MAHARASHTRA AUTHORITY FOR ADVANCE RULING

GST Bhavan, Room No. 107, 1st Floor, B-Wing, Old Building, Mazgaon, Mumbai – 400010.

(Constituted under Section 96 of the Maharashtra Goods and Services Tax Act, 2017)

BEFORE THE BENCH OF

(1) Shri. Dipak Gojamgunde, Joint Commissioner of State Tax, (Member)

(2) Smt. Himani Dhamija, Joint Commissioner of Central Tax, (Memher)

ARN No.	AD270222018224M
GSTIN Number, if any / User-id	27AAKFR3377H1ZT
Legal Name of Applicant	M/s. ROCKLINE CONSTRUCTIONS
Registered Address / Address provided while obtaining user id	Office No. 5, Jyotirmay Complex, First Floor, Jalna Road, Aurangabad – 431001, Maharashtra.
Details of application	GST-ARA, Application No. 67 Dated 28.02.2022
Concerned officer	Aurangabad Commissionerate – Chhatrapati Sambhajinagar, Division – Chhatrapati Sambhajinagar, Range – City-II (Central Tax) / State Tax jurisdictional officer as applicable.
Nature of activity(s) (proposed/present) in respect of which advance ruling sought	
A. Category	Works Contract / Composite Supply involving Supply of Goods and Services
B. Description (in brief)	The applicant, engaged as Civil Contractors / Engineers, is executing an Underground Sewerage Scheme — including sewerage network, house connections, wet-well, pump-house, sewerage treatment plant, non-clog submersible pump-sets and allied electrical and mechanical equipment, rising main, and allied civil works — on behalf of Katol Nagar Parishad, District Nagpur, under the Urban Infrastructural Development Scheme for Small and Medium Towns (UIDSSMT) 2015-16, pursuant to work order of value ₹41,43,37,527/- dated 31.12.2015.
Issue/s on which advance ruling required	Applicability of a notification issued under the provisions of the Act [Section 97(2)(b)]; Determination of the liability to pay tax on any goods or services or both [Section 97(2)(e)]; and Whether any particular thing done by the applicant amounts to or results in a supply of goods or services or both, within the meaning of that term [Section 97(2)(g)].
Question(s) on which advance ruling is required	As reproduced in para 01 of the Proceedings below.

PROCEEDINGS

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

The present application has been filed under Section 97 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017 [hereinafter referred to as "the CGST Act and MGST Act" respectively] by **M/s. ROCKLINE CONSTRUCTIONS**, the applicant, seeking an advance ruling in respect of the following questions:—

1. **Whether the supply being made is pure service or composite supply, where supply of goods does not exceed more than 25% of the value of the supply?**

2. **Whether the recipient is Government, Local Authority, Governmental Authority or Government Entity?**

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3. Whether supply is being made to a Panchayat or a Municipality under the Constitution?

4. Whether the applicant is eligible for exemption of services being provided by way of pure service or composite supply based on Entry 3A w.e.f. 25.01.2018 vide Notification No. 2/2018-CT(R) which needs to he clarified by way of Advance Ruling?

At the outset, we would like to make it clear that the provisions of both the CGST Act and the MGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to any dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provision under the MGST Act. Further to the earlier, henceforth for the purposes of this Advance Ruling, the expression 'GST Act' would mean the CGST Act and the MGST Act.

1. FACTS AND CONTENTION – AS PER THE APPLICANT

1.1 M/s. Rockline Constructions (hereinafter referred to as "the applicant") is a partnership firm registered under the GST Acts bearing GSTIN 27AAKFR3377H1ZT, having its registered place of business at Office No. 5, Jyotirmay Complex, First Floor, Jalna Road, Aurangabad – 431001, Maharashtra. The applicant is engaged in the business of civil contracting and engineering, specifically in the execution of water tanks, laying of water pipelines, sewerage and drainage lines, and allied civil and mechanical works for Municipalities, Nagar Parishads and Municipal Corporations.

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1.2 The applicant states that it has been executing a work order under Tender for and on behalf of Katol Nagar Parishad, Taluka Katol, District Nagpur, towards an Underground Sewerage Scheme for Katol Town falling under the Urban Infrastructural Development Scheme for Small and Medium Towns (UIDSSMT) pertaining to the financial year 2015-16.

1.3 The work-order value is ₹41,43,37,527/- (Rupees forty-one crore forty-three lakh thirty-seven thousand five hundred and twenty-seven only) vide work order dated 31.12.2015, the stipulated time for completion of the work being eighteen months from the date of the written order to commence work. On account of pending acquisition of land, Katol Nagar Parishad has, on four occasions, granted extension of time to execute the work order — up to 31.08.2018, 31.03.2019, 30.06.2021 and 31.05.2022 respectively (as recorded in the letter dated 27.09.2021). Copies of the captioned work order and of the grants of extension have been placed on record.

B. Scope of Work

1.4 Setting out the alignment of sewer networks, house connections up to private properties, construction of wet-well and pump-house, sewerage pumping machine, rising main, sewerage treatment plant (STP) and allied civil and electro-mechanical installations.

1.5 Hydraulic design of the network for the collection system, to be carried out before execution of work through Sewer CAD / Sewer Gem computer systems by the contractor on obtaining approval from the authority nominated by the Maharashtra Jeevan Pradhikaran (MJP). Full check at various stages of work to ensure correctness of approved plan / structural drawings towards quality control.

1.6 Final measurement, maintaining and executing the quality of the work, including testing and keeping records thereof for scrutiny of the sewage network etc.

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1.7 The applicant states that the work-order-wise break-up of the value of work and the value of materials, as estimated in the tender documents, is as under:—

Sr. No.	Description of work as per Tender	Value of Work (₹ in lakhs)	Value of Materials (₹ in lakhs)	% Material to Value of Work
1	Sub-Unit No. 1 – Item Nos. 1 to 20 – Sewerage Network	3,090.28	369.74	11.96%
2	Sub-Unit No. 2 – House Connections	196.92	—	—
	Sub-Estimate No. 6 – Sewerage Treatment Plant	608.24	15.00	2.46%
3	Sub-Unit No. 3 – Wet Well & Pump House	73.55	6.17	8.38%
4	Sub-Unit No. 4 – Providing & Erecting, Commissioning with Test & Trial of Non-Clog Submersible Pump-set and allied Electrical & Mechanical Equipment (40% Material)	30.46	14.60	40.04%
	Sub-Unit No. 4B – Non-Clog Submersible Pump-set (SPS No. 2 to Manhole) (40% Material)	62.10	24.84	40.00%
	Sub-Unit No. 4B – Non-Clog Submersible Pump-set (SPS No. 3 to STP) (40% Material)	64.35	25.74	40.00%
	11 KV Structure / 2-Pole Structure (50% Material)	3.29	1.64	50.00%
	Sub-Estimate No. 5 – Sewage Rising Main from Wet Well to STP (50% Material)	11.47	5.74	50.04%
	TOTAL (₹ in lakhs)	**4,146.66**	**463.47**	**11.17%**

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1.8 The applicant further states that it commenced execution of the work during F.Y. 2016-17 after a gap of two years, since acquisition of land for the sewerage line by Katol Nagar Parishad was pending. Extension of time for execution was granted on four occasions owing to the delay in land acquisition, as already recorded at paragraph 1.3 above. The year-wise contract receipts actually realised by the applicant against the said work order are as under:—

F.Y.	Contract Receipts (₹)
2016-17	69,88,246/-
2017-18	1,00,06,603/-
2018-19	2,84,28,329/-
2019-20	Nil

2020-21	Nil
2021-22 (up to 31.12.2021)	2,89,77,991/-

1.9 The applicant places on record the letter dated 29.10.2021 of Katol Nagar Parishad stating that the said Underground Sewerage Scheme work was sanctioned under a Central Government Scheme of 2012-13, and accordingly there was a provision for VAT only; no GST law was in existence at the time the work order was placed on the basis of the Tender. A copy of the said letter has been enclosed.

2. STATEMENT CONTAINING APPLICANT'S INTERPRETATION OF LAW

2.1 The applicant is seeking an Advance Ruling on the applicability of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, by which the Central Government has, under sub-section (1) of Section 11 of the CGST Act, 2017, exempted specified intra-State supplies of services from the whole of the central tax leviable thereon under Section 9(1) of the said Act.

2.2 The applicant submits that Entry at Sr. No. 3 of the said exemption notification reads as under:

> *"Chapter 99 — Pure Services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union Territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution."*

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2.3 Pure Services — Applicant's Construction

2.3.1 The applicant submits that any supply which is either deemed to be a service under Schedule II of the CGST Act or which is not covered under the definition of "goods" shall be categorised as a pure service. However, as per the notification, works contract services or other composite supplies involving supply of any goods are excluded from the ambit of Entry 3. Services in the nature of original works supplied to Government are separately exempted vide Entries 10 and 11 of the said notification.

2.4 Conditions of Exemption

2.4.1 As per Entry No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended by Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018, the following principal conditions must be satisfied in order to qualify for exemption:

(i) Nature of Supply — Pure Services;

(ii) Recipient of Services — Central Government, State Government, Local Authority, Union Territory, Governmental Authority or a Government Entity;

(iii) Category of Services — any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution of India or in relation to any function entrusted to a Municipality under Article 243W of the Constitution.

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2.4.2 Supply of pure service, except works contract service or composite supplies involving supply of any goods, is exempted from GST subject to the conditions stated under the entry at Sr. No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.

2.4.3 Thereafter, with effect from 25.01.2018, the Legislature has permitted a composite supply in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply, subject to the conditions stated under the entry at Sr. No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. The said amendment has been made vide Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018.

2.4.4 Entries 3 and 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 are reproduced as under:

Entry No. 3:

"Pure Services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union Territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution."

Entry 3A (inserted w.e.f. 25.01.2018 vide Notification No. 2/2018-CT(R)):

*Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent. of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority [*or a Governmental authority or a Government Entity — omitted w.e.f. 01.01.2022 vide Notification No. 16/2021-Central Tax (Rate) dated 18.11.2021*] by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution."*

Bifurcation of the above-stated entries:

(i) Supply — Pure Services, or composite supply in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply.

(ii) Recipient Category — Central Government, State Government, Union Territory, Local Authority, Governmental Authority or Government Entity.

(iii) Purpose of Supply of Service — to perform any of the functions stated under Article 243G or Article 243W of the Constitution of India.

2.4.5 The phrase "pure services" has not been specifically defined in any of the notifications / circulars. However, in common parlance, "pure services" in this context would intend to cover all contracts where there is no supply of goods — that is to say, any supply which is either deemed to be a service under Schedule II of the CGST Act or which is not covered under the definition of "goods". Accordingly, in order to broaden this category, the Government has, with effect from 25.01.2018, allowed supply of goods not exceeding 25% of the total value of a composite supply with the principal supply being that of services.

2.4.6 With effect from 01.01.2022 (vide Notification No. 16/2021-Central Tax (Rate) dated 18.11.2021), the exemption under Entry 3A shall be eligible only where the supply is made to the

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Central Government, State Government, Union territory or local authority" in the erstwhile "or a Governmental Authority or a Government Entity" having been omitted with effect from 01.01.2022. The present recipient being a Local Authority, the said omission does not affect the applicant's claim.

2.4.7 The applicant notes that the above exemption is in pari materia with the exemption that existed under Sr. No. 25 of Notification No. 25/2012-ST dated 20.06.2012 under the erstwhile service tax regime; the said entry had earlier been restricted to services by way of water supply, public health, sanitation conservancy, solid-waste management, or slum improvement and upgradation.

2.5 Meaning of "Local Authority"

2.5.1 The expression "local authority" has been defined under Section 2(69) of the CGST Act, 2017 to mean:—

> *(a) a "Panchayat" as defined in clause (d) of Article 243 of the Constitution; (b) a "Municipality" as defined in clause (e) of Article 243P of the Constitution; (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund; (d) a Cantonment Board as defined in Section 3 of the Cantonments Act, 2006; (e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution; (f) a Development Board constituted under Article 371 and Article 371J of the Constitution; or (g) a Regional Council constituted under Article 371A of the Constitution.*

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2.6 Functions Entrusted to Panchayats under Article 243G

2.6.1 The applicant submits that the functions entrusted to Panchayats under Article 243G read with the Eleventh Schedule of the Constitution include, inter alia, agriculture; land improvement; minor irrigation, water management and watershed development; animal husbandry; fisheries; social forestry; minor forest produce; small-scale industries; khadi, village and cottage industries; rural housing; drinking water; fuel and fodder; roads, culverts, bridges, ferries, waterways; rural electrification; non-conventional energy sources; poverty alleviation programmes; education; technical training and vocational education; libraries; cultural activities; markets and fairs; health and sanitation (including hospitals, primary health centres and dispensaries); family welfare; women and child development; social welfare; welfare of weaker sections; public distribution system; and maintenance of community assets.

2.7 Functions Entrusted to Municipalities under Article 243W (Twelfth Schedule)

2.7.1 The matters listed in the Twelfth Schedule to the Constitution, in respect of which functions may be entrusted to Municipalities under Article 243W, include — (1) urban planning including town planning; (2) regulation of land-use and construction of buildings; (3) planning for economic and social development; (4) roads and bridges; (5) water supply for domestic, industrial and commercial purposes; (6) public health, sanitation conservancy and solid-waste management; (7) fire services; (8) urban forestry, protection of environment and promotion of ecological aspects; (9) safeguarding the interests of weaker sections of society; (10) slum improvement and upgradation; (11) urban poverty alleviation; (12) provision of urban amenities

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and facilities such as parks, gardens and playgrounds; (13) promotion of cultural, educational and aesthetic aspects; (14) burials and burial grounds; cremations, cremation grounds and electric crematoriums; (15) cattle pounds and prevention of cruelty to animals; (16) vital statistics including registration of births and deaths; (17) public amenities including street lighting, parking lots, bus stops and public conveniences; and (18) regulation of slaughter-houses and tanneries.

Prayer

2.8.1 In view of the above facts and circumstances, the applicant prays before this Authority that —

(a) the supply of pure services (excluding works contract service or other composite supplies involving supply of any goods) made by the applicant be held to be exempt from GST under Entry at Sr. No. 3 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017; and

(b) alternatively, the composite supply of the applicant (in which, as per the applicant, the value of supply of goods constitutes not more than 25% of the value of the said composite supply) be held to be exempt from GST under Entry at Sr. No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, inserted vide Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018;

(c) advance ruling be granted on the applicable exemption entry under the captioned notification; and

(d) any other or further relief as this Authority deems fit and proper on the facts of the case may be granted.

3. CONTENTION – AS PER THE CONCERNED OFFICER

The concerned jurisdictional officer has placed on record two sets of para-wise comments. The comments originally filed articulate a position that the exemption claimed under Sr. No. 3 / 3A is not admissible to the applicant; the supplementary comments dated 15.10.2025 modify that position and record that the conditions of Entry 3A are met on the material on record. Both sets of comments are reproduced below faithfully in the order of filing.

3.A Initial Para-wise Comments of the Jurisdictional Officer

3.A.1 The jurisdictional officer submits that the applicant seeks a ruling on the applicability of the exemption under Sr. No. 3 / 3A of Notification No. 12/2017-CT(R) dated 28.06.2017. It is respectfully submitted that the exemption is subject to strict interpretation, and the burden lies on the applicant to prove eligibility.

3.A.2 (Para 2 — Statement of Facts.) The applicant claims to be engaged in the execution of sewerage networks, water pipelines, STPs, pump-houses etc. under contract with Katol Nagar Parishad. However, the work order and the scope of work clearly involve supply of goods — such as pumps, electrical and mechanical equipment, pipes, structures etc. Hence the supply cannot be treated as "pure services". The phrase "pure service" has not been specifically defined in any of the notifications / circulars. However, in common parlance, "pure services" in this context would intend to cover all contracts where there is no supply of goods — that is to say, any supply which is either deemed to be a service under Schedule II of the CGST Act or which is

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not covered under the definition of "goods". For example, supply of manpower services for cleanliness work, security guards, architect services, consultancy services etc., not involving any supply of goods, would be treated as supply of pure services.

3.A.3 (Para 3 — Interpretation of Law and Facts.) Notification No. 12/2017-CT(R), Entry 3, covers only pure services, excluding works contracts or composite supplies involving goods. The applicant's own break-up of the contract shows supply of goods (e.g., submersible pumps, pipelines, electrical equipment). Such a contract falls squarely under the definition of "works contract" as per Section 2(119) of the CGST Act. Works contracts are specifically excluded from Entry 3 and are admitted under Entry 3A only subject to the prescribed threshold.

3.A.4 (Para 4 — Conditions of exemption under Entry 3 / 3A.) The conditions are: (i) the nature of supply must be pure service or composite supply where goods do not exceed 25%; (ii) the recipient must be Government / Local Authority etc.; and (iii) the services must relate to functions under Article 243G / 243W. While Conditions (ii) and (iii) may be satisfied (the recipient being Nagar Parishad and the work relating to sewage management, a municipal function), Condition (i) is not satisfied. The applicant's own tender break-up shows substantial material portion in several sub-units — sewerage network 11.96%; wet-well and pump-house 8.38%; submersible pumps / equipment 40%; rising main 50%. The total estimated material share is 11.17% overall, but certain items clearly exceed the 25% threshold. A composite work involving supply and installation of pumps / equipment is essentially a works contract, and is not covered by the exemption.

3.A.5 (Para 5 — Commencement and Extensions.) The applicant argues that the work order originated in 2015 under the earlier VAT regime. However, GST applies from 01.07.2017 onwards, and the exemption must be tested under GST law for supplies made post-implementation. Past VAT provisions are irrelevant for the current tax liability.

3.A.6 (Para 6 — Letter of Nagar Parishad regarding VAT only.) Such correspondence has no bearing on GST applicability. The law does not permit exemption merely because the original tender did not envisage GST. Incidence of tax follows statutory provisions, and not contractual terms.

3.A.7 (Para 7 — Prayer for exemption under Entry 3 / 3A.) Given that the applicant's activity constitutes a works contract involving immovable property (sewerage pipelines, STP, pump-house, electrical and mechanical installations), it falls under Section 2(119) of the CGST Act. Works contract services are specifically excluded from Entry 3, and are admissible under Entry 3A only subject to the prescribed threshold. In view of the above, the applicant's supply is in the nature of works contract service involving supply of goods and construction of immovable property; to the extent that the threshold of 25% is breached in respect of any supply, the exemption under Sr. No. 3 / 3A of Notification No. 12/2017-CT(R) is not available. Tax would be payable under the applicable SAC for works contract services.

3.B Supplementary Para-wise Comments of the Jurisdictional Officer, dated 15.10.2025

3.B.1 (Para 1 — Question on which advance ruling is sought.) The applicant has rightly sought clarification on eligibility under Entry 3 and 3A of Notification No. 12/2017-CT(R). The questions pertain to the nature of supply (pure service / composite), the recipient's status and the

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constitutional function involved. These are valid grounds for seeking an advance ruling under Section 97(2) of the CGST Act, 2017.

3.B.2 (Para 2 — Statement of Facts.) The facts presented establish that the applicant is engaged in civil works related to underground sewerage systems for Katol Nagar Parishad under UIDSSMT, a Central Government scheme. The work is executed through a formal tender and work order, with multiple extensions granted due to land-acquisition delays. The scope of work and execution timeline are clearly documented and supported by official correspondence.

3.B.3 (Para 3 — Interpretation of Law and Facts.) The applicant has correctly interpreted Entry 3 and 3A of Notification No. 12/2017-CT(R). The supply qualifies as either pure service or composite supply with goods not exceeding 25% of the total value, which is supported by the detailed cost break-down. The recipient, Katol Nagar Parishad, qualifies as a "Local Authority" under Section 2(69) of the CGST Act, 2017. The nature of work — "sewerage and drainage" — falls squarely under functions entrusted to Municipalities under Article 243W of the Constitution.

3.B.4 (Para 4 to 6 — Eligibility under Entry 3 and 3A.) The applicant's services meet the following conditions for exemption — (i) nature of supply: predominantly services with a minimal goods component (11.17% overall); (ii) recipient: Katol Nagar Parishad, a Local Authority; (iii) function: sewerage infrastructure, covered under Article 243W. The amendment vide Notification No. 2/2018-CT(R) dated 25.01.2018 further supports exemption for composite supplies with goods up to 25%, which the applicant's contract satisfies.

3.B.5 (Para 7 — Cost Analysis.) The tabulated cost structure confirms that the value of goods supplied, taken on an aggregate basis, is well below the 25% threshold. This, in the officer's view, substantiates the claim under Entry 3A.

3.B.6 (Paras 8–9 — Execution Timeline and Historical Context.) The execution delays due to land acquisition are documented and justified. The work order predates GST implementation, and the transition to the GST regime has been appropriately acknowledged. The Department may consider this historical context while evaluating the exemption claim.

3.B.7 (Para 10 — Prayer for Ruling.) The applicant's prayer is consistent with the statutory provisions and supported by factual documentation. The Department may favourably consider granting exemption under Entry 3A of Notification No. 12/2017-CT(R), as amended.

3.B.8 In view of the above, the Department is in support of the applicant's eligibility for exemption under Entry 3A of Notification No. 12/2017-CT(R) dated 28.06.2017, on an aggregate-value basis.

4. HEARING

4.1 Preliminary hearing in the matter was held on 12.04.2022. Mr. C. S. Shastri, Chartered Accountant, appeared as the Authorised Representative of the applicant. Mr. Deepak Gangurde, Assistant Commissioner of CGST, appeared as the jurisdictional officer. The Authorised Representative made oral submissions with respect to the admission of the application.

4.2 The application was admitted and thereafter called for final hearing on 15.10.2025. Mr. C. S. Shastri, Chartered Accountant, appeared as the Authorised Representative of the applicant and made oral and written submissions, reiterating the contents of the written submissions already on

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record and supplementing the same with arguments, the question in nature of supply and applicability of Entry 3A. Mr. Shivam Kumar, Assistant Commissioner of CGST, appeared on behalf of the Department and reiterated the para-wise comments on record, including the supplementary comments dated 15.10.2025. We have heard both sides.

5. OBSERVATIONS AND FINDINGS:

5.1 We have carefully considered the facts of the case, the documents placed on record, the written as well as the oral submissions of the applicant, and the para-wise comments of the jurisdictional officer (both original and supplementary).

5.2 From the record before us, the following material facts emerge, which are not in dispute between the parties: (i) the applicant is a registered person under the GST Acts bearing GSTIN 27AAKFR3377H1ZT and is engaged in the business of civil contracting, specifically in the execution of water tanks, laying of water pipelines, sewerage and drainage lines and allied works for Municipalities / Nagar Parishads / Municipal Corporations; (ii) the applicant is executing, on behalf of Katol Nagar Parishad, District Nagpur, an Underground Sewerage Scheme for Katol Town under the Urban Infrastructural Development Scheme for Small and Medium Towns (UIDSSMT) of F.Y. 2015-16, pursuant to a work order of value ₹41,43,37,527/- dated 31.12.2015, which has been extended from time to time up to 31.05.2022 by reason of delay in land acquisition; (iii) the scope of work, as recorded at paragraphs 1.4 to 1.6 above, includes setting out the alignment of sewer networks, house connections up to private properties, construction of wet-well and pump-house, sewerage pumping machine, rising main, sewerage treatment plant and allied civil and electro-mechanical installations, along with hydraulic design, quality control and final measurement; and (iv) as per the applicant's own break-up reproduced at paragraph 1.7 above, the aggregate estimated value of materials is ₹463.47 lakhs as against an aggregate value of work of ₹4,146.66 lakhs — i.e., 11.17% on aggregate — though certain sub-units considered singly (submersible pump-sets, 11 KV structure, sewage rising main) exceed the 25% threshold when computed at the sub-unit level.

5.3 The applicant has placed four questions for our ruling, as reproduced in paragraph 01 of the Proceedings above. On an examination of the questions, we note that they, taken together, concern (a) whether the activity undertaken by the applicant amounts to or results in a supply of services or a composite supply of goods and services, i.e., the characterisation of the supply; (b) the status of the recipient as a Local Authority / Governmental Authority / Government Entity; (c) whether the activity is in relation to a function entrusted to a Panchayat or a Municipality under the Constitution; and (d) whether, in the facts so characterised, the benefit of Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as inserted by Notification No. 2/2018-CT(R) dated 25.01.2018, and as further amended) is admissible to the applicant. The questions, accordingly, fall within the ambit of clauses (b), (e) and (g) of Section 97(2) of the CGST Act, 2017 read with the corresponding provisions of the MGST Act, 2017. The application is, therefore, maintainable before this Authority. Further, we note that no proceedings on the questions raised are pending or have been decided in the case of the applicant under any provision of the GST Acts, as contemplated by the first proviso to Section 98(2) of the CGST Act, 2017. The application is accordingly admitted.

5.4 The Legal Framework — Entry 3 and Entry 3A of Notification No. 12/2017-CT(R)

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5.4.1 The exemption that the applicant invokes is founded on Section 11(1) of the CGST Act, 2017, which empowers the Central Government, on the recommendation of the Council, to exempt generally, either absolutely or subject to such conditions as may be specified, goods or services or both of any specified description, from the whole or any part of the tax leviable thereon with effect from such date as may be specified. In exercise of that power, the Central Government issued Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 exempting intra-State supplies of specified services from the central tax leviable thereon under Section 9(1) of the Act.

5.4.2 Entry at Sr. No. 3 of the said notification exempts certain "pure services" — services provided to Government, Local Authority, Governmental Authority or Government Entity by way of any activity in relation to functions entrusted to a Panchayat or a Municipality under Article 243G / 243W. The entry expressly excludes from its coverage "works contract service or other composite supplies involving supply of any goods". This exclusionary clause is material: a supply that involves any supply of goods — howsoever small — falls outside Entry 3.

5.4.3 Entry at Sr. No. 3A, inserted with effect from 25.01.2018 vide Notification No. 2/2018-CT(R) dated 25.01.2018, extends the exemption to a "composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent. of the value of the said composite supply" provided to the same set of recipients, for the same described purposes. The relevant extract of the notification, as amended, reads as under:

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Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
(1)	(2)	(3)	(4)	(5)
3A	Chapter 99	*Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent. of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental Authority or a Government Entity* by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution.*	NIL	NIL

**Sr. No. 3A, in the entry in Column (3), the words 'or a Governmental Authority or a Government Entity' omitted by Notification No. 16/2021-Central Tax (Rate) dated 18.11.2021 (w.e.f. 01.01.2022).*

5.4.4 On a plain reading, the availability of exemption under Entry 3A is cumulative on the satisfaction of four conditions, all of which must be met concurrently —

(a) the supply must be a composite supply of goods and services within the meaning of Section 2(30) of the CGST Act, 2017;

(b) the value of supply of goods in the composite supply must not exceed 25% of the value of the said composite supply;

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(c) the supply must be made to the Central Government, State Government, Union Territory or Local Authority (or, for supplies made prior to 01.01.2022, also to a Governmental Authority or a Government Entity); and

(d) the supply must be by way of any activity in relation to a function entrusted to a Panchayat under Article 243G, or to a Municipality under Article 243W, of the Constitution of India.

5.4.5 The applicant will be entitled to the benefit of the said exemption only if all four of the said conditions are satisfied. The failure of any one condition is fatal to the claim. We therefore proceed to examine each of the said conditions question-wise on the facts disclosed on the record.

5.5 Principles Governing the Construction of Exemption Notifications

5.5.1 Before entering upon the merits, we set out the settled law governing the construction of an exemption notification. The Constitution Bench of the Hon'ble Supreme Court in Commissioner of Customs (Import), Mumbai v. Dilip Kumar and Company and Ors. (2018) 9 SCC 1 has authoritatively laid down that every exemption notification is to be construed strictly. At the stage of determining whether a person is eligible for an exemption, the burden is on the assessee to show that its case falls squarely within the four corners of the exemption, and any ambiguity at that stage must be resolved in favour of the revenue. Only after eligibility is established — i.e., at the subsequent stage of quantifying or applying the benefit — does ambiguity, if any, enure to the benefit of the assessee. Earlier authorities to the same effect, being Union of India v. Wood Papers Ltd. (1990) 4 SCC 256 and Novopan India Ltd. v. Collector of Central Excise and Customs 1994 Supp (3) SCC 606, continue to be good law and stand expressly affirmed in Dilip Kumar (supra).

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5.5.2 It is further settled by the Hon'ble Supreme Court in Commissioner of Central Excise v. Hari Chand Shri Gopal (2011) 1 SCC 236 that strict compliance with the conditions of an exemption — even those appearing procedural on their face — is a sine qua non for claiming the benefit. The line of authority running through Eagle Flask Industries Ltd. v. Commissioner of Central Excise, Pune (2004) 7 SCC 377 reinforces the same principle.

5.5.3 The applicant must therefore establish, on the facts of record, that the conditions of Entry 3A are met in their entirety. Self-serving averments unsupported by the record, or conditions partly fulfilled, will not do.

5.6 Question 1 — Nature of the Supply: Pure Service, Composite Supply or Works Contract?

5.6.1 The threshold question is how the activity undertaken by the applicant is to be characterised under the GST Acts. On the scope of work, as extracted at paragraphs 1.4 to 1.6 above and reproduced with greater detail from the work order submitted by the applicant, the activity comprises — (a) setting out the alignment of sewer networks and making house connections up to private properties; (b) construction of wet-well and pump-house, rising main and sewerage treatment plant; (c) providing, erecting, commissioning with test and trial of non-clog submersible pump-sets and allied electrical and mechanical equipment for the underground drainage scheme; (d) hydraulic design of the network for the collection system through Sewer CAD / Sewer Gem computer systems; (e) full check at various stages of work to ensure

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correctness of approved plan and structural drawings towards quality control; and (f) final measurement, maintaining and executing the quality of the work, including testing and keeping of records.

5.6.2 The contract thus contemplates both (i) supply of services — including engineering design, laying, construction, installation, testing, commissioning and maintenance; and (ii) supply of goods — including pipes, pumps, submersible pump-sets, electrical and mechanical equipment, and the materials required for construction of civil works such as the wet-well, pump-house, rising main and sewerage treatment plant. Consideration for the entire scope is a single, aggregated contract price of ₹41,43,37,527/-, with sub-unit-wise estimates recorded in the tender documents.

5.6.3 Section 2(119) of the CGST Act, 2017 defines "works contract" as under:—

> *"(119) 'works contract' means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract."*

5.6.4 The underground sewerage infrastructure being laid by the applicant — comprising sewer networks, wet-wells, pump-houses, rising mains, sewerage treatment plants and associated electro-mechanical installations — is plainly an immovable property, affixed to and embedded in the earth and incapable of being removed without destruction. The execution of the contract necessarily involves transfer of property in goods (pipes, pumps, equipment, structures and materials) as part of the work to be performed. The activity of the applicant therefore squarely falls within the statutory definition of "works contract" under Section 2(119).

5.6.5 The applicant's own styling of itself in the ARA-01 as engaged in the business of "Civil Contractors / Engineers" executing "water tanks / laying water pipelines / sewerage / drainage lines" confirms the same. So does the scope of work under the tender, which is integrated and bound together by a single commercial purpose — the construction and commissioning of a functional underground sewerage system for Katol town.

5.6.6 Under Entry (6)(a) of Schedule II to the CGST Act, a "works contract" as defined in Section 2(119) is deemed to be a supply of service. Works contract service, by statutory design, necessarily involves the transfer of property in goods; there cannot be a works contract service without goods. It is, therefore, by its very nature, a composite supply of goods and services — the goods component and the service component being, in the language of Section 2(30), naturally bundled and supplied in conjunction with each other in the ordinary course of business. The legislative scheme of the GST Acts places works contracts squarely within the composite-supply framework and anchors them to the supply-of-service characterisation through Schedule II.

5.6.7 For completeness, we note the definition in Section 2(30) of the CGST Act of a "composite supply": "a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply." The illustration appended to the clause — goods packed and transported with

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insurance being a composite supply of which supply of goods is the principal supply — illustrates the bundling concept. In the present case, the goods and services supplied by the applicant under the work order — pipes, pump-sets, civil materials, hydraulic design, construction, testing, commissioning — are naturally bundled and supplied in conjunction with each other in the ordinary course of business of executing an underground sewerage scheme; and the principal supply is the supply of works contract service resulting in an immovable property.

5.6.8 We therefore find, and hold, that the supply in question is not a "pure service" within the meaning of the exclusionary clause in Entry 3 of the notification. Entry 3 is, accordingly, not available to the applicant. The applicant's own alternative prayer in paragraph 2.8.1(b) of its submissions correctly proceeds on the footing that the supply is a composite supply, and seeks exemption under Entry 3A. We proceed to test the applicant's entitlement under Entry 3A.

5.7 Question 1 (contd.) — Whether the Value of Supply of Goods Does Not Exceed 25% of the Value of the Said Composite Supply

5.7.1 The second limb of the first condition under Entry 3A is the quantitative threshold — that the value of supply of goods should not exceed 25% of the value of the composite supply. On the break-up provided by the applicant and reproduced at paragraph 1.7 above, the aggregate value of materials over the entire work order is ₹463.47 lakhs as against the aggregate value of work of ₹4,146.66 lakhs, which yields a ratio of 11.17% on aggregate. This aggregate ratio has not been contested on the record.

5.7.2 We have, however, to address an important analytical point that arises on the very break-up submitted by the applicant. Examined at the sub-unit level, the material ratio varies considerably — 11.96% for Sub-Unit No. 1 (sewerage network); 2.46% for the Sewerage Treatment Plant; 8.98% for Sub-Unit No. 3 (wet-well and pump-house); 40.04% for Sub-Unit No. 4 (non-clog submersible pump-set with allied equipment, 40% material component); 40.00% for the two further allocations under Sub-Unit No. 4B (SPS No. 2 to manhole and SPS No. 3 to STP, each at 40% material); 50.00% for the 11 KV structure / 2-pole structure; and 50.04% for Sub-Estimate No. 5 (sewage rising main, 50% material). In short, while the aggregate is well under the 25% ceiling, several sub-units taken singly materially exceed that ceiling.

5.7.3 The question that arises is whether the 25% threshold under Entry 3A is to be computed on the value of the composite supply as a whole (i.e., on the aggregate work-order value), or sub-unit-wise (i.e., on each separately priced element of work). The notification itself answers the question by its own language: the words used are "the value of the said composite supply". What is before us is one composite supply — a single works contract for the execution of an underground sewerage scheme for Katol Town — naturally bundled in the ordinary course of the applicant's business of civil contracting, governed by a single tender, a single work order, a single contract price and a single Katol Nagar Parishad as the recipient. The sub-unit break-up in the tender is a costing device for the applicant's internal commercial purposes and for progress billing; it does not convert the one composite supply into several distinct supplies. The test must therefore be applied to the composite supply as a whole, and the aggregate ratio of 11.17% as reflected on the record does not, on the present state of facts, cross the 25% ceiling.

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5.7.4 Having so held, we must immediately enter a significant qualification, consonant with the principle of strict construction of exemption notifications articulated in Dilip Kumar (supra) and Hari Chand Shri Gopal (supra). The contract before us is an ongoing contract. The work originally stipulated to be completed within eighteen months from 31.12.2015 has, for reasons of delay in acquisition of land, been extended on four occasions, the last of which is up to 31.05.2022. The execution spans multiple financial years and, the break-up as placed on record being an estimate derived from the tender, the ratio of goods to total value of the composite supply is susceptible to change on account of price escalation, scope variation, or such other eventuality as may occur in the course of execution. In the circumstances, while on the material presently on record the aggregate 11.17% ratio is not in excess of 25%, the question of entitlement must finally be tested on the actual ratio of goods to total value of the composite supply at the time of conclusion of the contract. In the event that the ratio, so computed at the time of conclusion, were to exceed 25%, the exemption under Entry 3A would cease to be available, and the benefit granted in the interim would have to be reversed with such consequences as the law provides.

5.7.5 We therefore hold, in answer to Question 1, that the supply made by the applicant is a composite supply of goods and services (and not a pure service), and that, on the material presently on record, the value of supply of goods does not exceed 25% of the value of the said composite supply on an aggregate basis. The final entitlement under Entry 3A on the quantum condition is, however, liable to be tested on the actual ratio at the time of conclusion of the contract.

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5.8 Question 2 — Whether the Recipient is Government, Local Authority, Governmental Authority or Government Entity

5.8.1 The recipient of the service is Katol Nagar Parishad, District Nagpur. Under the provisions of the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965, a Nagar Parishad (Nagar Parishad / Municipal Council) is constituted for the administration of a smaller urban area, as contemplated by Article 243Q of the Constitution of India. A Nagar Parishad is a "Municipality" within the meaning of clause (e) of Article 243P of the Constitution. As such, it falls squarely within sub-clause (b) of Section 2(69) of the CGST Act, 2017, which reads as follows:

> *"(69) 'local authority' means — ... (b) a 'Municipality' as defined in clause (e) of article 243P of the Constitution; ..."*

5.8.2 Katol Nagar Parishad is further a Municipal Committee / Council legally entrusted by the State Government with the control or management of a municipal or local fund, and therefore also satisfies sub-clause (c) of Section 2(69). Either way, Katol Nagar Parishad is a "local authority" within the meaning of Section 2(69) of the CGST Act, 2017. The classic attributes of a local authority — separate legal existence, function in a defined area, measure of autonomy, entrustment with governmental functions, and power to raise and apply its own funds — are, by the very scheme of the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965 read with Part IXA of the Constitution, all present in a Nagar Parishad.

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5.8.3 Since the recipient is a "local authority", Condition (2) of Entry 3A stands satisfied both for the period prior to and the period subsequent to 01.01.2022 (the date on which Notification No. 16/2021-CT(R) omitted the words "or a Governmental Authority or a Government Entity" from the entry). We therefore answer Question 2 by holding that the recipient in the present case is a Local Authority within the meaning of Section 2(69) of the CGST Act, 2017.

5.9 Question 3 — Whether the Supply is in Relation to any Function Entrusted to a Panchayat or a Municipality under the Constitution

5.9.1 Article 243W of the Constitution of India reads, so far as is material, as under:

> *"243W. Powers, authority and responsibilities of Municipalities, etc. — Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow — (a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to — (i) the preparation of plans for economic development and social justice; (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule; (b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule."*

5.9.2 The Twelfth Schedule of the Constitution of India, to which Article 243W refers, enumerates eighteen subjects in respect of which functions may be entrusted to a Municipality. Of these, Entry 6 is "Public health, sanitation conservancy and solid waste management", and Entry 5 is "Water supply for domestic, industrial and commercial purposes".

5.9.3 The scope of work of the applicant is the construction and commissioning of an underground sewerage scheme — a system for the collection, conveyance, pumping and treatment of sewage for an urban area — which is integral to public health, sanitation conservancy and the management of municipal waste. Laying of sewerage and drainage lines, construction of wet-wells, pump-houses, rising mains, and sewerage treatment plants are all integral to a functional sewerage system, which in turn is an essential feature of public health and sanitation in an urban area. Sewerage is, in administrative practice and in constitutional scheme, treated as part of "sanitation". The supply made by the applicant is accordingly an activity in relation to a function enumerated at Entry 6 of the Twelfth Schedule — "public health, sanitation conservancy and solid waste management" — that may be entrusted to a Municipality under Article 243W of the Constitution. It is also relatable, at least in part, to Entry 5 — "water supply" — having regard to the interlinkage of water supply and sewerage in municipal infrastructure. The activity is, in any event, squarely relatable to Article 243W.

5.9.4 The words "in relation to" appearing in Entry 3A, which qualify the expression "any function entrusted to ... a Municipality under Article 243W", are words of amplitude and have consistently been construed as expanding the ambit of the main phrase to include both direct and indirect nexus. They are accordingly wide enough to encompass the present activity, which is not merely incidental but lies at the very core of a municipal sanitation function. We therefore answer Question 3 by holding that the supply in question is being made in relation to a function entrusted

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to a Municipality under Article 243W of the Constitution, as enumerated in Entry 6 of the Twelfth Schedule.

5.10 Question 4 — Eligibility for Exemption under Entry 3A of Notification No. 12/2017-CT(R), as Amended

5.10.1 Having so far held that — (i) the supply is a composite supply of goods and services being a works contract, and therefore not a "pure service" eligible for Entry 3 (paragraph 5.6.8 above); (ii) on the material presently on record, the aggregate value of goods in the composite supply is 11.17%, which does not exceed the 25% ceiling prescribed under Entry 3A, subject to the caveat that the final ratio at the time of conclusion of the contract may differ (paragraphs 5.7.3 to 5.7.5 above); (iii) the recipient Katol Nagar Parishad is a Local Authority within Section 2(69)(b) and (c) of the CGST Act, 2017 (paragraph 5.8 above); and (iv) the supply is by way of an activity in relation to a function (public health and sanitation) entrusted to a Municipality under Article 243W, as enumerated at Entry 6 of the Twelfth Schedule (paragraph 5.9 above) — the four cumulative conditions of Entry 3A stand, on the material before us, satisfied in the case of the applicant.

5.10.2 We are conscious of the shift in the departmental position between the initial para-wise comments (paragraph 3.A above) and the supplementary comments dated 15.10.2025 (paragraph 3.B above). The initial comments, with respect, correctly identified the activity as a works contract within Section 2(119) and correctly pointed to the strict construction rule applicable to exemption notifications — both propositions which this Authority has independently endorsed above. However, the further conclusion in the initial comments — that the sub-unit exceedance of the 25% threshold is, by itself, dispositive — does not, in our considered view, follow from the language of Entry 3A. As we have held at paragraph 5.7.3 above, the threshold operates at the level of the composite supply, not at the level of a sub-unit into which the composite supply is costed for tender purposes. The supplementary comments dated 15.10.2025 of the jurisdictional officer arrive at the same conclusion, though by a more compressed route. The end-point of both strands, properly analysed, is consistent with our finding.

5.10.3 We must also, consistent with the strict construction rule in Dilip Kumar (supra), enter the same caveat as at paragraph 5.7.4 above. The exemption under Entry 3A operates on the quantitative test of 25%, and the contract being an ongoing one, the final ratio may be known only at the time of conclusion of the contract. The entitlement we now declare is on the facts as they presently stand, and is subject to that quantitative test being ultimately satisfied on the actual ratio at the time of conclusion. No rule of law could confer an unconditional exemption on a composite supply the goods-component of which might, on the actual execution, breach the statutory ceiling. In the event of such breach at the time of conclusion, the exemption would cease to be available and the Department would be at liberty to take such consequential action as may be warranted in accordance with law.

5.10.4 We also note, for the sake of completeness, the position that obtains for supplies made on or after 01.01.2022. Notification No. 16/2021-CT(R) dated 18.11.2021 has, with effect from 01.01.2022, omitted the words "or a Governmental Authority or a Government Entity" from Entry 3A (as also from Entry 3). The consequence is that, on and from 01.01.2022, the exemption is available only where the recipient is the Central Government, State Government, Union

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Territory or Local Authority. Since Katol Nagar Parishad is a Local Authority within Section 2(69), the said amendment does not, on the facts of the present case, disentitle the applicant. The qualification is recorded for clarity, and becomes relevant only where a fact-specific re-characterisation of the recipient becomes necessary at any future date.

5.10.5 In view of the foregoing, the applicant is, on the facts presently disclosed, entitled to the benefit of Entry 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as amended — with effect from 25.01.2018, on which date the said Entry was inserted — in respect of its composite supply of goods and services to Katol Nagar Parishad under the work order dated 31.12.2015, subject to the final quantitative test under Entry 3A being satisfied on the actual ratio of the value of goods to the value of the composite supply at the time of conclusion of the said contract.

5.11 Section 103 — Binding Effect of the Ruling

5.11.1 We would like to place on record that an advance ruling pronounced by the Authority or the Appellate Authority shall be binding only on the applicant who had sought it, and the concerned officer or the jurisdictional officer in respect of the applicant. This is the limited and personal operation of the ruling as prescribed by Section 103 of the CGST Act, 2017 read with the corresponding provision of the MGST Act, 2017. The ruling, further, is confined to the question on which the ruling is sought and the facts disclosed on the record; its operation does not extend to any other contract or any other set of facts.

5.12 In view of the above discussion, we are of the considered view that — (i) the supply made by the applicant to Katol Nagar Parishad under the work order dated 31.12.2015 is a composite supply of goods and services in the nature of a works contract, and not a pure service; (ii) as per the material presently on record, the value of supply of goods in the said composite supply does not, on aggregate, exceed 25% of the value of the composite supply; (iii) the recipient is a Local Authority under Section 2(69) of the CGST Act, 2017; (iv) the supply is by way of an activity in relation to a function entrusted to a Municipality under Article 243W of the Constitution; and (v) the applicant is, on the facts presently on record, eligible for the benefit of exemption under Entry at Sr. No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as inserted by Notification No. 2/2018-CT(R) dated 25.01.2018 and as further amended, subject to the final quantitative test under Entry 3A being satisfied on the actual ratio at the time of conclusion of the said contract.

6. In view of the extensive deliberations as held hereinabove, we pass an order as follows:

ORDER

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

NO. GST-ARA- 67/2021-22/B- 53 **Mumbai, dt.** 30/03/2026

For reasons as discussed in the body of the order, the questions are answered thus —

Question 1: Whether the supply being made is pure service or composite supply, where supply of goods does not exceed more than 25% of the value of tbe supply?

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Answer: The supply being made by the applicant to Katol Nagar Parishad under the work order dated 31.12.2015 is not a "pure service". It is a composite supply of goods and services in the nature of a works contract, within the meaning of Sections 2(30) and 2(119) of the CGST Act, 2017. On the condition that the value of supply of goods in the said composite supply does not, on an aggregate basis, exceed 25% of the value of the said composite supply.

Question 2: Whether the recipient is Government, Local Authority, Governmental Authority or Government Entity?

Answer: The recipient, Katol Nagar Parishad, is a "Local Authority" within the meaning of Section 2(69) of the CGST Act, 2017.

Question 3: Whether supply is being made in relation to any function entrusted to a Pancbayat or a Municipality under the Constitution?

Answer: The supply is being made in relation to a function entrusted to a Municipality under Article 243W of the Constitution of India, as enumerated at Entry 6 of the Twelfth Schedule (Public health, sanitation conservancy and solid waste management).

Question 4: Whether the applicant is eligible for exemption of services being provided by way of pure service or composite supply based on Entry 3A w.e.f. 25.01.2018 vide Notification No. 2/2018-CT(R) which needs to be clarified by way of Advance Ruling?

Answer: The contract under which the applicant is executing the Underground Sewerage Scheme for Katol Nagar Parishad is an ongoing composite supply of goods and services in the nature of a works contract. On the facts and material presently on record, the applicant is eligible for the benefit of exemption under Entry at Sr. No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as inserted by Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018 and as further amended, in respect of the said composite supply. The said entitlement is subject to the condition that the value of goods supplied in the said composite supply does not, at the time of conclusion of the contract, exceed 25% of the value of the said composite supply. In the event that the said condition is not satisfied at the time of conclusion of the contract, the exemption shall cease to be available and the Department shall be at liberty to take such consequential action as may be warranted in law.

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DIPAK GOJAMGUNDE
(MEMBER)

Himani Dhamija

HIMANI DHAMIJA
(MEMBER)

PLACE – Mumbai
DATE – 30/03/2026

Copy to: —

1. The applicant
2. The concerned Central / State officer
3. The Commissioner of State Tax, Maharashtra State, Mumbai
4. The Pr. Chief Commissioner of Central Tax, Churchgate, Mumbai
5. The Joint Commissioner of State Tax, Mahavikas for Website.

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Note: — An Appeal against this advance ruling order shall be made before The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15th Floor, Air India Building, Nariman Point, Mumbai – 400021. Online facility is available on **gst.gov.in** for online appeal application against order passed by Advance Ruling Authority.

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