



**KERALA AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX DEPARTMENT
TAX TOWER, THIRUVANANTHAPURAM**



BEFORE THE AUTHORITY OF Shri. Jomy Jacob IRS &

Shri. Mansur.M.I.

Legal Name of the applicant	M/s. The Kerala State Ex-service League
GSTIN	32AAATT7429G1ZI
ARN No.	AD3211220057100
Address	TC 27/441-4, Vimuktha Bada Bhavan, Kunnukuzhi, Vanchiyoor, Trivandrum, Kerala- 695037.
Advance Ruling sought for	1. Whether GST is applicable for the payments like wages/ interim payments received from Vikram Sara Bhai Space Center (VSSC) during lock down period? 2. Whether any GST exemption is available for the amount received as wages from VSSC during lock down period?
Date of Personal Hearing	20-06-2025
Authorized Representative	Sri. Sangeeth Kumar, Chartered Accountant

ADVANCE RULING No.KER/31/2025 Dated 09.10.2025

1. The Kerala State Ex-Servicemen League (hereinafter referred to as the applicant or KSESL) is a leading ex-servicemen welfare organization in Kerala, registered under the Central Goods and Services Tax Act, 2017 (CGST Act) / Kerala State Goods and Services Tax Act, 2017 (KSGST Act). The applicant provides manpower services to government departments, undertakings, etc., on a contract basis.



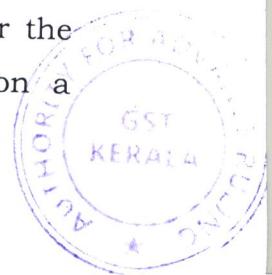
2. In this ruling, a reference to the provisions of the CGST Act, Rules and Notifications issued there under shall include a reference to the corresponding provisions of the KSGST Act, Rules and the Notifications issued thereunder.
3. The issue on which advance ruling sought are as stated above.

4. Contentions of the Applicant

4.1. The Kerala State Ex-Servicemen League is a charitable society registered under the Travancore-Cochin Societies Registration Act, 1955, and is affiliated with the Indian Ex-Servicemen League. The KSESL is dedicated to the welfare of veteran soldiers who have retired early from the Armed Forces. The primary goal of KSESL is to assist them in finding suitable employment and ensuring a better retirement life. This objective is realized by arranging contract-based jobs for veteran soldiers with Central Government/State Government/undertakings, primarily within Kerala. The KSESL also plays a vital role in executing security contracts and managing payments for retired soldiers employed on a contract basis under the direction of the Directorate.

4.2. The applicant submits that they are functioning purely in a non-commercial manner and are neither authorized to carry out business activities nor to act as a commercial concern, as per its byelaws. The applicant states that the payment made to the ex-servicemen is subject to scrutiny by the Zila Sainik Welfare Office. The employment of ex-servicemen, who are members of KSESL, is based on the contract entered into between the applicant and the employer, subject to prior sanction from the Directorate. The applicant submits that the activities undertaken by the League are on behalf of the Government Department, the Directorate of Sainik Welfare, and are purely public functions.

4.3. The applicant submits that the procedure for the selection of ex-servicemen is as follows: KSESL submits a panel of ex-servicemen upon request from different government departments/public sector undertakings and selects the eligible persons to their satisfaction. After selection, an agreement is executed between the employer and the applicant regarding the wages and code of conduct of the employees. The service recipient hands over the total wages, as per the pre-agreed contract, along with the individual statements, to KSESL on a



monthly basis. KSESL disburses the full amount to each employee based on the statement provided. The applicant clarifies that such amounts do not form part of their income at any stage. The applicant also submits that GST on the whole amount, based on the duties performed by the employees in various government departments and received from the employer, is regularly remitted, and the connected documents are produced for periodical audit verification by the GST Department. After deduction of GST, the balance amount is paid to the individuals through their bank accounts. In this connection, the applicant has also informed the employees that the organization does not collect any commission from their wages and that no additional GST is being remitted.

4.4. The applicant submits that the instant case is based on the part payment made by one of their service recipients, Vikram Sarabhai Space Center (VSSC), during the nationwide lockdown period due to the outbreak of the COVID-19 pandemic. The applicant provides certain employees of their organization to VSSC as office drivers, messengers, and medical attendants. VSSC sanctioned part payment to the employees during the lockdown period as per directions from the Central Finance Department. The entire amount received from VSSC was paid to the employees without remitting GST, since no services were provided by the employees during the said period. The part payment is considered interim financial support to the outsourced workforce, as per the directives of the Central Government. Hence, the applicant seeks clarification regarding the applicability of GST on payments like wages/interim payments received from Vikram Sarabhai Space Center (VSSC) during the lockdown period.

5. Comments of the Jurisdictional Officer

The application was forwarded to the jurisdictional officer as per provisions of section 98 (1) of the CGST Act. The Jurisdictional officer has not submitted any remarks and hence it is presumed that the jurisdictional officer has no specific comments to offer. It is also construed that no proceedings are pending on the issue against the applicant.



6. Personal hearing

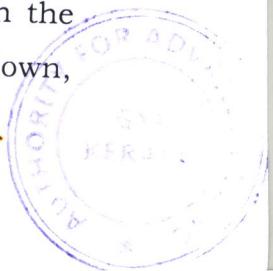
The applicant was granted opportunity for personal hearing on 21-06-2024 and a rehearing was conducted on 20-06-2025 due to the change of Central and State members. Sri. Sangeeth Kumar, Chartered Accountant represented the applicant for personal hearing, which was conducted virtually. The representative reiterated the contentions made in the application and requested to issue the ruling on the basis of the submissions made in the application.

7. Discussion and conclusion.

7.1. On carefully reviewing the advance ruling application, the statement of facts and the submissions made during the personal hearing, we have found that the questions for which the advance ruling is being sought fall within the scope of clause (e) of sub-section (2) of section 97 of the CGST Act, which pertain to the "determination of the liability to pay tax on any goods or services or both". Therefore, the application has been accepted for further consideration based on its merits.

7.2. The Kerala State Ex-Servicemen League (the applicant) is a charitable society registered under the Travancore-Cochin Societies Registration Act, 1955, with the objective of providing a better retirement life to early-retired soldiers from the Armed Forces through manpower supply contracts with government departments and institutions. The applicant is engaged as a manpower service provider, registered under the CGST Act, but does not receive any income for providing such intermediary services to the employees registered with the organization. The payment sanctioned by the concerned service recipient is disbursed to the employees as per the service roll statement produced by the employer, only after deducting the applicable GST from the gross sanctioned amount.

7.3. The issue under consideration pertains to the applicability of GST on interim payments made by one of the applicant's service recipients, Vikram Sarabhai Space Centre (VSSC), to outsourced workers under contract with the applicant during the nationwide COVID-19 pandemic. During the lockdown,



KSESL had an existing contract with VSSC for providing labourers in roles such as office drivers, messengers, and medical attendants. The payment in question was received from VSSC during the lockdown period from 23/03/2020 to 31/05/2020, and no duties were performed by the employees during that time. However, VSSC made payments to the employees based on guidelines issued by the Central Government, as per Office Memorandum (F.No. 23(4)/E.Coord/2020/I) issued by the Ministry of Finance on 23.03.2020 to ensure payment of wages to the outsourced workforce. Clear directions were issued to various Central Government departments and organizations that the period of absence during the pandemic would be treated as 'on duty' for outsourced staff, and necessary pay or wages would be paid accordingly. Based on this directive, VSSC sanctioned interim payments to the labourers under the existing contract with the applicant. However, the applicant did not raise tax invoices for the payment received, as no services were performed during that period. In the absence of tax invoices, the GST portion was not deducted from the gross amount, and no tax was remitted to the government exchequer.

7.4. The applicability of GST on payments made by employers, awarders, or contractors to labourers as subsistence allowance during the COVID-19 lockdown depends on several factors, such as the nature of the payment and the relationship between the payer and recipient. During the nationwide lockdown, many such interim payments were extended to labourers to provide financial support amid the economic disruption. These payments could be interpreted as compensation, wage advances, or simply welfare support. If the payment is classified as a pure grant or ex gratia assistance, it would fall outside the scope of GST, as it does not qualify as a supply of goods or services. However, if the payment is tied to the employment relationship, such as wage advances, it may be treated as consideration for a taxable supply and therefore subject to GST.

7.5. To better understand the matter, it is important to examine the concept of Manpower Recruitment Services, as it is directly relevant to this case. Manpower Recruitment Services refers to the service provided by agencies or organizations that supply manpower to other entities for a defined duration, specific task, or project. The manpower provided may be either full-time or part-time, and the



arrangement is typically governed by a contract between the manpower supplier and the recipient. In such cases, the individuals remain employees of the service provider, while the recipient entity simply avails their services.

7.6. The supply of manpower services provided by a registered supplier is taxable under the CGST Act and is leviable at the rate of 18%. Tax is calculated on the total amount of consideration, which includes recovery of wages and other staff costs. Even if the recipient directly pays the salaries of the employees under the contractual agreement, the amount is still considered part of the total consideration for manpower services and is subject to GST. The applicant submits that the workforce recruited as per the contractual agreement with VSSC did not perform any duty during the lockdown period in question, and the payment made was only interim support to the unprotected labour force as per the direction of the Central Government. The directive from the Central Finance Department, issued via Office Memorandum (F.No. 23(4)/E.Coord/2020/I) dated 23.03.2020, clarified that the interim payment disbursed to the outsourced workforce for the period of absence during the pandemic shall be treated as 'on duty.' Subsequently, the service recipient, i.e., VSSC, regularised the part payment but did not remit the GST portion on the gross payment to the service provider.

7.7. The services provided by KSESL to VSSC fall under the category of Manpower Recruitment Services. Accordingly, the payments received from VSSC are considered a taxable supply under the CGST Act. The fact that the entire amount was paid to the employees does not affect the taxability of the supply, as GST is applicable on the total consideration received for manpower services. Although the payments were made during the extraordinary circumstances of the COVID-19 lockdown, no specific GST exemption exists for such cases based on the nature of the service rendered. The office memorandum issued by the Central Government directed that contractual, casual, and outsourced staff be treated as 'on duty' during the lockdown and be paid accordingly, even if they were required to stay home. While this was aimed at protecting the interests of the workers, it does not impact the applicability of GST on the services provided.



7.8. On the effect of the Department of Expenditure OMs (23.03.2020 and 20.05.2020): The Ministry of Finance, Department of Expenditure, vide OM F.No.23(4)/E.Coop/2020/1 dated 23.03.2020, directed that where any contractual, casual and outsourced staff "is required to stay at home in view of lockdown order regarding COVID-19 prevention, they shall be treated as 'on duty' during such period of absence and necessary pay/wages would be paid accordingly," and made this applicable to Attached/Subordinate Offices and Autonomous/Statutory Bodies. Subsequently, by OM dated 20.05.2020, the Department expressly extended the validity of the 23.03.2020 directions up to 31.05.2020, reiterating that, as a measure to avoid undue hardship, such staff "shall be treated as 'on duty' ... and necessary pay/wages would be paid accordingly". These OM do not conceive the payments as ex gratia or damages/compensation for non-performance; rather, they deem the period as 'on duty' and mandate payment under the subsisting contract of engagement. Consequently, amounts released by VSSC to the applicant for disbursal to the outsourced personnel during 23.03.2020–31.05.2020 were not compensation for breach or frustration of contract, but contractual consideration for a continuing supply of manpower services (the 'on-duty' legal fiction preserves the quid-pro-quo despite physical inaccessibility). Under Sections 7 and 15 of the CGST Act, 2017, such consideration forms the value of taxable supply (no pure-agent carve-out is attracted), and in the absence of any specific exemption under Notification No. 12/2017-CT(R), GST is leviable at the applicable rate on the full amount.

7.9. Having come to the conclusion that GST is applicable on manpower services provided under the mutual agreement between the supplier, KSESL, and the service recipient, VSSC, no specific exemption is available for the payments made to employees for such supply of services. Consequently, the corresponding tax payment must be regularised by the service provider.

8. In the light of the facts and legal position as stated above, the following ruling is issued



RULINGS

Question No.1. : Whether GST is applicable for the payments like wages/interim payments received from Vikram Sarabhai Space Center (VSSC) during lock down period?

RULING: Yes. GST is applicable on manpower services provided on the basis of the mutual agreement between the supplier, KSESL to the recipient of service, VSSC. No specific exemption is eligible for the consideration allowed to the employees for such supply of services.

Question No. 2. : Whether any GST exemption is available for the amount received as wages from VSSC during lock down period?

RULING: No. GST exemption is not available for the amount received as wages from VSSC during lock down period as it is treated as duty.


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Jomy Jacob IRS

[Signature]

Mansur.M.I

Additional Commissioner of Central Tax Joint Commissioner of State Tax
Member



To

M/s. The Kerala State Ex service League,
TC 27/441-4, Vimuktha Bada Bhavan,
Kunnukuzhi, Vanchiyoor, Trivandrum, Kerala 695037.

Copy submitted to:

1. The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin- 682018. [E-mail ID: cccochin@nic.in; ccu-cexcok@nic.in]
2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram - 695002.
3. The Commissioner of Central Tax and Central Excise, Thiruvananthapuram Commissionerate, GST Bhavan, Statue, Thiruvananthapuram. (E-mail id: commr-tvmhtrs@gov.in)

Copy to :

1. The Additional Commissioner, TPS, HQ, Thiruvananthapuram.
2. The Deputy Commissioner, ITMD, Thiruvananthapuram.
3. The Superintendent, Central Tax, Pattom Range, GST Bhavan, Thiruvananthapuram.
4. The Assistant Commissioner/State Tax Officer, Tax payer services Circle, Pattom, Thiruvananthapuram.

