

**THE AUTHORITY FOR ADVANCE RULING  
IN KARNATAKA  
GOODS AND SERVICES TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU – 560 009**

**F. No. KAR. AAR 15/2026**

**Order No. KAR. ADRG 15/2026**

**Date:16.03.2026**

Present:

**1. Shri. Kalyanam Rajesh Rama Rao**

Additional Commissioner of Customs & Indirect Taxes

... Member (**Central**)

**2. Shri. Sivakumar S Itagi**

Additional Commissioner of Commercial Taxes

... Member (**State**)

1	Name and address of the applicant	M/s Prestige North West Country Owners Associations (PNWCOA), #Plot No.CA1 SY No.61/5, Prestige North West Country, Doddaballapur Road-560064.
2	GSTIN or User ID	29AADAP0511H1ZU
3	Date of filing of Form GST ARA-01	05.07.2025
4	Represented by	CA Kiran Kumar S A, Authorised Representative, vide Authorisation letter dated 14.07.2025
5	Jurisdictional Authority – Centre	The Principal Commissioner of Central Tax, Bengaluru North Commissionerate
6	Jurisdictional Authority – State	ACCT, LGSTO-152, Bengaluru
7	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2907250023520 dated 05.07.2025.

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017  
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

M/s Prestige North West Country Owners Associations (M/s PNWCOA), (herein after referred to as 'the Applicant), # Plot No.CA1 SY No.61/5, Prestige North West Country, Doddaballapur Road, having GSTIN 29AADAP0511H1ZU, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.



2. The applicant is an association of members engaged in administering the maintenance of common area property, upkeep, repairs, etc., through suppliers to its members. The applicant collects maintenance fees and other charges from members for the said services. The applicant for FY-2024-25 revised its maintenance charges resulting in some members crossing threshold of INR 7500 per month for GST applicability, specifically when water charges are included.

3. The applicant's water supply is drawn both from its own on-site borewells – owned, operated and maintained by the Association and from external vendors, whose water is procured at INR 0.05 per liter and discharged into the common sump tank. The applicant declares that at no point the water is subject to any form of processing such as filtration, disinfection, softening or other treatment occurs in the supply lines.

4. Further, the applicant states that in certain members case they are below INR 7500/- threshold for maintenance charges alone, but if they opt for water supply through the association, the total collection for each of these members crosses INR 7500/- per month.

5. In view of the above, the applicant has sought advance ruling in respect of the following questions:

**a) Whether the supply of unprocessed, unbottled water by prestige Northwest Country Owners Associations to its members- sourced from its own borewells and supplemented by third- party procurement at INR 0.05 per liter and distributed without any processing – is exempt from GST Under Entry 99 of Notification No.2/2017-Central Tax (Rate), read with Section 11(1) of the CGST Act, 2017?**

**b) Whether the charges collected for the supply of unprocessed water should be included in the aggregate turnover for determining the INR 7500 per month per member threshold for GST applicability on services provided by Resident Welfare Associations (RWAs)?**

**c) If GST is applicable, what would be the applicable rate of GST on the supply of unprocessed water by M/s PNWCOA.**

6. **ADMISSIBILITY OF THE APPLICATION:** The applicant, under column 13 of the application ARA-01, selected the following issues “ Applicability of a notification issued under the provisions of the Act, “ Determination of the liability to pay tax on any goods and services” and “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”. However, it is observed that the issue on which advance ruling sought for are

“Applicability of a notification issued under the provisions of the Act” and “Determination of the liability to pay tax on any goods and services “. Hence, the instant application is admissible under Section 97(2) (b) & 97(2) (e) of the CGST Act 2017.

**7. BRIEF FACTS OF THE CASE:** - The applicant states that they increased their maintenance fees due to which causing some members total monthly charges (Maintenance +Water) to exceed the INR 7500/- GST threshold, while most remain below the threshold limit on maintenance alone. The applicant's water is sourced from own borewells as well as from a third-party vendor, both collected in a common sump tank. The mixed water supply is simply elevated and piped to each member without any filtration, disinfection, softening, or other processing. Each villa or house has an individual water meter connection; monthly consumption is recorded and billed on a separate invoice as pure cost reimbursement without any markup.

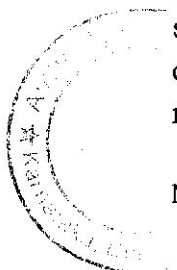
**8.** The applicant raises the concern that whether these separately invoiced water-cost reimbursements should be aggregated with maintenance for GST threshold purpose, or excluded so that member's whose maintenance alone is below INR 7500/- remain exempt.

**9. APPLICANT'S INTERPRETATION OF LAW:** - The Applicant submits the following facts relevant to the issue:

**9.1** The applicant submits reliance on SL. No. 99 of Notification No. 02/2017-Central Tax (Rate), a Nil rate of GST is prescribed on “*water (other than aerated, mineral, distilled, medicinal, ionic, battery, de-mineralized, and water sold in sealed containers)*” under Tariff Heading 2201. Further, the applicant submits that the water supplied by them does not fall within the description of “water sold in sealed containers” or any other form of treated water. Accordingly, the supply of unprocessed water made by the applicant is covered under Entry 99 of the said notification and therefore attracts a Nil rate of GST.

**9.2** The applicant submits reference of AAR No. 22/ARA/2023 dated 20.06.2023 (Tamil Nadu AAR) in the case of *State Industries Promotion Corporation of Tamil Nadu Ltd. v. Commissioner of GST & Central Excise*, wherein it was held that the supply of unprocessed water by an authority for public use is Nil-rated, and that ancillary cost recoveries connected with such supply are outside the scope of GST.

**9.3** Further, the applicant states that as per Section 15(3) of the CGST Act, 2017 and Rule 33 of the CGST Rules, 2017, any genuine reimbursement of expenditure, if separately indicated in the invoice and not forming part of the service price, must be excluded from the value of supply, as it does not constitute consideration. The applicant also states that, since there is no practical mechanism to apportion the actual costs of electricity, pump maintenance,



borewell upkeep, and other related overheads, they have adopted the prevailing third-party supply rate as a reasonable cost of self-pumped water. The rates apply only on a cost-reimbursement basis, is invoiced separately to each member according to actual consumption and carries no markup or value addition. Thus, the applicant states that such water charges are not subject to GST and must be excluded from the taxable value of any service supplied by the association.

**9.4** The applicant states that individual water meters are installed at each residence to measure the exact consumption of unprocessed water, and charges are recovered strictly at actuals, invoiced separately based on meter readings. The applicant submits that there is clear nexus between the expenditure incurred and the corresponding reimbursement collected from members. As the recoveries are based on metered usage and separately identifiable, they constitute pure reimbursement and not consideration for supply. Accordingly, such water charges fall outside the taxable value in terms of Section 15(3) of the CGST Act, 2017 and should not be included for GST computation.

**9.5** Further, the applicant states that Entry 77 of Notification No. 12/2017-Central Tax (Rate), which provides exemption threshold to Resident Welfare Associations (RWAs) to its own members by way of reimbursement of charges or share of contribution. The applicant also refers Circular No. 109/28/2019-GST dated 22.07.2019, regarding clarification on monthly subscription/ contribution charged by the Residential Welfare Association from its members.

**9.6** The applicant also submits that the charges collected towards unprocessed water constitute as pure reimbursement of actual costs without addition of processing, value addition, or profit element charges. Accordingly, the said recovery cannot be treated as part of "maintenance charges" for computing the ₹7,500 per-month per member exemption threshold. Thus, water charges qualify as reimbursements under Section 15(3) of the CGST Act and under Rule 33 of the CGST Rules, 2017, and do not attract GST.

## **10. PERSONAL HEARING PROCEEDINGS HELD ON 20.11.2025**

CA Kiran Kumar S A, Authorised Representative of the applicant appeared for personal hearing proceedings held on 20.11.2025, before this authority and reiterated the submissions already made along with the application.

## **FINDINGS & DISCUSSION**

**11.** *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.*

*12. We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.*

**13.** We have examined the application made by the applicant M/s PNWCOA, the submissions provided therein, and the arguments advanced during the personal hearing. The issues for consideration are “Applicability of a Notification issued under the provision of the Act” and “Determination of liability to pay tax on any goods or services or both”.

**14.** The applicant submits that at no point is the water is subjected to any form of processing- no filtration, disinfection, softening or other treatment occurs in the supply lines. Each villa/house is fitted with an individual water-meter reading device, consumption is recorded on monthly basis and charged at the same rate on a separate invoice, mentioning pure cost-based reimbursement without any markup therein.

**15.** Further, the applicant submits that water is drawn both from their own-site borewells and also procured from external vendors. The applicant also submits that the charges collected for unprocessed water constitute pure reimbursement, at actuals, and do not form part of maintenance charges. Accordingly, such recoveries are exempted under Section 15(3) of the CGST Act, 2017 and Rule 33 of the CGST Rules, 2017.

**16.** The applicant refers Entry 77 of Notification No. 12/2017- Central Tax (Rate) dated 28.06.2017 and Circular No.109/28/2019-GST dated 22.07.2019 to claim exemption. The applicant submits that only maintenance charges (security, landscaping, common-area upkeep, etc.) shall be considered while determining exemption from GST for threshold limit of INR 7500/- per member per month and any sperate water cost reimbursements, at actuals shall not be aggregated for this purpose.

**17.** We have considered the applicant’s submissions in detail in light of the facts presented. However, we are unable to concur with the interpretation placed by the applicant. The applicant’s position and underlying reasoning are examined and addressed in the discussion that follows.

**17.1** The applicant contends that raw, unprocessed water is Nil-rated under Sl. No. 99 of Notification No. 02/2017-CTR. However, this entry applies only to the supply of goods.

**17.2** It is a fact that the applicant (such as a housing society/apartment association) is registered under the Karnataka Societies Registration Act, 1960. This means it is a **legal entity**, not just a group of individuals. The applicant is

responsible for managing, maintaining, and securing the building and its common facilities, protecting owners' rights, ensuring a safe and harmonious living environment, organizing resident welfare activities, and undertaking upkeep and improvements of shared assets and infrastructure. Members pay money for these activities as decided by Management committee. Thus, it constitutes that the **applicant is performing certain activities.**

**17.3** From the above objectives, it is evident that the Association is constituted for the purpose of providing various services to its members relating to the maintenance of common areas, infrastructure and capital assets, thereby ensuring liveable conditions for the residents.

**17.4 (ii) Legal Position under the CGST Act, 2017: -**

**(a) Section 7 - Scope of Supply: -**

**Section 7(1) of the CGST Act, 2017 provides:**

**7(1)** For the purposes of this Act, the expression "supply" includes—

**(a)** all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made **for a consideration by a person in the course or furtherance of business;**

**(aa)** the activities or transactions, by a person, other than an individual, **to its members or constituents or vice versa**, for cash, deferred payment or other valuable consideration.

**Explanation:** For the purposes of this clause, it is clarified that, notwithstanding anything contained in any other law or judgment, the person and its members shall be deemed to be **two separate persons**, and the supply of activities or transactions inter se shall be deemed to take place from one to the other.

**(b) The term "person" is defined in Section 2 (84) of the CGST Act, 2017 and same is as under:**

**"Person" includes-**

(a) An individual;

(b) .....

.....

.....

(f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;

(g).....

.....

.....

Thus, an Association and its members are treated as **distinct persons** for GST purposes.

**(c) Relevant Exemption - Entry 77 of Notification No. 12/2017-Central Tax (Rate): -**

Entry 77 provides exemption for services by an unincorporated body or non-profit entity to its own members by way of reimbursement of charges or share of contribution:

- **Up to ₹7,500 per month per member** for sourcing goods or services from a third party **for common use** in a residential society or complex.

**(d) On joint reading of:**

- Section 7(1)(a) and 7(1)(aa) of the CGST Act,
- Explanation to Section 7,
- Definition of person under Section 2(84),
- Entry 77 of Notification No. 12/2017-CT (Rate), and

It is evident that the Association's activities towards its members constitute a **supply of services**.

**17.5** The activities undertaken by a Resident Welfare Association for its members are already classifiable under **Chapter Heading 9995**, falling under the description "**Services of Membership Organisations**", and more specifically under **Service Code 999598**, described as "**Home Owners Association**", as per the Scheme of Classification of Services (Annexure).

**17.6 In the instant case**, the applicant is **not selling water as goods** to its members. It is only **recovering from members the actual cost of water** procured from third parties i.e. tanker suppliers. This recovery is integrally linked to the overall service of maintaining the residential complex and its common facilities.

**17.7** Further, we are of the view that the supply provided by the applicant to its members is the service of a Home Owners Association, classifiable under SAC 999598, and not individual maintenance components charged separately. The exemption under Entry 77 applies only to services provided by an RWA by way of maintenance, subject to the prescribed threshold, and does not extend to treating each component independently when the supply of service is that of a homeowners' association.

**17.8** Accordingly, the supply of water constitutes an integral component of the **Home Owners' Association services** provided by the applicant and cannot be regarded as an independent or distinct supply. The provision of water is intrinsically linked with the maintenance and upkeep of the residential complex, which is the principal supply rendered by the Association to its members. Therefore, the recovery of water charges from members, even if shown separately in the invoice and collected on actual consumption basis, would form part of the composite supply of services provided by the Association. Such recovery does not assume the character of an independent supply of water as goods, but remains part of the principal supply of maintenance and related services.

.The same shall be liable to tax only where the aggregate monthly contribution per member, inclusive of water charges, exceeds the exemption threshold prescribed under Entry 77 of Notification No. 12/2017-CT (Rate).

**17.9** The applicant's reliance on Section 15(3) and Rule 33 are misplaced. As, recovering water charges at actuals and issuing separate invoices does not qualify the applicant to exclude such amount from taxable value. Since, the applicant does not satisfy the mandatory conditions prescribed under Rule 33 of the CGST Rules, 2017 for treatment as a "pure agent," the reimbursement of such charges cannot be excluded from the taxable value under Section 15(3) read with Rule 33 of the CGST Rules.

**17.10** Further, the applicant does not fulfill all the conditions as mention under Rule 33 of the CGST Rules, 2017, namely, -

- (i) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;*
- (ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and*
- (iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.*

**Explanation.** - *For the purposes of this rule, the expression "pure agent" means a person who-*

- (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;*
- (b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;*
- (c) does not use for his own interest such goods or services so procured; and*
- (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.*

Accordingly, recovery of water charges are included in value of supply, and the activity of supplying water constitutes as a supply under Section 7(1) (aa) of the CGST Act, 2017. Consequently, such recoveries form part of the taxable value and are liable to GST.

**17.11** Further, the applicant submits reliance on the judgment of the Hon'ble High Court of Madras in the case of "*Greenwood Owners Association vs. Union of India*", wherein it was held that: -

“The discussion as above leaves me no doubt that the conclusion of the AAR as well as the Circular to the effect that any contribution above ₹ 7,500/- would disentitle the RWA to exemption, is contrary to the express language of the Entry in question and both stand quashed. To clarify, it is only contributions to RWA in excess of ₹ 7,500/- that would be taxable under GST Act.”

However, we have observed that the department filed an appeal petition before Hon'ble Division bench of Madras High Court stayed the order passed in the writ petitions. Accordingly, the issue remains *sub judice* and the legal position is not yet final.

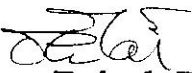
18. In view of the foregoing, we pass the following.


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

a) The supply of water by the applicant is not exempt under Entry 99 of Notification No. 2/2017-CT (Rate), as the said supply forms part of the services (Home Owners' Association) provided by the applicant to its members and does not constitute an independent supply of goods eligible for exemption under the said entry.

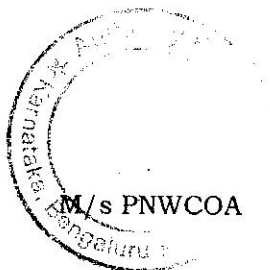
b) Water charges form part of the “Home Owners' Association service” and must be aggregated with maintenance charges for determining the ₹7,500 per member per month exemption threshold under Notification No. 12/2017-CT (Rate).

c) Accordingly, the service provided by the applicant is classifiable under SAC 999598 (Membership organisation services, including services of RWAs/Home Owners' Associations) and is taxable @ 18% (9% CGST + 9% SGST) as per Sl.No.33 of Notification No.11/2017-Central Tax (Rate), dated 28-6-2017.

  
(Kalyanam Rajesh Rama Rao)  
Member

  
(Sivakumar S Itagi)  
Member

Place: Bengaluru,  
Date: 16.03.2026



To,  
The applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Principal Commissioner of Central Tax, Bengaluru North Commissionerate
4. The Assistant Commissioner of Commercial Taxes, LGSTO-152, Bengaluru.
5. Office Folder.

