

From

Excise & Taxation Commissioner,  
Haryana, Panchkula.

To

All the Dy. Excise & Taxation Commissioner (ST),  
in the State of Haryana.

Memo No. 300 /GST-2

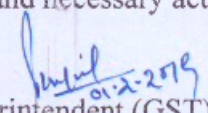
Panchkula, date the 01-02-19

**Subject: GST on Services of Business facilitator (BF) or a Business  
Correspondent (BC) to Banking Company - Reg.**

**MEMORANDUM**

Please find enclosed herewith a copy of circular on the captioned subject.

It is requested to bring this to the knowledge of all the officers working under your control for their information and necessary action.

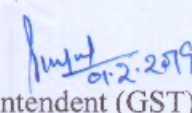
  
Superintendent (GST)

for Excise and Taxation Commissioner,  
Haryana

**Endst. No. 301 /GST-2, Panchkula, dated the 01-02-19**

A copy of the Circular is forwarded to the following for information and necessary action:-

1. All the Jt. Excise & Taxation Commissioner (Division/Range) in the State of Haryana.
2. All the Jt. Excise & Taxation Commissioner (Appeals) in the State of Haryana.
3. PS/ ACSET.
4. PA/ETC.

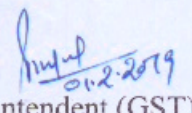
  
Superintendent (GST)

for Excise and Taxation Commissioner,  
Haryana

**Endst. No. 302/GST-2, Panchkula, dated the 01-02-19**

A copy of the Circular is forwarded to the following in the Head Office for information and necessary action:-

1. All the Addl. Excise & Taxation Commissioners.
2. All the Jt. Excise & Taxation Commissioners.
3. The Jt. Director (L) -I and II.
4. The Dy. Excise & Taxation Commissioners.
5. DA-I & II.
6. DDA-I & II.

  
Superintendent (GST)

for Excise and Taxation Commissioner,  
Haryana



**HARYANA GOVERNMENT  
EXCISE AND TAXATION DEPARTMENT**

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**Subject: Subject: GST on Services of Business Facilitator (BF) or a Business Correspondent (BC) to Banking Company- reg.**

The circular seeks to clarify the following two issues:

- (i) What is the value to be adopted for the purpose of computing GST on services provided by BF/BC to a banking company?
- (ii) What is the scope of services provided by BF/BC to a banking company with respect to accounts in its rural area branch that are eligible for existing GST exemption?

2. 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 BC, the rate and quantum of which may be reviewed periodically. The agreement of banks with the BC 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 BCs) 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 BF/BC to a banking company with respect to accounts in rural areas: It is also required to clarify the scope of exemption to services provided in relation to "accounts in its rural area branch" vide Serial No. 39 of Notification No. 47/ST-2, dated 30.06.2017. This clarification is needed as the exemption

from tax on services provided by BF/BC 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 Serial. 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 BF/BC 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 BF/BC, is governed by the RBI guidelines. Therefore, classification adopted by the bank in terms of RBI guidelines in this regard should be accepted.

4 Difficulties faced, if any, in implementation of the above circular may please be brought to the notice of the Department.

Dated:  
Panchkula

Amit Kumar Agrawal  
Excise & Taxation Commissioner-cum-  
Commissioner of State Tax, Haryana