

भारत सरकार
GOVERNMENT OF INDIA
 आयुक्त का कार्यालय, केन्द्रीय माल सेवा कर एवं उत्पाद शुल्क, जमशेदपुर
OFFICE OF THE COMMISSIONER OF CGST & CENTRAL EXCISE,
JAMSHEDPUR
 आउटर सर्किल रोड, बिष्टुपुर, जमशेदपुर
OUTER CIRCLE ROAD, BISTUPUR, JAMSHEDPUR
 दूरभाष सं **0657-2321598** – ई-मेल **commr-cexjmsdpr@nic.in** :

TRADE NOTICE No. 05/2023-24

DATED: 01-08-2023

[Authority Circular No. 196/098/2023- GST Dated the 17th July, 2023 issued vide F. No. CBIC-20001/5/2023-GST]

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

Attention of the Trade, Industry and Public are invited towards the Circular No. 196/098/2023- GST Dated the 17th July, 2023 issued vide F. No. CBIC-20001/5/2023-GST by Principal Commissioner (GST), Central Board of Indirect Taxes and Customs, GST Policy Wing, New Delhi (hereinafter referred to as 'Board').

2. 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.

3. 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"), has clarified the issues as under:

SL. no	Issue	Clarification
Taxability of share capital held in subsidiary company by the parent company		
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. This implies that the securities held by the holding company in the subsidiary

	<p>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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4. Trade, Industry and field formation are suitably informed.
5. Difficulty, if any, in the implementation of this Trade Notice may be brought to the notice of the undersigned.

(B K Gupta)
Commissioner

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