

**AUTHORITY FOR ADVANCE RULING
TAMILNADU ADVANCE RULING AUTHORITY
PAPJM Buildings, II Floor, No.1, Greams Road, Chennai-6**

**PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE
GOODS AND SERVICES TAX ACT, 2017.**

Members present are:

1. Ms. Manasa Gangotri Kata, IRS Joint Commissioner/Member,
Office of the Commissioner of GST & Central Excise, Chennai.
2. Thiru Kurinji Selvaan V.S., M.Sc., (Agri.), M.B.A.,
Joint Commissioner (ST) / Member
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-6

ORDER No. 16 /AAR/2019 DATED 15.04.2019

GSTIN Number, if any / User id		33AADCD6300J1Z1
Legal Name of Applicant		M/s. Daimler Financial Services India Private Limited.
Registered Address/Address provided while obtaining user id		Unit 202, 2 nd Floor, Campus 3B, RMZ Millenia Business Park, 143, Dr.M.G.R. Road, Perungudi, Chennai – 600 096.
Details of Application		GST ARA – 001 Application Sl.No. 19 dated: 04.05.2018
Concerned Officer		State : The Assistant Commissioner (ST), Thiruvanniyur Assessment Circle, Centre : Chennai South ,Division: Perungudi
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Service Provision
B	Description (in Brief)	Interest income from Motor vehicle manufacturer for Retail financing to purchasers of motor vehicles.
Issue/s on which advance ruling required		Determination of liability to pay tax on any goods or services or both
Question(s) on which advance ruling is required		Whether the interest subvention income received by Daimler Financial Services India Private Limited(DFSI) from Mercedes-Benz India Private Limited(MB India) to reduce the effective interest rate to the final customer is chargeable to GST?

Note : **Any appeal against the advance ruling order shall be filed before the Tamilnadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.**

At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.

M/s. Daimler Financial Services Private Limited , No. 3, Unit 301,302, RMZ Millenia Business Park, Perungudi, Chennai-600096 (hereinafter called as Applicant or DFSI) is registered in GST vide GSTIN 33AADCD6300J1Z1. They have stated that they are registered with Central Bank of India as a non-banking financial institution engaged in the activities of “Leasing and Finance” which includes operating lease of passenger vehicle and financing of commercial and passenger vehicles to end customers. DFSI also does dealership related financial services like inventory financing for Daimler franchised dealers. The Applicant has sought Advance ruling on the following question

Whether the interest subvention income received by Daimler Financial Services India Private Limited (DFSI) from Mercedes-Benz India Private Limited (MB India) to reduce the effective interest rate to the final customer is chargeable to GST?

The Applicant has submitted the copy of application in Form GST ARA – 01 and also submitted a copy of Challan evidencing payment of application fees of Rs.5,000/- each under sub-rule (1) of Rule 104 of CGST rules 2017 and SGST Rules 2017.

2. 1 The statement of relevant facts submitted by the applicant is given verbatim below:

- Mercedes Benz (MB) is engaged in manufacture and sale of passenger cars under the brand “Mercedes Benz” vehicles and has extensive network of authorized dealerships engaged in sale of MB cars all over India.

- Customers who purchase MB India cars from the authorized dealers may require financing . DFSI acts as a financier and provides loan to customers at interest rate lower than alternative providers. The differential interest (market rate less the rate offered to customers) is paid to DFSI by MB India. This amount paid is termed as interest subvention or alternatively interest subsidy.
- An illustration of the scheme is provided below:



In the illustration given above, the customer would normally be liable to pay interest at 10%. Under the subvention agreement the customer is liable only for 8% and the balance 2% is paid by MB India.

- DFSI has entered into a memorandum of understanding with MB India, Wherein MB India nominated DFSI as the preferred financier to provide retail loan at a concessional rate to customers who purchase Mercedes Benz vehicles from authorized dealers. The agreements between DFSI and customers also mention the interest at normal rates, subvention (as a percentage) and the net interest charged from the customers. The subvention amount is identified and paid to DFSI upfront by MB India. Recognition of proportionate interest subsidy as income of DFSI is done over the tenure of the loan provided to the customer. A DFSI raise monthly invoices for the subvention income and also while effecting the payment to DFSI, MB India deducts TDS u/s 194A of Income Tax Act, 1961 for payment of interest.

2.2 In view of the above, the applicant has sought advance ruling to clarify whether the interest subvention income received by them from MB India to reduce effective interest rate to the final customer is chargeable under GST. The applicant submitted that Interest income is exempt vide entry no. 28 of Notification No. 9/2017-Integrated Tax (Rate) dated 28th June 2017. As per definition of “interest” in Para 2 of this notification, , it is not necessary that only the borrower pay interest. As per definition of “consideration” under CGST Act read with India Contract Act, 1872, consideration may be paid by any person and the subvention payment or discount is consideration in the form of interest paid by MB India on behalf of the customer. Interest subvention income received in a month is in pursuance of the amount of

finance provided by the applicant to customers. This should not change only because interest was received from a person other than to whom the financing is made. Recognition of income by the applicant is done over the tenure of the loan provided to the customer and the definition of "interest" uses the phrase 'payable in any manner', meaning it can be paid over a period of time. This is permitted in Ind-AS notified under Companies, Act, 2013. MB India withholds income tax under Section 194A of Income Tax Act, 1951 as interest other than interest on securities.

3.1 The Authorized Representative of the Applicant was heard in the matter on 19.11.2018. They stated that as per the MOU between DFSI and MB India, DFSI charges a lower interest to the customer of MB India. The difference interest amount for each transaction is paid to DFSI by MB India and is received upfront by DFSI who account the amount over the course of the loan in their books. They provided Case laws to clarify the definition of interest and that subsidy given as offset of loss to creditor by third party will also qualify as interest. They also stated that in the consideration of the supply between DFSI and customer, this interest subvention would qualify and would be interest which is exempt from GST. The invoice raised by MB India will be for the total amount involved for each customer 'loan'. They undertook to provide Books of Accounts, Vouchers and Statement of relevant accounts. They also furnished a Written submission at the time of hearing, wherein, inter-alia, they stated that:

- Interest income is exempt vide Notification No. 12/2017-Central Tax (Rate) dated 28th June 2017
- The Education Guide issued by the Central Board of Excise and Customs in the earlier tax regime specifically clarified that the consideration for a service can be paid by a person other than the service recipient.
- As per Merriam- Webster dictionary, subvention means the provision of assistance or financial support; such as, a : endowment or b: a subsidy from a government or foundation
- It is pertinent to note certain key stipulations of the MOU entered into by DFSI and MB India:
 - Point 1 under 'Article 1. Association' clearly specifies that the arrangement is on a non-exclusive basis. DFSI is free to enter into similar agreements with other parties and likewise, MB India can appoint one or more other financiers

- Sl.No. 3 of the Annexure to the MOU clearly stipulates that MB India will subvent the interest to be charged to the final customers. The contractual obligation entered is to subvent interest.
- Sl.No. 9 of the Annexure to the MOU stipulates that DFSI has to confirm to MB India that the benefit of lower interest rate has been passed on to the final customer. There is no element of profit for DFSI solely out of the subvention. The subvention is paid by MB India to DFSI in order to make good the loss arising from providing financing at lower interest rate
- A buyer of a car need not opt for financing through DFSI. Further, even if he opts for a loan based scheme, he need not opt for a subvention of interest.
- Interest subvention income is interest income received from a person other than the borrower. Both the GST law and the Indian Contract Act 1872 recognize that consideration for a transaction can flow from anybody. Subvention income earned from a party other than the borrower represents consideration for the borrowing – that is interest.
- The transaction is in the nature of interest due to the following:
 - Income is received as an outcome of providing loan to the customer.
 - While the income is received from MB India, consideration can flow from anybody.
 - Even though the payment for the said income is received upfront, it is amortized over the tenure of the loan. Further the definition of interest uses the term “payable in any manner”.
 - While effecting the payment to DFSI, MB India deducts TDS u/s 194A of the Income Tax Act 1961- TDS on interest other than interest on securities.
 - Loan agreements with customers also mention the applicable interest rate, the interest subsidy from MB India and the net interest rate payable by the customer.
- In Commissioner of Income Tax vs. Vijaya Bank 1989 175 ITR 611, the Hon'ble High Court of Karnataka held that The subsidy is made to offset a part of the loss incurred by charging a lower rate of interest and hence the payment made by the RBI to the assessee is interest. Consideration can flow from a person other than a borrower.
- In Pitchayya vs. Venkata Ranga Rao AIR 1944 Mad 243, it was held that if the contract stipulates that for the use of the creditor's money a certain profit

shall be payable to the creditor, that profit is interest by whatever name called.

3.2 Vide letter dt 30.11.2018, DFSI submitted a copy of the audited financials of the company for FY 2017-18 and a brief description of the accounting treatment of interest subvention, which is reproduced below:

GL Description	Note No.	Note description - 1	Note description - 2	Value as per FS for FY 2017-18
Subsidy Inc-OL (GL Code 110030)	15	Revenue from operations	Subsidy Income	46,99,23,612
AR Trade-Intercomp (GL Code 620030)	13	Short-Term Loans and advances	Receivable towards reimbursement of cost	5,37,983
Subsidy Income - Ctrl (GL Code 802010)	6	Other Long term liabilities & Other Current Liabilities	Income from subsidy, processing fee etc received in advance	54,23,55,184

➤ Journal entry in books of accounts at the time of recognizing subsidy receivable from MB India:

GL Code	GL Description	Debit	Credit	Nature of Account
620030	AR Trade-Intercomp	XXX		Asset (Amount receivable from MB India)
802010	Subsidy Income - Ctrl		XXX	Liability (to be taken to income over the period of contract)

The subsidy receivable is not accounted as income upfront even though the payment is received upfront. Instead, the amount so receivable is initially credited to a liability account (802010) and is taken to income (110030) proportionately over the period of the contract for which the subsidy is received, similar to the treatment given to the interest received from the customer.

➤ Following is the journal entry for amortization of income and this entry is passed every month until the closure of the contract:

GL Code	GL Description	Debit	Credit	Nature of Account
802010	Subsidy Income - Ctrl	XXX		Liability (to be taken to income over the period of contract)
110030	Subsidy Inc- OL		XXX	Income (portion of amount amortized from the liability in 802010)

3.3 The applicant was extended a final hearing on 25.02.2019. They appeared before the authority for ruling and stated that interest subvention is nothing but consideration for the loan given to customer, only that some portion of interest is being paid by MB India.; Consideration can flow from third party as per various case laws submitted by them.; this amount qualifies as interest per definition in the notification 12/2017, CGST ACT 2017.; DFSI is a related party to MB India, both have same holding company.; Hence, DFSI does business only with customers buying MB or Daimler Vehicles.; Customers of MB India can get finance from anyone, but only DFSI gives this interest subvention.; The full amount of interest subvention is paid upfront to DFSI but is amortized in the DFSI' s books over a period of the loan during which period the rest of the amount is shown as liability.; The amount received is shown as 'subsidy income' under 'Revenue from operation'.; They undertook to submit the marketing, advertising material of DFSI for this subvention scheme at dealership of MB India.; Also they undertook to submit documents as to how MB India & DFSI is related. They further stated that the MOU between MB India & DFSI has no consideration and no supply.

3.4 DFSI vide their letter dated 4th March 2019 submitted the following:

- DFSI is a wholly owned subsidiary of Daimler AG, Germany with 100% shares held by Daimler Germany. Likewise, MB India is a subsidiary of Daimler AG, Germany. Thereby, DFSI and MB India are fellow subsidiaries. This is disclosed in Note No. 31 (c) in the Audited Financial Statements already submitted
- Copies of sample brochures shared with prospective customers.
- Copy of CESTAT ruling in the case of M/s. Ashok Leyland Finance Ltd vs. Commissioner of Service Tax, Chennai. In this case, M/s Ashok Leyland Finance retains a small amount while disbursing loan to buyers of vehicle from certain dealers. It was held that this activity does not fall under definition of Business Auxiliary Services or Commission agent rendered by the assessee to the dealer under Service Tax law prevalent at that time.

3.5 The jurisdictional Commissioner, Chennai South vide their letter dt 14.08.2018 submitted that:

- Interest subvention income received by the applicant from MB India is chargeable to GST.
- MB India is not giving loan to DFSI but MB India is providing the interest subvention to promote the business of sale of motor vehicles of MB India.
- DFSI has not borrowed any money from MB India but the buyer has taken money. Interest income can be exempted only when there is direct supply.
- Notification exemption is not applicable for third party payment
- This interest subvention is only extended to those who buy MB India's vehicle, which is routed through DFSI which amounts to DFSI supplying service of business support by way of extending lesser interest rate.
- DFSI is receiving interest subvention as consideration for business support service from MB India
- This supply of service is business support service under SAC 9985999 under Other Support Service@ 18%.
- Section 15 states that the value of taxable supply includes subsidies directly linked to the price and that the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy. Interest subvention is an 'interest subsidy and hence chargeable to GST.
- DFSI is also showing this as income in their financials under the head "other Income".

4.1 We have carefully considered the various submissions of DFSI. It is seen that DFSI is a Non-Banking Financial Institution engaged in the activities of 'Leasing and Finance' which includes operating lease of passenger vehicle and financing of commercial and passenger vehicles to end customers. MB India is engaged in manufacture and sale of passenger cars under the brand 'Mercedes - Benz' vehicles and has extensive network of authorized dealerships engaged in sale of MB cars all over India. Customers who purchase MB India cars from authorized dealers may require financing. DFSI acts as the financier and provides loan to customers. It is seen from the MOU dt 25.05.2016 between DFSI and MB India which was renewed till 31.12.2018 that

- MB India has nominated DFSI as its preferred financier for financing customers referred by MB India /its authorized dealers for purchasing Mercedes -Benz vehicles.
- DFSI and MB India pursuant to the aforesaid business understanding have agreed to work together to promote and facilitate sale of Mercedes-Benz vehicle to the customers on the terms of this MOU.
- DFSI shall be the first choice financier for financing customers referred by MB India/its authorized dealers.
- DFSI accepts to finance customers referred by MB India/ its authorized dealers for purchasing Mercedes- Benz Vehicle on a non-exclusive basis under the brand name 'Mercedes -Benz Financials' at maximum 100 bps above Competitive Interest Rate(CIR) for providing better customer luxury experience, structured insurance products offerings with claims processing within minimum turnaround time, tailor made products, quick loan approvals, maintain customer relation etc.
- To enable DFSI to provide the competitive rates, MB India will either singly or jointly with DFSI, subvent the interest to be charged to the Final Customer. DFSI base rate and CIR will be reviewed jointly every quarter.
- The loan agreement with the customers should clearly mention that MB India has sub vented the interest.
- In case agreements have been entered into by DFSI with customers before this MOU, DFSI can claim the interest subsidy by means of a consolidated statement sent to MB India.
- DFSI is to devise such competitive and unique nation-wide financial services products for Mercedes-Benz vehicles as agreed with MB India from time to time,;
- DFSI and MB India shall continue to share their business cases and actual performance to maintain transparency for improved operational efficiency.
- Furthermore, from time to time at the request of MB India Sales, DFSI will consider running other special campaigns / promotions, depending on the market requirement. The modalities will be agreed upon by Sales and FC teams of both the parties. To enable DFSI to provide Subsidized Campaigns, MB India will, either singly or jointly with DFSI, further sub vent the interest to be charged to the Final Customer. The said subvention will be mutually decided by the parties from time to time. This subvention will be over and

above the interest subvention as mention under “interest rate Subvention”.

There will be a separate invoice for this additional subvention.

In the invoice raised by DFSI on MB India, the description is “Manufacturer Subsidy Claim for the month of March 2018” with SAC 997159 at 18% GST. The breakup of this invoice provided by DFSI to MB India includes customer contract number, Chassis number, customer name and amount.

4.2 It is seen from the sample customer agreement that it is an agreement termed as “Mercedes-Benz Financial” between DFSI and the buyer of the vehicle which is manufactured by MB India or Daimler India Commercial Vehicles Pvt Ltd. The interest subsidy is being mentioned as:

Applicable Fixed Interest Rate Gross -----% pa
Less: Interest subsidy from MB India -----% pa.
Net Applicable Fixed Interest Rate -----%pa.

In the sample brochures given to prospective customers by dealers of MB India, it is seen that the finance is offered in the name of “Mercedes- Benz Financial”.

4.3 It is seen from the audited profit and loss account of DFSI for 2017-18 and the applicant’s letter dt 30.11.2018 the amount received from MB India based on invoice raised by DFSI is shown under ‘Revenue from Operations’ as ‘Subsidy income’. In the audited balance sheet ,it is seen that the amount receivable from MB India, treated as ‘Receivables towards reimbursement of Cost’ under ‘ Short term loans and advances to related party (unsecured)’, is not accounted as income upfront even though the payment is received upfront. Instead, the amount so receivable is initially credited to a liability account as ‘Income from subsidy received in advance’ under ‘Other long-term liabilities’ and is taken to income as Revenue from Operations’ proportionately over the period of the contract for which the subsidy is received.

5.1 The applicant sought ruling on the interest subvention pertaining to the model of loan offered to a borrower wherein the rate of interest to the borrower is subsidized by the manufacturer. The issue raised by the applicant is

Whether the interest subvention income received by Daimler Financial Services India Private Limited(DFSI) from Mercedes-Benz India Private Limited(MB India) to reduce the effective interest rate to the final customer is chargeable to GST?

5.2 The applicant is of the view that the interest subvention received by DFSI from MB India is in effect 'interest' given as consideration for the supply of service of extending loans where the supplier is DFSI and recipient is the buyer of MB India's vehicles and is exempted as per notification 12/2017 Central Tax (rate) dated 28.06.2017. The applicant has stated that a mere fact that a portion of interest is received from a person other than the customer may not change the nature /character of the income i.e., interest and the amount received from MB India as interest subvention is 'interest' for the purpose of exemption in the absence of explicit mention.

In the instant case, the agreement titled 'Mercedes-Benz Financial' between DFSI and the buyer of MB India's vehicle is for disbursing of loan for purchasing the vehicle from the dealers of MB India where the vehicle is given as collateral at the rate of interest specified in the agreement.

As per Explanatory Notes to the Scheme of Classification of Services **SAC 997113** covers **Credit-granting services including stand-by commitment, guarantees & securities**

This service code includes:

- consumer loan services, that is, loan services extended for financing consumer purchases of goods or services where the purchased good is generally used as collateral

Hence, there is a supply of credit-granting service from DFSI to the buyer of vehicle as per the agreement between both.

Section 15 of the CGST Act states

15. (1) *The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.*

Section 2 of CGST Act states

2 (31) *"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;

In the instant case of the agreement titled 'Mercedes-Benz Financial', the rate of interest for this loan is specified in Annexure I to this agreement. The methodology of

arriving at this rate of interest is given in the Annexure itself as the 'Net Applicable Fixed Interest Rate' after deducting the 'Applicable Fixed Interest Rate Gross' less the 'Interest subsidy from MB India' (ref Para 4.2). The buyer has to pay the 'Loan Amount' (Sl no 3 of (B) Financial details) specified in the Annexure I with interest at the "Rate of Interest per Annum" (Sl no 4 of (B) Financial details Annexure I) specified therein. There is no obligation of the buyer to pay back the principal at the 'Applicable Fixed Interest Rate Gross'. There is no obligation on part of the buyer in this agreement to pay any further amount beyond the amount calculated as per the "Rate of Interest per Annum".

As per Section 2(31) of CGST Act, consideration for any supply includes payment made or to be made. In this case, for the supply of credit-granting services by DFSI to the buyer, the buyer has to pay interest only at the rate agreed to in the agreement under "Rate of Interest per Annum" (Sl no 4 of (B) Financial details of Annexure I) which does not include the interest subsidy from MB India.

AS per Section 15 of CGST Act, the value of this supply is the transaction value, which is the price actually paid or payable for the said supply, which is again only the amount as per the interest rate specified equal to 'Net Applicable Fixed Interest Rate'. There is no other amounts payable by the buyer as per the agreement terms.

This is also substantiated by the sample sale brochures given to customers advertising this "Mercedes-Benz Financial" indicating only the interest to be paid by the buyer directly to DFSI.

Hence, the stand of the applicant that the interest subvention amount given by MB India to DFSI is a part of the consideration for the transaction between DFSI and buyer is not correct as the buyer is under no obligation to pay this amount equivalent to the interest subvention to DFS as per the terms of the agreement between FSI and the buyer.

5.3 Now, it is required to identify the service in the transaction between DFSI and MB India for which DFSI is receiving an amount called by them as 'interest subsidy'.

DFSI and MB India has entered into a MOU. As per this MOU, they shall work together to promote and facilitate sales of Mercedes-Benz vehicles in which DFSI has agreed to extend loans to those customers referred by MB India/its dealers. DFSI shall be the first choice financier for financing customers referred by MB India/its authorized dealers for purchasing Mercedes- Benz Vehicle on a non-exclusive basis under the brand name 'Mercedes -Benz Financials' at maximum 100 bps above Competitive Interest Rate (CIR). To enable DFSI to provide the competitive rates, MB

India will, subvent the interest to be charged to the Final Customer. For this DFSI is obligated to provide better customer luxury experience, structured insurance products offerings with claims processing within minimum turnaround time, tailor made products, quick loan approvals, maintain customer relation etc. to the buyers of MB India's vehicles.

AS seen in the invoice and stated in the application, MB India pays the total amount of the 'interest subsidy' once the "Mercedes-Benz Financial" is signed between DFSI and the buyer based on the loan amount in that. The invoice is raised based on each of the buyer who has taken the 'Mercedes-Benz Financial' and the details of the Chassis number and customer name are given to MB India along with the Invoice. DFSI is showing this amount received from MB India as "Revenue from Operations" in the audited financials though the same may be amortized and taken into their books.

In this transaction between DFSI and MB India, it is seen that as per the MOU, DFSI is obligated to provide better customer luxury experience, structured insurance products offerings with claims processing within minimum turnaround time, tailor made products, quick loan approvals, maintain customer relation etc. to the buyers of MB India's vehicles. For providing all of this to the buyers of MB India at interest rates lower than the 'Applicable Fixed Interest Rate Gross' , MB India will compensate DFSI with the difference amount so that the customers of MB India can obtain loans at a lower interest rates. This amount is to ensure higher and assured standards of services to the clients of DFSI who are also the buyers of MB India's vehicles.

Section 7 of CGST Act

*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;*

In the instant case, there is an MOU /agreement between DFSI and MB India for an amount determined by the agreement interest subvention amount for each loan taken by buyer of MB India's vehicles. This amount is part of the consideration in this transaction and as per the definition in Section 2(31); this is the amount payable by MB India to DFSI and receivable by DFSI from MB India which is recorded as such in the audited financials of DFSI. As DFSI and MB India are related parties, the value of this supply may be different from the transaction value here. This agreement

between DFSI and MB India is for the furtherance of the business of lending of DFSI as they are the preferred financiers of MB India's vehicles. Customers buying MB India's vehicle would prefer to take out a loan from DFSI because of their lower interest rates offered as a consequence of their agreement with MB India. Therefore, this transaction between DFSI and MB India is a 'Supply' under Section 7 of CGST Act.

5.4 To identify whether this consideration paid by MB India to DFSI is chargeable to GST, it is required to first determine the classification of this supply of service of DFSI to MB India.

Explanatory Notes to the Scheme of Classification of Services specifies as

99979 Other miscellaneous services

999792 Agreeing to do an act

In the instant case, DFSI is agreeing to provide vehicle loan to buyers of MB India's vehicles at a lower interest rate as decided between DFSI and MB India and also to provide better customer luxury experience, structured insurance products offerings with claims processing within minimum turnaround time, tailor made products, quick loan approvals, maintain customer relation etc. as per the MOU between FSI and Mb India. Hence, the supply of service by DFSI to MB India is covered under SAC 999792 as Other miscellaneous Services, agreeing to do an act.

As per Sl no 35 of Notification No 11/2017 Central Tax (Rate) dt 28.06.2017 as amended , Other miscellaneous services under Heading 9997 are chargeable to 9% CGST and to 9% SGST as per Sl no 35 of Notification No II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended.

6. In view of the above, we rule as under:

RULING

The interest subvention income received by Daimler Financial Services India Private Limited(DFSI) from Mercedes-Benz India Private Limited(MB India) to reduce the effective interest rate to the final customer is chargeable to GST as a supply under SAC 999792 as Other miscellaneous Services , agreeing to do an act, to 9% CGST and 9% SGST as per Sl no 35 of Notification No 11/2017 Central Tax (Rate) dt 28.06.2017 as amended are chargeable as per Sl no 35 of Notification No.II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended.

K. Manasa 15/4/19

Ms. Manasa Gangotri Kata, IRS
Member, CGST

Shri. Kurinji Selvaan 15.04.2019

Shri. Kurinji Selvaan.V.S.,M.Sc.,(Agri),M.B.A,
Member, TNGST

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