

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

**Advance Ruling No. KAR ADRG 91/ 2019  
Date : 26-09-2019**

Present:

1. Sri. Harish Dharnia,  
Addl. Commissioner of Central Tax . . . . Member (Central Tax)
2. Dr. Ravi Prasad M.P.  
Joint Commissioner of Commercial Taxes . . . . Member (State Tax)

1.	Name and address of the applicant	M/s VAPS Knowledge Services Pvt. Ltd., No.72, MIG, 1 <sup>st</sup> Stage, 4 <sup>th</sup> Main, Basaveshwaranagar, Bengaluru - 560079
2.	GSTIN or User ID	29AACCV7691K1ZJ
3.	Date of filing of Form GST ARA-01	17.12.2018
4.	Represented by	Sri Shyama Sagar, Chartered Accountant
5.	Jurisdictional Authority - Centre	The Principal Commissioner of Central Tax, Bangalore West Commissionerate, Bengaluru.
6.	Jurisdictional Authority - State	LGSTO-070A, 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 vide CIN HDFC18062900126822 dated 15.06.2018 & Rs.5,000/- under KGST Act 2017 vide CIN HDFC18062900126822 dated 15.06.2018

**ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS AND  
SERVICES TAX ACT, 2017 & UNDER SECTION 98(4) OF THE  
KARNATAKA GOODS AND SERVICES TAX ACT, 2017**

1. M/s VAPS Knowledge Services Private Limited, (called as the 'Applicant' hereinafter), having GSTIN number 29AACCV7691K1ZJ, have filed an application for Advance Ruling under Section 97 of the CGST Act, 2017 & KGST Act 2017, in FORM GST ARA-01, discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The Applicant is a Private Limited Company and is registered under the Goods and Services Act, 2017. The applicant has sought advance ruling in respect of the following question:



*What is the HSN Code and rate of tax payable under GST Act for the e-campus solutions supplied by the applicant?*

3. The applicant furnishes some facts relevant to the stated activity inter alia stating that they are into the business of supplying e-campus solutions to various organisations and the consideration is received as a onetime investment and also running maintenance. The consideration is also inclusive of software updation, training and staff for teaching. The entire solution is a single package and cannot be broken and supplied as there is no piece meal supply. The contract for supply is also a single contract.

**PERSONAL HEARING: / PROCEEDINGS HELD ON 26.02.2019**

4. Sri. Shyama Sagar, Chartered Accountant and the duly authorised representative of the applicant appeared for personal hearing proceedings held on 26.02.2019 and reiterated the facts narrated in their application.

**5 FINDINGS & DISCUSSION**

5.1 We have considered the submissions made by the applicant in their application for advance ruling as well as the submissions made by Shyama Sagar, Chartered Accountant and the duly authorised representative of the applicant during personal hearing. We also considered the issue involved, on which advance ruling is sought by the applicant, relevant facts & the applicant's interpretation of law.

5.2 At the outset, we would like to state that the provisions of both the CGST Act and the KGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the KGST Act.

5.3 The transaction of the applicant is verified and found that the applicant has entered into contract with various organisations, especially with schools for the supply of e-campus solutions which involves various e-learning facilities. The contract also involves the annual maintenance of the entire product. The contract is for multiple years and the consideration for the contract is to be received in two instalments in each year.

5.4 The contract is examined and found that

- a) the applicant shall provide various materials as contracted like Branded Interactive white board, ceiling mount Kit and projector, CPUs with speaker with legal version software. It shall also provide Digital content.
- b) The applicant shall also provide Cabinets for safety of the e-class desktops.



- c) The applicant will take care of the maintenance of the equipments provided for a period extending to multiple years after the warranty period, i.e. extended warranty.
- d) Further, the applicant's agreement states new e-classroom infrastructure would be delivered from second year onwards by replacing the earlier classroom infrastructure.
- e) it is also seen that the contractee needs to support the applicant in all civil work and allow the implementation team to implement the project.
- f) The applicant shall also provide digital content which will match with the syllabus of the Board for which the content is subscribed.
- g) The applicant also trains the teachers to use the facility.
- h) The project value as per the contract is charged on per Student basis.

5.5 The exit clauses of the contract shows that the project includes two types of investments

- a) one time investment of hardware like Interactive Board, Projector, CPU, UPS etc.
- b) periodic investment
  - i. for back office service and
  - ii. for maintenance of the hardware supplied.

The clauses read as under:

*"1. Hardware High end Products: As we need to build up complete High end IT Infrastructure in the beginning of the contract we are investing huge investment on the Hardware and Hi-end infrastructure in the beginning stage of the contract at site. Hence in the contract 80% of the project cost is invested only for Hardware High end products (like IWB Board, Projector, CPU, UPS, etc.), the payment recovery is planned over the 5 years contract period in instalments. If the institution opts for exiting the contract in between the contract period, the institution should pay to the company 80% of the entire contract value and retain the infrastructure of the hardware high end products, Digital contents, etc.*

*2. Manpower service (Training cost, digital content, back office support and annual maintenance cost for hardware):*

*Will be recurring investment as and when services are rendered to the institution, this service cost of the value included in the project is 20% of the project value. If the institution opts for exiting the contract in between the contract period, the institution should pay to the company only for the service received period only."*



5.6 The applicant states that they are providing various solutions and the details are as under:

Language Lab Solution	The contract value is for five years. Language Lab is set up at schools premises to provide services and they also monitor and take care of the maintenance of all supplied hardware throughout the contract period.	The applicant bills them in equal instalments of the project value @ 20% for each year from the School and at the end of the contract, all the infrastructure will be left to the school
Innovative STEMulation Robotics Lab Solution	The contract period is for five years. The applicant sets up Robotic Lab at the school premises to provide services to school children and also monitors and takes care of the maintenance of all supplied hardware throughout the contract period	The applicant bills them in equal instalments of the project value @ 20% for each year from the School and at the end of the contract, all the infrastructure will be left to the school
Planetarium Show	The contract period will be five years. The applicant sets up planetarium infrastructure at school premises and provide planetarium shows to the school's children	After the show, the applicant takes back the infrastructure. The ownership remains with the applicant.
e-Campus	The contract period is for five years. The applicant sets up e-Campus and services at school campus and provides services to the School Management which involves (a) installation, delivery and commissioning of Digital Campus model which includes I-VRM software, Smartcard and accessories, Biometric devises, I-VRM server, Touch Screen Kiosk, integration with Tally, GPS bases Vehicle Tracking System for school buses etc, or (b) VAPS E-CAMPUS SAAS MODEL with facilities	The applicant bills them in equal instalments of the project value @ 20% for each year from the School.



5.7 The applicant is raising invoices to the schools and the same are examined and found that the applicant is arriving at the total project cost on the basis of students and calculating the instalment amount applicable to the academic year and charging GST at 18% on the same, in case of e-Classrooms. In case of Language Labs and Digital Campus also the same methodology is adopted.

5.8 The applicant has declared that the contract is for providing digital solutions, along with the hardware, on a lease basis for a period of 5 years for a consideration which shall be paid by the contractee on periodical basis extending to multiple years. The applicant, at the end of the contract period, in all cases except Planetarium, is leaving the entire project infrastructure to the contractee itself. The contract must now be examined to see whether it is a supply of lease with periodic collection of lease rentals or supply of materials with deferred collection of the consideration.

5.9 The sample contract is examined and found that the transfer of title in goods is happening only at the end of the contract period in all cases, except planetarium where no transfer of property in goods is happening and it is a clear case of lease (hence a service). Even where the contract is terminated within the contract period, a lumpsum amount is charged as severance amount which is related to the cost of infrastructure installed and the transfer of property happens at that time. Hence in all cases, the actual contract is for the lease of infrastructure in the project and usage and hence is a service.

5.10 What is leased in this case is not individual goods but all the goods involved in the set-up of an e-classroom. The moment the e-classroom comes into existence, the individual goods lose their existence and only additional users can be attached for additional amounts. All goods attached and loaded with the programmes would constitute the e-class room and this infrastructure is taxable under Projects under Chapter 98 and is taxable at 9% CGST under entry no. 453 of the Schedule III to the Notification No.1/2017- Central Tax (Rate) dated 28.06.2017.

5.11 However the supply in these cases is leasing of infrastructure which is covered under SAC 997329 the description of which is "Leasing or rental services concerning other goods".

5.12 Regarding the rate of tax, the entry no.17 of Notification No.11/2017 - Central Tax (Rate) dated 28.06.2017 is verified in item (iii) reads as under:

Sl.No.	Chapter, Section or Heading	Description of Service	Rate (per cent)	Condition
17	Heading 9973 (Leasing or rental services)	(iii) Transfer of the right to use any goods for any purpose (whether or not	Same rate of central tax as on supply of	-



	with or without operator)	for a specified period) for cash, deferred payment or other valuable consideration)	like goods involving transfer of title in goods	
		(vi) Leasing or rental services, with or without operator, other than (i),(ii), (iii), (iv) and (v) above	Same rate of central tax as on supply of like goods involving transfer of title in goods	-

5.13 Hence, the lease of the project is covered under item (iii) of entry 17 of Notification No.11/2017 – Central Tax (Rate) dated 28.06.2017 and is liable to tax at 9% CGST as the project is taxable at 9% CGST as explained above.

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

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

1. The supplies made by the applicant are covered under SAC 997329 and is liable to tax at 9% CGST under entry 17(iii) of Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 read with entry no. 453 of Schedule III of Notification No.1/2017 – Central Tax (Rate) dated 28.06.2017.
2. Similarly, the supplies are liable to tax at 9% under Karnataka Goods and Services Tax Act, 2019.



*(Signature)*  
26.09.2019  
**(Harish Dharnia)**  
**Member**

*(Signature)*  
**(Dr. Ravi Prasad M.P.)**  
**Member**

Place : Bengaluru,  
Date : 26.09.2019

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 Pr. Commissioner of Central Tax, Bangalore West Commissionerate, Bengaluru.
4. The Asst. Commissioner, LGSTO-70 A, Bengaluru.
5. Office Folder