AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,
CHENNAI 600 006.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND UNDER SECTION 98(4) OF THE TNGST ACT, 2017

Members present:

Shri R.V. Pradhamesh Bhanu, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.	**Shri B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.**

Advance Ruling No. 52/ARA/2026, dated 10.08.2026

1. Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.

2. In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-

(a) On the applicant who had sought it in respect of any matter referred to in sub-section (2) Section 97 for advance ruling.

(b) On the concerned officer or the Jurisdictional Officer in respect of the applicant.

3. In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.

4. Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.

5. The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the 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 Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.

GSTIN Number, if any/User id	33AAEAM1458M2ZF
Legal Name of Applicant	M/s Muthur Town Panchayat
Trade Name of Applicant	M/s Muthur Town Panchayat
Registered Address/ Address provided while obtaining User id	69, Muthur Town panchayat, Kangayam Road, Muthur, Erode, Tamil Nadu-638105
Details of Application	Advance Ruling Application No.10/2026/ARA dated 18.02.2026
Jurisdictional Officer	Centre- CBIC; Zone – Chennai; Commissionerate – Salem; Division – Erode I, Range – Dharapuram II range State -Tamil Nadu, Division – Tiruppur, Zone – Tiruppur-III, Circle – Kangeyam
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for **A.** Category **B.** Description (in brief)	A. Service Provision B. M/s Muthur Town Panchayat is a local authority as defined in Sec.2(69) of the CGST Act, 2017 engaged in activities like renting of immovable property, mandap keeper service. They are also rendering the functions entrusted to a Panchayat under the Eleventh Schedule under Art.243G of the Constitution. The applicant is leasing the right to collect fees to the tender contractors for usage of open space for selling fruits/ vegetables / domestic animals /birds etc by the merchants/farmers/public on week market days basis.
Issues on which advance ruling required	1. Applicability of a notification issued under the provisions of this Act 2. Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

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Question(s) on which advance ruling is required	1. Whether the activity of leasing of weekly market to the tender contractors for the purpose of collection of fees on the week market days basis from the merchants/farmers/public for usage of the open space for selling of fruits/vegetables/domestic animals/birds etc., is an activity covered under the functions entrusted to Panchayat under the [Eleventh Schedule] under Article 243G as a local authority in which they are engaged as public authority. 2. If so the above activity shall not be treated as a supply of service and in that case the same is covered as an activity which is not a service as per central tax Notification No 14/2017 Rate, dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75, dated 29.06.2017-GST as amended and as a result Central tax and state tax are not chargeable for the said activity.

M/s Muthur Town Panchayat, Tiruppur (hereinafter referred to as Applicant), having place of business at Building no. 69, Muthur Town Panchayat, Kangeyam Road, Muthur, Tiruppur, Tamil Nadu-638105 has registered with GSTIN 33AAEAM1458M2ZF under the Goods and Services Tax Act for rendering Leasing Business and Works Contract. They have filed this application for advance ruling under Section 97 of the CGST Act, 2017, and corresponding provisions under the Section 97 of TNGST Act, 2017. The Applicant has made a payment of application fees of Rs.10,000/- under sub rule (1) of Rule 104 of CGST Rules, 2017 and TNGST Rules, 2017.

2. Statement of relevant facts having a bearing on the questions raised.

2.1 The applicant submits that one of their activities is that they have given the right to collect entry fee of weekly market to the tender contractor. Based on the tender they will collect the tender amount from the contractor for the right to collect fee for entry and sell vegetables/fruits/domestic animals/birds etc., for vendors/farmers/public in

the open space/temporary tents on the days fixed for weekly market days. The tender contracts are for three years as per the tender notice for the purpose of collection of entrance fee. The details are

- Activity provider is the Town Panchayat.
- Activity availed is the tender contractor who succeeded in the tender process
- Activity is right to use the collection of entrance fee in the weekly market as per the prescribed conditions of tender.
- Consideration is the amount determined and confirmed in the tender process (one of the main conditions is the entrance fee collection from the public/onion merchants/farmers should be as per the amount prescribed by the town Panchayat and receipt to the users will be issued in the name of the Corporation by the tender contractors.

2.2 The applicant has filed the present application for advance ruling seeking clarification on the following questions:

1. Whether the activity of leasing of weekly market to the tender contractors for the purpose of collection of fee on the week market days basis from the merchants/farmers/public for usage of the open space for selling of fruits/vegetables/domestic animals/birds etc., is an activity covered under the function entrusted to Panchayat under the [Eleventh Schedule] under Article 243G as a local authority in which they are engaged as Public Authority.
2. If so the above activity shall not be treated as a supply of service and in that case the same is covered as an activity which is not a service as per Central tax Notification No 14/2017 Rate dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75 dated 29.06.2017-GST as amended and as a result Central tax and State tax are not chargeable for the said activity.

3. Applicant's interpretation of law:

3.1 The applicant quoted the definitions of Principal [Sec.2(88)], Agent [Sec.2(5)], Supplier [Sec.2(105)], taxable supply [Sec.2(108)] and consideration [Sec.2(31)] of the CGST Act, 2017 which are relevant to the advance ruling sought by them.

3.2 The applicant claims coverage under Sec.7(2)(b) of the CGST Act, 2017 which reads as follows:

(2) Notwithstanding anything contained in sub-section (1)

(a) activities or transactions specified in Schedule III: or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.

3.3 Vide Notification No.14/2017-CT (Rate) dated 28.06.2017 as amended issued under the aforesaid Section, ***"Services by way of any activity in relation to a function entrusted to a Panchayat under Article 243G of the Constitution [or to a Municipality under article 243W of the Constitution]2", is not a service.***

3.4 The applicant claims that they are doing an activity (c) Planning for economic and social development covered under Art.243W as well as item no 22. Markets and fairs of Art 243G; that there is no bar to do the functions of the Panchayat by the Municipality or functions of the Municipality by the Panchayat; hence it is not a service but an activity as per Notification No. 14/2017; that the above activity is purely on public interest and are undertaken as mandatory and statutory functions; that it could not be treated as a service as per the above Notification; therefore, such activities assigned to and performed by a sovereign/public authority under the provisions of any law, could not be treated as taxable service; that any amount/fee collected for such activity could not be treated as consideration for the purpose of levy of GST.

3.5 That even if an argument is placed that it is a service, it is exempted as per Sl. No.4 of the Notification No 12/2017 dated 29.06.2017 as amended which states that services by [***]4 governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243W of the Constitution is NIL.

3.6 The applicant quoted some of the Sections of the Tamil Nadu District Municipalities Act, 1920 on Provision of public cart-stands, Powers, authority and responsibilities of the Municipalities, Public Servant etc.

3.7 The applicant further referred to the ruling vide Order No 15/ARA/2021 dated 28.04.2021 by the Authority for Advance Ruling (ARA), Tamil Nadu and Order in Appeal No AAAR 21/2021(AR) dated 01.12.2021 by Tamil Nadu State Appellate

Authority for Advance Ruling (AR), Tamil Nadu in the case of Tiruppur Municipal Corporation; Order No. 14/ARA/2021 dated 28.04.2021 by the ARA, Tamil Nadu, Tamil Nadu State Appellate Authority for advance ruling vide Order-in Appeal No AAAR/20/2021(AR) dated 01.12.2021 in the case of Erode City Municipal Corporation on various issues including weekly market wherein it was declared that the question of weekly market rendered by the Municipal Corporation is not a service and got covered under Notification No 14/2017-CT(Rate) dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75 dated 29.06.2017-GST as amended; that in the case of Kannivadi Town Panchayat, identical questions as involved in the instant application were raised and ruling issued by the ARA, Tamil Nadu in favour of the applicant vide advance ruling number ARA 14/ARA/2025 dated 30.04.2025.

4. The applicant is under the administrative control of Centre. The concerned authorities of the Centre and State were addressed to report if there are any pending proceedings against the applicant on the issues raised by the applicant in the ARA application and for comments on the issues raised. Remarks have been received from the Centre/State Authorities that there are no pending proceedings on the questions raised in their Advance Ruling Application.

5. Personal Hearing

5.1 The applicant was given an opportunity to be heard in person on 21.07.2026. Shri. K. Sankaranarayanan, Advocate, appeared for personal hearing as the authorized representative (AR) of M/s. Muthur Town Panchayat, Tirupur. The AR reiterated the submissions made in their application for advance ruling and submitted copies of relevant notification/ legal provisions and earlier favorable Ruling by the TN AAR in the case of Kannivadi Town Panchayat. Further, he stated that the applicant's activities are specifically covered under Sec.7(2)(b) of CGST Act, 2017 (treated as neither supply of goods nor supply of services) and Notification No.14/2017-CT(Rate) is superfluous.

6. Discussions and Findings:

6.1 We have carefully examined the submissions made by the applicant in their advance ruling application and the submissions made during personal hearing. We have also considered the issue involved, the relevant facts and the applicant's

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submission / interpretation of law in respect of questions on which the advance ruling is sought.

Admissibility of queries raised in the application:

6.2 We find that the query is liable for admission as it gets covered under Section 97 (2) (b) & (g) of CGST/TNGST Act, 2017 extracted below:

> *(b) Applicability of a notification issued under the provisions of this Act*
>
> *(g) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.*

6.3 It is gathered from the facts presented by the applicant that the applicant is a Town Panchayat, entrusted with the functions and responsibilities as enlisted in Art. 243G of the Constitution. One of the activities undertaken by the applicant is collection of weekly market fees for usage of open space for selling fruits/vegetables/domestic animals /birds etc., by the merchants/farmers/public by way of leasing of right to collect such fees to tender contractors. A copy of the Order No.745/2024 dt.28.03.2025 issued to tender contractor Shri. C. Govindasamy, Muthur has been submitted by the applicant. The agreed consideration to be paid to the applicant by the tender contractor for undertaking collection of said entrance fees is Rs.41 lakhs for the period 01.04.2025 to 31.03.2026. The conditions stipulated therein interalia includes, collection of fees only as fixed by the applicant, issuance of receipts by the tender contractor to public under the seal of the applicant, to maintain cleanliness in and around the weekly market space etc.

6.4 The applicant has sought ruling as to whether their impugned activities would get coverage under Sec.7(2)(b) of the CGST Act, 2017 to be ***treated as neither supply of goods nor supply of services***. The said Section is extracted below:

> *Notwithstanding anything contained in sub-section (1)*
>
> *(a) activities or transactions specified in Schedule III: or*
>
> ***(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.***

6.5 Sl.no.4 of Notfn. No.14/2017-CT(Rate) dt.28.06.2017 issued under the aforesaid Section, reads as under:

> *G.S.R.....(E).- In exercise of the powers conferred by sub-section (2) of section 7 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government, on the recommendations of the Council hereby notifies that the following activities or transactions undertaken by the Central Government or State Government or any local authority in which they are engaged as public authority, shall be treated neither as a supply of goods nor a supply of service, namely:-*
>
> > *"Services by way of any activity in relation to a function entrusted to a Panchayat under article 243G of the Constitution."*

6.6 Against the aforesaid legal backdrop, it is trite law that such activities undertaken by local authority in which they are engaged as public authority comprising of services in relation to a function entrusted to a Panchayat under Art.243G of the Constitution, will be treated as neither supply of services nor supply of goods.

6.7 On examination of the applicant's facts, we see that the applicant is a Town Panchayat who is a local authority as defined under Sec.2(69) of the CGST Act, 2017. The impugned activity comprises of leasing the right to collect fees for usage of open space for selling fruits/vegetables/domestic animals /birds etc., by the merchants/farmers/public on week market days basis, to the tender contractors. The aforesaid activities are directly in relation to mandatory functions of Panchayat enlisted in Sl.no.22 of Art.243G of the Constitution as **22. Markets and Fairs.** The fact remains that the impugned activity is undertaken by the applicant in its capacity as a public authority, albeit through tender contractors. For the sake of operational convenience in discharging their statutory functions, it is a common administrative practice for local authorities to engage contractors, since such functions cannot, as a matter of practical necessity, always be discharged directly by their own establishment. The expression "in relation to" employed in Notification No.14/2017 is of wide amplitude and, in our considered view, encompasses not only the actual performance of the constitutional function but also activities that are integral, incidental or ancillary to its effective discharge. The mere engagement of a contractor for execution of the activity does not alter its constitutional character or convert a statutory function of the Panchayat into an independent commercial activity. The tender contractors merely execute, on behalf of

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the applicant and subject to its control and prescribed conditions, the very function entrusted to the Panchayat. Moreover, the transaction between the Panchayat and the tender contractor is clearly an activity undertaken by local authority engaged as public authority. Seen in this light, it is construed that the activity of leasing of the right to collect such fees from public undertaken by the tender contractors is an activity directly identified as being in relation to the functions of the Panchayat enlisted in Art.243G which figures under **Markets & Fairs,** the essential nexus or link contemplated in Sec.7(2)(b) ibid is established. Accordingly, the essential nexus contemplated under Section 7(2)(b) of the CGST Act, 2017 read with Notification No.14/2017-Central Tax (Rate) dated 28.06.2017 stands established. Consequently, the impugned activity undertaken by the applicant is to be treated as neither a supply of goods nor a supply of services and therefore falls outside the ambit of GST.

6.8 In view of the above, we rule as under:

Ruling

1. The activity of the applicant involving leasing of weekly market to the tender contractors for the purpose of collection of fees on week market days basis from the merchants/farmers/public for usage of open space for selling of fruits/vegetables/domestic animals/birds etc., is an activity covered under the functions entrusted to a Panchayat under the [Eleventh Schedule] under Article 243G as a local authority in which they are engaged as public authority.

2. Notification No 14/2017 Rate, dated 28.06.2017 as amended issued in terms of Sec.7(2)(b) of the CGST Act, 2017 is available to the applicant to claim since the aforesaid activity is 'nether supply of services nor supply of goods'.

10/08/2026

(B.SUSEEL KUMAR)
Member (SGST)

AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
TAMILNADU

(R.V.PRADHAMESH BHANU)
Member (CGST)

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To

M/s. Muthur Town Panchayat
69, Kangayam Road, Muthur,
Erode, Tamil Nadu-638105

Copy submitted to

1. The Principal Chief Commissioner of GST and Central Excise,
   26/1, Uthamar Mahatma Gandhi Road,
   Nungambakkam, Chennai 600 034.
2. The Commissioner of Commercial Taxes,
   Integrated building for Commercial Taxes and Registration,
   Nandanam, Chennai 600 035.
3. The Commissioner of GST and Central Excise,
   Salem Commissionerate
   No.1, Foulkes compound,
   Anaimedu, Salem-636 001.

Copy to

1. The Assistant / Deputy Commissioner of CGST,
   Erode-I Division,
   No.81, Bharathi Nagar.
   Veerappanchatram Post,
   Soolai, Erode – 638 004.
2. The Assistant Commissioner (ST),
   Kangeyam Assessment Circle,
   No. 260, 261, Tiruppur Road,
   Kangeyam, Tiruppur – 638 701.
3. Stock File – A1

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