

**GOVERNMENT OF TAMIL NADU
COMMERCIAL TAXES DEPARTMENT
OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES
EZHILAGAM, CHENNAI- 600 005**

**PRESENT: THIRU DHEERAJ KUMAR I.A.S,
PRINCIPAL SECRETARY/ COMMISSIONER OF STATE TAX**

**Circular No.12/2023
(PP6/GST/82/2023)**

Dated 14.08.2023

Sub: Clarification on taxability of shares held in a subsidiary company by the holding company.

Ref: Circular No. 196/08/2023-GST, dated 17.07.2023, issued by Government of India, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes & Customs.

In the reference cited, the Central Board of Indirect Taxes & Customs, Department of Revenue, Ministry of Finance, Government of India, New Delhi, has issued Circular No. 196/08/2023-GST, dated 17.07.2023 on the recommendations of the GST Council. Hence, following *pari-materia* circular is issued:-

Representations have been received by the GST Council, from the trade and field formations seeking clarification on certain issues whether the holding of shares in a subsidiary company by the holding company will be treated as 'supply of service' under GST and will be taxed accordingly or whether such transaction is not a supply.

2. In order to clarify the issue and to ensure uniformity in the implementation of the provisions of law across the field formations, the Commissioner, in exercise of powers conferred by section 168 of the Tamil Nadu Goods and Services Tax Act, 2017 (hereinafter referred to as "TNGST Act"), hereby clarifies the issues as under:

S. No.	Issue	Clarification
<u>Taxability of share capital held in subsidiary company by the parent company</u>		
1.	Whether the activity of holding shares by a	Securities are considered neither goods nor services in terms of definition of goods

<p>holding company of the subsidiary company will be treated as a supply of service or not and whether the same will attract GST or not.</p>	<p>under clause (52) of section 2 of TNGST Act and the definition of services under clause (102) of the said section. Further, securities include 'shares' as per definition of securities under clause (h) of section 2 of Securities Contracts (Regulation) Act, 1956.</p> <p>This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of TNGST Act. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a SAC entry '997171' in the scheme of classification of services mentioning; <i>"the services provided by holding companies, i.e. holding securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest."</i>, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of TNGST Act.</p> <p>Therefore, the activity of holding of shares of subsidiary company by the holding company per se cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.</p>
--	--

Sd/- Dheeraj Kumar
Principal Secretary/
Commissioner of State Tax

To

1. All the Joint Commissioners (Territorial) and (LTU)
2. All the Head of Assessment Circles in the State

Copy to

1. All the Additional Commissioners, including Service Tax cell in the Office of the PS/CCT, Chennai-5
2. All the Joint Commissioners (Intelligence)
3. Director, Commercial Taxes Staff Training Institute, Chennai -35.
4. Appellate Joint Commissioner (GST) Chennai.
5. All the Deputy Commissioners (Territorial and Intelligence)
6. All the Appellate Deputy Commissioner (GST) in the State.
7. The Joint Commissioner (CS), Chennai 35, to upload the same in the internet website.
8. Stock file / Spare.

/forwarded by order/

Must
16/08/23
Deputy Commissioner (P&P)

↓
16/8/2023