

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
NO.207, 2ND FLOOR, PAPJM BUILDING, NO.1, GREAMS ROAD,
CHENNAI -600 006.

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

Members present:

Shri. Balakrishna S, I.R.S., Additional Commissioner/Member(CGST), Office of the Principal Chief Commissioner of GST & Central Excise, Chennai -600 034.	Shri. B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member(SGST), Authority for Advance Ruling, Tamil Nadu, Chennai-600 006.
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Advance Ruling No. 05/ARA/2025, Dated 12.02.2025

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 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) of 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 after 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		33AAKFN8380Q1ZG
Legal Name of Applicant		Nellai Motors
Registered Address / Address provided while obtaining user id		No.112, 3 rd Street, Collector Nagar, Anna Nagar, Western Extension, Chennai -600101
Details of Application		Application of ARA received from the applicant in ARA-08/2024 dated 12.04.2024
Concerned Officer		Centre: Chennai North Commissionerate
Jurisdictional Officer		State: Ambattur Assessment Circle
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for		
A	Category	Service Provision
B	Description (in brief)	
Issue/s on which advance ruling required		1. Classification of goods and /or services or both. 2. Applicability of a notification issued under the provisions of the Act.
Question(s) on which advance ruling is required		1. What is the classification of the service viz., "Maintaining the micro-compost centres and processing the wet waste provided by the Greater Chennai Corporation at designated locations in North Region Zones 1,2,3,4,5 in Chennai? 2. Whether the aforesaid service provided by the Applicant is entitled to exemption under Serial No.3 of Notification No.12/2017-Central Tax (Rate), dated 28.07.2017, as amended from time to time?

M/s Nellai Motors, having registered premises at No.112, 3rd Street, Collector Nagar, Anna Nagar, Western Extension, Chennai -600101 hereinafter referred to as the Applicant) is registered under the GST Act 2017 with GSTIN 33AAKFN8380Q1ZG. The Applicant has sought Advance Ruling on the following questions:

1. What is the classification of the service viz., "Maintaining the micro-compost centres and processing the wet waste provided by the Greater Chennai Corporation at designated locations in North Region Zones 1,2,3,4,5 in Chennai?
2. Whether the aforesaid service provided by the Applicant is entitled to exemption under Serial No.3 of Notification No.12/2017-Central Tax (Rate), dated 28.07.2017, as amended from time to time?

2.1. 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.

2.2. The applicant had submitted that the Greater Chennai Corporation had floated a tender for "Maintaining the Micro Compost Centres and Processing the Wet Waste provided by the Greater Chennai Corporation at the designated locations for a period of 3 years in North Region Zones 1, 2, 3, 4 & 5 in Chennai City- with the reference SWM. C.No.A7/0107/2020 and the applicant has submitted its bid in response to the same.

2.3. On the tender being awarded to the applicant and pursuant to the Council Resolution No.912/2020, dated 10.11.2020, the Superintending Engineer, Solid Waste Management Department, Greater Chennai Corporation, Ripon Buildings, Chennai-3, addressed a letter dated 17.11.2020, with the reference S.W.M.C No. A7/0107/2020 wherein it was communicated that:

- (a) The Council had approved the award of work of Maintaining the Micro Compost Centres and Processing the Wet Waste provided by Greater Chennai Corporation at designated locations in North Region Zones 1, 2, 3, 4 & 5 to the Applicant at the quoted processing fees of Rs.1,270/- PMT and for a total contract value of 8,14,08,651.00 for a period of three years subject to the conditions stipulated thereunder:
- (a. 1) The applicant submits the Greater Chennai Corporation has extended the contract for a further period of 150 days from 17.11.2023.
- (b) The relevant conditions, for the purposes of the present application, are that:
 - (i) The Applicant should maintain and process the wet waste design capacity of 58.54 MT/day at 13 locations of North Region Zones 1, 2, 3, 4 & 5.
 - ii) The Applicant should deploy the working force as per the RFP condition and commence the processing work within 3 days from the date of take-over of the micro-composting centres.
 - (iii) Processing should be free from odour and also assure security for the micro composting center including all assets.
 - (iv) Eco friendly and non-polluting process in order to reduce the impact of the processing site in the adjacent areas.
 - (v) The process should be free from emission, pollution, and contamination of the environment including atmosphere, air, water

and earth including control of dust and noise pollution as per TNPCB norms.

(vi) The by-product of manure to be handed over to the GCC.

2.4. The Applicant entered into an agreement with the GCC for maintenance of micro-composting centres. The agreement adopted the obligations stipulated in the Request for proposal, work order and the proposal.

3.1. On interpretation of law, they had referred to Sl.No.3 of exemption Notification 12/2017 CT(R) dated 28.06.2017; Circular No 51/25/2018-GST, dated 31/07/2018, wherein the Central Government clarified that the service tax exemption at Serial No. 25 (a) of Notification No. 25/2012 dated 20.06.2012 has been substantially, although not in the same form, continued under the GST era. They have stated that to qualify for the exemption under Notification No 12/2017-Central Tax (Rate), three conditions have to be cumulatively satisfied:

- (a) The supply must be a pure service;
- (b) Such service must be provided to the Central Government, State Government or Union territory or local authority;
- (c) If provided to a local authority, such service must be 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.

They have stated that they satisfy all the three pre-conditions stipulated in Notification No 12/2017-Central Tax (Rate) and are entitled to the exemption conferred thereunder. They have stated as follows :-

- they are supplier of pure services in the nature of deployment of manpower to maintain the micro-compost centres of the Corporation; the solid wet wastes, the necessary infrastructure for the composting process, and the required utilities (water and electricity) are provided by the Corporation; the supplies effected does not involve any goods. Their obligations under the tender contract with the

Corporation is to merely deploy the manpower to maintain the micro-compost yards.

- they have supplied pure labour services in solid waste management to the GCC. The Corporation is the Oldest Municipal Institution in India established on the 29th September 1688. The Municipal administration properly commenced from the Parliamentary Act, 1792 making provision for the good order and administration of the city. The Municipal Act has been amended introducing from time to time major changes in the constitution and powers of the Corporation. The Madras Municipal Corporation Act, 1919 (as amended) provides the basic Statutory Authority for the administration now. The Madras Municipal Corporation Act, 1919 was rechristened by The Tamil Nadu Act of 1996 as the Chennai City Municipal Corporation Act, 1919. Hence, the Greater Chennai Corporation is a "municipality" as defined under Article 243-P(e) read with Article 243Q. Therefore, the second pre-condition for entitlement to the exemption under Serial No 3 of Notification 12/2017-Central Tax (Rate) is satisfied and the supply rendered to a "local authority".
- Article 243W of the Constitution, provides for the powers, authority and responsibilities of municipalities. It states that, subject to the other provisions of the Constitution, the Legislature of a state may, by law, endow 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; and (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. The Twelfth Schedule to the Constitution contains 18 entries which are constitutionally designated as the functions of municipalities. Most notably, Entry 6 in the Twelfth Schedule provides that "Public health, sanitation conservancy and solid waste management" and Entry 8 of the Twelfth Schedule provides that "Urban forestry, protection of the environment and promotion of ecological

aspects" shall be municipal functions. Hence, the services rendered by them to GCC are in relation to a function entrusted to a Municipal Corporation under Article 243-W of the Constitution in as much as they pertain to solid waste management in the City of Chennai.

3.2. The applicant has placed reliance on the following case laws to substantiate their contentions:

- Jay Kay Trans AAR No.30/2022, dated 29.07.2022
- *Zigma Global Environ Solutions Pvt Ltd [2020 (43) GSTL 96 (AAR-GST-TN),*
- *New Tirupur Area Development Corporation Ltd., [2021 (51) GSTL 432 (AAR-GST-TN),*
- *Zigma Global Environ Solutions Pvt Ltd [2020(39)GSTL 182 (AAR-GST-AP]*
- *Time Tech Waste Solutions Pvt Ltd [2019 (27) GSTL 45 (AAR-GST)*
- *Madivalappa Karveerapppa Belwadi [2021 (55) GSTL 597 (AAR-GST-Kar),*

4.1. The jurisdictional State Officer viz. the Joint Commissioner (ST), Intelligence-II, Chennai vide their letter dated 14.06.2024 stated that no inspection was conducted in respect of the said applicant.

4.2. The Central jurisdictional authority has not furnished any reply in this regard, and it is construed that there are no proceedings pending on the issue raised by the applicant.

5. PERSONAL HEARING

The applicant was offered personal hearing to appear on 03.01.2025 which was sent through RPAD on 13.12.2024 and the same was acknowledged by the applicant on 18.12.024. The applicant availed the personal hearing and the hearing was held on 03.01.2025. The Authorised Representative Shri N.Murali, Advocate reiterated the submissions made in their application. During the personal hearing he has stated that the applicant employs only the labourers to undertake the activity and the Micro Compost Centres, tools, inputs and outputs are of GCC. He stated that the question raised is on the classification of the activity of the applicant which is the maintenance and operation of Micro Compost falling under Heading 99942 as per their understanding and

whether it is exempted under Sl.No.3 of Notification 12/2017 CT(R) dated 28.06.2017 for which he claimed that they satisfy all the conditions therein. He has submitted write-up of the activities done by the applicant, relevant portion of the contract with Greater Chennai Corporation (GCC), Resolution passed by GCC, official order issued to the applicant by GCC, statement of invoices, documentary proof of extending the contract and photograph of activities by the applicant at the compost site. In addition he has also submitted some case laws in favour of them relevant to this issue. Further stated that the applicant is eligible for claiming exemption provided in Sl.No.3 of Notification No.12/2017-CT(Rate) dated 28.06.2017 and informed that similar advance ruling was issued by the Tamil Nadu Authority for Advance Ruling in the case of M/s.Jay Kay Trans AAR No.30/2022, dated 29.07.2022.

6. DISCUSSIONS AND FINDINGS

6.1 We have carefully examined the statement of facts, supporting documents filed by the Applicant along with application, oral submissions made at the time of personal hearing. It is seen that the applicant has entered into an agreement with Greater Chennai Corporation (GCC) for maintaining the micro-compost centers and processing the Wet Waste provided by the GCC at designated locations in North Region Zones 1, 2, 3, 4 & 5 in Chennai. The applicant is before us seeking ruling on the following questions:

(1) What is the classification of the service viz., "Maintaining the micro-compost centres and processing the wet waste" provided by the GCC at designated locations in North Region Zones 1, 2, 3, 4 & 5 in Chennai?

(2) Whether the aforesaid service provided by the Applicant is entitled to exemption under serial No.3 of Notification No.12/2017-Central Tax(Rate), dated 28.06.2017, as amended.

The questions raised relates to classification of services being supplied and the applicability of a notification to such supply, which are within the ambit of this authority as per Section 97(2)(a) and 97(2)(b) of the CGST/TNGST Act, 2017 and the application is therefore admitted.

6.2. We find that the applicant has entered into an agreement with GCC and the work order S.W.M.C No.

A7/0107/2020 dated 17.11.2020 is issued by GCC to the applicant for "Maintaining the Micro Compost Centres and Processing the Wet Waste" provided by Greater Chennai Corporation at designated locations in North Region Zones 1, 2, 3, 4 & 5 at the quoted processing fees of Rs.1,270/- PMT and for a total contract value of Rs.8,14,08,651.00 for a period of three years.

6.3. The Scope of work as per para 6 of the said agreement is

"The service Agency shall perform the services specified at Section 6 of RFP, which is made an integral part of this Agreement".

Para 6 of the RFP in S.W.M.C No.A7/0107/2020 is given below for case of reference:

"The service agency should maintain and process by employing labours, operators as per the table 2 (total work force to be engaged) the wet waste design capacity of 58.54 MT/day at 13 locations of North Region Zones 1,2,3,4 & 5.

The process to be proposed by the service agency should mandatorily full-fill the following:

- *Processing should be free from odor*
- *Eco friendly and non-polluting process in order to reduce the impact of the processing site in the adjacent areas.*
- *The process should be free from emission, pollution, and contamination of the environment including atmosphere, air, water and earth including control of dust and noise pollution as per TNPCB norms.*
- *The by-product of manure to be handed over to GCC".*

6.4 From the scope of work and the obligation of applicant, it is seen that the applicant deploys work forces to maintain the Micro Compost Centers, processes the wet waste provided by GCC and hand overs all the by-product manure to GCC without any charges. The applicant will be paid the service charges which is quoted PMT. From the copy of the Bill submitted, it is seen that the applicant has addressed the Zonal Officer, Zone-5, a bill for the month of December 2020 with Tonnage of waste processed. The service charges are arrived at based on the tonnage of waste handled and GST is not charged on the service charges billed.

7.1. With the above factual position, the first question raised by the applicant on classification of the activity is taken up for discussion. Scheme of Classification of Services is provided in the Annexure to Notification No. 11/2017-C.T(Rate) dated 28.06.2017. SAC 9994 as given in the said Annexure is extracted below:

629	Heading 9994		Sewage and waste collection, treatment and disposal and other environmental protection services
630	Group 99941		Sewerage, sewage treatment and septic tank cleaning services
631		999411	Sewerage and sewage treatment services
632		999412	Septic tank emptying and cleaning services
633	Group 99942		Waste collection services
634		999421	Collection services of hazardous waste
635		999422	Collection services of non-hazardous recyclable materials
636		999423	General waste collection services, residential
637		999424	General waste collection services, other nowhere else classified
638	Group 99943		Waste treatment and disposal services
639		999431	Waste preparation, consolidation and storage services
640		999432	Hazardous waste treatment and disposal services
641		999433	Non-hazardous waste treatment and disposal services

From the above, it is seen that SAC 9994 covers 'Sewage and waste collection, treatment and disposal and other environmental protection services'. The applicant has stated that as per their understanding, the activity is classified under Heading SAC-99942. The activity undertaken by the applicant is waste treatment/processing of wet waste provided by GCC and maintenance of the designated Micro compost centers of GCC, by employing their own personnel. In our opinion, the activity will more appropriately fall under the Group 99943- waste treatment and disposal services rather than group 99942-Waste collection Services. Under the facts and circumstances of the instant case, we find that the applicant is not involved in the door to door collection of waste/garbage, whereas they are actually entrusted with the work of treatment/processing of wet waste and thereafter disposing the same as stipulated. Therefore, we hold that the classification of the activity of Maintaining Micro Compost Centers and processing the wet waste provided by GCC, is classifiable under Heading 9994 and more specifically under group 99943- **'Waste Treatment and Disposal services'**.

7.2. The Second question raised by the applicant is on the applicability of serial No.3 of Notification No.12/2017-Central Tax(Rate), dated 28/06/2017, as amended in Notification No.2/2108, Central Tax (Rate), dated 25.01.2018 which is taken up for discussion now. The relevant entry is reproduced as under:

In the said notification, in the Table, —

- (a) against serial number 3, in the entry in column (3), after the words "a Governmental Authority" the words " or a Government Entity" shall be inserted;
- (b) after serial number 3 and the entries relating thereto, the following serial number and entries shall be inserted, namely:—

(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";

The above entry exempts

- Pure Services falling under Chapter 99
- Provided to Central Government/State Government/ Union Territory/Local authority/a Government authority/ a Government Entity
- By way of any activity in relation to any function entrusted to a
 - Panchayat under Article 243G of the Constitution
 - Municipality under Article 243W of the Constitution

The first criteria to be satisfied is that the services rendered should be 'Pure services' falling under Service Code 99, in the instant case as it can be seen from the facts listed at para 7 above that the applicant is obligated to maintain the Micro compost Centres and process the wet waste provided by GCC using his work force and the GCC will support with the input requirements and facilitate with the required infrastructure. The applicant using the requisite manpower will maintain the micro-compost centers, process the wet-waste supplied by GCC and hand over all the by-products of Manure to GCC. The billing is also based on the tonnage of waste handled by them. The focal point of the activity rendered in the instant case is that the applicant process the wet-waste for the manure which is given to GCC and the applicant is paid for such processing of waste, which amounts to providing 'pure services' falling under Service Heading 9994. Thus, the first condition stands satisfied.

7.3. The service is provided based on the agreement entered into by the applicant with the GCC dated 10th November 2020. The Greater Chennai Corporation was formed vide G.O.Ms.No.152, Dt.26.10.2015 which was

earlier established as Chennai Corporation that originally was formed as Madras Municipal Corporation on the 29th September 1688. The service recipients are various Municipal Corporations which are all local authorities. Section 2(69) of the GST Act defines Local Authority as follows:

“(69) *“local authority” means—*

- (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) *.....”*

Clause (e) of article 243P of the Constitution defines “Municipality”, and it reads as,

“Municipality” means an institution of self-government constituted under article 243Q;

Article 243Q speaks about the constitution of Municipalities and as per clause (c) of Article 243Q, Municipal Corporation is also considered as Municipality. Article 243Q reads as below:

“243Q. Constitution of Municipalities. — (1) There shall be constituted in every State, —

- (a) *a Nagar Panchayat (by whatever name called) for a transitional area, that is to say, an area in transition from a rural area to an urban area;*
- (b) *a Municipal Council for a smaller urban area; and*
- (c) ***a Municipal Corporation for a larger urban area, in accordance with the provisions of this Part:”***

As per Section 2 clause (69) sub- clause (b) of the CGST Act, 2017 ‘Municipality’ as defined in clause (e) of article 243 P of the Constitution is a local authority, hence, in the instant case, the service recipient being GCC, the services are provided to ‘Local Authority’ by the applicant and the criterion related to recipient is satisfied.

7.4. The next criterion to be verified is whether the activity is a function entrusted to a municipality under Article 243W of the Constitution. Sl.No.6 of The Twelfth Schedule to the Constitution under Article 243 W is as follows:

“6. Public health, sanitation conservancy and solid waste management.”

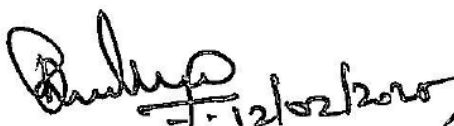
Further, Rule 15 of the Solid Waste Management Rules 2016, vests the Local Authorities with the responsibilities to prepare and implement effective Solid Waste Management of the waste generated in the limits of said authority. On a cogent reading of Sl.No.6 of the Twelfth Schedule to the Constitution and Rule 15 of the Solid Waste Management Rules 2016, it is evident that it is the duty of the local authority to effectively handle 'Solid Waste Management'. In the case at hand GCC for 'Solid waste management' has offered the service of the maintenance of Micro composting center to the applicant through the bid process and therefore the final criterion is also satisfied.

8. Based on the above, we find that the supply of service provided to the GCC by the applicant for maintenance of the Micro Compost Centres is "Pure services" rendered to GCC, a local authority and the said service are activities entrusted to a municipality under Article 243W of the Constitution. Hence, the applicant is eligible for exemption from GST vide Sl.No.3 of Notification 12/2017-CT. (Rate) dated 28.06.2017(as amended).

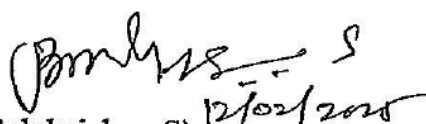
9. In view of the above, we rule as under:

RULING

1. The Maintenance of Micro Compost Centres by the applicant to Greater Chennai Corporation, is classifiable under Heading SAC 9994 and more specifically **under group 99943- 'Waste Treatment and Disposal services'** as per the Annexure to Notification No.11/ 2017-C.T.(Rate) dated 28.06.2017 for the reasons discussed in Para 8 above.
2. The supply of service provided to the Greater Chennai Corporation by the applicant for " Maintaining the Micro Compost Centers and processing of wet waste" are exempted from GST vide Sl.No.3 of Notification 12/2017 CT(Rate) dated 28.06.2017 (as amended) and the corresponding Notification issued under TNGST Act.


(B.Suseel Kumar)
Member (SGST)




(Balakrishna S)
Member (CGST)

To

M/s Nellai Motors,
No.112, 3rd Street, Collector Nagar,
Anna Nagar Western Extension,
Chennai – 600 101.

//By RPAD//

Copy submitted to:

1. The Principal Chief Commissioner of CGST & Central Excise,
No. 26/1, Uthamar Mahatma Gandhi Road, Nungambakkam,
Chennai – 600 034.
2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai 600 005.
3. The Commissioner,
Chennai North Commissionerate,
No. 26/1, Uthamar Mahatma Gandhi Road, Nungambakkam,
Chennai – 600 034.

Copy to:

1. The Assistant Commissioner (ST),
Ambattur Assessment Circle,
Integrated Building for Commercial Taxes and Registration,
Nandanam, Chennai – 600 035.
2. Master File/Spare - 1