

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

**PRESENT: Dr. D.JAGANNATHAN I.A.S.,  
COMMISSIONER OF STATE TAX**

**Circular No.16/2024  
(PP6/GST- 82/2023)**

**Dated: 16.07.2024**

- Sub: Clarification on issues pertaining to taxability of personal guarantee and corporate guarantee in GST-Regarding.
- Ref: Circular No. 204/16/2023-GST, dated 27.10.2023, issued by Government of India, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes & Customs, GST Policy Wing.

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In the reference cited, the Central Board of Indirect Taxes & Customs, Department of Revenue, GST Policy Wing, Government of India, New Delhi, has issued Circular No 204/16/2023-GST, dated 27.10.2023 on the recommendations of the GST Council. Hence, following *pari-materia* circular is issued.

Representations have been received from the trade and field formations by the GST Council, seeking clarification on certain issues with respect to taxability of activity of providing personal bank guarantee by Directors to banks for securing credit facilities for the company. Similarly, clarifications are being sought with respect to taxability and valuation of the activity of providing corporate guarantee by a related person to banks/financial institutions for another related person, as well as by a holding company in order to secure credit facilities for its subsidiary company.

2. In order 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:

<b>S. No.</b>	<b>Issue</b>	<b>Clarification</b>
1.	Whether the activity of providing personal guarantee by the Director of a company to the bank/ financial institutions for sanctioning of credit facilities to the said company without any consideration will be treated as a supply of service or not and whether the same will attract GST or not.	<p>As per Explanation (a) to section 15 of TNGST Act, the director and the company are to be treated as related persons. As per clause (c) of sub-section (1) of section 7 of the TNGST Act, 2017, read with S. No. 2 of Schedule I of TNGST Act, supply of goods or services or both between related persons, when made in the course or furtherance of business, shall be treated as supply even if made without consideration. Accordingly, the activity of providing personal guarantee by the Director to the banks/ financial institutions for securing credit facilities for their companies is to be treated as a supply of service, even when made without consideration.</p> <p>Rule 28 of Tamil Nadu Goods and Services Tax Rules, 2017 (hereinafter referred to as "TNGST Rules") prescribes the method for determining the value of the supply of goods or services or both between related parties, other than where the supply is made through an agent. In terms of Rule 28 of TNGST Rules, the taxable value of such supply of service shall be the open market value of such supply.</p> <p>RBI has provided guidelines for obtaining personal guarantee of promoters, directors and other</p>