



BEFORE THE AUTHORITY FOR ADVANCE RULING - ANDHRA PRADESH
Goods and Service Tax

D.No.12-468-4, Adjacent to NH-16 Service Road, Kunchanapalli, Guntur-522501

Present

1. Sri. K. Ravi Sankar, Commissioner of State Tax (Member)
2. Sri. B. Lakshmi Narayana, IRS, Additional Commissioner of Central Tax (Member)

AAR No. 12/AP/GST/2025 dated: 22.09.2025

1	Name and address of the applicant	M/s Laila Nutra Private Limited FIRST FLOOR, 40-15-14,A1, Sudarshan Apartments Siris Raju Street, Sathish Raju Street, L&T Finance, Brindavan Colony, Vijayawada, NTR, Andhra Pradesh-520010
2	GSTIN	37AAGCL2515G1ZO
3	Date of filing of Form GST ARA-01	27-06-2025
4	Personal Hearing	29-08-2025
5	Represented by	A. Siva Prasad, Chartered Accountant
6	Jurisdictional Authority –State	Benz Circle, Vijayawada –II Division
7	Clause(s) of section 97(2) of CGST/SGST Act, 2017 under which the question(s) raised	b) Applicability of a notification issued under the provisions of this Act g) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term

ORDER

(Under sub-section (4) of Section 98 of Central Goods and Services Tax Act, 2017 and sub-section (4) of Section 98 of Andhra Pradesh Goods and Services Tax Act, 2017)

1. M/s Laila Nutra Private Limited (GSTIN: 37AAGCL2515G1ZO), Vijayawada (hereinafter referred to as applicant) has filed an application in FORM GST ARA-01 under Section 97(1) of the Central Goods & Services Tax Act, 2017 and AP Goods & Services Tax Act, 2017 (hereinafter referred to

CGST Act and APGST Act respectively).

2. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and APGST Act, 2017 are in parimateria and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act, 2017 would also mean reference to the corresponding similar provisions in the APGST Act, 2017.
3. It is observed that the queries raised by the applicant fall within the ambit of Section 97 of the GST ACT. The applicant has paid Through Electronic Cash Ledger Rs.5,000/- under SGST (DC3707250039252 dated 15.07.2025), and another Rs.5,000/- under CGST (DC3707250039252 dated 15.07.2025) towards the fee for Advance Ruling. The Applicant has declared that the questions raised in the application have neither been decided by nor are pending before any authority under any provisions of the GST Act.

4. Brief Facts of the case:

- 4.1 Laila Nutra Private Limited (Applicant) is Private Limited Company converted from Partnership firm Laila Nutraceuticals engaged in the business of extraction of Concentrate from Herbs and Other Products. The entity is registered under the Companies Act 2013, on 16-04-2025 with registered office at Vijayawada. The applicant is registered under the erstwhile Statutes and got migrated to GST vide GSTN37AAGCL2515G1ZO. The applicant is allotted to the Central Tax Jurisdiction, Krishna Lanka Range, Amaravathi Division, Guntur Commissionerate.
- 4.2 The applicant had a wide range of Research and Development facilities like analytical services, toxicology services and pharmacology services with respect to Ayurvedic and Herbal Medicines and carry out R&D Activities on certain raw materials, which are further extracted in to concentrates and export to other countries. Ministry of Ayush (MoA), Government of India through its Central Nodal Agency Central Council for Research on Ayurvedic Sciences (CCRAS) under the Scheme Ayurgyan had selected Research Institutes across the country for the project "Development of Drug Master

File (DMF) and Technical Dossier for Single Botanicals used in Ayurved” (Project). The applicant, along with four other institutes, was selected to implement a designated project. Among the selected institutes, the applicant was the only one equipped with both an extraction facility and a Research & Development (R&D) facility.

- 4.3 On this basis, the applicant was designated as a Sub-Nodal Agency under the Central Nodal Agency, i.e., the Central Council for Research in Ayurvedic Sciences (CCRAS), for effective implementation of the project. As per instructions from CCRAS, the applicant is responsible for procuring various raw materials from different sources/vendors, extracting concentrates from them, and distributing these extracts to the other institutes for further research and development. In certain cases, the applicant also undertakes further research and development on selected extracts. Upon completion of the project, the applicant is required to submit the final project documentation to the Ministry of AYUSH (MoA), through CCRAS.

The applicant was awarded two projects:

Project 1: Research, analysis, and manufacturing of 100 kg each of 5 different raw material extracts for further testing by other selected institutes. (Grant sanctioned from Government: Rs. 10 Cr approximately)

Project 2: Further testing, safety analysis, and reporting on one of the products manufactured in Project 1. (Grant sanctioned from Government: Rs. 10 Cr approximately).

The deliverables under Project 1 include 100 kg of each of 5 different raw material extracts (which constitute less than 10% of the project cost), along with detailed research and analysis on these extracts.

Under Project 2, the deliverable is a comprehensive Testing, Safety, and Analysis Report on one of the extracts developed in Project 1. This report is intended to be placed in the public domain to serve as a reference for other Ayurveda and Herbal Medicine manufacturers in the long term.

As the Sub-Nodal Agency, the applicant was granted a User ID in the Public Finance Management System (PFMS) — the Central Government's official payment and fund disbursement module. The applicant is required to invite quotations from a minimum of three vendors for any procurement of raw material. All procurement and payment processes are strictly governed by the General Financial Rules (GFR) of the Government of India. For initiating any vendor payment, the applicant must upload vendor invoices and relevant procurement details in the PFMS portal. Once a payment is initiated through the applicant's PFMS login, the amount is credited to the applicant's bank account and is immediately transferred to the vendor's bank account without retention. Being entrusted with handling public funds and functioning as a Sub-Nodal Agency of a Central Government Department, the applicant is obligated to comply with all provisions of the General Financial Rules (GFR) for both vendor payments and grant utilization, including infrastructure and manpower costs.

Ayurgyan Scheme and CCRAS:

About CCRAS:

The Central Council for Research in Ayurvedic Sciences (CCRAS) is an autonomous body under the Ministry of AYUSH, Government of India. It serves as the apex organization in India for undertaking, coordinating, formulating, developing, and promoting research on scientific lines in Ayurvedic Sciences. CCRAS conducts its activities through 30 Institutes, Centres, and Units located across the country. It also collaborates with various universities, hospitals, and research institutes. The Council's research domains include:

- Medicinal Plant Research (including Medico-Ethno Botanical Surveys, Pharmacognosy, and Tissue Culture)
- Drug Standardization
- Pharmacological Research
- Clinical Research
- Literary Research & Documentation
- Tribal Health Care Research Programme (THCRP).

Objectives of CCRAS:

1. To formulate aims and strategies for conducting scientific research in Ayurvedic Sciences.
2. To undertake and support research programs in various areas of Ayurveda.
3. To conduct and promote studies on the causation, transmission, and prevention of diseases.

4. To initiate, aid, develop, and coordinate both fundamental and applied scientific research in Ayurveda, and to support research institutions engaged in disease prevention, causation, and treatment.
5. To fund inquiries and research projects that further the Council's objectives.
6. To exchange information with institutions, associations, and societies involved in similar research activities, especially those focused on the study of diseases in India and the Eastern world.
7. To prepare, print, publish, and exhibit papers, posters, pamphlets, periodicals, and books that contribute to Ayurvedic literature and the Council's objectives.
8. To purchase, construct, maintain, and modify buildings and infrastructure necessary for carrying out the Council's functions.
9. To manage or accept the management of endowments, trust funds, or donations that align with the objectives of the Council.

Ayurgyan Scheme and CCRAS – Corrected Objectives Corrected Objectives of CCRAS

1. To offer prizes and scholarships, including travel scholarships, to promote and support the objectives of the Central Council.
2. To create administrative, technical, ministerial, and other posts under the Society and make appointments in accordance with its rules and regulations.
3. To establish a provident fund and/or pension fund for the benefit of employees of the Central Council and/or their family members.
4. To carry out all lawful activities, independently or in collaboration with others, that are necessary or helpful in achieving the Council's objectives.
5. To undertake research and development (R&D) consultancy projects and transfer patents on drugs and processes to the industry.
6. To undertake R&D projects sponsored by public or private sector industries.
7. To engage in international and inter-agency collaborations for joint research and knowledge exchange.
8. To utilize the outcomes of research conducted and provide a share of royalties or consultancy fees to contributors involved in such research.
9. To enter into arrangements with scientific organizations in other countries to exchange scientists, conduct study tours, provide training in specialized fields, and undertake joint research projects.
10. To provide technical assistance to government and private agencies in matters aligned with the objectives and activities of the Council
11. To support the Medicinal Plants Board, Government of India, in fulfilling its mandate
12. To publish research findings and create awareness through journals, bulletins, newsletters, posters, and other educational material.
13. To facilitate capacity building and human resource development in the field of Ayurveda through training and development programs.
14. To establish state-of-the-art research laboratories and infrastructure to support various research activities of the Council.
15. To ensure compliance with national and international quality standards in Ayurvedic drug research and development.

16. To coordinate with other institutions and regulatory bodies for the promotion of safe and effective Ayurvedic medicines.
17. To maintain a central database of medicinal plants, formulations, and ongoing research for dissemination and knowledge sharing.
18. To constitute small Management Committees consisting of eminent scientists and physicians from local areas to monitor the R&D activities and suggest remedial measures for improving the performance of all Central and Research Institutes under the Council

About Ayurgyan Scheme:

The Ayurgyan Scheme aims to enhance and build capacity in the AYUSH healthcare sector across India. It focuses on improving health practices through sustainable AYUSH methodologies, encouraging professionals to undergo orientation and continuous learning, updating knowledge of teachers and doctors, and promoting the use of information technology for dissemination of AYUSH-related developments. The scheme also emphasizes the need for research and development in priority areas to validate traditional claims and improve the global acceptance of AYUSH approaches and formulations.

Scope of the Project:

Development of Drug Master File (DMF) and Technical Dossier for Single Botanicals Used in Ayurveda

1. Drug Master File (DMF)

A Drug Master File (DMF) is a comprehensive document that contains confidential and detailed information pertaining to the manufacturing, quality, safety, and efficacy of a herbal ingredient or Ayurvedic formulation. This document is critical for regulatory submissions and assists in approval processes from agencies such as the Ministry of AYUSH, CDSCO (India), US FDA, EMA (Europe), and WHO

Contents of a DMF for Single Botanicals in Ayurveda

Botanical Identification & Standardization
 Scientific name, common name, botanical family, and part used (e.g., root, leaf, bark).
 Morphological and microscopic characteristics of the botanical.
 Authentication methods and reference standards used for verification

Cultivation & Collection Practices

Sourcing
 Wild-sourced and/or cultivated raw materials.
 Good Agricultural and Collection Practices (GACP)

- Adherence to WHO-GACP or national guidelines to ensure quality, traceability, and sustainability.

Manufacturing Process

- Harvesting and Processing Techniques
- Standardized collection times, part of the plant used, and initial processing (washing, cutting, etc.).
- Drying, Extraction, and Standardization Methods
Controlled drying conditions to preserve phytochemicals.
Solvent extraction (aqueous, hydroalcoholic, etc.) methods and concentration steps.
Standardization based on bioactive or marker compounds.

Quality Control & Specifications

- Active Constituents
Quantification of key phytochemicals (e.g., alkaloids, flavonoids, tannins, glycosides, etc.).
- Physicochemical Parameters
Moisture content, total ash, acid-insoluble ash, water/alcohol soluble extractive values.
- Microbial and Heavy Metal Testing
Compliance with permissible limits for microbial contamination and heavy metals (lead, arsenic, mercury, cadmium).

Analytical Methods

- Chromatographic Techniques
High-Performance Liquid Chromatography (HPLC), Thin Layer Chromatography (TLC), Gas Chromatography-Mass Spectrometry (GC-MS) used for marker compound identification and quantification.
- Stability Studies and Shelf-Life Determination
Conducted under ICH or local regulatory conditions (accelerated and real-time stability studies).

Safety & Toxicity Studies

- Toxicity Studies
Acute, sub-chronic, and chronic toxicity data in accordance with OECD/GLP guidelines.
- Adverse Effects, Contraindications, and Interactions
Documentation of any known side effects, drug-herb interactions, and usage limitations (e.g., in pregnancy or specific diseases).

Regulatory & Compliance Information

- Pharmacopoeial Compliance
Adherence to monographs from recognized sources like the Ayurvedic Pharmacopoeia of India (API), Indian Pharmacopoeia (IP), and WHO guidelines.
- Legal Status in Different Countries

Regulatory classification and approval status in various jurisdictions (e.g., as a dietary supplement in the USA, traditional herbal medicine in the EU, etc.)

Technical Dossier

A Technical Dossier is a structured document that compiles all essential information required for regulatory approval and market authorization of herbal medicines and botanicals. While similar in structure to a Drug Master File (DMF), it places more emphasis on clinical, safety, and efficacy data necessary for regulatory clearance.

Contents of a Technical Dossier

1. Scientific Rationale & Therapeutic Use
 - Traditional Ayurvedic References
Classical Ayurvedic texts documenting historical use of the botanical.
 - Mechanism of Action (Ayurvedic Perspective)
 - Explanation of therapeutic effects based on Ayurvedic principles such as dosha balancing, rasa, virya, vipaka, and karma.
 - Modern Pharmacological Evidence
 - In-vitro, in-vivo, or clinical studies that support the claimed efficacy and pharmacodynamic properties of the herb/botanical

Formulation Development & Dosage

Types of Formulations:

Includes various traditional and modern dosage forms such as:

- Churna (powder formulations)
- Kwath (decoctions)
- Tablets and capsules
- Syrups and suspensions
- Oils (Taila) and liniments
- Ointments and creams
- Granules and lozenges

Recommended Dosage & Method of Administration:

- Dosage recommendations vary based on age, weight, condition, and specific formulation.
- Typically administered orally, topically, or via nasal or rectal routes depending on the formulation.
- Dosage and administration should be as per classical Ayurvedic texts or validated through clinical studies.
- Physician consultation is essential for personalized dosage.

Clinical Studies & Efficacy Data

- Preclinical and Clinical Trial Results: Includes results from in-vitro, in-vivo, and toxicity studies.
- Clinical trials should adhere to GCP (Good Clinical Practice) guidelines and be registered with CTRI (Clinical Trials Registry - India) or similar bodies.
- Efficacy outcomes are measured based on symptom relief, biomarker analysis, and patient-reported outcomes

- Case Studies and Real-World Evidence: Documented therapeutic benefits through published case reports.
- Post-marketing surveillance and observational studies to support long-term safety and efficacy.
- Patient feedback and physician testimonials can supplement clinical findings

Regulatory Compliance & Approval Process

- WHO-GMP Certification: Compliance with World Health Organization's Good Manufacturing Practices for herbal products.
- Ensures product quality, safety, and consistency across batches.
- AYUSH Regulatory Requirements (India): Licensing under the Drugs and Cosmetics Act, 1940, and compliance with relevant provisions of AYUSH guidelines.
- Labeling, packaging, and product claims must adhere to AYUSH and FSSAI standards for nutraceuticals and supplements.

International Regulatory Approvals:

- FDA (USA): Compliance for dietary supplements or botanical drugs as per FDA guidelines.
- EMA (Europe): Adherence to Traditional Herbal Medicinal Products Directive (THMPD) for registration in the EU.
- Country-specific regulatory submissions may be required based on the target export market

5. Statement of relevant facts having a bearing on the question(s) raised.

Question No: 1

The Research and Development (R&D) projects undertaken by the applicant do not involve any supply transaction such as sale, transfer, barter, exchange, license, rental, or disposal of any goods or services. These projects are executed solely in the interest of public health and are carried out under the directions and supervision of the Ministry of AYUSH through its nodal agency, CCRAS (Central Council for Research in Ayurvedic Sciences).

The cost of the projects is reimbursed to the applicant through grants sanctioned by the Ministry of AYUSH via the PFMS (Public Financial Management System) module. These grants are not received in the form of money directly by the applicant, but are instead made available as sanctioned limits for making payments to vendors and for other project-related expenses.

The applicant carries out these projects on a no-profit, no-commercial motive basis. All procurement details, administrative overheads, and

internal costs incurred in connection with the project must be submitted to the competent authority. As per the definition of "consideration" under the GST law, any subsidy received from the Central or State Government is excluded from the ambit of consideration. The grant received from the Ministry of AYUSH is akin to such a subsidy, and hence, does not qualify as consideration under GST.

6. Questions raised before the authority:

The applicant sought advance ruling on the following:

1. Whether the Research and Development activity undertaken by the applicant for the Ministry of AYUSH (MoA), through the Central Council for Research in Ayurvedic Sciences (CCRAS), under a grant-in-aid arrangement, falls within the scope of 'supply' as defined under Section 7 of the CGST Act, 2017?
2. If the aforementioned Research and Development activity is considered a 'supply' under Section 7 of the CGST Act, 2017, whether such activity qualifies for exemption under Entry No. 3 or Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended?

On Verification of basic information of the applicant, it is observed that the applicant is under State jurisdiction i.e, Benz Circle, Vijayawada-II Division. Accordingly, the application has been forwarded to the jurisdictional officer their remarks as per Sec. 98(1) of CGST /APGST Act 2017.

In response, remarks are received from the State jurisdictional officer concerned through mail dated 11-08-2025 stating that no proceedings on which advance ruling sought by the applicant is available in this office.

7. Applicant's Interpretation of Law:

Statement containing the Applicant's interpretation of law and/or facts, as the case may be, in respect of the questions(s) on which advance ruling is sought

Further, for a transaction to qualify as "supply" under Section 7 of the CGST Act, there must be a commercial element or activity carried out in

the course or furtherance of business. In the present case, the recipient of the service is a Government Department, i.e., Ministry of AYUSH, which does not operate on a profit motive and is not engaged in business activities. The core objective of these projects is to make the research outputs available in the public domain for the larger public benefit, particularly to aid the development of Ayurvedic medicines.

Question No. 2:

Without prejudice to the above, if the R&D work undertaken by the applicant is deemed to amount to a supply, then the nature of service provided is that of pure services or a composite supply of services to a Government entity, i.e., the Ministry of AYUSH, in the context of public health.

The applicant is currently handling two projects:

1. Project 1 involves the analysis of five types of botanical raw materials. The applicant is required to submit an analysis report and provide 100 kg of each type of raw material to CCRAS. The value of these samples is less than 10% of the total project value.
2. Project 2 pertains to the testing of a specific raw material as assigned by CCRAS. The applicant is expected to submit a detailed analytical and testing report. These reports are intended to be published by CCRAS for the benefit of the general public and medicine manufacturers.

These activities fall within the scope of pure services or composite supply of services as per Entry No. 3 and 3A of Notification No. 12/2017-Central Tax (Rate) read with Notification No. 2/2018-Central Tax (Rate). Furthermore, these services are rendered under the "Ayurgyan" scheme, and the applicant has been designated as a sub-nodal agency under this scheme. The grant is allotted as a limit in the PFMS system, and there is no markup or profit component in the execution of the projects.

Under the Goods and Services Tax (GST) law, a transaction is liable to GST only if it qualifies as a "supply" as defined under Section 7 of the Central Goods and Services Tax (CGST) Act, 2017.

Section 7 of the CGST Act outlines the scope of supply, and to be considered as a "supply", a transaction must satisfy the following essential elements:

1. It must be a form of transaction such as sale, transfer, barter, exchange, license, rental, lease, or disposal;
2. It must be made for a consideration;
3. It must be made in the course or furtherance of business.

Let us examine the present transaction in light of the above criteria:

1. Nature of Transaction – Sale, Transfer, Barter, Exchange, License, Rental, Lease or Disposal:

The subject transaction does not fall under any of the categories mentioned above. Specifically:

- The terms sale, transfer, barter, and exchange typically relate to the transfer of ownership or possession of goods or tangible assets. In the present case, there is no significant transfer of goods or tangible property. Even if any incidental goods are involved, their value is negligible and not the principal supply.
- The terms rental and lease apply to situations where an asset is owned and given to another party for use in exchange for payment. In this case, the applicant does not own any asset—tangible or intangible—that is being rented or leased out.
- As for disposal, it implies relinquishing ownership or possession of an asset. However, the applicant does not have ownership of any such asset or intellectual property developed during the course of the activity to transfer or dispose of.

It is a settled principle of law that one cannot transfer what one does not own (*nemo datquod non habet*). The research and development (R&D) activity carried out by the applicant is funded and supervised by the Central Council for Research in Ayurvedic Sciences (CCRAS), a government body. Accordingly, any outcome or intellectual property developed out of this R&D remains under the control or ownership of CCRAS.

The applicant has neither proprietary rights nor control over the results of the R&D to claim any form of disposal or transfer thereof.

2. Consideration:

In the instant case, the financial assistance received from CCRAS does not constitute a consideration in the context of a supply of goods or services, but rather is in the nature of a grant or funding to support

a public research initiative. Such grants are not linked to any direct supply of service from the applicant to CCRAS, and there is no reciprocal obligation.

3. Course or Furtherance of Business:

The R&D activity funded and governed by CCRAS does not form part of the applicant's regular business activity, nor is it undertaken with a commercial motive or for profit. Rather, it is carried out as part of a public-funded research initiative. Therefore, it cannot be said to be undertaken "in the course or furtherance of business" as required under Section 7 of the CGST Act.

Analysis on Scope of Supply and Consideration under GST in Relation to R&D Activities Funded by CCRAS

Ownership and Scope of Supply:

The terms rental, lease, and disposal relate to the transfer or permitted use of assets. However, in the present case, the supplier does not possess any ownership rights over the property or the intangible assets (such as intellectual property) resulting from the R&D activity. Accordingly, the supplier cannot transfer, rent, or lease what he does not legally own.

There is a well-established legal principle: *nemo datquod non habet* – one cannot transfer what one does not possess. Since the R&D activities are carried out entirely with the financial assistance of the Central Council for Research in Ayurvedic Sciences (CCRAS), and under its guidance, the supplier (applicant) retains no proprietary rights over the outcomes or any intellectual property arising from the research. Therefore, the supplier is not in a position to rent, lease, or dispose of any such outcome.

According to the Oxford English Dictionary, the term license is defined as "a formal or written permission." In the present case, neither the applicant nor CCRAS is granting any license to the other. There is no agreement executed between the parties to grant such rights. Thus, the condition or factor of licensing, which might otherwise bring a transaction within the ambit of "supply" under GST, is not satisfied.

Hence, the primary criterion under Section 7 of the CGST Act, 2017 — relating to the existence of a “supply” involving transfer, lease, rental, or license — is not met in this case.

Consideration:

As per Section 2(31) of the CGST Act, 2017, consideration in relation to the supply of goods or services or both includes:

- (a) Any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- (b) The monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Explanation: The proviso to the section clarifies that a deposit given in respect of the supply of goods or services shall not be considered as payment for such supply unless it is applied by the supplier as consideration.

Subsidy:

As per the Oxford Learner’s Dictionary, a subsidy is defined as:

“Money that is paid by a government or an organization to reduce the cost of services or of producing goods so that their prices can be kept low.”

Therefore, any financial support extended by a government department or agency—irrespective of the nomenclature used—qualifies as a subsidy. In the instant case, the grant received from CCRAS may be rightly construed as a form of government subsidy.

Accordingly, such grant/subsidy, being paid by a government body (CCRAS) and not linked to any commercial supply from the recipient, is specifically excluded from the definition of “consideration” under the CGST Act.

Conclusion

In the absence of (i) ownership rights over any tangible or intangible assets, (ii) a license arrangement, or (iii) any qualifying consideration (excluding subsidies), the transaction between the applicant and CCRAS does not constitute a “supply” under GST. Consequently, the financial

assistance provided by CCRAS cannot be treated as consideration liable to GST.

Government and Nodal Agency:

The Ministry of Ayush (MoA), a department under the Government of India, is entrusted with the development, promotion, and propagation of traditional and alternative systems of medicine such as Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homoeopathy (collectively known as AYUSH).

A nodal agency refers to an institution or body designated by the Government to act as the central coordinating entity for implementing specific schemes or policies. In the present case, the MoA has designated the Central Council for Research in Ayurvedic Sciences (CCRAS) as its nodal agency for execution of the project under the Ayurgyan Scheme.

The Ministry, through CCRAS, has sanctioned a 100% grant to the applicant solely for executing a research project. The explicit objective of this project is to generate a final report that will be made freely available in the public domain. The intent behind this is to allow wide and unrestricted use of the findings by other manufacturers and stakeholders in the field of medicine, thereby supporting public healthcare objectives.

Given that the MoA is a government ministry and CCRAS is functioning as its nodal agency for disbursement and monitoring of the grant, the financial assistance received by the applicant qualifies as a grant from the Central Government. Accordingly, in light of relevant provisions of the GST law, this grant does not qualify as consideration for supply of goods or services under the Central Goods and Services Tax Act, 2017 (CGST Act).

Course of Business:

It is evident from the above facts that neither the Ministry of Ayush nor its nodal agency CCRAS are engaged in any commercial or business activity. Their actions, particularly under the Ayurgyan Scheme, are directed

toward promoting public health by fostering awareness and adoption of AYUSH systems in the healthcare ecosystem.

The applicant is primarily engaged in the business of manufacturing and selling extracts derived from Ayurvedic and herbal raw materials. However, the current project undertaken by the applicant is not a commercial venture. It is being executed solely as per the directives and funding of the MoA/CCRAS, without any commercial intent or profit motive.

Moreover, the applicant does not retain or claim any intellectual property rights over the outcomes or findings of the said project. The results are intended for free public dissemination, further confirming that the project falls outside the scope of the applicant's regular course of business.

Question 1:

Whether the research and development activity undertaken by the applicant in collaboration with CCRAS constitutes a "supply" under GST law?

As per Section 7(1)(a) of the CGST Act, 2017, "supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal, made or agreed to be made for a consideration in the course or furtherance of business.

In the present case:

- The applicant is a research organization collaborating with CCRAS, a body functioning under the Ministry of AYUSH, Government of India.
- The Memorandum of Agreement (MoA) governing the relationship does not indicate the existence of a commercial arrangement or profit motive.
- Neither the applicant nor CCRAS is undertaking the activity in the course or furtherance of business, nor is there consideration in the commercial sense.
- The applicant is not transferring goods or services in a manner that constitutes a "sale" or similar supply defined under Section 7(1)(a).

Accordingly, the transaction lacks the key elements required for a supply under GST, namely:

1. Supply type (sale, transfer, license, etc.)
2. Consideration
3. Business purpose

Hence, the transaction does not qualify as a "supply" under GST.

Question 2:

If the R&D activity is considered a supply under GST, can the exemption under Entry No. 3 or 3A of Notification No. 12/2017 – Central Tax (Rate) be claimed?

Even if, hypothetically, the R&D activity is treated as a “supply”, such supply may qualify for exemption under Notification No. 12/2017 – Central Tax (Rate) dated 28th June 2017, as amended by Notification No. 2/2018 and Notification No. 16/2021.

Relevant Entries:

Entry No. 3:

Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government, Union Territory, or local authority in relation to any function entrusted to a Panchayat under Article 243G or a Municipality under Article 243W of the Constitution.

Entry No. 3A:

Composite supply of goods and services where the value of goods does not exceed 25% of the total value of the supply, provided to the Central Government, State Government, Union Territory, or local authority in relation to functions under Article 243G or 243W.

Key Observations:

- Notification No. 16/2021 dated 18th November 2021 omitted “Governmental Authority” and “Government Entity” from both Entry 3 and Entry 3A.
- As of now, only services provided to Central Government, State Government, Union Territory, or local authority are covered under these exemption entries.
- In this case, CCRAS is part of the Central Government, being under the Ministry of AYUSH, and thus qualifies as “Central Government” for GST purposes.
- The R&D activities undertaken in collaboration with CCRAS are aimed at public health and welfare, which is a function covered under Article 243G (health and sanitation) and 243W (public health).

Hence, if the supply is established, the applicant may rightly claim exemption under Entry No. 3 or 3A of Notification No. 12/2017, subject to satisfaction of the following:

- The supply is pure service (for Entry 3), or
- The goods involved, if any, do not exceed 25% of total value (for Entry 3A),
- The activity is in relation to functions under Article 243G or 243W,

- The recipient is the Central Government (which CCRAS qualifies as).

Statement of the Applicant's Interpretation

The applicant respectfully submits the following for consideration:

1. As per Entry No. 3 and 3A of Notification No. 12/2017 – Central Tax (Rate) dated 28.06.2017, “pure services” and “composite supply of goods and services”, where the supply is made to the Central Government, State Government, Union territory, local authority, Governmental authority, or Government entity in relation to any function entrusted to a Panchayat under Article 243G or to a Municipality under Article 243W of the Constitution, are exempt from GST.
2. The applicant is engaged in research and development work in the field of public health, which falls under:
 - Entry No. 23 of the Eleventh Schedule (Article 243G of the Constitution) – “Health and sanitation, including hospitals, primary health centres and dispensaries”.
 - Entry No. 6 of the Twelfth Schedule (Article 243W of the Constitution) – “Public health, sanitation, conservancy and solid waste management”.
3. The services are being provided under the “Ayurgyan” scheme of the Ministry of AYUSH (MoA), Government of India, specifically to the Central Council for Research in Ayurvedic Sciences (CCRAS), which is a subordinate office under the Ministry.
4. In one of the projects, although there is a minor component of goods involved (provided as samples to CCRAS), their value is less than 10% of the total project cost. Therefore, the said project qualifies as a “composite supply” where the principal supply is of services, and hence it falls under Entry No. 3A of the above Notification.
5. For further substantiation, we will enclose the instructions received from CCRAS showing the scope of work and the negligible value of goods involved, thereby confirming the nature of the project as a composite supply of services.

6. Based on the above, even if the research and development work undertaken is classified as a “supply” under the CGST Act, it squarely falls within the ambit of Entry 3 and Entry 3A of Notification No. 12/2017, and hence is exempt from GST.
7. Additionally, if the said services were to be treated as taxable under GST, the Ministry of AYUSH / CCRAS would be under a statutory obligation to deduct GST.

8. Personal Hearing:

The proceeding of Personal Hearing was conducted on 29.08.2025, for which the authorized representative Sri A Siva Prasad, Chartered Accountant, has appeared and reiterated the facts narrated in their application.

9. Discussion and Findings:

- 9.1 We have examined the application filed by M/s Laila Nutra Private Limited., along with the supporting documentation and submissions made during the personal hearing held on 29.08.2025, in which the applicant was represented by Sri A. Siva Prasad, Chartered Accountant and Authorized Representative. The applicant presented details regarding the Guidelines for Central Sector Scheme Ministry of Ayush Ayurgyan, Cost Details of Projects, Sanction Letters and Corrigendum, Brief Summary of the Projects, Notification No.2/2018, Council Minutes Extract, the Eleventh and Twelfth Schedules of the Constitution, and supporting AAAR and AAR Orders in the cases of M/s Jay Shankar Gramin and Adivasi Vikas Sanstha and M/s Rashmi Hospitality Services Pvt Ltd.

The issues are discussed as under:

- 9.2 **Whether the Research and Development activity undertaken by the applicant for the Ministry of AYUSH (MoA), through the Central Council for Research in Ayurvedic Sciences (CCRAS), under a grant-in-aid arrangement, falls within the scope of ‘supply’ as defined under Section 7 of the CGST Act, 2017?**

- 9.2.1 The applicant contended that to be considered as a “supply”, a transaction must satisfy the following essential elements:

1. It must be a form of transaction such as sale, transfer, barter, exchange, license, rental, lease, or disposal;
2. It must be made for a consideration;
3. It must be made in the course or furtherance of business.

The applicant further contended that the R&D activities are carried out entirely with the financial assistance of the Central Council for Research in Ayurvedic Sciences (CCRAS), and under its guidance; It did not retain and possess any ownership rights over the property or the intangible assets (such as intellectual property) resulting from the R&D activity; Therefore, it is not in a position to rent, lease, or dispose of any such outcome; According to the Oxford English Dictionary, the term license is defined as “a formal or written permission.” In the present case, neither the applicant nor CCRAS is granting any license to the other. There is no agreement executed between the parties to grant such rights. Thus, the condition or factor of licensing, which might otherwise bring a transaction within the ambit of “supply” under GST, is not satisfied. Hence, the primary criterion under Section 7 of the CGST Act, 2017 — relating to the existence of a “supply” involving transfer, lease, rental, or license — is not met in this case.

Further, the applicant contended that the Ministry of Ayush (MoA), is a department under the Government of India, which is entrusted with the development, promotion, and propagation of traditional and alternative systems of medicine such as Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homoeopathy (collectively known as AYUSH); the MoA has designated the Central Council for Research in Ayurvedic Sciences (CCRAS) as its nodal agency for execution of the project under the Ayurgyan Scheme; the Ministry, through CCRAS, has sanctioned a 100% grant to the applicant solely for executing a research project. The explicit objective of this project is to generate a final report that will be made freely available in the public domain. The intent behind this is to allow wide and unrestricted use of the findings by other manufacturers and stakeholders in the field of medicine, thereby supporting public healthcare objectives.

9.2.2 The applicant contended that as the MoA is a government ministry and CCRAS is functioning as its nodal agency for disbursement and monitoring of the grant, the financial assistance received by the applicant qualifies as a grant from the Central Government; that as per Section 2(31) of the CGST Act, 2017, consideration in relation to the supply of goods or services or both includes:

- (a) Any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- (b) The monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Explanation: The proviso to the section clarifies that a deposit given in respect of the supply of goods or services shall not be considered as payment for such supply unless it is applied by the supplier as consideration.

As per the Oxford Learner's Dictionary, a subsidy is defined as "Money that is paid by a government or an organization to reduce the cost of services or of producing goods so that their prices can be kept low." Therefore, any financial support extended by a government department or agency—irrespective of the nomenclature used—qualifies as a subsidy. In the instant case, the grant received from CCRAS may be rightly construed as a form of government subsidy.

Accordingly, such grant/subsidy, being paid by a government body (CCRAS) and not linked to any commercial supply from the recipient, is specifically excluded from the definition of "consideration" under the CGST Act.

The R&D activity funded and governed by CCRAS does not form part of the applicant's regular business activity, nor is it undertaken with a commercial motive or for profit. Rather, it is

carried out as part of a public-funded research initiative. Therefore, it cannot be said to be undertaken “in the course or furtherance of business” as required under Section 7 of the CGST Act.

9.2.3 The applicant contended that neither the Ministry of Ayush nor its nodal agency CCRAS are engaged in any commercial or business activity. Their actions, particularly under the Ayurgyan Scheme, are directed toward promoting public health by fostering awareness and adoption of AYUSH systems in the healthcare ecosystem; that though it is primarily engaged in the business of manufacturing and selling extracts derived from Ayurvedic and herbal raw materials, the current project undertaken by it is not a commercial venture as it is being executed solely as per the directives and funding of the MoA/CCRAS, without any commercial intent or profit motive; that it is not retaining or claiming any intellectual property rights over the outcomes or findings of the said project. The results are intended for free public dissemination, further confirming that the project falls outside the scope of the applicant’s regular course of business.

9.2.4 Finally, the applicant contended that as per Section 7(1)(a) of the CGST Act, 2017, “supply” includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal, made or agreed to be made for a consideration in the course or furtherance of business. In the present case, (i) The applicant is a research organization collaborating with CCRAS, a body functioning under the Ministry of AYUSH, Government of India(ii) The Memorandum of Agreement (MoA) governing the relationship does not indicate the existence of a commercial arrangement or profit motive.(iii) Neither the applicant nor CCRAS is undertaking the activity in the course or furtherance of business, nor is there consideration in the commercial sense(iv) The applicant is not transferring goods or services in a manner that constitutes a “sale” or similar supply defined under Section 7(1)(a). Accordingly, the transaction lacks the key elements required for a supply under GST, namely, Supply type (sale, transfer, license,

etc.), Consideration and Business purpose and hence, the transaction does not qualify as a “supply” under GST.

9.3 The contentions of the applicant are examined with reference to the provisions of the Act.

9.3.1 The scope of supply is as per section 7 of the GST Act and same is as below;-

7. Scope of supply. - (1) For the purposes of this Act, 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;.....

Section 7(1) (a) refers to a supply 'made or agreed to be made for a consideration by a person in the course or furtherance of business'.

Section 2(17) of the CGST Act defines 'business' and Section 2(31) of the CGST Act defines 'consideration' as follows,-

2 (17) "business" includes--

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;

2(31) consideration in relation to the supply of goods or services or both includes-

- (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- (b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government:

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

9.3.2 In order to arrive at a definitive conclusion on the taxability of service, the main ingredients which need to be necessarily present, as per GST statute, are the supply/service, the Supplier /service provider, the recipient /service receiver and the consideration for the supply /service. In the Instant case, the applicant is awarded two projects;

Project 1: Research, analysis, and manufacturing of 100 kg each of 5 different raw material extracts for further testing by other selected institutes. (Grant sanctioned from Government: Rs. 10 Cr approximately)

Project 2: Further testing, safety analysis, and reporting on one of the products manufactured in Project 1. (Grant sanctioned from Government: Rs. 10 Cr approximately).

9.3.3. The applicant is equipped with both an extraction facility and a Research & Development facility. Under project 1, the applicant has to manufacture 5 different raw material extracts each weighing 100kgs (i.e., Supply of goods) and under project 2, the applicant has to done Research & Development Activity on one of the products manufactured in Project 1 and submit report which is intended to be published by CCRAS for the benefit of the general public and medicine manufacturers (i.e., Supply of Services).

Under sub-section (a) of Section 2(31) of the Act, the consideration for the supply of goods or services may be paid by the

recipient or any other person. Hence, even if it is assumed that services supplied by the applicant are not received by CCRAS but are received by the beneficiaries i.e., general public and medicine manufacturers, the amount paid by CCRAS to the applicant is still covered under the definition of 'consideration' paid for the said supply of goods or services by the applicant and is covered in the definition of supply given under Section 7(1) of the Act. The profit motive is not important, if we make combined reading of all above definitions, including that of the "business".

- 9.3.4** The applicant's narrow interpretation of "supply" ignores the comprehensive scope of the term under the GST regime. Section 7(1)(a) of the CGST Act, 2017 clearly states that "supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease, or disposal made or agreed to be made for a consideration in the course or furtherance of business. The list is inclusive, not exhaustive — meaning that any form of supply, even if not specifically mentioned, may still fall within the ambit of "supply" if the other conditions (consideration and business nexus) are satisfied.

The applicant has acknowledged receiving financial assistance from CCRAS for the R&D activities. This financial assistance qualifies as consideration, as per Section 2(31) of the CGST Act, which includes any payment made in money or otherwise, in respect of the supply of goods or services. Whether the assistance is called a "grant" or otherwise is immaterial — what matters is that it is linked to the R&D services rendered by the applicant. Moreover, definition of "consideration" includes grants and excludes only "subsidy".

- 9.3.5** R&D services — even when not resulting in the transfer of ownership or IP — are nonetheless services under GST. As per Section 2(102) of the CGST Act, "services" means anything other than goods, money, and securities. The act of conducting research at the behest and under the guidance of CCRAS clearly amounts to a service,

whether or not any tangible or intangible property is created or transferred. With the introduction of GST, Sl.No.19 of Notification number 11/2017-Central Tax (Rate), dated the 28th June, 2017, charges 18% of GST as follows:

	Chapter, Section or Heading	Description of Service	CGST Rate (%)	SGST/ UTGST Rate (%)	IGST Rate (%)	Condition
	(2)	(3)	(4)			(5)
	Heading 9981	Research and development services.	9	9	18	-

The applicant is engaged in R&D as an organized activity and receives funding for it indicating a clear business activity as per Section 2(17) of the CGST Act, which defines "business" broadly to include any trade, commerce, profession, or vocation, whether or not for profit. Even if the objective is non-commercial, the receipt of consideration for systematic activity qualifies as business under GST.

9.3.6 The applicant's contention that there is no ownership or licensing of IP is not determinative of whether a supply exists. What matters is the performance of an activity (R&D) for another party for consideration. The output or deliverable (whether IP or a report or data) and the ownership thereof are not central to the determination of whether a supply has occurred.

Further, the Government vide Notification No. 08/2024 -CT(Rate), dated 8 October 2024 inserted Sl.No.44A duly exempting research and development services supplied against consideration received in the form of grants by (a) a Government Entity; or (b) a research association, university, college or other notified institution under clauses (ii) or (iii) of sub-section (1) of Section 35 of the Income Tax Act, 196, provided that the institution

is notified under those clauses at the time of supply. The same is extracted hereunder:

"(B) after serial number 44 and the entries relating thereto, the following serial number and entries relating thereto in columns (2), (3), (4) and (5) shall be inserted, namely: -

(1)	(2)	(3)	(4)	(5)
"44A	Heading 9981	Research and development services against consideration received in the form of grants supplied by – (a) a Government Entity; or (b) a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961.	Nil	Provided that the research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961 is so notified at the time of supply of the research and development service."

But, in the present case, the applicant has not provided any information whether it is notified under clauses (ii) or (iii) of sub-section 1) of section 35 of the Income Tax Act, 1961.

In view of the above discussion, it is held that the Research and Development activity undertaken by the applicant for the Ministry of AYUSH (MoA), through the Central Council for Research in Ayurvedic Sciences (CCRAS), under a grant-in-aid arrangement, falls within the scope of 'supply' as defined under Section 7 of the CGST Act, 2017.

9.4 If the aforementioned Research and Development activity is considered a 'supply' under Section 7 of the CGST Act, 2017, whether such activity qualifies for exemption under Entry No. 3 or Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended?

9.4.1 The applicant contended that if the research and development work undertaken is classified as a “supply” under the CGST Act, it squarely falls within the ambit of Entry 3 and Entry 3A of Notification No. 12/2017, and hence is exempt from as per which “pure services” and “composite supply of goods and services”, where the supply is made to the Central Government, State Government, Union territory, local authority, Governmental authority, or Government entity in relation to any function entrusted to a Panchayat under Article 243G or to a Municipality under Article 243W of the Constitution, are exempt from GST as it is engaged in research and development work in the field of public health, which falls under entry No. 23 of the Eleventh Schedule (Article 243G of the Constitution) – “Health and sanitation, including hospitals, primary health centres and dispensaries” and entry No. 6 of the Twelfth Schedule (Article 243W of the Constitution) – “Public health, sanitation, conservancy and solid waste management”. The applicant contended that the services are being provided under the “Ayurgyan” scheme of the Ministry of AYUSH (MoA), Government of India, specifically to the Central Council for Research in Ayurvedic Sciences (CCRAS), which is a subordinate office under the Ministry. In one of the projects, although there is a minor component of goods involved (provided as samples to CCRAS), their value is less than 10% of the total project cost. Therefore, the said project qualifies as a “composite supply” where the principal supply is of services, and hence it falls under Entry No. 3A of the above Notification and further contended that if the said services were to be treated as taxable under GST, the Ministry of AYUSH / CCRAS would be under a statutory obligation to deduct GST.

Relevant entries relating to Sl. No.3 and 3A are extracted hereunder:

Sl. No.	Chapter, Section, Heading, Group or Service Code	Description of Services	Rate (per cent.)	Condition

	(Tariff)			
3	Chapter 99	Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution	Nil	Nil
3 A	Chapter 99	Composite supply of goods and services where the value of goods does not exceed 25% of the total value of the supply, provided to the Central Government, State Government or Union territory or local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution	Nil	Nil

9.4.2 To claim exemption under the above entry, the condition to be satisfied is the activity must be in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution hence to understand it better the article 243G & 243W are being reproduced as follows:-

Article 243G in The Constitution Of India

243G. Powers, authority and responsibilities of Panchayats Subject to the provisions of this Constitution the Legislature of a State may, by law, endow the Panchayats with such powers and authority and may be necessary to enable them to function as institutions of self government

and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, subject to such conditions as may be specified therein, with respect to

- (a) the preparation of plans for economic development and social justice;
- (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the **Eleventh Schedule**

Article 243W in the Constitution Of India

243W. Powers, authority and responsibilities of Municipalities, etc Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow

- (a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to
 - (i) the preparation of plans for economic development and social justice;
 - (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;
- (b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule

In both the articles of constitution of India i.e. 243G & 243W, the reference has been given to Schedule Eleven & Schedule Twelve. Hence, it is pertinent to go through the items covered under both the schedules. Hence the Schedule Eleven & Schedule Twelve are reproduced as follows:-

ELEVENTH SCHEDULE (Article 243G)

1. Agriculture, including agricultural extension.

2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
- 23. Health and sanitation, including hospitals, primary health centres and dispensaries.**
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

TWELVTH SCHEDULE

(Article 243w)

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. **Public health, sanitation conservancy and solid waste management.**
7. Fire services.

8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.

9.4.3 On examination of the relevant entries with reference to the functions entrusted to a Panchayat under Article 243G or to a Municipality under Article 243W of the Constitution and the transactions in questions made by the applicant it is noticed that though CCRAS is a Government entity, the services in question are neither provided to a Panchayat or Municipality, or a body acting on their behalf nor directly in relation to the execution of functions entrusted to such local bodies under Articles 243G or 243W . The services are part of a Central Government scheme and implemented by a Central Government body (CCRAS), with no involvement or delegation to Panchayati Raj Institutions (PRIs) or Urban Local Bodies (ULBs).

As per judicial interpretation, the phrase "*in relation to any function entrusted to a Panchayat/Municipality*" necessitates a direct and proximate connection between the service and a function actually being discharged by such a body. Merely aligning the service subject matter with a Schedule entry (e.g., "public health") is not sufficient.

9.4.4 In the present case, under project 1 the applicant is manufacturing 100 kg each of 5 different raw material extracts for further testing by other institutes, the value of these samples stated to be less than 10% of the total project value. But, this activity is not directly in relation to

any function entrusted to a Panchayat under Article 243G or Municipality under Article 243W of the Constitution.

Further, under Project 2 the applicant is required to test one of the specific raw material and submit a detailed analytical and testing report which is intended to be published by CCRAS for the benefit of the general public and medicine manufacturers. Hence, this activity is also not directly in relation to any function entrusted to a Panchayat under Article 243G or Municipality under Article 243W of the Constitution.

Even though the applicant contends that the supply of goods is below 10% of the contract value, which could satisfy the quantitative threshold, the qualifying condition regarding the functional nexus with Articles 243G/243W is not met. The key test here remains the same, whether the service is in relation to a function entrusted to and being carried out by a Panchayat or Municipality. In this case, the R&D services are not rendered to such authorities, and the activity is undertaken by a Central body (CCRAS), not under any decentralised governance framework.

As held in numerous judicial pronouncements (e.g., *Dilip Kumar & Co. v. Commissioner of Customs*, [2018] 9 SCC 1), exemption notifications are subject to strict interpretation. If there is any ambiguity, the benefit of doubt must go to the Revenue. In the present case, the exemption conditions are not clearly or unambiguously satisfied. Further, the applicant's argument that CCRAS would have been required to deduct GST if the services were taxable is factually and legally irrelevant to the question of taxability.

9.4.5 In view of the above it is held that the services rendered to CCRAS do not qualify for exemption under Entry 3 or Entry 3A of Notification No. 12 / 2017 - Central Tax (Rate) as the services are not rendered in execution of functions under

Articles 243G/243W. Hence, the supply is accordingly taxable under GST, and the applicant is liable to discharge GST at the applicable rate.

RULING

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

Question: Whether the Research and Development activity undertaken by the applicant for the Ministry of AYUSH (MoA), through the Central Council for Research in Ayurvedic Sciences (CCRAS), under a grant-in-aid arrangement, falls within the scope of 'supply' as defined under Section 7 of the CGST Act, 2017?

Answer: Yes.

Question: If the aforementioned Research and Development activity is considered a 'supply' under Section 7 of the CGST Act, 2017, whether such activity qualifies for exemption under Entry No. 3 or Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended?

Answer: No.


K. Ravi Sankar
Member


B. Lakshmi Narayana
Member

To

M/s Laila Nutra Private Limited, First Floor, 40-15-14, A1, Sudarshan Apartments Siris Raju Street, Sathish Raju Street, L&T Finance, Brindavan Colony, Vijayawada, NTR, Andhra Pradesh-520010. **(By Registered Post)**

Copy to

1. The Assistant Commissioner (ST), Benz Circle, Vijayawada-II Division through mail)
2. The Commissioner of Central Tax, CGST, GST Bhavan, Central Revenue Buildings, Kannavari Thota, Guntur - 522 004

Copy submitted to

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Kunchanapalli, Guntur District, (A.P)
2. The Principal Chief Commissioner (Central Tax), O/o Principal Chief Commissioner of Central Tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035. A.P.

Note: Under Section 100 of the APGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under Section 99 of APGST Act, 2017, with in a period of 30 days from the date of service of this order.