the CGST Act, 2017?*
- IV. *If collection of corpus fund constitutes a supply, what shall be the applicable "time of supply" for the purpose of payment of GST—whether GST is payable at the time of collection of such corpus amount from members or at the time of its actual utilization for capital expenditure?*
- V. *Whether the applicant is entitled to claim the benefit of the exemption of ₹7,500 per member per month provided under Entry No. 77 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 in respect of monthly levied for the upkeep of the Sandeep Vihar Community Centre?*



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7. Applicant's Interpretation of Law: -

7.1 In respect of Question No. 1 of Para 3 above, the Applicant submits that the **supply of water is exempt from GST** under **Entry No. 99 of Notification No. 02/2017-Central Tax (Rate) dated 28.06.2017**. The relevant entry exempts "water (other than aerated, mineral, purified, distilled, medicinal, ionic, battery, demineralised and water sold in sealed containers)" from the levy of GST.

The Applicant recovers water charges from its members **separately and strictly on an actual-cost basis**, without any additional consideration or margin. Such recovery constitutes the supply of exempt water and therefore squarely falls within **Entry No. 99 of Notification No. 02/2017-Central Tax (Rate)**. Accordingly, the Applicant contends that the **amount collected towards water charges is exempt from GST**.

7.2 In respect of Question No. 2 of Para 3 above, the Applicant submits that Notification No. 02/2017-Central Tax (Rate) dated 28.06.2017 grants exemption from tax under the CGST Act, 2017 on *Electrical Energy*, listed at Serial No. 104 under Chapter Heading 27160000. As evident from the notification, no conditions have been prescribed for availing this exemption. Accordingly, the supply of electricity falling under the said chapter heading is exempt from GST.

Further, the Applicant submits that it is a mutually aided co-operative society which collects electricity charges from its members and remits the same to the Electricity Department without collecting any additional amount. Rule 33 of the CGST Rules, 2017 excludes from the value of supply those expenditures or costs incurred by a supplier as a *pure agent* of the recipient, subject to fulfilment of the conditions prescribed therein.

Rule 33 is further clarified by an illustration, which reads as follows:

"Illustration to Rule 33 of the CGST Rules: Corporate Services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A recovers from B the registration fees and approval fee for the name of the company paid to the Registrar of Companies. The fees charged by the Registrar of Companies for the registration and approval of the name are compulsorily leviable on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of the supply made by A to B."

The Hon'ble Supreme Court of India, in a catena of judgments, has held that illustrations in a statute form part of the statute itself and assist in elucidating the principle of the provision (e.g., *Dr. Mahesh Chandra Sharma v. Smt. Raj Kumari Sharma*, AIR 1996 SC 869).

Applying the above illustration and legal principle to the present case, the Applicant, being a mutually aided co-operative society and based on the Applicant's Name- M/s SVOA



submissions made before the AAR, clearly satisfies the conditions of a *pure agent* with respect to the collection and remittance of electricity charges

A combined reading of Notification No. 02/2017–Central Tax (Rate) dated 28.06.2017 (which exempts electrical energy under Sl. No. 104, Chapter Heading 27160000) and Rule 33 of the CGST Rules, 2017 leads to the clear conclusion that the cost of electrical energy recovered by the Applicant as a pure agent is not taxable in the hands of the Applicant. Moreover, since electrical energy itself is exempt from GST, it cannot be clubbed with other supplies made by the Applicant to form a composite supply, as a composite supply under Section 2(30) of the CGST Act necessarily requires *two or more taxable supplies*

7.3. In respect of Question No. 3 of Para 3 *supra*, the Applicant has referred to the definitions of *goods* and *services* as contained in Sections 2(52) and 2(102) of the CGST Act, 2017. From these definitions, it is evident that **money is neither “goods” nor “services”** for the purposes of GST. The Applicant submits that contributions made towards the *corpus fund* represent a transaction in money and therefore fall outside the scope of GST.

To substantiate this view, the Applicant has drawn an analogy with contributions made by various forms of business entities to meet present or future contingencies, which are not treated as taxable supplies under GST. For instance:

- In a proprietorship—capital contribution by the proprietor;
- In a partnership firm—capital introduced by the partners;
- In a company—share capital contribution by shareholders or loans from directors.

None of these transactions are treated as supplies under the CGST Act, as they merely constitute infusion of money for meeting the current or future requirements of the entity. Applying the same principle, the Applicant submits that contributions made by members of an association or society towards a *corpus fund*, distinct from the regular monthly or quarterly maintenance charges, represent money set aside for future contingencies or development activities of the society. Such corpus contributions are therefore in the nature of a **transaction in money**, falling outside the ambit of GST.

7.4. In respect of Question No. 4 of Para 3 *supra*, the applicant has referred to Section 7(1)(a) of the CGST Act, 2017, which stipulates that any transaction to qualify as a “supply” must satisfy the following three components:

1. **There must be a supply of goods or services or both**, such as sale, transfer, barter, exchange, rental, lease, or disposal made or agreed to be made.

The transaction must involve consideration.

The transaction must be made in the course or furtherance of business.

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In the present case, the applicant maintains a Community Centre containing amenities such as a swimming pool, gym, sports arena, and rooms for various activities. These facilities require regular upkeep, including repair work, asset purchases, and other recurring expenditures. To meet these expenses, the applicant collects an SVCC charge from its members every month, payable quarterly.

Since the applicant provides club maintenance services to its members through the supply of goods or services, **the first condition under Section 7(1)(a) is satisfied.** The applicant has also acknowledged that the amounts collected from members constitute **consideration**, thereby fulfilling the **second condition.** Furthermore, as the facilities are provided to members for consideration, such activity falls within the definition of **“business” under Section 2(17) of the CGST Act, 2017**, meeting the **third condition.**

Therefore, the applicant contends that the amounts collected from members toward club maintenance should be treated as part of the monthly maintenance charges and, accordingly, should be eligible for exemption if the total amount remains within the threshold limit specified under **Notification No. 12/2017-State Tax (Rate)** dated 30.06.2017.

8. PERSONAL HEARING PROCEEDINGS HELD ON 20.11.2025

Shri Madhusudhan N. Hiremath, the duly authorised representative of the applicant, appeared for the personal hearing conducted on 20.11.2025 before this Authority. He reiterated the facts stated in the application and, in addition, submitted that the charges collected towards the Club/Community Centre are **mandatory in nature**, irrespective of actual usage of the facilities. He therefore requested that an Advance Ruling be issued on the questions raised in the application.

FINDINGS & DISCUSSION:

9. 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, 2017 would also mean reference to the corresponding similar provisions in the KGST Act, 2017.

10. 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.

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11. We have carefully examined the application made by the applicant M/s Sandeep Vihar Owners Association (M/s SVOA), the submissions provided therein, the arguments advanced during the personal hearing. The main issues for consideration are:-

- i. Applicability of a notification issued under the provisions of this Act;
- ii. Determination of time and value of supply of goods or services or both
and
- iii. Determination of the liability to pay tax on any goods and services or both.

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

13. **The first question** raised by the applicant is:

“Whether the recovery of water charges from its members, on an actual cost basis through separate monthly debit notes, is liable to GST even though water itself is exempt from tax?”

In this regard, the applicant has submitted that such recovery should be exempt from GST, as the supply of water is exempt under **Entry No. 99 of Notification No. 02/2017-Central Tax (Rate)** dated 28.06.2017, as already discussed in Para 7(1) supra.

(i) The Association comprises all apartment owners of Sandeep Vihar and is responsible for the upkeep, maintenance, security, and management of the building and its common amenities, while safeguarding the lawful rights of the owners.

Its objectives include ensuring a safe, healthy, and peaceful living environment; organizing welfare, social, educational, and recreational activities for members and residents; managing and maintaining all assets and common facilities of Sandeep Vihar; and carrying out repairs, improvements, and maintenance of shared infrastructure.

From the above objectives, it is evident that the Association is constituted for the purpose of providing various services to its members relating to the maintenance of common areas, infrastructure and capital assets, thereby ensuring liveable conditions for the residents.



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(ii) **Legal Position under the CGST Act, 2017:-**

(a) **Section 7 – Scope of Supply:-**

Section 7(1) of the CGST Act, 2017 provides:

7(1) For the purposes of this Act, the expression “supply” includes—
(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 to the other.

(b) The term “person” is defined in Section 2 (84) of the CGST Act, 2017 and 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).....

.....

.....

Thus, an Association and its members are treated as **distinct persons** for GST purposes.



(c) Relevant Exemption – Entry 77 of Notification No. 12/2017–Central Tax (Rate) :-

Entry 77 provides exemption for services by an unincorporated body or non-profit entity to its own members by way of reimbursement of charges or share of contribution:

- **Up to ₹7,500 per month per member** for sourcing goods or services from a third party **for common use** in a residential society or complex.

(d) On joint reading of:

- Section 7(1)(a) and 7(1)(aa) of the CGST Act,
- Explanation to Section 7,
- Definition of person under Section 2(84),
- Entry 77 of Notification No. 12/2017–CT (Rate), and

It is evident that the Association's activities towards its members constitute a **supply of services**.

(iii) 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).

(IV) The Association is **not selling water as goods** to its members. It is only **recovering from members the actual cost of water** procured from third parties such as municipalities or tanker suppliers. This recovery is integrally linked to the overall service of maintaining the residential complex and its common facilities.

Therefore, the recovery of water charges from members, even when collected through separate monthly debit notes, forms part of the overall service (Home Owners Association) provided by the Association to its member. It cannot be treated as an independent supply of water (goods). It will be taxable **only if** the total monthly contribution per member (including water charges) **exceeds the exemption limit** prescribed under Entry 77 of Notification No. 12/2017–CT (Rate).



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14. **The Second question is that Whether recovery of Electricity bills from its members for common areas on actual cost basis is liable for GST or Not ?**

i. In this regard, the applicant submits that Serial No. 104 of Notification No. 02/2017-Central Tax (Rate), dated 28.06.2017, provides an unconditional exemption from CGST on "Electrical Energy." They further refer to Rule 33 of the CGST Rules, 2017, along with its illustration, which states that expenditures or costs incurred by a supplier as a pure agent of the recipient are to be excluded from the value of the supply as discussed in detail in Para No. 7 (2) supra.

ii. After examining the applicant's submissions and the relevant GST provisions discussed in Para (13)(i) to (iii), it is evident that an Association and its members are treated as distinct persons for GST purposes, and that the applicant is undertaking certain activities which constitute a supply of services to its members.

iii. The question that now arises is whether the exemption under Serial No. 104 of Notification No. 02/2017-Central Tax (Rate), dated 28.06.2017, relating to "Electrical Energy," along with the exclusion of the value of electrical energy from the total value of supply as provided under Rule 33, is available to the applicant.

iv In this regard, the applicant has admitted that they pay the electricity charges and subsequently recover the amount from their members for the electricity consumed in the common areas. The charges recovered are on an actual basis, corresponding to the payments made to the electricity supplier.

v. The electricity bill for consumption in the common areas and utilities is issued in the name of the applicant. The applicant is not engaged in supplying electrical energy to its members; rather, it provides services related to the upkeep and maintenance of the common utilities of the apartment complex, for which the electricity consumed constitutes an input. Although the electricity charges are apportioned among the members, such recovery does not represent consideration for the supply of electrical energy. Instead, it forms part of the consideration for the supply of "Home Owners Association" services to the members. Accordingly, this amount is liable to GST at the applicable rate, subject to the ceiling prescribed under Serial No. 77 of Notification No. 12/2017-Central Tax (Rate), dated 28.06.2017.

vi. Further, the applicant has referred to Rule 33 of the CGST Rules, 2017 along with its illustration, and has claimed that it acts as a pure agent in respect of the recovery of electricity charges from its members for the electricity consumed in the common areas. According to the applicant, the

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electricity is supplied by a third party, the charges are paid by the applicant, and the same are recovered from the members on an actual basis.

vii. Rule 33 of CGST Rules, 2017 is deals with Value of supply of services in case of pure agent which reproduced below:

Rule 33 of CGST Rules:-

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

(i) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorization by such recipient;

(ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of services; and

(iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Explanation. - For the purposes of this rule, the expression "Pure Agent" means a person who:

(a) Enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

(b) Neither intends to hold nor holds any title to the goods or services or both so procured or supplies as pure agent of the recipient of supply;

(c) Does not use for his own interest such goods or services so procured; and

(d) Receive only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

viii. To qualify as a **pure agent**, all conditions under **Rule 33 of CGST Rules, and 2017** must be satisfied by the applicant. The key requirements include:



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1. The supplier (applicant) must **act on behalf of the recipient** (members) when making the payment.
2. The payment must be made to the third party **on authorization** from the members.
3. The supplier **should not use the goods/services procured** (in this case, electricity).
4. The amount recovered must be **exactly equal to the amount paid**.
5. The supplier must **not hold or intend to hold title** to the goods/services.

IX: In the instant case:-

- The electricity bill is issued in the name of the applicant, not in the name of individual members.
- Electricity is consumed as an input in providing maintenance services for common areas, such as lifts, lighting, pumps, and security systems.
- The applicant is responsible for maintaining the common utilities; electricity is not procured “on behalf of” the members as a third-party agent but rather to fulfill its own obligations.
- Payments recovered from members represent part of the consideration for the maintenance services supplied, and not reimbursement as a pure agent.

For the reasons stated above, the applicant does not satisfy the conditions of a “pure agent” for the electricity charges recovered from members. Accordingly, the recovered electricity cost forms part of the value of the maintenance services supplied by the RWA and is liable to GST at the applicable rates, subject to the ceilings provided under Notification No. 12/2017–Central Tax (Rate).

15. The third question is that whether the collection of corpus fund from members for the purpose of meeting future capital expenditure amounts to a “supply” under Section 7 of the CGST Act, 2017? and If collection of corpus fund constitutes a supply, what shall be the applicable “time of supply” for the purpose of payment of GST— whether GST is payable at the time of collection of such corpus amount from members or at the time of its actual utilization for capital expenditure?

(i) In this regard, firstly we have to decide whether collection of corpus fund from members for the purpose of meeting future capital expenditure amounts to a “supply” or not under GST Law. To determine whether the corpus fund collected from members constitutes “**supply**”, we must first

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examine **Section 7 of the CGST Act, 2017**, which defines the scope of supply. The definition of Supply and person are already discussed in Para 13(ii) supra which clearly established that an Association and its members are treated as **distinct persons** for GST purposes.

Further, the term “Consideration: defined in Section 2 (31) of CGST Act, 2017 and same is as under:

(ii) “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.

iii. It is a fact that the applicant (such as a housing society/apartment association) is registered under the Karnataka Societies Registration Act, 1960. This means it is a **legal entity**, not just a group of individuals. The applicant may use corpus amounts collected from its member for carries out activities like, work of emergency nature for repair, painting of the building, rectification/modification, addition or alteration of building and for any of the facilities including repair/replacement of capital assets. Members pay money for these activities as decided by Management committee. Thus, it constitute that the **applicant is performing certain activities.**

iv. Having established that the applicant and its members are to be treated as distinct persons under the Explanation to Section 7(1) of the CGST Act, 2017, and they are doing certain activities for its member, the next issue is to determine **whether the applicant has received consideration for its activity or not.**

From the definition of “*consideration*” discussed as above, it follows that **any payment made or to be made by the members of an association**

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to the association itself, in respect of or in response to a supply of goods or services, would ordinarily qualify as consideration under Section 2(31) of the CGST Act, 2017.

However proviso under the definition states that 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

In view of the above, the issue before us is to determine **whether the payments collected by the applicant under the head 'corpus fund' constitute advances toward future supply of services or are in the nature of deposits.**

vi. 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.

vii. The by-laws are **silent with respect to any refund or return** of the amount collected towards the corpus fund. The absence of any provision for refund clearly indicates that the amounts collected are **non-returnable/non-refundable**.

viii. 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.

ix. 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.**

x. In respect of Corpus fund, applicant view is that contributions made towards the *corpus fund* represent a transaction in money and therefore fall outside the scope of GST.



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To substantiate this view, the Applicant has drawn an analogy with contributions made by various forms of business entities to meet present or future contingencies, which are not treated as taxable supplies under GST. For instance:

- In a proprietorship—capital contribution by the proprietor;
- In a partnership firm—capital introduced by the partners;
- In a company—share capital contribution by shareholders or loans from directors.

And Applying the same principle, the Applicant submits that contributions made by members of an association or society towards a *corpus fund*, distinct from the regular monthly or quarterly maintenance charges, represent money set aside for future contingencies or development activities of the society. Such corpus contributions are therefore in the nature of a **transaction in money**, falling outside the ambit of GST.

The applicant's view is not correct, as there exists a fundamental and significant difference between corpus contributions made by members of an association and capital contributions made in various forms of business entities. **Corpus contributions** made by members of an association are **non-refundable capital donations**, which do **not** confer any ownership, proprietary interest, or profit-sharing rights upon the contributors.

In contrast, contributions made by **partners in a partnership firm, proprietors in a proprietorship**, and **shareholders in a company** constitute **capital investments**. Such contributions create **ownership interests**, entitle the contributors to **profits or dividends**, and are generally **refundable** in accordance with the applicable laws and governing agreements.

Therefore, the applicant's contention fails to appreciate the clear and well-established legal distinction between a **non-profit corpus contribution** and a **commercial capital investment**.

xi. Accordingly, the amounts collected towards the corpus fund are **indisputably in the nature of advances and not deposits**. And, therefore the applicant satisfies all the conditions to qualify the definition of supply and collection of corpus fund by the applicant from its member falls under the category of supply of "Home Owners Association" "Service towards its members.



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16. Now, next issued is that Since Corpus funds are collected in advance for future contingencies, is GST payable at the time of collection or at the time of actual utilization of these funds?

As already discussed in Para 15 supra, corpus fund contributions are collected **in advance** to meet **future contingencies** or major, non-recurring capital expenditures, such as:

- Major structural repairs
- External/internal painting
- Other long-term infrastructure or capital works

Although these expenditures will occur in the future, the **collection itself takes place upfront.**

(i). 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 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 fund, **and** the time-of-supply provisions under Section 13 of the CGST Act apply to corpus fund collections treated as advances.

17. The fourth question is that could the monthly charges levied for the upkeep of the Sandeep Vihar Community Centre be classified as Monthly Maintenance Charges under GST provisions, thereby qualifying for the exemption threshold of Rs. 7500/-per month as per Clause (c) of Sl. No. 77 to the Notification No. 12/2017 State Tax (Rate) dated 30.06.2017 ?

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17.1 Sandeep Vihar Community Centre is the part of Residential Complex which was maintained and operated by the applicant. Sandeep Vihar Community Centre provide quality recreational facilities and services (i,e badminton, swimming pool, tennis, gym etc) to the residents (members of the association) and it is restricted private area which is exclusively used by the resident and guest of the residents. Sandeep Vihar Community Centre does not engage in commercial activities with the public at large. The overall management of Sandeep Vihar Community Centre shall rest with the Management Committee of the Association and resident will be charged a fixed monthly subscription amount to be paid as decided by the members at the AGM/GBM.

17.2 The Sandeep Vihar Community is run and operated by the applicant for the purpose of providing recreational and common facilities to its members and their guests. The members contribute a minimum monthly amount, as fixed and approved by the members in the Annual General Meeting (AGM) or General Body Meeting (GBM), towards the upkeep, maintenance, and management of the Sandeep Vihar Community Centre.

17.3 The services provided by the applicant through the Sandeep Vihar Community Centre form an integral part of the residential complex and are rendered exclusively to its members. Accordingly, such services fall under the category of **“Services of membership organisations”**, classifiable under **Heading 9995** and more specifically under **Service Code 999598**, described as **“Home Owners Association”**, as per the Scheme of Classification of Services (Annexure).

17.4 *The next question is that whether the applicant is entitled to claim the benefit of the exemption of ₹7,500 per member per month provided under Entry No. 77 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017 in respect of the monthly subscription charged for Sandeep Vihar Community Centre to the member .*

Entry No. 77 of Notification No. 12/2017 Central Tax (Rate) Dated 28.06.2017 as amended are specifically deal with services provided by membership organisations. Which is reproduced below:



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Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended:-

Sl.No	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services Rate (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

17.5 Further, **Para 1, Issue No. 5** of **Circular No. 109/28/2019-GST dated 22.07.2019** issued vide F. No. 332/04/2017-TRU, which also deals directly with *maintenance Charge collected by RWAs or similar associations* is reproduced below:

“The exemption from GST on maintenance charges charged by a RWA from residents is available only if such charges do not exceed Rs. 7500/- per month per member. In case the charges exceed Rs. 7500/- per month per member, the entire amount is taxable”.



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17.6 On a conjoint reading of **Notification No. 12/2017-Central Tax (Rate)** and **Circular No. 109/28/2019-GST**, it is abundantly clear that **maintenance charges collected up to ₹7,500 per member per month** by a residential welfare association/society are **exempt from GST**, when such amounts are collected towards the **maintenance of the residential complex**.

In the present case, the monthly maintenance charges collected in the name of **Sandeep Vihar Community Centre** are towards the **day-to-day maintenance, upkeep, and repairs of the Community Centre**, which forms an integral part of the **entire residential complex**. Accordingly, the said maintenance charges are **exempt from GST up to ₹7,500 per member per month**, subject to the condition that the amount represents the **inclusive value of maintenance charges for the entire residential complex**.

19. **In view of the foregoing, we pass the following.**

R U L I N G

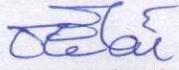
1. *"The recovery of water charges from members, even if billed separately through monthly debit notes, is considered part of the overall maintenance services provided by the Association and cannot be treated as a separate supply of water (goods). These charges are subject to GST at the applicable rates, in accordance with the ceiling specified under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended."*
2. *The recovery of electricity charges for common areas from members, on an actual cost basis, is considered part of the maintenance services provided by the RWA and is subject to GST at the applicable rates, in accordance with the ceilings specified under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended."*
3. *"The collection of a corpus fund from members to meet future capital expenditure constitutes a 'supply' under Section 7 of the CGST Act, 2017. Such collections are treated as advances for a future supply, and GST is payable at the time of receipt of the corpus fund, as per the provisions of*

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Section 13(2)(a) of the CGST Act, 2017, which defines the time of supply as the receipt of advance amounts."

4. The monthly charges levied for the upkeep of the Sandeep Vihar Community Centre be classified as Monthly Maintenance Charges under GST provisions, thereby qualifying for the exemption threshold of Rs. 7500/-per month as per Clause (c) of Sl. No. 77 to the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.



(Kalyanam Rajesh Rama Rao)

**Member
MEMBER**

Karnataka Advance Ruling Authority
Bengaluru - 560 009

Place: Bengaluru

Date: 11.02.2026



(Sivakumar S Itagi)

Member

MEMBER

Karnataka Advance Ruling Authority
Bengaluru - 560 009

**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 Principal Commissioner of Central Tax, Bengaluru East
Commissionerate, Bengaluru
4. The Assistant Commissioner of Commercial Taxes, LGSTO-140, Bengaluru.
5. Office Folder.



Applicant's Name- M/s SVOA