

MAHARASHTRA AUTHORITY FOR ADVANCE RULING

GST Bhavan, Room No.107, 1st floor, B-Wing, Old Building, Mazgaon, Mumbai - 400010.

(Constituted under Section 96 of the Maharashtra Goods and Services Tax Act, 2017)

BEFORE THE BENCH OF

(1) Shri. D. P. Gojamgunde, Joint Commissioner of State Tax, (Member)

(2) Ms. Priya Jadhav, Joint Commissioner of Central Tax, (Member)

ARN No.	AD270723033210K	
GSTIN Number, if any/ User-id	27AABCY5001H1ZK	
Legal Name of Applicant	M/s. YASHASWI SKILLS LIMITED	
Registered Address/Address provided while obtaining user id	CTS No. 72/1, Yashaswi House, Prabhat Road, Lane No. 15, Prabhat Road Area, Pune 411004.	
Details of application	GST-ARA, Application No. 13 Dated 08.08.2023	
Concerned officer	PUNE-VAT-C-120	
Nature of activity(s) (proposed/present) in respect of which advance ruling sought		
A	Category	Service Provision
B	Description (in brief)	The applicant is registered under the Companies Act, 2013 has developed a scheme of skill development courses on "learn & earn" basis for persons/students/ trainees in the age group of 18 to 30 based on dual education model of Germany.
Issue/s on which advance ruling required		<ul style="list-style-type: none">➤ Classification of goods and/or services or both.➤ applicability of a notification issued under the provisions of the Act.➤ determination of the liability to pay tax on any goods or services or both.➤ whether any particular thing done by the applicant with respect to any goods and/or services or both amounts to or results in a supply of goods and/or services or both, within the meaning of that term.
Question(s) on which advance ruling is required		As reproduced in para 01 of the Proceedings below.

NO.GST-ARA- 13/23-24/2024-25/B- 101 Mumbai, dt. 28/02/2025

PROCEEDINGS

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

The present application has been filed under Section 97 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017 [hereinafter referred to as "the CGST Act and MGST Act" respectively] by M/s. YASHASWI SKILLS LIMITED, the applicant, seeking an advance ruling in respect of the following questions.

1. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?

2. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of insurance premium/Mediclaim premium of the students/trainees, as a pure agent under GST Laws, attracts GST?
3. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of uniform and safety shoes of the students/trainees, as a pure agent under GST Laws, attracts GST?

At the outset, we would like to make it clear that the provisions of both the CGST Act and the MGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to any dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provision under the MGST Act. Further to the earlier, henceforth for the purposes of this Advance Ruling, the expression 'GST Act' would mean CGST Act and MGST Act.

1. FACTS AND CONTENTION - AS PER THE APPLICANT:

1.1 The applicant had withdrawn Question Nos. 2 and 3 during the Preliminary Hearing held on 03.07.2024 and have further confirmed the same vide their letter dated 08.07.2024. Hence Applicant's submissions are only be in respect of Question No. 1 namely; "Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?".

1.2 University Grant Commission (UGC) has developed guidelines for a sustainable and vibrant university- industry linkage system for Indian universities. Guidelines will help develop skill sets among learners and make them industry ready through internships, including field/industry/on-job skills/vocational training/life skills to achieve the learning objectives and attain desired outcomes effectively.

1.3 The applicant is registered under the Companies Act, 2013 has developed a scheme of skill development courses on "learn & earn" basis for persons/students/ trainees in the age group of 18 to 30 based on dual education model of Germany. The main object of the "learn & earn" program is enhancing the skill of the nation's youth and increasing their chances of employability by giving them practical experience and also an opportunity to them to earn for their education.

1.4 The applicant has entered into an agreement with the Savitribai Phule Pune University, Pune and Lamrin Tech Skill University, Punjab for conducting their on the job training courses in various industries. Further, the Maharashtra State Board for Technical Education has jointly introduced with the applicant, 'on the job training courses' as specified in Government Resolution dated 9th May 2023 issued vide F. No. 20230509170653608 by the Government of Maharashtra.

1.5 The applicant will coordinate and liaison with the various industries/training partners for providing the aforementioned 'on-the-job practical training' and theoretical training for training of youth/students. Enrolment of trainees to courses approved by either National Skill Development Council or Sector Skill Councils or State Board of Technical Education or any University in the country.



- 1.6 The applicant has entered into agreements, for providing on the job training, with companies like: M/s LM Wind Power Blades (India) Pvt Ltd, Bangalore, & Halol; Mahindra & Mahindra Ltd. Mumbai, for their plants in India and various other companies.

Functions and responsibilities of the Applicant:

The various functions and responsibilities include the following:

- a) to advertise the various courses offered by Universities, National Skill Development Council & State Board for Technical Educations, and interview the candidates/trainees.
- b) to extend support for mobilisation of the selected Trainees for On-the-Job Practical Training at the premises of the industries.
- c) to impart necessary guidance to the trainees undergoing such On the Job Practical Training.
- d) To prepare monthly payroll for trainees on receipt of attendance from industries and get it verified / certified from Client Companies.
- e) To ensure timely payments of Stipend (in actuals, received from the companies) to the Trainees.
- f) to appoint co-ordinators to facilitate and assist the Client in managing the trainees.
- g) to continually comply with all terms and conditions of the agreements entered into, with the Client Companies.
- h) to maintain all records of attendance of trainees, their progress and such other records pertaining to trainees as may be necessary. Further, the applicant shall take appropriate actions upon receipt of written intimation from the Clients about occurrence of any incidences like any unlawful behaviour; repeated breach of the Client polices, or continues irregularity in attending the training etc.
- i) to Provide various types of Mediclaim/accident/insurance coverage to the trainees as per Workmen Compensation Act, 1923 and the same to be reimbursed at cost by the Industry Partmers/Companies.
- j) To provide uniform, safety shoes and educational material to trainee students.

Functions and responsibilities of industry partners:

- 1.7 The functions and responsibilities of industry partners/companies are as under:
- A. Enter into agreement with students for practical training for stipulated period and provide On-The-Job Practical Training to Learn & Earn Student Trainees.
 - B. Allow the Learn & Earn Student Trainees to avail the existing arrangement by the Client like canteen, transportation, medical check-up etc. during the training period as per Client policy.
 - C. To approve payroll and instruct Yashaswi to remit stipend to trainees.
 - D. To reimburse the actual cost of Uniform, Safety Shoes, insurance to Yashaswi (if required to provided).

Further functions of yashasw skill ltd.

- (i) To prepare the curriculum of various courses and make suitable changes in it from time to time and to get them approved by Sector Skill Councils (State or National) and keep them in force as per guidelines and rules.
- (ii) To impart theoretical knowledge to Trainee students, either in classroom or online or both as may be deemed fit and proper by the applicant.



- (iii) Provide consent for conducting monthly assessment of the trainee apprentices through 3rd party agencies and to ensure submission of monthly assessment report to individual Student Trainee of Learn & Earn Scheme & Company.

Financial transaction methodology

For the transaction in question:

- (a) Applicant will prepare monthly payroll on receipt of attendance from client and raise invoice for stipend payable to students and submit it to the respective Industry partners.
- (b) Industry partner will pass it by deducting any amount for absentee or otherwise as per terms of agreement with trainees and shall pay to the applicant, the amount of stipend payable to trainees.
- (c) The applicant will raise bill for course fees including course materials and the industry will pay the same to the applicant. Further, the applicant will also raise separate bills on Industry partner for insurance premium coverage for students, for uniform, T shirt, apron and safety shoes provided to trainees.
- (d) Applicant will raise monthly bill on Industry for Administrative charges. In view of the above, Advance ruling is sought on following point, namely, "Whether the amount of reimbursement of actual amount of stipend payable to trainees which is received/receivable from Industry Partners is liable for tax under GST Laws?"

View of the applicant:

The applicant has entered into/will enter into a contract with Industry partners for imparting practical on job training as per the Learn and Earn Scheme of the Maharashtra Government & Universities to trainee students, undergoing internship/training at the Industry Partner. As per terms of agreement, it is the industry partner who is under obligation to pay stipend to trainees. The applicant is not at all liable to pay stipend to the trainees as per the agreement. In respect if such stipend payable to the trainees, the applicant is acting as a pure agent of the concerned Industry Partners, to receive the same from the Industry Partners and to distribute the entire amount, of such stipend received, to the trainees.

As per the applicant, the trainee students are paid remuneration in the form of stipend for their Work performed as trainees with the Industry Partners who is to be considered as the employer in respect of such trainees. The Industry partner (client) being an employer, is legally bound to pay stipend to its trainees as per the provisions of The Apprentice Act 1961. From the transaction it is clearly seen that, the applicant is only acting as conduit between Industry Partner and the trainees for payment of stipend which is disbursed to the trainee as received from the Industry Partner.

The applicant gets separate charges by way of administrative charges for providing the services of selecting trainees, preparing attendance record and stipend statement and disbursing stipend, taking out insurance policies, procuring uniform and safety shoes. The applicant also receives fees for theoretical courses i.e. educational services. The applicant is paying GST on administrative charges and all other amounts received by it from the Industry Partners except on Stipend received.

The applicant submits that in respect of the Stipend amount received from the Industry Partners and paid to the trainees, the entire transaction is covered under the provisions of Rule 33 of the CGST Rules, 2017 as amended from time to time, in view of the following:



- (i) The applicant acts as a pure agent of the recipient of the supply i.e. the Industry Partners, when it makes the payment to the third party i.e the trainees, on authorisation by the concerned Industry Partners.
- (ii) the payment made by the applicant which is on behalf of the recipient of supply i.e the Industry Partners has been/shall be separately indicated in the invoice issued by it to the Industry Partners.
- (iii) the supplies procured by the applicant from the third-party trainees as a pure agent of the Industry Partners are in addition to the services supplied by the applicant to the Industry Partners on its Own account.
- (iv) the applicant has entered into a contractual agreement with the Industry Partner (recipient of supply) to act as its pure agent to incur expenditure or costs in the course of supply of goods or services or both and neither intends to hold nor holds any title to the services so procured or supplied as a pure agent of the recipient of supply i.e. Industry Partners;
- (iv) The applicant does not use for his own interest such goods or services so procured and receives only the actual amount incurred to procure such services in addition to the amount received for supply it provides on its own account.

Thus, in the instant case under consideration the applicant acts as pure agent to collect at actual basis the stipend from its Industry Partners, receives it separately, shows it on Invoices separately and distributes the stipend amount exactly as received to the trainees who are working in the Industry Partners premises thus supplying services. The applicant does not hold any title to the service supplied by the trainees to the Industry Partners and does not use the services for his own purpose.

In view of the above submissions, and considering the legal provisions of GST Laws, the Applicant states that the amount of reimbursement of stipend received by it is not at all liable to tax as per provisions of CGST/SGST/IGST Acts and the rules made therein.

2. STATEMENT CONTAINING APPLICANT'S INTERPRETATION OF LAW

2.1 The Goods and Service Tax (GST) regime has introduced the concept of supply as a taxable event while doing away with the erstwhile taxable events of manufacture, sale, service etc.

2.2 Section 7 (1) of the CGST Act, 2017 as was in force before amendment caused to it by the CGST (Amendment) Act, 2018, states that the expression 'supply' includes: -

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) import of services for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration; and
- (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.



2.3 The Section 7 (1) of the CGST Act, 2017 was amended retrospectively w.e.f. 01.07.2017 by the CGST (Amendment) Act, 2018. As per this amendment, the expression 'supply' includes:-

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) import of services for a consideration whether or not in the course or furtherance of business; and
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration;

The amendment also introduced a new sub-section in Section 7 of the CGST Act, 2017 which read as under:-

“(1A) where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.”

2.4 The Applicant submits that as per the nature of proposed supply as indicated at Sr.No.15 of Form ARA-01, their activity would be supply of services only. The Applicant submits that it is a supply of services to the Industry Partner, as seen from the aforesaid submissions with respect to its functions, and such services are rendered as per the need and requirement of the Industry Partner and it is therefore the humble submission of the applicant that, as per the facts, the main services are being supplied to the industry partner by the applicant and the payment of stipend is made to the trainees who are actually supplying their services to the Industry Partner by way of working in the factory premises as per the terms and conditions of the Industry Partner.

Therefore, in the instant case, the provisions of Rule 33 of the CGST Rules, 2017 as amended kicks in and the applicant must be treated as a pure agent in respect of stipend provided to the trainees.

2.6 In view of the submissions made herein above, the Applicant, insofar as payment of stipend is concerned, is a pure agent of the Industry Partner and therefore GST is not liable to be paid on such stipend received from the Industry Partner and paid to the trainees by the applicant.

2.7 In view of the above, the Applicant prays that the Hon'ble Advance Ruling Authority, Maharashtra be pleased to order that no GST is leviable on the stipend amount received and paid by the applicant.

3. CONTENTION – AS PER THE JURISDICTIONAL OFFICER:

Taxpayer has made application on 25/07/2023 for Advance Ruling Authority (GST) Maharashtra State, Mumbai for following questions,

1. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?
2. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of insurance premium/ Mediclaim premium of the students/trainees, as a pure agent under GST Laws, attracts GST?



3. Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of uniform and safety shoes of the students/trainees, as a pure agent under GST Laws, attracts GST?

Whereas, Question No 2 and Question No 03 has been withdrawn as per letter dated 08 July 2024 to The Registrar, Advance ruling authority Mumbai.

The advance ruling authority, Maharashtra has held online preliminary hearing on 03/07/2024 and 10/07/2024 and application is admitted.

A Courtesy letter was then issued to the taxpayer on 11/07/2024 for verification advance ruling related books and documents.

In reply, the applicant has submitted the following documents -

- a) GR dated 09.05.2023 of Government of Maharashtra
- b) Document related to allotment of code to Industrial training partner, by Maharashtra state board for Technical Education (MSBTE)
- c) List of students enrolled for various courses with Savitribai Phule Pune University, sample of Identity card and Bona-fide Certificate.
- d) Bank voucher for payment of fees to above university
- e) List of students enrolled with Labmrin Tech Skill University, Punjab and sample of identity card and Bona-fide certificate.
- f) Invoices issued to the Industry Partners.
- g) Advance ruling order KAR ADRG/85/2019 issued by Honourable Advance Ruling Authority of Karnataka for Stipend Reimbursement.
- h) Advance ruling order GST-ARA-83/2019-20/B-47 & GST-ARA84/2019-20/B48 issued by Honourable Advance Ruling Authority of Maharashtra for Stipend Reimbursement.

After verification of above documents, I being the Jurisdictional officer (PUN-NOD-C-0510/PUN-VAT-C-120) has observed some facts which are discussed as follows-

Question- Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?

Ans- The applicant has submitted that in respect of the reimbursement of Stipend amount received from Industry partner and paid to the trainees, the entire transaction is covered under the provision of Rule 33 of the CGST/MGST Rules 2017.

Here we have to see that whether the applicant in any way acting as pure agent of industry partner.

Brief facts of the case-

M/s YASHASWI SKILLS LIMITED (Applicant) is registered Maharashtra Industrial Services as a training partner for implementation of Yashaswi's Learn and Earn Scheme. The student trainee of Yashaswi's Learn and earn scheme shall under no circumstances be deemed to be the employees of the client or of Yashaswi's Skill Ltd.

Applicant has made an agreement with industry partner M/s Mahindra and Mahindra on dated 20.02.2023. Objective of which is to provide on the job training to the students.



Applicant simultaneously approached to the universities or technical boards for enrolling the students for his learn and earn programme. One such agreement is made with Lamrin Tech Skills University Punjab on dated 11.01.2023. Another such agreement is made with Yashawantarao Chavan Maharashtra Open University on dated 30.01.2024.

Applicant arranges primary training of students while they do their work for industry partner. If we go through the invoice (No. YSL/24-25/70076 dated 4.05.2024) raised by the applicant to the industry partner M/s Mahindra and Mahindra Ltd, we can see that applicant has charged education fees Rs.1000 per unit in case of 103 students. Also, that he has issued an insurance of students working for Industry partner Rs.290 per unit. Applicant has charged administrative charges Rs.550/- per unit.

If we go through the invoice (No. YSL/24-25/70102 dated 07.05.2024) raised by the applicant to the industry partner M/s Mahindra and Mahindra Ltd, we can see that applicant has charged for other services i.e. T shirt reimbursement Rs. 390 per unit. Also, that he has issued an Mediclaim insurance of students working for Industry partner Rs.130 per unit. Applicant has charged workman compensation policy charges Rs.160/- per unit.

If we go through the invoice no. YSL2425/70102, Applicant is receiving reimbursement stipend from the industry partner at Rs.1086976/- for the month of April 2024.

Applicant has claimed in his application that the reimbursement of Stipend is in the role of Pure agent and has claimed the said reimbursement as exempted supply under rule 33.

Legal provisions-

In this regard, your kind attention is brought towards the provisions of GST Law as under -

As per Section 2 (5) of CGST/MGST Act, 2017 - "AGENT" means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another. Section 2 (88) of CGST/MGST Act, 2017 - "PRINCIPAL" means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both;

Rule 33-

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely, -

- (i) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;
- (ii) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- (iii) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Explanation. - For the purposes of this rule, the expression "pure agent" means a person who-
(a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

- (b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
- (c) does not use for his own interest such goods or services so procured; and
- (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

Interpretation by Nodal Officer-

In view of the above, I proceed to examine whether the applicant qualify to be a pure agent of the Industry Partner or not. In this regard, I invite reference of rule 33 of the MGST Rules 2017, as mentioned above.

- a) It could be seen from the above that a pure agent would be a person (supplier i.e. applicant) who enters into a contractual agreement with the recipient of supply (Industry partner) to act as recipient's pure agent to incur expenditure or costs, in the course of supply of goods or services or both. It is an admitted fact that the applicant herein is raising invoice for stipend, insurance cost, supervision charges, education fee and distributes the same to the trainees on receipt of the said amount and also not furnished any contractual agreement to incur expenditure first and to claim the said amounts later. Thus, the applicant does not qualify to be a pure agent at all, in terms of rule 33 of the CGST Rules 2017.
- b) The applicant has furnished a copy of agreement entered with the Industry partner i.e. Mahindra and Mahindra, LM Wind Power Blades(India) Pvt Ltd and GKN Sinter Metals Pvt Ltd, wherein clause clearly specifies that "the Industry partner shall deposit the amount towards stipend to the trainees and also towards the medical and accident insurance of the trainees, academic/ administrative charges as per annexure A on or before 7th every month" or release invoice payment within agreed time frame, which it is clearly evident that the applicant is not incurring the said amount initially and later claiming the said amount by raising an invoice. Further the applicant also has not furnished any documentary evidence wherein the Industry Partner has authorised the applicant to make the payment to third party and later to claim the actual amounts. Thus, even on this account also the applicant is not fulfilling the required condition.
- c) Further the applicant were requested to furnish the copy of agreement entered between the trainee and the applicant, but furnished the copies of Course Registration and ID Card, bonafide certificate the said letter stipulates that "The stipend for a particular month shall be paid on or before the 10th of the following month", which clearly indicates that the applicant receives the stipend amount from the Industry partner by 7th of the month and distributes / disburses in case of Lamrin tech skills university in ICICI bank credited in Beneficiary (I.e. Trainee) credited on after 10th of the month upto 29th of the month to the trainees. Thus, it is proven beyond doubt that the applicant is not incurring the expenditure towards the stipend/insurance etc. later claiming the reimbursement but receives the said amounts and disburses the same and hence the applicant is not fulfilling the required condition.
- d) The provisions of Rule 33 have provided the conditions of the pure agent. Rule 33(iii) of the CGST Rules 2017 stipulates that the applicant must procure certain supplies from the third party, as a pure agent of the recipient of supply, which are in addition



to the services he supplies on his own account. In the instance case, the applicant has not furnished any information with regard to procurement of supplies from the third-party i.e. Trainees. Thus, applicant is not fulfilling the required condition.

Currently, the Applicant is collecting GST on the entire transaction value which is the price payable by Industry partner in accordance with section 15 of the MGST Act which includes administration fee, Education fee, Insurance, enrolment fee, mediclaim policy and reimbursement.

Applicant enters into contractual agreement with Industry partner but nowhere mentioned that the applicant will act as a pure agent.

In view of the above the applicant does not qualify to be a pure agent and hence the GST is chargeable on the entire transaction value.

Hon. The Authorities for Advance Ruling in Karnataka vide its advance Ruling No. KARADRG 07/20222 dated 08.03.2022 in case of M/s Team lease Education Foundation has decided the same question and has held that the applicant does not qualify to be a pure agent of the industry partner to the extent of reimbursement received towards stipend paid to the trainees on behalf of industry partner as part of training agreement and therefore the said reimbursement is chargeable to GST.

In view of the above discussion I, being the Jurisdictional officer (PUN-NOD-C-0510/PUN-VAT-C-120) submits that the applicant M/s Yashaswi Skills Ltd does not qualify to be a pure agent of the industry partner to the extent of reimbursement received towards stipend paid to the trainees on behalf of industry partner as part of training agreement. Further, the applicant has not submitted any supporting notification to prove that the stipend expenses are exempt supply under GST law and therefore the said reimbursement is chargeable to GST.

HEARING

Preliminary e-hearing in the matter held on 03.07.2024. Mr. Ananthkrishnan R. Iyer, Senior Consultant Appeared, and requested for admission of the application. Jurisdictional Officer Mr. Tambe B.S., PUNE-VAT-C-120, also appeared.

The application was admitted and called for final hearing on 26.12.2024. Mr. Ananthkrishnan R. Iyer, Senior Consultant Appeared, appeared made oral and written submissions. Jurisdictional Officer Mr. Tambe B.S., PUNE-VAT-C-120 Appeared. We heard both the sides.

5. OBSERVATIONS AND FINDINGS:

- 5.1 We have gone through the facts of the case, documents on record, oral and written submissions made by the applicant as well as the written submissions made by the jurisdictional officer.
- 5.2 The applicant had withdrawn Question Nos. 2 and 3 during the Preliminary Hearing held on 03.07.2024 and have further confirmed the same vide their letter dated 08.07.2024. Hence our discussions will only be in respect of Question No. 1 namely; "Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?".
- 5.3 M/s Yashaswi Skills Ltd. a company registered under the Companies Act, 2013 has developed a scheme of skill development courses on "learn & earn" basis for

persons/students/ trainees in the age group of 18 to 30. The main object of the "learn & earn" program is enhancing the skill of the nation's youth and increasing their chances of employability by giving them practical experience and also an opportunity to them to earn for their education.

5.4 As mentioned above, the applicant has submitted that it has entered into agreements with various Universities as well as the Maharashtra State Board for Technical Education (MSBTE) to take forward the National Education Policy's recommendations to expose students to real life examples and make them globally competent by developing skill sets amongst them through internships, etc. using its skill development courses approved by the said Universities/MSBTE as part of their learning curriculum. It has further entered into agreements, for providing on the job training to students/interns/trainees, with various companies (Industry partners) like M/s Mahindra & Mahindra Ltd. Mumbai, LM Wind Power Blades (India) Pvt. Ltd. etc. for their plants in India.

5.5 As per the agreements with the concerned Universities/MSBTE, submitted before us, the functions of the applicant includes : advertising the various courses offered by Universities, National Skill Development Council & State Board for Technical Educations ; extending support for mobilisation of the selected Trainees for On-the-Job Practical Training at the premises of the industries ; complying with all terms and conditions of the agreements entered into, with the Client Companies ; maintaining all records of attendance of trainees, their progress and such other records, etc. ; Providing various types of Mediclaim /accident/insurance coverage to the trainees as per Workmen Compensation Act, 1923 to be reimbursed at cost by the Industry Partners/Companies ; providing uniform, safety shoes and educational material to trainee students, etc.. The applicant also has to ensure and make timely payments of Stipend (in actuals, received from the companies) to the Trainees, as per the agreements with the industry partners.

5.6 The Applicant is required to make payment of stipend to the trainees after it is received from the Industry Partners. The said transaction is explained as below.

- (a) Applicant prepares monthly payroll on receipt of attendance from client and raises invoice for stipend payable to students and submits it to the respective Industry partners.
- (b) Industry partner passes it by deducting any amount for absentee or otherwise as per terms of agreement with trainees and shall pay to the applicant, the amount of stipend payable to trainees.
- (c) The applicant also raises bill for course fees including course materials and the industry partner pays the same to the applicant. Further, the applicant will also raise separate bills on Industry partner for insurance premium coverage for students, uniform, T shirt, apron and safety shoes provided to trainees. Applicant also raises monthly bill on Industry partner for Administrative charges.

In view of the above, Advance ruling is sought on following point, namely, "Whether the amount of reimbursement of actual amount of stipend payable to trainees which is received/receivable from industry Partners is liable to tax under GST Laws?"



5.7 The Applicant submits that the trainees with Industry partners provide services to the Industry Partner, and such services are rendered as per the need and requirement of the Industry Partner. The payment of stipend is made to the trainees who are actually supplying their services to the Industry Partner by way of working in the factory premises as per the terms and conditions of the Industry Partner. The applicant merely procures stipend amount from the Industry partner and pay to the trainees. The Applicant further submits that as the provisions of Rule 33 of the CGST Rules, 2017 the applicant acts as a pure agent in respect of stipend provided to the trainees and therefore GST is not liable to be paid on such stipend received from the Industry Partner and paid to the trainees by the applicant.

5.8 The jurisdictional officer has submitted that, the applicant is raising invoice for stipend, insurance cost, supervision charges, education fee and distributes the same to the trainees on receipt of the said amount but have not furnished any contractual agreement to incur expenditure first and to claim the said amounts later and therefore the applicant does not qualify to be a pure agent under the GST Laws. The jurisdictional officer has further submitted that as per the agreement with the Industry partners, submitted by the applicant, the relevant clauses clearly specify that "the Industry partner shall deposit the amount towards stipend to the trainees and also towards the medical and accident insurance of the trainees, academic/ administrative charges on or before 7th every month or release invoice payment within agreed time frame", from which it is clearly evident that applicant is not incurring the said amount initially and later claiming the said amount by raising an invoice. Thus, even on this account also the applicant is not fulfilling the required condition. The jurisdictional officer has further submitted that Hon. Authority for Advance Ruling in Karnataka vide its advance Ruling No. KARADRG 07/20222 dated 08.03.2022 in case of M/s Team lease Education Foundation has decided the same question and has held that the applicant does not qualify to be a pure agent of the industry partner to the extent of reimbursement received towards stipend paid to the trainees on behalf of industry partner as part of training agreement and therefore the said reimbursement is chargeable to GST.' Hence, in view of the above submissions made by him, he is of the opinion that, the reimbursement by the industry partner to the applicant of the stipend paid to students is taxable in the hands of the applicant.

5.9 In response to the observations of the jurisdictional officer, the applicant has responded as under:

- (a) Agreements were entered into between applicant and the industries/training partners to the extent of service provided and reimbursement of actual expenses on accrual basis.
- (b) The law does not lay down specifically as to whether the applicant should pay the amount to the third party first and then seek reimbursement from the service recipient. It only lays down that the amount of reimbursement should be shown separately in the invoices. It is nowhere denied by the nodal officer that the amount is not shown separately.
- (c) The applicant has further made reference to the decisions of the Rulings of AAR, Maharashtra, in respect of M/s Yashaswi Academy for Skills Application No



83, M/s Yashaswi Academy for Skills Application No 84, M/s. 2Coms Foundation, M/s. Patle Eduskills Foundation, etc which has allowed similar applications and which has been accepted by the department since no further appeals have been filed in those cases. The Applicant has further referred the Rulings of AAR, Karnataka State in similar matters of M/s Asiatic Clinical Research Pvt Ltd. 2020(33) G.S.T.L. 42 (A.A.R.- GST Kar.) ; M/s Cadmaxx Solutions Education Trust 2020(32) G.S.T.L. 49 (A.A.R. - GST - Kar.) , etc.

(d) The applicant has further submitted that the Karnataka Appellate Authority for Advance Ruling vide its advance Ruling No. KAR/AAAR/04/2022 dt.06/07/2022 in case of M/s Team lease Education Foundation(TEF) mentions that TEF was an approved NEEM (National Employability Enhancement Mission) Facilitator floated by the All India Council for Technical Education (AICTE), which is a government body, wherein the AICTE had formulated courses and appointed TEF as a facilitator to further its objectives of providing physical on the job training to enhance employability of a person pursuing a Post Graduate/Graduate/ or Diploma Courses. In the said case, payment of stipend was to be made under the NEEM Regulations which had made the party responsible for paying stipend to the trainees to be paid as a single consolidated amount. But the Applicant has nothing to do with NEEM in the instant case. The Applicant is not at all a facilitator of any NEEM mission. The Applicant has entered into agreements with the Universities wherein the students of the said Universities will be given practical training at the factories of the Industry Partners and for which the trainee students will be paid stipend. In the subject case payment of stipend is not made as per any Regulations of NEEM or otherwise. In fact, the payment of stipend to the trainees is made by the Applicant and gets the same reimbursed in full from the Industry Partners is as a result of the agreements between the Applicant and the Universities/Industry Partners.

(e) The applicant has submitted that as per Schedule III, "Services by an employee to the employer in the course of or in relation to his employment" shall be treated neither as a supply of goods nor a supply of services. As per FAQ released by the CBIC in GST Troubleshooting - 250 solutions to Taxpayers Problems. Relevant extract of the same is reproduced as under:

"Q.78 Under supply from unregistered dealer the purchaser has to pay GST on RCM basis. So, whether stipend paid to intern will also come under RCM?

Answer: Stipend paid to interns will be employer-employee transactions. Hence, not liable for GST."

(f) The applicant has submitted that the stipend amount paid to interns is not chargeable to GST as it is considered as employee-employer transaction. Such transactions are kept out of the purview of the GST by virtue of Schedule III of the CGST Act. In the instant case, stipend is paid to the trainees/interns which is nothing but a remuneration for their work and should not be chargeable to GST in view of the FAQ mentioned above read with Schedule III of the CGST Act, 2017 and the Jurisdictional Officer has accepted the fact that, the Applicant is paying stipend to the interns/trainees on behalf of the various industries wherein the interns/trainees are found located.



(g) Applicant reiterates that the stipend amount is totally exempted from GST as has already been mentioned above and it makes no difference whether the stipend is first paid to the trainees/interns and then recovered from the industries OR whether the stipend are first recovered from the industries and then paid to the interns/trainees. The Jurisdictional Officer has based his decision for taxing stipend only on his apprehension that the Applicant initially incurs the expenditure on account of Stipend and then later on claims the same from the industries and this interpretation of the Officer is legally incorrect. The industries reimburse to the Applicant, exact stipend amount that has been paid/is payable to the trainees/interns. Therefore GST is not payable on the stipend amount paid to trainees by the applicant and reimbursed by the industry partners.

5.10 We observe that in pursuance of the National Education Policy, the University Grants Commission has recommended University-Industry (UI) Linkages for Enhancements of Student Internship and Apprenticeship in Academic and Industrial Systems. Some of the salient features of this scheme are as under:

- (a) University may introduce internship/apprenticeship irrespective of the field including Arts, Science and Engineering as per the UGC Curriculum and Credit framework for programmes as notified and amended from time to time.
- (b) The number of Internship and type of Internship may be decided by the University
- (c) The regulatory framework for the courses may be created by each university and industry or organization.
- (d) The Companies/ firms need to be encouraged to offer paid internships to students and put in efforts in making the internships sustainable. Alternatively, it may also be treated as a CSR programme by the industries. Also, during the internship period companies are advised to ensure the accident insurance protection for the participants.

5.11 We find that the main object of the Applicant is to enhance the skill of students and enhancing their chances of getting employment by providing practical training to them and an opportunity to also earn for their education. In pursuance of this objections it has entered into agreements with the Savitribai Phule Pune University, Pune and Lamrin Tech Skill University, Punjab, Maharashtra State Board for Technical Education for conducting their on the job training courses in various industries and for providing the students an opportunity of working as trainees/interns in the various industries. The applicant has also entered into agreements with the Industry Partners to coordinate and liaison with them for providing 'on-the-job practical training' and theoretical training for training of youth/students of the above-mentioned Universities/MSBTE.

5.12 From the details of transaction submitted, it is seen that the Applicant is getting reimbursed exactly the same amount from the industry partners which is paid/payable to the trainees as stipend. Hence, it is imperative to analyse if the Applicant acts as pure agent as far as this transaction is concerned. Two sample agreements with the Industry partners submitted by the Applicant are analysed. The agreements between M/s LM Wind Power Blades (India) Pvt Ltd & YSL, and M/s Mahindra & Mahindra Ltd & YSL at Para 3- Roles & Responsibility of client, clause (f) stipulates that, 'To pay amount of Stipend to be paid to Yashaswi's Learn & Earn Student Trainees to YSL including academic/administrative charges as per Annexure



A on or before 7th of every month'. Annexure A further stipulates the Industry partner shall reimburse monthly stipend paid to student trainees. According to this clause it is responsibility of Industrial Training partner to pay stipend to trainees / Students, the same is reimbursed to Yashaswi Skills Ltd on submission of Invoices. Amount of reimbursement of Stipend is separately mentioned in the invoices as "Reimbursement of Stipend", YSL provide services as Insurance, Theoretical Training to students to make them ready for examination, Uniform etc, and YSL charges these expenses separately in Invoices and also charges GST for these services.

5.13 Provisions of 'pure agent' given in Rule 33 are reproduced as below.

Rule 33 - Value of supply of services in case of pure agent

Notwithstanding anything contained in the provisions of this Chapter, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely,-

- (i) *the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient.*
- (ii) *the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and*
- (iii) *the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.*

Explanation. - For the purposes of this rule, the expression "pure agent" means a person who-

- (a) *enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;*
- (b) *neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;*
- (c) *does not use for his own interest such goods or services so procured; and*
- (d) *receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.*

In the invoice issued by YSL to the industry partners, stipend amount is separately indicated. Trainees/ students engaged with Industrial partners are enrolled with universities and they are on the job trainees registered with Industrial Partners. During on-the-job training, students add value addition to Industrial Partners. This means that the trainees provided by YSL are on production floor with skilled manpower of Industrial Training partners. While learning, students help or contribute to completing jobs and responsibilities of skilled manpower of Industrial Training Partners. Since these trainees enrolled with Universities are on the roll of Industrial Partner and are providing service to Industrial Partner, In the entire process, they are eligible for stipends from the industry partners. YSL is only supporting them to get students enrolled with University & deploy them with Industrial training partners and doing compliances which are charged separately in the invoices raised to the industrial partners. Hence, the Applicant satisfies all the conditions of 'pure agent' under Rule 33. Thus, it is seen that M/s YSL acts as 'pure agent' of the Industry partners for payment of stipend to the trainees.



5.14 Regarding the issue before us in respect of stipend paid to the trainees by the applicant, the industry partner that provides training to the trainees is required to pay stipend to the trainees as per the agreement between them and the applicant. This stipend is not paid directly to the trainees by the industry partners but are routed through the applicant. We find from a perusal of the invoices that, the entire amounts received as stipend from the industry partners are paid to the trainees without any amount being retained. Thus, we find that, the applicant is only acting as agent in collecting the stipend from the industry partners and then disbursing the same to the trainees in full since the applicant is not allowed to make any deductions from the stipend before disbursing the same to the trainees. The applicant is only a conduit for the payment of stipend and the actual service is supplied by the trainees to the trainer companies (industry partners) against which stipend is payable. In view of the above discussions, we hold that applicant is acting as 'pure agent'.

5.15 The facts of the case in Advance Ruling No. KARADRG 07/20222 dated 08.03.2022 in case of M/s Team lease Education Foundation are different. There, it is stated that as per Neem Regulations, responsibility to pay stipend is cast upon M/s Team Lease. In this case, UGC recommends that companies where students are placed for on-job-training need to be encouraged to offer paid internships to students. Hence, it is by virtue of agreement between the Applicant and the Industry partners that the arrangement of stipend is decided and Industry partners are required to reimburse the stipend amount.

5.16 In view of the above discussions, we hold that, the amount of stipend received by the applicant from the industry partners and paid in full to the trainees does not attract GST.

18. In view of the extensive deliberations as held hereinabove, we pass an order as follows:

ORDER

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

For reasons as discussed in the body of the order, the questions are answered thus -

Question 1: Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant, in respect of stipend paid to students/trainees as a pure agent under GST Laws, attracts GST?

Answer: - The reimbursement by Industry Partner to the applicant (YSL), of the stipend paid to the trainees, does not attract tax under the GST Laws.

Question 2: Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of insurance premium/Mediclaim premium of the students/trainees, as a pure agent under GST Laws, attracts GST?


Answer: - Not answered since question is withdrawn by the applicant.



Question 3: Whether the reimbursement by the said Industries/Companies to the applicant, of the expenses incurred by the applicant in respect of uniform and safety shoes of the students/trainees, as a pure agent under GST Laws, attracts GST?

Answer: - Not answered since question is withdrawn by the applicant.




D.P. GOJAMGUNDE
(MEMBER)


PRIYA JADHAV
(MEMBER)

1. The applicant
2. The concerned Central / State officer
3. The Commissioner of State Tax, Maharashtra State, Mumbai
4. The Pr. Chief Commissioner of Central Tax, Churchgate, Mumbai
5. The Joint commissioner of State Tax, Mahavikas for Website.

Note: -An Appeal against this advance ruling order shall be made before The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15th floor, Air India Building, Nariman Point, Mumbai - 400021. Online facility is available on gst.gov.in for online appeal application against order passed by Advance Ruling Authority.