

**GOVERNMENT OF TAMIL NADU  
COMMERCIAL TAXES DEPARTMENT**

**OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES  
EZHILAGAM, CHENNAI-600 005**

**PRESENT: DR. T.V. SOMANATHAN, I.A.S.,  
COMMISSIONER OF STATE TAX**

**Circular No.57/2019-TNGST**  
(RC No.26/2019/A1/Taxation)

**Dated:23.04.2019**

<b>Sub:</b>	Clarification on GST on Services of Business Facilitator (BF) or a Business Correspondent (BC) to Banking Company- reg.
<b>Ref:</b>	Circular No. 86/05/2019-GST, dated 01-01-2019 issued by the Department of Revenue, Ministry of Finance, Government of India, New Delhi.

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Representations have been received seeking clarification on the following two issues:

(i) What is the value to be adopted for the purpose of computing GST on services provided by Business Facilitator/Business Correspondent to a banking company?

(ii) What is the scope of services provided by Business Facilitator / Business Correspondent to a banking company with respect to accounts in its rural area branch that are eligible for existing GST exemption?

2. The matter has been examined. The issues involved are clarified as follows:

2.1 Issue 1: Clarification on value of services by BF/BC to a banking company: As per RBI's Circular No. DBOD.No.BL.BC. 58/22.01.001/2005-2006 dated 25.01.2006 and subsequent instructions on the issue (referred to as 'guidelines' hereinafter), banks may pay reasonable commission/fee to the Business Correspondent, the rate and quantum of which may be reviewed periodically. The agreement of banks with the Business Correspondent specifically prohibits them from directly charging any fee to the customers for services rendered by them on

behalf of the bank. On the other hand, banks (and not Business Correspondents) are permitted to collect reasonable service charges from the customers for such service in a transparent manner. The arrangements of banks with the Business Correspondents specify the requirement that the transactions are accounted for and reflected in the bank's books by end of the day or the next working day, and all agreements/ contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the Business Facilitator/Correspondent.

2.3 Hence, banking company is the service provider in the business facilitator model or the business correspondent model operated by a banking company as per RBI guidelines. The banking company is liable to pay GST on the entire value of service charge or fee charged to customers whether or not received via business facilitator or the business correspondent.

3. Issue 2: Clarification on the scope of services by Business Facilitator/Business Correspondent to a banking company with respect to accounts in rural areas: It has also been requested that the scope of exemption to services provided in relation to "accounts in its rural area branch" vide Sl. No. 39 of Notification No.II (2)/CTR/532/(d-15)/2017 dated 29.06.2017 be clarified. This clarification has been requested as the exemption from tax on services provided by Business Facilitator / Business Correspondent is dependent on the meaning of the expression "accounts in its rural area branch".

3.1 It is clarified that for the purpose of availing exemption from GST under Sl. No. 39 of said notification, the conditions flowing from the language of the notification should be satisfied. These conditions are that the services provided by a Business Facilitator / Business Correspondent to a banking company in their respective individual capacities should fall under the Heading 9971 and that such services should be with respect to accounts in a branch located in the rural area of the banking company. The procedure for classification of branch

of a bank as located in rural area and the services which can be provided by Business Facilitator/Business Correspondent, is governed by the RBI guidelines. Therefore, classification adopted by the bank in terms of RBI guidelines in this regard should be accepted.

4. This pari materia circular is issued with reference to the circular issued by the Government of India on the recommendation of the GST Council in the reference cited.

Sd/-T.V.Somanathan  
Commissioner of State Tax

To

All the Joint Commissioners (ST) Territorial and Enforcement in the State.

Copy to: (1) Principal Secretary to CT& Regn. Department.  
(2) All Additional Commissioners of State Tax in the Commissionerate.  
(3) Joint Commissioner (CS) for hosting in Departmental site.  
(4) Joint Commissioner (BIU) & MOU.  
(5) Director/ CTS Training Institute, Chennai 6  
(6) All Deputy Commissioners (ST) in the State.  
(7) All Assistant Commissioners (ST) in the State.

// Forwarded by order/

  
22.4.19  
Assistant Commissioner (Taxation)