

Office of the
Commissioner of State Tax.
Maharashtra State, 8th Floor,
GST Bhavan, Mazgaon,
Mumbai-400 010.

TRADE CIRCULAR

No. JC (HQ)-5/GST/2023/ADM-8/B- 212 dated 21/7/ 2023.

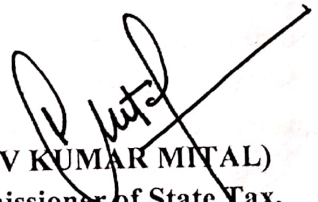
Trade Circular No. 16 T of 2023.

To,
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Subject: Clarification on taxability of shares held in a subsidiary company by the holding company.
Ref: Circular No. 196/08/2023-GST dt 17th July, 2023 issued by the CBIC

Central Board of Indirect Taxes and Customs (CBIC) has issued the above referred circular. For the uniformity, it has been decided that the said circular issued by the CBIC is being made applicable, *mutatis mutandis*, in implementation of the MGST Act, 2017. Copy of the referred CBIC circular is attached herewith.

This Trade Circular is clarificatory in nature. Difficulty if any, in the implementation of this Circular may be brought to the notice of the office of the Commissioner of State Tax, Maharashtra.


(RAJIV KUMAR MITAL)
Commissioner of State Tax,
Maharashtra State, Mumbai.


No. JC (HQ)-5/GST/2023/ADM-8/B- 212 dated 21/7/ 2023.

Trade Circular No. 16 T of 2023.

Copy forwarded to the Joint Commissioner of State Tax (Mahavikas) with a request to upload this Trade Circular on the Departments Web-site.

Copy submitted with compliments to,-

- The Deputy Secretary, Finance Department, Mantralaya, Mumbai-21 for information.
- Accounts Officer, Sales Tax Revenue Audit, Mumbai and Nagpur.


(KIRAN NANDEDKAR)
Joint Commissioner of State Tax-HQ-5
Maharashtra State, Mumbai.



F. No. CBIC-20001/5/2023-GST
Government of India
Ministry of Finance
(Department of Revenue)
Central Board of Indirect Taxes and Customs
GST Policy Wing

New Delhi, Dated the 17th July, 2023

To,

The Principal Chief Commissioners/Chief Commissioners/Principal Commissioners/
Commissioners of Central Tax (All)
The Principal Directors General/ Directors General (All)

Madam/Sir,

Subject: Clarification on taxability of shares held in a subsidiary company by the holding company.

Representations have been received from the trade and field formations seeking clarification on certain issues whether the holding of shares in a subsidiary company by the holding company will be treated as ‘supply of service’ under GST and will be taxed accordingly or whether such transaction is not a supply.

2. In order to clarify the issue and to ensure uniformity in the implementation of the provisions of law across the field formations, the Board, in exercise of its powers conferred by section 168 (1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “CGST Act”), hereby clarifies the issues as under:

S. No.	Issue	Clarification
<u>Taxability of share capital held in subsidiary company by the parent company</u>		
1.	Whether the activity of holding shares by a holding company of the subsidiary company will be treated as a supply of service or not and whether the same will attract GST or not.	Securities are considered neither goods nor services in terms of definition of goods under clause (52) of section 2 of CGST Act and the definition of services under clause (102) of the said section. Further, securities include ‘shares’ as per definition of securities under clause (h) of section 2 of Securities Contracts (Regulation) Act, 1956.

		<p>This implies that the securities held by the holding company in the subsidiary company are neither goods nor services. Further, purchase or sale of shares or securities, in itself is neither a supply of goods nor a supply of services. For a transaction/activity to be treated as supply of services, there must be a supply as defined under section 7 of CGST Act. It cannot be said that a service is being provided by the holding company to the subsidiary company, solely on the basis that there is a SAC entry '997171' in the scheme of classification of services mentioning; <i>"the services provided by holding companies, i.e. holding securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest."</i>, unless there is a supply of services by the holding company to the subsidiary company in accordance with section 7 of CGST Act.</p> <p>Therefore, the activity of holding of shares of subsidiary company by the holding company per se cannot be treated as a supply of services by a holding company to the said subsidiary company and cannot be taxed under GST.</p>
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3. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

4. Difficulty, if any, in implementation of this Circular may please be brought to the notice of the Board. Hindi version would follow.

(Sanjay Mangal)
Principal Commissioner (GST)