

Providing free tickets not "supply" unless provided to related or distinct person - Punjab AAAR

26 July 2022



Summary:

The applicant intended to distribute complimentary IPL match tickets for promotion of business. In this respect, the Punjab Appellate Authority of Advance Ruling (AAAR) held that, sans consideration, the activity of providing free or complimentary tickets is not “supply” as per the Goods and Service Tax (GST) law. Further, such activity is an exempt supply; therefore, there shall be no availment of input tax credit (ITC). However, the provision of such complimentary tickets to a related or distinct person shall fall within the ambit of “supply”.

Facts of the case

- The applicant¹ has entered into a franchise agreement with the Board of Control for Cricket in India (BCCI) to establish and operate a cricket team in the Indian Premier League (IPL) under the title of 'Punjab Kings.' Furthermore, it intends to distribute match tickets to local governmental authorities/ officials, consultants, etc., to promote business, without any consideration.
- The applicant approached the Punjab authority of advance ruling (AAR) to seek clarity on the applicability of GST on the supply of complimentary tickets on courtesy/promotion of business/public relationships. The AAR had held² that the activity of providing complimentary tickets without any consideration would be considered a supply of services³, and the applicant would be eligible for ITC thereon. Further, the monetary value shall be the amount of money charged from the person paying for the tickets to avail of the same service.
- The applicant, aggrieved of the decision, has therefore filed an appeal before the AAAR.

Punjab AAAR observations and ruling⁴:

- **Key elements of supply:** The AAAR stated that two key elements required for any activity or transaction to fall within the ambit of supply are "consideration" and "furtherance of business." In the instant case, although the supply of complimentary tickets satisfies the latter element for the furtherance of business, the element of consideration is missing.
- **Non-monetary consideration:** The AAAR relied on aspect of non-monetary consideration clarified by various authorities⁵ and defined in the Finance Act, 1994. There should be sufficient nexus between the supply and the non-monetary payment as consideration, to identify non- monetary consideration. The AAAR stated that even for the consideration in the form of payment in kind, it should not be vague or illusory. Further, there should be an element of reciprocity in it.
- **Activity is “supply” or not:** Since consideration is absent in instant case, the provision of free or complimentary tickets is not supply. However, in case such complimentary tickets are provided to related person or to distinct person, it

¹ K.P.H. Dream Cricket Private Limited

² AAR/GST/PB/002 dated 20 August 2018

³ Clause (e) of Schedule II of the CGST Act, 2017

⁴ 01/AAAR/CGST/KPH/2022 dated 1 June 2022

⁵ European Court of Justice, Australian Tax office, UK HMRC

shall fall within the ambit of supply, even if there is no consideration.

- **Availability of ITC:** The availment of ITC directly flows with the taxability of the outward supply. The GST act does not provide for availment of ITC where the output supply is either non-taxable, exempt or has been used or deployed for non-business purpose. Further, the activity of providing complimentary ticket is an exempt supply, therefore, no ITC can be availed in relation⁶ to the same.

Our comments:

The Punjab AAAR has modified the ruling of AAR and discussed GST implications on providing free tickets both to related person and unrelated persons. The AAAR held that activity of providing complimentary/ free IPL tickets is not supply, due to absence of consideration, and thus, will be out of the ambit of GST. However, if such tickets are provided to related person or distinct person, without consideration, then it shall be covered under the net of supply and shall attract GST.

In the present era, business entities provide complimentary tickets for various events to its employees as part of team-building exercise. The present ruling may have widespread ramification and due evaluation shall be required by the entities on taxability for such activities under GST.

Even though the advance ruling is applicable to the applicant and the jurisdictional officer, the authorities may apply the ratio in other cases with similar facts. Hence, the entities planning such activities for its related or distinct persons may foresee such tax implications and revisit their transactions accordingly.

⁶ In accordance with subsection (2) of section 17 of the CGST Act, 2017

Contact us

To know more, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office,
Outer Circle,
L 41, Connaught Circus,
New Delhi - 110001
T +91 11 4278 7070

NEW DELHI

6th Floor, Wordmark 2,
Atrocity,
New Delhi - 110037
T +91 11 4952 7400

AHMEDABAD

Unit No - 603 B, 6th Floor,
Brigade International
Financial Center,
GIFT City Gandhinagar,
Ahmedabad - 382355
T +91 79 6900 2600

BENGALURU

5th Floor, 65/2, Block A,
Bagman Trudi,
Bagman Tech Park,
CV Raman Nagar,
Bengaluru - 560093
T +91 804 243 0700

CHANDIGARH

B-406A, 4th Floor,
L&T Elate Office Building,
Industrial Area Phase I,
Chandigarh - 160002
T +91 172 433 8000

CHENNAI

9th floor, A wing, Prestige
Polygon, 471 Anna Salami,
Mylapore Division, Teynampet,
Chennai - 600035
T +91 44 4294 0000

DEHRADUN

Suite No 2211, 2nd Floor,
Building 2000, Michigan Avenue,
Doon Express Business Park,
Subhash Nagar,
Dehradun - 248002
T +91 135 264 6500

GURGAON

21st Floor, DLF Square,
Jacaranda Marg,
DLF Phase II,
Gurgaon - 122002
T +91 124 462 8000

HYDERABAD

Unit No - 1, 10th Floor,
My Home Twits, APIIC,
Hyderabad Knowledge City,
Hyderabad - 500081
T +91 40 6630 8200

KOCHI

6th Floor, Model Centre Point,
Warri am Road Junction,
MG Road
Kochi - 682016
T +91 484 406 4541

KOLKATA

10C Hungerford Street,
5th Floor,
Kolkata - 700017
T +91 33 4050 8000

MUMBAI

11th Floor, Tower II,
One International Center,
SB Marg Prabhadevi (W),
Mumbai - 400013
T +91 22 6626 2600

MUMBAI

Caledonia, 1st Floor,
C Wing,
(Opposite J&J Office),
Sahar Road, Andheri East,
Mumbai - 400069

NOIDA

Plot No 19A, 2nd Floor,
Sector - 16A,
Noida - 201301
T +91 120 485 5900

PUNE

3rd Floor, Unit No 310-312,
West Wing, Nyati Unitree,
Nagar Road, Yeravda
Pune - 411006
T +91 20 6744 8800

For more information or for any queries, write to us at GTBharat@in.gt.com



Follow us @GrantThorntonIN

© 2022 Grant Thornton Bharat LLP. All rights reserved.

“Grant Thornton Bharat” means Grant Thornton Advisory Private Limited, the sole member firm of Grant Thornton International Limited (UK) in India, and those legal entities which are its related parties as defined by the Companies Act, 2013, including Grant Thornton Bharat LLP.

Grant Thornton Bharat LLP, formerly Grant Thornton India LLP, is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001. References to Grant Thornton are to Grant Thornton International Ltd. (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.