

Ad agencies, automobile dealers get GST relief

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The Union finance ministry on Wednesday issued a set of circulars giving relief to the automotive industry, advertising agencies providing services to foreign clients, data hosting services providers and exporters of goods.

“As demo vehicles are used by authorised dealers to provide trial runs and to demonstrate features of the vehicle to potential buyers, it helps the potential buyers to make a decision to purchase a particular kind of motor vehicle. Therefore, as demo vehicles promote sale of similar types of motor vehicles, they can be considered to be used by the dealer for making further supply of such motor vehicles,” said a circular issued by the Central Board of Indirect Taxes

and Customs (CBIC).

The circular said even if vehicles are capitalised in the book of account, availability of goods and services tax (GST) deductions should not get impacted. “The circular has rightly analysed the concept of ‘goods being used for making taxable supplies’ and concluded that as demo vehicles are used for test drives, display of features, they enhance the sales and hence are eligible for credit,” said Harpreet Singh, Partner, Indirect Tax, Deloitte India.

Another circular on supply of data hosting services was issued where such services are provided by firms in India to cloud computing service providers located outside India. Such services were not being treated as exports by tax authorities, thus resulting in GST liabilities.