

**THE AUTHORITY ON ADVANCE RULINGS  
IN KARNATAKA  
GOODS AND SERVICE TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU - 560 009**

**Advance Ruling No. KAR ADRG 105/2019**

**Dated: 30<sup>th</sup> September, 2019**

Present:

1. Sri. Harish Dharnia,  
Additional Commissioner of Central Tax . . . . Member (Central  
Tax)
2. Dr. Ravi Prasad M.P.  
Joint Commissioner of Commercial Taxes . . . . Member (State  
Tax)

1.	Name and address of the applicant	M/s MATRIX IMAGING SOLUTIONS INDIA PRIVATE LIMITED No.34, 9 <sup>TH</sup> B Cross, 1 <sup>st</sup> Floor, Near Rajajinagar Metro Station, West of Chord Road, Mahalakshmpuram Bengaluru 560086
2.	GSTIN or User ID	Unregistered
3.	Date of filing of Form GST ARA-01	26.07.2019
4.	Represented by	Sri Rajesh Gowda, Managing Director
5.	Jurisdictional Authority - Centre	Pr Commissioner of Central Tax, Bangalore-West
6.	Jurisdictional Authority - State	LGSTO-050A, Bengaluru
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of 1. Rs.5,000-00 under CGST Act vide CIN UTIB19072900403200 dated 25.07.2019 2. Rs.5,000-00 under KGST Act vide CIN UTIB19072900403200 dated 25.07.2019

**ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS AND SERVICE TAX ACT, 2017 AND UNDER SECTION 98(4) OF THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017**

1. M/s Matrix Imaging Solutions India Private Limited, (called as the 'Applicant' hereinafter), is a unregistered person, has filed an application for Advance Ruling under Section 97 of the CGST Act, 2017 and Section 97 of



the KGST Act, 2017, in FORM GST ARA-01 discharging the fee of Rs.5,000-00 each under the CGST Act and the KGST Act.

2. The Applicant is a Private Limited Company and is not registered under the Goods and Services Act, 2017. The applicant has sought advance ruling in respect of the following question:

*Whether they, being a health care service provider, are exempted from tax or not?*

3. The applicant furnishes some facts relevant to the stated activity:

a. The applicant states that they are in the business of providing health care services and cater to the Government Hospitals only on PPP Model for a limited contract period.

b. As per the contract, the applicant has been allotted the contract of providing diagnostic services in the Government Hospitals through a tender selection process.

c. All expenditure related to the services provided by the applicant are borne by the applicant themselves, and the applicant receives the bills for the same by vendors of different GST slabs. The applicant pays the expenses including GST. Meanwhile the applicant states that he does not take any ITC as their services does not come under GST as per the opinion provided by the experts based on Notification No.12/2017 - Central Tax (Rate) dated 28.06.2017.

d. Further, the applicant states that they do not take any services which comes under reverse charge mechanism under the Goods and Services Tax Act, 2017.

e. The applicant provides the list of services provided to different Hospitals

Service recipients	Nature of Services provided
Jayadeva Institute of Cardiovascular Science and research, Mysore (SJIC&R Hospital), Government of Karnataka	Operation and management of Clinical Laboratory Services
Hindlabs Diagnostic Centre of HLL Life Care Ltd, Govt. of India KCG Hospital, Bangalore Tumkur District Hospital, Tumkur	Operation and Management of Clinical Laboratory and Radio-diagnostic services



District Hospital, Chitradurga District Hospital, Davanagere Government of Karnataka	
Bangalore Medical College and Research Institute Super- speciality Hospital (PMSSY) Government of Karnataka, Victoria Hospital Campus, Bangalore	Operation and Management of Clinical Laboratory and Radio- diagnostic services
Jayadeva Institute of Cardiovascular Science & Research, Gulbarga, Kalaburagi Govt of Karnataka	Operation and Management of Clinical Laboratory and Radio- diagnostic services

f. The structure for receipts and payments are as follows:

Billing is done after categorizing various schemes adopted by the Government. 90% of the patients fall under some or the other schemes like BPL, Vajpayee Arogyashree, Suvarna Karnataka Arogya Suraksha, SC/ST Scheme, Janani Shishu Suraksha Yojana, etc. The total collection goes to the concerned entities. At the end of the month, the applicant raises the invoice to the concerned departments as per the rates agreed between the applicant and the contractee at the time of entering the agreement.

#### 4. FINDINGS & DISCUSSION:

We have considered the submissions made by the applicant in their application for advance ruling as well as the submissions made by Sri.Rajesh Gowda,MD, during the personal hearing. We also considered the issues involved on which advance ruling is sought by the applicant and relevant facts. At the outset, we would like to state that the provisions of both the CGST Act and the KGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the KGST Act.

4.1 The transaction of the applicant is examined and it is seen that the applicant has entered into a contract with the contractee (hospital) for providing diagnostic services in their premises for the patients referred to by the hospital. The patients are liable to pay charges on that account to the Hospital and the applicant has nothing to do with it. The applicant only scrutinizes whether the payment is done or not and once the



payment is done to the Hospital as per their schedule of charges, they carry out the diagnostic tests on the patients. The service thus provided is to the contractee and not to the patients. The consideration is also payable by the contractee to the applicant and hence the contractee is the recipient of the services by virtue of clause (93) of section 2 of the CGST Act, 2017, which reads as under:

*“(93) “recipient” of supply of goods or services or both, means –*

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;*
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and*
- (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,”*

Since, the contractee is liable to pay the consideration involved in the supply of services to the patients, the contractee would be deemed to the recipient of services and it does not matter whether the contractee collects the amount from the patient or not.

4.2 The services provided by the applicant is further examined and seen that the applicant is actually setting up infrastructure for laboratory and other diagnostic equipments in the Hospital itself and the services are provided in that Hospital premises. The term operation and management of Clinical Laboratory and Radio Diagnostic Services actually means to set up the establishment and provide the services. The applicant is not managing the service establishment of the contractee but providing the diagnostic services to the contractee.

4.3 Entry No. 74 of the Notification No.12/2017- Central Tax (Rate) dated 28.06.2017 reads as under:

Sl.No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Service	Rate (per cent.)	Condition
1	2	3	4	5
74	Heading	Services by way of –	Nil	Nil

9993	(a) health care services by a clinical establishment, an authorised medical practitioner or para-medics (b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above		
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4.4 The term “health care services” is defined in clause (zg) of paragraph 2 in Notification No.12/2017 – Central Tax (Rate) dated 28.06.2017 as under:

“(zg) “health care services” means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.”

Hence the services by way of diagnosis for illness, deformity, abnormality or pregnancy are covered under “health care services”.

4.5 The next issue is whether the applicant is a “clinical establishment” as contemplated in Entry No.74 of the Notification No.12/2017- Central Tax (Rate) dated 28.06.2017 and the term “clinical establishment” is defined in clause (s) of Paragraph 2 of the said Notification as under:

*“(s) “clinical establishment” means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of the establishment to carry out diagnostic or investigative services of diseases”.*

Therefore, to be covered under the definition, the applicant shall be either

- (a) an institution offering services or facilities requiring diagnosis for illness, injury, deformity, abnormality or pregnancy; or
- (b) A place established as an independent entity or part of the establishment to carry out diagnostic or investigative services of diseases.

From the above, since the applicant is offering diagnostic services, they would be covered under the term “clinical establishment” for the purposes



of entry no. 74 of the Notification No.12/2017- Central Tax (Rate) dated 28.06.2017.


4.6 A conjoint reading of paragraphs 4.4 and 4.5 above, the service provided by the applicant would be covered under "Services by way of health care services by a clinical establishment" and hence covered under entry 74 of the Notification No.12/2017- Central Tax (Rate) dated 28.06.2017 and hence is exempted from GST. It is pertinent to note that there is no condition relating to the recipient of these services in the said entry.

5. In view of the foregoing, we rule as follows

**RULING**

1. The diagnostic services provided by the applicant to Hospitals and other establishments are covered under entry no. 74 of the Notification No.12/2017- Central Tax (Rate) dated 28.06.2017 and hence are exempted from CGST. Similarly, the services are also exempted under the Karnataka Goods and Services Tax Act, as it is covered under entry no.74 of Notification (12/2017) No. FD 48 CSL 2017 dated 29.06.2017.



  
(Harish Dharnia)  
Member

Place: Bengaluru,  
Date: 30.09.2019

To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. Pr. Commissioner of Central Tax, Bangalore-West
4. The Asst. Commissioner, LGSTO-050A, Bengaluru
5. Office Folder

