

# Event organisers to receive ITC benefits

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The Goods and Services Tax (GST) Council has decided to classify the supply of sponsorship services provided by corporate bodies under the forward charge mechanism (FCM), under which the supplier of service pays indirect tax. Currently, GST for sponsorship services was being paid in reverse charge mechanism (RCM), under which the recipient of service pays the tax. This change would allow the event organisers to also avail input tax credit (ITC).

Experts have lauded this decision taken at the 55th meeting of the GST Council held in Jaisalmer, stating that it will clarify the tax implications surrounding sponsorship services, which have often been shrouded in confusion. The recipient of the services would often argue that the service in question is business promotion/marketing services and not sponsorship, and hence the recipient is not liable to pay GST on reverse charge basis.

According to experts, the previous ambiguity regarding the classification of such services not only created uncertainty but also posed challenges from an information technology system perspective. In case of services, the suppliers of services are generally responsible for paying the GST, but in this case, recipients of sponsorship services were being charged. So, now with this decision, the taxability of such

services has been harmonised.

Shivam Mehta, executive partner with Lakshmikumaran & Sridharan Attorneys, said since the definition of sponsorship services was vague earlier, the recipient of the services wasn't clear whether they had to pay GST on such services. "Meanwhile, the event organiser was of the view that s/he is providing sponsorship

services and thus the recipient is liable to pay GST on it. In many cases, no tax was being paid either by suppliers or by recipients, leading to tax disputes. Now, the event organiser will pay the tax irrespective of the nature of services, which will bring the transaction under GST."

Mehta also said "Earlier, event organisers were not eligible to avail ITC on sponsorship services provided by them since these services were taxable under RCM and thus, were considered as exempt supplies. "Now, the event management (firm) can avail the earlier for-

gone ITC, which will also lead to free flow of credit in the chain."

Pratik Jain, partner with PwC, said: "Bringing sponsorship services under FCM will help the recipient as there was often a doubt as to whether a service where a bundle of services were provided as part of the agreement qualifies as 'sponsorship service'. Overall, it brings simplicity in taxation," he added.

Sudipta Bhattacharjee, partner, Khaitan & Co, said while this may end future disputes, the past disputes are likely to continue.



**Experts say this will clarify the tax implications surrounding sponsorship services**