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

F.No.KAR.AAR/35/2026
Order No. KAR.ADRG/35/2026 **Dated 06.07.2026**
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 Zenith Residence Association, # No. 94/1, Zenith Residency, 100 ft Kempapura Main Road, Nagavara , Bangalore-560045
2	GSTIN or User ID	29AAAAZ4620Q1ZU
3	Date of filing of Form GST ARA-01	14.11.2025
4	Represented by	Shri. CA Bharath , Authorized Representative
5	Jurisdictional Authority – Centre	The Commissioner of Central Tax, Bengaluru North Commissionerate, Bengaluru (Range DND7)
6	Jurisdictional Authority – State	ACCT, LGSTO 056 –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,2017 & Rs.5,000/- under KGST Act,2017 through debit from Electronic Cash Ledger vide reference No. DC2911250073911 dated 14.11.2025

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

1. M/s Zenith Residence Association,, (herein after referred to as **'the Applicant or M/s ZRA,**) # No. 94/1, Zenith Residency, 100 ft, Kempapura Main Road, Nagavara, Bangalore-560045, having GSTIN 29AAAAZ4620Q1ZU, 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 Apartment Owners' Association/Resident Welfare Association (RWA) formed for the maintenance and administration of the

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Karle Zenith Residences, a residential complex comprising of multiple apartment units. The Applicant is responsible for the security, housekeeping, and overall maintenance of the complex. The applicant collects common area maintenance (CAM) Charges from apartment owners on a quarterly basis at the beginning of each quarter to meet expenses related to upkeep and maintenance of the complex.

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

1. *Whether the recovery of electricity and water charges by the applicant from its members on an actual basis (without any markup) forms part of the value of taxable supply under Section 15 of CGST Act, 2017 or is exempt from GST as:*

   (a) Reimbursement of actual expenses incurred as a pure agent under Rule 33 of the CGST Rules, 2017 or

   (b) Being supplies not liable to tax, as electricity (under entry 104 of Notification No. 02/2017- Central Tax (Rate) dated 28.06.2017) and water (Entry 99 of the same Notification)

4. Admissibility of The Application: The applicant, under Column 13 of Form ARA-01, has selected category of issue, **"Determination of the liability to pay tax on any goods and services or both"**. On examination of the nature of the question raised and the issue involved, it is found that the applicant has correctly selected the said category of issue. Accordingly, the present application is held to be admissible in terms of Section 97(2)(e) of the CGST Act, 2017.

5. Brief Facts of The Case: - The Applicant collects common maintenance charges from its members to meet the day-to-day maintenance expenses of the society and ensure the smooth functioning of common facilities and services. The amount is collected to meet the expenses of common area electricity expenses, water supplied to resident's individual flats, common area water expenses, housekeeping, security, gardening and other general maintenance related costs. The association collects the actual electricity and water charges based on consumption from each members on an actual reimbursement basis (I,e without any mark-up or profit element). The applicant charges GST at the applicable rate (currently 18%) on the value of maintenance services excluding electricity and water charges.

6. Applicant's Interpretation of Law: -

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6.1 The Applicant submits that they collects the actual electricity and water charges based on consumption from each member on an actual reimbursement basis (i.e. without any mark-up or profit element). Further, they stated that electricity and water are exempt from GST being supplies by a local authority or through a pure agent mechanism. They merely acts as a collecting conduit for actual electricity and water expenses incurred on behalf of the members.

6.2 Electricity and water are not "goods" or "Services" supplied by the applicant, they are procured from external sources (M/s BESCOM, M/s BWSSB, etc) and recovered on actuals basis from the members. The applicant merely facilitates the payment for members and hence acts as a pure agent under Rule 33, provided condition therein are satisfied.

6.3 As per Entry No. 77 of Notification No. 12/2017- Central Tax (Rate) dated 28.06.2017 as amended, services by an RWA to its members by way of reimbursement of charges or share of contribution up to Rs. 7500/- per month per member for sourcing of goods or services for common use are exempt, therefore the recovery of actual electricity and water charges should not form part of the taxable value for the purpose of GST Levy.

7. PERSONAL HEARING PROCEEDINGS HELD ON 20.05.2026

Shri Bharath CA, the duly authorised representative of the applicant, appeared for the personal hearing held on 20.05.2026 before this Authorities. He reiterated the facts and submissions already made in the application. He therefore requested that an Advance Ruling be issued on the questions raised in the application.

FINDINGS & DISCUSSION:

8. *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, 2017 would also mean reference to the corresponding similar provisions in the KGST Act, 2017.*

9. *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.*

10. We have carefully examined the application made by the applicant (M/s ZRA), the submissions provided therein, the arguments advanced during the personal hearing. The main issues for consideration are:-

i. Determination of the liability to pay tax on any goods and services or both.

11. The applicant seeks advance ruling in respect of the question mentioned at para 3 supra. We proceed to answer the question.

12. The question raised by the applicant is:

1. ***"Whether the recovery of electricity and water charges by the applicant from its members on an actual basis (without any markup) forms part of the value of taxable supply under Section 15 of CGST Act, 2017 or is exempt from GST as:***
   (a) Reimbursement of actual expenses incurred as a pure agent under Rule 33 of the CGST Rules, 2017 or
   (b) Being supplies not liable to tax, as electricity (under entry 104 of Notification No. 02/2017- Central Tax (Rate) dated 28.06.2017) and water (Entry 99 of the same Notification).

12.1 In this regard, the applicant submits that electricity and water are neither "goods" nor "services" supplied by the applicant on its own account. The applicant merely procures the same from external suppliers and recovers the charges from its members on an actual and proportionate basis without any markup. Therefore, such recovery ought not to form part of the taxable value of the principal supply made by the applicant to its members. The applicant is merely facilitating payment on behalf of the members and thus acts as a "pure agent" in terms of Rule 33 of the CGST Rules, 2017, having satisfied all the conditions prescribed therein. Without prejudice to the above, it is further submitted that the supply of water and electricity is otherwise exempt under Entry Nos. 99 and 104 respectively of Notification No. 02/2017–Central Tax (Rate) dated 28.06.2017..

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12.2 The Association comprises all apartment owners of Karle Zenith Residences and is responsible for the upkeep, maintenance, security, and management of the building and its common amenities, while safeguarding the lawful rights of the owners.

Its objectives include ensuring a safe, healthy, and peaceful living environment; managing and maintaining all assets and common facilities of societies; and carrying out repairs, improvements, and maintenance of shared infrastructure.

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.

12.3 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.

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(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.**

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12.4 The activities undertaken by a Resident Welfare Association for its members are 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).

12.5 In respect of Water Charges, the Association is **not selling water as goods** to its members. It is only **recovering from members the actual cost of water** procured from third parties such as municipalities or tanker suppliers. This recovery is integrally linked to the overall service of maintaining the residential complex and its common facilities.

Therefore, the recovery of water charges from members, even when collected separately on actual basis, forms part of the overall service **(Home Owners Association**) provided by the applicant to its member. It cannot be treated as an independent supply of water (goods). It will be taxable **only if** the total monthly contribution per member (including water charges) **exceeds the exemption limit (Rs.7500/- per member per month)** prescribed under Entry 77 of Notification No. 12/2017-CT (Rate) dated 28.06.2017, as amended.

12.6 In respect of electricity charges for common **areas**, the applicant submits that Serial No. 104 of Notification No. 02/2017–Central Tax (Rate), dated 28.06.2017 as amended, provides an unconditional exemption from CGST on "Electrical Energy." They further refer to Rule 33 of the CGST Rules, 2017, which states that expenditures or costs incurred by a supplier as a pure agent of the recipient are to be excluded from the value of the supply.

12.7 After examining the applicant's submissions and the relevant GST provisions, it is evident that an Association and its members are treated as distinct persons for GST purposes and that the applicant is undertaking certain activities which constitute a supply of services to its members. The question that now arises is whether the exemption under Serial No. 104 of Notification No. 02/2017–Central Tax (Rate), dated 28.06.2017 as amended, relating to "Electrical Energy," along with the exclusion of the value of electrical energy from the total value of supply as provided under Rule 33, is available to the applicant. In this regard, the applicant has admitted that they pay the electricity charges and subsequently recover the amount from their members for the electricity consumed in the common areas. The charges recovered are on an actual basis, corresponding to the payments made to the electricity supplier. The electricity bill for consumption in the common areas and utilities is issued in the name of the applicant. The applicant is not engaged in supplying electrical energy to its members; rather, it provides

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services related to the upkeep and maintenance of the common utilities of the apartment complex, for which the electricity consumed constitutes an input. Although the electricity charges are apportioned among the members, such recovery does not represent consideration for the supply of electrical energy. Instead, it forms part of the consideration for the supply of "Home Owners Association" services to the members. Accordingly, this amount is liable to GST at the applicable rate, subject to the ceiling prescribed under Serial No. 77 of Notification No. 12/2017–Central Tax (Rate), dated 28.06.2017, as amended.

12.8 Further, the applicant has placed reliance upon Rule 33 of the CGST Rules, 2017 and contended that, in relation to the recovery of electricity and water charges from its members, it acts merely as a "pure agent." The applicant submits that electricity consumed in the common areas as well as water supplied to individual residential units and consumed in common areas is procured from third-party suppliers. The charges for such supplies are initially paid by the applicant to the respective suppliers and thereafter recovered from the members strictly on an actual and proportionate basis, without any value addition or markup. Accordingly, the applicant contends that such recoveries satisfy the conditions prescribed under Rule 33 of the CGST Rules, 2017 and therefore ought to be excluded from the value of taxable supply.

12.9 Legal provisions in respect of Pure Agent Concept:

Rule 33 of CGST Rules, 2017 is deals with Value of supply of services in case of pure agent which reproduced below:
Rule 33 of CGST Rules:-

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, 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 authorization 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 services; 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.

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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 supplies as pure agent of the recipient of supply;

(c) Does not use for his own interest such goods or services so procured; and

(d) Receive 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.

12.10 To qualify as a **pure agent**, all conditions under **Rule 33 of CGST Rules, and 2017** must be satisfied by the applicant. The key requirements include:

1. The supplier (applicant) must **act on behalf of the recipient** (members) when making the payment.
2. The payment must be made to the third party **on authorization** from the members.
3. The supplier **should not use the goods/services procured** (in this case, electricity and water).
4. The amount recovered must be **exactly equal to the amount paid.**
5. The supplier must **not hold or intend to hold title** to the goods/services.

12.11 In the instant case:-

- The electricity and water bills are issued in the name of the applicant, not in the name of individual owners/members.
- Electricity and water are consumed as an input in providing maintenance services for common areas, such as lifts, lighting, pumps, and security systems and water for individual flats.
- The applicant is responsible for maintaining the common utilities for providing the basic facilities to its members; electricity and water are not procured "on behalf of" the members as a third-party agent but rather to fulfil its own obligations.

* Payments recovered from members represent part of the consideration for the maintenance services supplied, and not reimbursement as a pure agent.

For the reasons stated above, the applicant does not satisfy the conditions of a "pure agent" for the electricity charges and water charges recovered from members. Accordingly, the recovered electricity charges and water charges cost forms part of the value of the maintenance services supplied by the RWA and is liable to GST at the applicable rates, subject to the ceilings provided under Notification No. 12/2017–Central Tax (Rate).

13. **In view of the foregoing, we pass the following.**

R U L I N G

1. *"The recovery of water charges and electricity charges from members, even if recovered on an actual basis, is considered part of the taxable supply of services (Home Owners Association Services) provided by the applicant and cannot be treated as a separate supply of water and electricity (as goods) and **maintenance charges (including water and electricity charges)** are subject to GST at the applicable rates, in accordance with the ceiling specified under Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, as amended."*

(Kalyanam Rajesh Rama Rao)
Member
MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

(Sivakumar S Itagi)
Member
MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

Place: Bengaluru
Date: 06.07.2026

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 Commissioner of Central Tax, Bengaluru North Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-056, Bengaluru.
5. Office Folder.

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