

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

**F. No. KAR. AAR 10/2026  
Order No. KAR.ADRG 10/2026**

**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 Toyota Mobility Solution and Services India Pvt. Ltd., #Plot No.1, Bidadi Industrial Area, Bengaluru, Ramanagara, Karnataka-562109.
2	GSTIN or User ID	29AALCT2109B1ZK
3	Date of filing of Form GST ARA-01	25.08.2025
4	Represented by	R.K Suchindra, CA, Authorised Representative
5	Jurisdictional Authority – Centre	The Principal Commissioner of Central Tax, Bengaluru West Commissionerate
6	Jurisdictional Authority – State	ACCT, LGSTO 155 - Ramnagar, 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 & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2909250000258 dated 01.09.2025.

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

M/s Toyota Mobility Solution and Services India Pvt. Ltd., having its registered office at # Plot No. 1, Bidadi Industrial Area, Bengaluru, Ramanagara, Karnataka-562109 (hereinafter referred to as “the Applicant”), bearing GSTIN 29AALCT2109B1ZK, has filed this application for Advance Ruling under Section 97 of the CGST Act, 2017 read with Rule 104 of the CGST Rules, 2017 and Section 97 of the KGST Act, 2017 read with Rule 104 of the KGST Rules, 2017.

2. The Applicant is engaged in the business of buying and selling used motor vehicles. The applicant procures used cars, undertakes necessary refurbishment (in the nature of minor repair), and then sells the used cars to end customers. The motor vehicles are passenger vehicles including small cars, SUVs, Sedans and others. Further, the applicant submits that in the course of business they incur several ancillary expenses in addition to the cost of purchasing used vehicles. These include, but are not limited to: -



M/s Toyota Mobility Solution and Services India Pvt. Ltd.

- a) Refurbishment charges such as painting, purchase of necessary accessories, mechanical repairs, and interior cleaning;
- b) Marketing and advertisement expenses;
- c) Professional fees;
- d) Housekeeping, rent, and office expenses;
- e) Software subscriptions, manpower recruitment and staffing;
- f) Administrative overheads as well as capital goods expenses such as laptops, equipment, and furniture etc.

3. The applicant states that GST is duly charged on all such inward supplies received from registered suppliers, and in certain instances, tax is discharged under the Reverse Charge Mechanism (RCM). Further, the applicant declares that all the above expenses are incurred in the course or furtherance of business and are essential for functioning of used car business in a smooth manner.

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

- a) ***Whether the company can avail ITC on expenses incurred on goods and services other than vehicle purchases, where the benefit of Notification No.08/2018-CGST (Rate) is availed?***

5. **ADMISSIBILITY OF THE APPLICATION:** The applicant, under column 13 of the application ARA-01, selected issue "Admissibility of input tax credit of tax paid or deemed to have been paid" and hence, the instant application is admissible under Section 97(2) (d) of the CGST Act 2017.

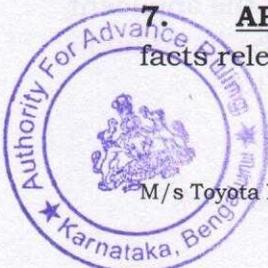
6. **BRIEF FACTS OF THE CASE:** - The Applicant is a private limited company engaged in the business of buying and selling of used motor vehicles. The Applicant procures used passenger vehicles, including hatchbacks, sedans, SUVs, and similar categories, undertakes necessary refurbishment in the nature of minor repairs, and thereafter sells the refurbished vehicles to end customers or transfers them to its branches located in other States for sale.

6.1 Further, the applicant submits that the motor vehicles are generally in the nature of passenger vehicles including small cars, SUVs, sedans and others. The applicant avails the benefits of the following Notifications under GST/ KGST as below: -

- a) Notification No.08/2018-Central Tax (Rate) dated 25.01.2018 as amended by Notification No.04/2025-Central Tax (Rate) dated 16.01.2025;
- b) No. FD 48 CSL 2017, dated 25.01.2018 under KGST Act;
- c) Notification No.09/2018-Integrated Tax (Rate) dated 25.01.2018 as amended by Notification No.04/2025 dated 16.01.2025.

6.2 The Applicant discharges GST on the margin between the selling price and purchase price of motor vehicles, at the rate of 18% on such margin value. The Applicant further submits that Rule 32(5) of the CGST/KGST Rules, 2017 is applicable for all used goods, whereas the aforesaid notifications prescribe a special scheme specifically governing the supply of used motor vehicles.

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



**7.1** The Applicant seeks clarification on the eligibility to claim Input Tax Credit (ITC) on direct and indirect expenses (other than vehicle purchase) incurred in the business of selling used motor vehicles while availing benefits under Notification No. 8/2018-Central Tax (Rate) dated 25th January 2018 as amended.

**7.2** The Applicant submits reliance on Notification No. 08/2018-Central Tax (Rate) dated 25.01.2018, as amended by Notification No. 04/2025-Central Tax (Rate) dated 16.01.2025, and submits that the expression '**such goods**' is restricted to the specific goods listed in the Table under the said notification. Accordingly, the benefit of paying GST at 18% on the margin applies only to those notified second-hand goods and does not extend to any other goods or input services.

**7.3** Further, the applicant relies upon Sections 16(1) and 17(5) of the CGST Act, 2017 to contend that the restriction to avail input tax credit under Notification No. 08/2018 applies only to '*such goods*' covered therein, and does not affect eligibility to avail input tax credit on other goods and input services used in the course or furtherance of business.

**7.4** The applicant submits that the phrase '*such goods*' in the notification No. 08/2018 dated 25.01.2018 as amended clearly restricts the ITC bar only to the specified used motor vehicles covered therein. If the intention were to prohibit ITC on all goods or services, broader wording would have been used. Applying the principle of literal interpretation, the applicant argues that the restriction applies only to ITC on the said goods and not to other goods or input services.

**7.5** The Applicant further relies on the principles of statutory interpretation laid down by the Hon'ble Supreme Court in *Sri Jeyaram Educational Trust & Ors. v. A.G. Syed Mohideen & Ors.* (2010 CIJ 273 SC (1)), wherein it was held that statutory language must be read in its natural, plain and straight meaning, without adding, substituting, or omitting any words.

**7.6** The Applicant also relies on the decision of the Hon'ble Supreme Court in *Indian Dental Association v. Union of India* (2003), wherein it was held that the intention of Parliament must be gathered from the language used in the statute, and where such words are precise and unambiguous, it must be interpreted in its ordinary and natural sense without adding or implying anything beyond the text.

**7.7** The Applicant further places reliance on judicial precedents supporting the principle of literal interpretation, including *Government of Andhra Pradesh v. Road Rollers Owners Welfare Association* [2004 (6) SCC 210], *Swedish Match AB v. Securities and Exchange Board of India* (AIR 2004 SC 4219), and *Gurudevanti VKSSS Maryadit v. State of Maharashtra* (AIR 2001 SC 1980).

**7.8** The applicant submits that the impugned notification seeks to prevent double taxation and cascading effect of tax on taxes, as used goods would have been reintroduced into supply chain by a trader, and subjecting to GST would result in double taxation.

**7.9** The applicant relies on Kerala AAR No. KER/48/2024 dated 14.06.2024 (M/s Royal Drive Pre-Owned Cars LLP), wherein it was held that Notification No. 08/2018-CGST (Rate) restricts ITC only on the purchase of the used vehicle and does not extend



to other inward supplies, subject to conditions prescribed under Sections 16 to 21 of the CGST Act and Rules 36 to 45 of the CGST Rules.

**7.10** The applicant further relies on Karnataka AAR No.40/2022 dated 27.10.2022 issued in respect of M/s Attica Gold Pvt. Ltd., wherein it was held that the applicant covered under Rule 32(5) can claim ITC on expenses like Rent, Advertisement expenses, commission, professional expenses and other like expenses and capital goods subject to the conditions prescribed under Sections 16 to 21 of the CGST Act, 2017 and Rules 36 to 45 of the CGST Rules, 2017. Accordingly, the applicant contends that it is eligible to avail ITC on refurbishment expenses, marketing costs, professional fees, and other business expenditures that are otherwise admissible under the GST law.

**8. PERSONAL HEARING PROCEEDINGS HELD ON 20.11.2025**

Mr. R.K. Suchindra, CA, 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 furnished additional submissions vide letter dated 13.11.2025, along with sample invoices relating to expenses such as refurbishment services, marketing and advertising services, professional fees, housekeeping services, rent, office expenses, software subscriptions, manpower recruitment and staffing services and capital goods such as laptops, office equipment, and furniture.

**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 would also mean reference to the corresponding similar provisions in the KGST Act.

**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.

**11.** We have carefully examined the application, supporting documents, and submissions made during the personal hearing. The primary issue for consideration is whether the applicant is eligible to avail Input Tax Credit (ITC) on inward supplies such as refurbishment expenses, marketing and advertising services, professional fees, housekeeping services, rent, office expenses, software subscriptions, manpower recruitment and staffing services, administrative overheads, and capital goods including laptops, equipment, and furniture. To determine this, the following aspects are examined and discussed below:

**11.1** Since, the applicant has relied upon Notification No. 08/2018–Central Tax (Rate) along with the corresponding KGST Notification No. FD 48 CSL 2017 dated 25.01.2018 as amended, we have gone through the notification No.08/2018- Central Tax (Rate) dated 25.01.2018 as amended and conditions prescribed therein on such goods are reproduced below: -



SL. No	Chapter, Heading, Sub-Heading or Tariff item	Description of Goods	Rate
1	8703	8703 Old and used, petrol Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity of 1200 cc or more and of length of 4000 mm or more. Explanation .....	9%
2	8703	Old and used, diesel driven motor vehicles of engine capacity of 1500 cc or more and of length of 4000 mm. Explanation ....	9%
3	8703	Old and used motor vehicles of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles. Explanation ....	9%
4	87	Old and used motor vehicles of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles.	9%

*Explanation –For the purposes of this notification, -*

(i) in case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act, 1961(43 of 1961) on the said goods, the value that represents the margin of the supplier shall be the difference between the consideration received for supply of such goods and the depreciated value of such goods on the date of supply, and where the margin of such supply is negative, it shall be ignored; and

(ii) in any other case, the value that represents the margin of supplier shall be, the difference between the selling price and the purchase price and where such margin is negative, it shall be ignored.

2. This notification shall not apply, if the supplier of such goods have availed input tax credit as defined in clause (63) of Section 2 of the Central Goods and Services Act, 2017, CENVAT as defined in CENVAT Credit Rules, 2004 or the input tax credit of Value Added Tax or any other taxes paid, on such goods.

**11.2** Hence, we are in the view that, the above said notification applies only to the supply of “such goods”, i.e., old and used motor vehicles specifically described in Column (3) of the Table appended to the notification. Para 2 of Notification states that the notification shall not apply where the supplier has availed input tax credit on such goods. The expression “such goods” is a referential term and, as per settled principles of statutory interpretation, derives its meaning from the subject already defined, namely, the goods listed in Column (3) of the said Table. Thus, the prohibition on availment of ITC is restricted only to ITC on the old and used motor vehicles themselves and does not extend to ITC on any other inputs or input services used in the course or furtherance of business.

**11.3** Further, we invite reference to Section 16 of the CGST Act, 2017 regarding eligibility and conditions for taking input tax credit. We observed that there is no



restriction on a registered person claiming ITC on input services and related expenses such as refurbishment charges, marketing and advertising services, professional fees, housekeeping services, rent, office expenses, software subscriptions, manpower recruitment and staffing services, other administrative overheads, and capital goods such as laptops, equipment, and furniture, while availing the benefit of Notification No. 08/2018–Central Tax (Rate), Notification No. 09/2018–Integrated Tax (Rate), and Notification No. FD 48 CSL 2017 dated 25.01.2018 issued under KGST.

**11.4** Furthermore, Section 17(5) of the CGST Act, 2017, which prescribes restrictions on blocked credits, has also been examined. It is noted that none of the exclusions listed therein apply to the input services or capital goods referred to above.

**11.5** The applicant, after purchasing the used vehicles, incurs various operational and administrative expenses such as refurbishment and repair expenses on the used vehicles, professional fees, marketing and promotional expenses, and general administrative expenses including housekeeping and security services. GST is charged on all such inward supplies when procured from registered suppliers and, in certain cases, is discharged by the applicant under the reverse charge mechanism. These expenses are incurred in the course or furtherance of business and are essential for the smooth and effective functioning of the used car business. Further, the aforesaid expenses are directly linked to the enhancement of the sale value and marketability of such goods, resulting in a higher margin and, consequently, a higher tax payable to the exchequer.

**11.6** In order to improve the condition, marketability, and sale value of used vehicles, it is commercially imperative for a dealer engaged in the business of old and used motor vehicles to undertake various refurbishment activities and procure related input services.

**11.7** Accordingly, the input tax paid on such inward supplies qualifies as input tax credit in terms of Section 16 of the CGST Act, 2017, and is not restricted by Paragraph 2 of Notification No. 08/2018–Central Tax (Rate), as the restriction therein applies only to input tax credit availed on the used motor vehicles themselves and not on ancillary inputs or input services.

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

### **R U L I N G**

*The Applicant is eligible to avail input tax credit on input services such as refurbishment and repair services, marketing and advertising services, professional and consultancy fees, housekeeping and security services, rent, office-related expenses, software subscriptions, manpower recruitment and staffing services, and other administrative services, as well as on capital goods including laptops, office equipment, and furniture, subject to fulfilment of the conditions prescribed under Sections 16 to 21 of the CGST Act, 2017 read with Rules 36 to 45 of the CGST Rules, 2017*



**(Kalyanam Rajesh Rama Rao)**

Member

MEMBER

Karnataka Advance Ruling Authority

M/s Toyota Mobility Solution and Services India Pvt. Ltd.



**(Sivakumar S Itagi)**

Member

MEMBER

Karnataka Advance Ruling Authority

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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 Principal Commissioner of Central Tax, Bengaluru West Commissionerate
4. The Assistant Commissioner of Commercial Taxes, LGSTO 155-Ramnagar, Bengaluru.
5. Office Folder.

