



**KARNATAKA LEGISLATIVE ASSEMBLY  
SIXTEENTH LEGISLATIVE ASSEMBLY  
SEVENTH SESSION**

**THE KARNATAKA GOODS AND SERVICES TAX (AMENDMENT) BILL, 2025  
(LA Bill No. 57 of 2025)**

A Bill further to amend the Karnataka Goods and Services Tax Act, 2017(Karnataka Act 27 of 2017).

Whereas, it is expedient further to amend the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act 27 of 2017), for the purpose hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the seventy sixth year of the Republic of India as follows:-

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Goods and Services Tax (Amendment) Act, 2025.

(2) Save as otherwise provided, the provisions of this Act shall come into force on such date, as the Government may, by notification in the Official Gazette, appoint.

**2. Amendment of section 2.-** In the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act 27 of 2017) (hereinafter referred to as the Principal Act), in section 2,-

(i) in clause (61), after the word and figure "section 9", the words, brackets and figures "of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (Central Act No 13 of 2017)" shall be deemed to have been inserted with effect from the 1st day of April, 2025;

(ii) in clause (69),-

(a) in sub-clause (c), after the words "management of a municipal", the word "fund" shall be inserted;

(b) after sub-clause (c), the following Explanation shall be inserted, namely:-

**'Explanation.-** For the purposes of this sub-clause-

(i) "local fund" means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Panchayat area and vested by law with the

powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;

(ii) "municipal fund" means any fund under the control or management of an authority of a local self-government established for discharging civic functions in relation to a Metropolitan area or Municipal area and vested by law with the powers to levy, collect and appropriate any tax, duty, toll, cess or fee, by whatever name called;

(iii) after clause (116), the following clause shall be inserted, namely:-

(116A) "unique identification marking" means the unique identification marking referred to in clause (b) of sub-section (2) of section 148A and includes a digital stamp, digital mark or any other similar marking, which is unique, secure and non-removable;

**3. Amendment of section 12.-** In section 12 of the Principal Act, sub-section (4) shall be omitted.

**4. Amendment of section 13.-** In section 13 of the Principal Act, sub-section (4) shall be omitted.

**5. Amendment of section 17.-** In section 17 of the Principal Act, in sub-section (5), in clause (d),-

(i) for the words "plant or machinery", the words "plant and machinery" shall be deemed to have been substituted with effect from the 1st day of July, 2017;

(ii) the existing Explanation shall be numbered as Explanation-1 and after Explanation-1 as so numbered, the following Explanation shall be inserted, namely:-

**“Explanation-2.-** For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to "plant or machinery" shall be construed and shall always be deemed to have been construed as a reference to "plant and machinery”.

**6. Amendment of section 20.-** In section 20 of the Principal Act,-

(i) in sub-section (1), after the word and figure "section 9", the words, brackets and figures "of this Act or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act, 2017 (Central Act No 13 of 2017)" shall be deemed to have been inserted with effect from the 1<sup>st</sup> day of April, 2025;

(ii) in sub-section (2), after the word and figure "section 9", the words, brackets and figures "of this Act or under sub-section (3) or sub-section (4)

of section 5 of the Integrated Goods and Services Tax Act, 2017 (Central Act No 13 of 2017)," shall be deemed to have been inserted with effect from the 1<sup>st</sup> day of April, 2025.

**7. Amendment of section 34.-** In section 34 of the Principal Act, in sub-section (2), for the proviso, the following proviso shall be substituted, namely:-

"Provided that no reduction in output tax liability of the supplier shall be permitted, if the-

(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases."

**8. Amendment of section 38.-** In section 38 of the Principal Act,-

(i) in sub-section (1), for the words "an auto-generated statement", the words "a statement" shall be substituted;

(ii) in sub-section (2),-

(a) for the words "auto-generated statement under", the words "statement referred in" shall be substituted;

(b) in clause (a), the word "and" shall be omitted;

(c) in clause (b), after the words "by the recipient,", the word "including" shall be inserted; and

(d) after clause (b), and the entries relating thereto the following clause shall be inserted, namely:-

"(c) such other details as may be prescribed."

**9. Amendment of section 39.-** In section 39 of the Principal Act, in sub-section (1), for the words "and within such time", the words "within such time, and subject to such conditions and restrictions" shall be substituted.

**10. Amendment of section 107.-** In section 107 of the Principal Act, in sub-section (6), for the proviso, the following proviso shall be substituted, namely:-

"Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten per cent. of the said penalty has been paid by the appellant."

**11. Amendment of section 112.-** In section 112 of Principal Act, in sub-section (8), the following proviso shall be inserted, namely:-

"Provided that in case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to ten percent of the said penalty, in addition to the amount payable under the proviso to sub-section (6) of section 107 has been paid by the appellant."

**12. Insertion of new section 122-B.-** After section 122A of the Principal Act, the following new section shall be inserted, namely:-

**"122-B. Penalty for failure to comply with track and trace mechanism.-** Notwithstanding anything contained in this Act, where any person referred to in clause (b) of sub-section (1) of section 148A acts in contravention of the provisions of the said section, he shall, in addition to any penalty under Chapter XV or the provisions of this Chapter, be liable to pay a penalty equal to an amount of one lakh rupees or ten per cent of the tax payable on such goods, whichever is higher."

**13. Insertion of new section 148A.-** After section 148 of the Principal Act, the following section shall be inserted, namely:-

**"148-A. Track and trace mechanism for certain goods.-** (1) The Government may, on the recommendations of the Council, by notification, specify,-

- (a) the goods;
- (b) persons or class of persons who are in possession or deal with such goods to which the provisions of this section shall apply.

(2) The Government may, in respect of the goods referred to in clause (a) of sub-section (1),-

- (a) provide a system for enabling affixation of unique identification marking and for electronic storage and access of information contained therein, through such persons, as may be prescribed; and
  - (b) prescribe the unique identification marking for such goods, including the information to be recorded therein.
- (3) The persons referred to in sub-section (1), shall,-
- (a) affix on the said goods or packages thereof, a unique identification marking, containing such information and in such manner;
  - (b) furnish such information and details within such time and maintain such records or documents, in such form and manner;
  - (c) furnish details of the machinery installed in the place of business of manufacture of such goods, including the identification, capacity, duration of operation and such other details or information, within such time and in such form and manner; and
  - (d) pay such amount in relation to the system referred to in sub-section (2), as may be prescribed."

**14. Amendment of Schedule III.-** In Schedule III of the Principal Act,-

- (i) in paragraph 8, after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:-

"(aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area;"

- (ii) in Explanation 2, after the words "For the purposes of", the words, brackets and letter "clause (a) of" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017; and

- (iii) after Explanation 2, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 2017, namely:-

**"Explanation 3.-** For the purposes of clause (aa) of paragraph 8, the expressions "Special Economic Zone", "Free Trade Warehousing Zone" and "Domestic Tariff Area" shall have the same meanings respectively as assigned to them in section 2 of the Special Economic Zones Act, 2005 (Central Act No 28 of 2005)."

**15. No refund of tax collected.-** No refund shall be made of all such tax which has been collected, but which would not have been so collected, had section 14 of this Amendment Act been in force at all material times.

## **STATEMENT OF OBJECTS AND REASONS**

The Karnataka Goods and Services Tax Act, 2017 was enacted to make a provision for levy and collection of tax on intra-State supply of goods or services or both by the Government of Karnataka.

However, the new tax regime had faced certain difficulties. In order to overcome the difficulties, it is proposed to amend the Karnataka Goods and Services Tax Act, 2017 (Karnataka Act No. 27 of 2017).

The proposed Karnataka Goods and Services Tax (Amendment) Bill, 2025, *inter alia*, provides for the following, namely:-

- (1) (a) Clause 2 of the Bill seeks to amend section 2 of the Karnataka Goods and Services Tax Act, 2017 relating to definitions. It is proposed to amend the definition of “Input Service Distributor” in clause (61) of section 2 so as to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of the Integrated Goods and Services Tax Act in the definition of Input Service Distributor;
- (b) This amendment shall take effect from 1st day of April, 2025;
- (c) It is further proposed to amend sub-clause (c) of clause (69) of section 2 so as to substitute the term “municipal or local fund” with the terms “municipal fund or local fund” and to insert an Explanation after the said sub-clause, to provide for definitions of the terms “Local fund” and “Municipal fund” used in the definition of “local authority” under the said clause so as to clarify the scope of the said terms;
- (d) It is also proposed to insert a new clause (116A) in section 2 so as to define the expression “Unique Identification Marking” to mean a mark that is unique, secure and non-removable, for implementation of track and trace mechanism;
- (2) Clause 3 of the Bill seeks to omit sub-section (4) of section 12 of the Karnataka Goods and Services Tax Act, 2017 so as to remove the provision for time of supply in respect of transaction in vouchers, the same being neither supply of goods nor supply of services;
- (3) Clause 4 of the Bill seeks to omit sub-section (4) of section 13 of the Karnataka Goods and Services Tax Act, 2017 so as to remove the provision for time of supply in respect of transaction in vouchers, the same being neither supply of goods nor supply of services;
- (4) (a) Clause 5 of the Bill seeks to amend clause (d) of sub-section (5) of section 17 of the Karnataka Goods and Services Tax Act, 2017 so as to substitute the expression “plant or machinery” with the expression “plant and machinery” to remove any ambiguity in interpretation for the purpose of availment of input tax credit in such cases;
- (b) It further seeks to insert an Explanation to clarify that the said amendment is made notwithstanding anything to the contrary contained in any judgment, decree or order of any court or any other authority;

- (c) This amendment shall take effect retrospectively from 1st day of July, 2017;
- (5) (a) Clause 6 of the Bill seeks to amend sub-section (1) of section 20 of the Karnataka Goods and Services Tax Act, 2017 so as to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-State supplies, on which tax has to be paid on reverse charge basis, by inserting a reference to sub-section (3) and sub-section (4) of section 5 of the Integrated Goods and Services Tax Act (Central Act 13 of 2017) in the said sub-section;
- (b) It further seeks to amend sub-section (2) of the said section so as to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-State supplies, on which tax has to be paid on reverse charge basis, by inserting reference to sub-section (3) and sub-section (4) of section 5 of the Integrated Goods and Services Tax Act in the said sub-section;
- (c) This amendment shall take effect from 1st day of April, 2025;
- (6) (a) Clause 7 of the Bill seeks to amend the proviso to sub-section (2) of section 34 of the Karnataka Goods and Services Tax Act, 2017 so as to explicitly provide for the requirement of reversal of corresponding input tax credit in respect of a credit-note, if availed, by the registered recipient, for the purpose of reduction of tax liability of the supplier in respect of the said credit note;
- (b) It further seeks to remove the condition in the said proviso of not having passed the incidence of tax on supply for the purpose of reduction of tax liability of the supplier in respect of the said credit note;
- (7) (a) Clause 8 of the Bill seeks to amend sub-section (1) of section 38 of the Karnataka Goods and Services Tax Act, 2017 to omit the expression “auto-generated” with respect to statement of input tax credit in the said sub-section;
- (b) It further seeks to amend sub-section (2) of the said section by omitting the expression “auto-generated” with respect to statement of input tax credit in the said subsection and inserting the expression “including” after the words “by the recipient” in clause (b) of said sub-section so as to make the said sub-section inclusive to cover other cases where input tax credit is not available to taxpayer under any other provisions of the Act;
- (c) It further inserts a new clause (c) in the said sub-section to provide for an enabling clause to prescribe other details to be made available in statement of input tax credit;
- (8) Clause 9 of the Bill seeks to amend sub-section (1) of section 39 of the Karnataka Goods and Services Tax Act, 2017 so as to provide for an enabling clause to prescribe conditions and restriction for filing of return under the said sub-section;
- (9) Clause 10 of the Bill seeks to substitute the proviso to sub-section (6) of section 107 of the Karnataka Goods and Services Tax Act, 2017 to provide for the requirement of pre-deposit of ten percent of the penalty amount for filing an appeal before the Appellate Authority against an order which involves

demand of penalty without involving any demand of tax;

- (10) Clause 11 of the Bill seeks to insert a proviso to sub-section (8) of section 112 of the Karnataka Goods and Services Tax Act, 2017 to provide for the requirement of pre-deposit of ten percent. of the penalty amount for filing an appeal before the Appellate Tribunal against an order which involves demand of penalty without involving any demand of tax.
  - (11) Clause 12 of the Bill seeks to insert a new section 122B in the Karnataka Goods and Services Tax Act, 2017 to provide for penal provisions for contraventions of the provision relating to track and trace mechanism;
  - (12) Clause 13 of the Bill seeks to insert a new section 148A in the Karnataka Goods and Services Tax Act, 2017 so as to provide for an enabling provision for implementation of track and trace mechanism for ensuring effective monitoring and control of supply of specified commodities;
  - (13) (a) Clause 14 of the Bill seeks to insert a new clause (aa) in paragraph 8 of Schedule III of the Karnataka Goods and Services Tax Act, 2017 to specify that the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services;
  - (b) It further seeks to amend the Explanation 2 of the said Schedule to clarify that the said Explanation shall be applicable in respect of clause (a) of paragraph 8 of the said Schedule;
  - (c) It also seeks to insert an Explanation 3 in the said Schedule to define the expressions “Special Economic Zone”, “Free Trade Warehousing Zone” and “Domestic Tariff Area”, for the purpose of the proposed clause (aa) in paragraph 8 of said Schedule;
  - (d) These amendments shall take effect retrospectively with effect from the 1st day of July, 2017; and
- (14) Clause 15 of the Bill seeks to clarify that no refund of the tax, already paid in respect of the aforesaid activities or transactions, shall be available.

Hence, the Bill.



**FINANCIAL MEMORANDUM**

There is no extra expenditure involved in the proposed legislative measure.

**MEMORANDUM REGARDING DELEGATED LEGISLATION**

Clause 8	Item (c) proposed to be inserted to sub-section (2) of section 38 empowers the State Government to prescribe, such other details required for auto-generated statement.
Clause 13	<p>Section 148-A proposed to be inserted,-</p> <p>(i) clause (a) of sub-section (2), empowers the State Government to prescribe the manner for provide a system for enabling affixation of unique identification marking and etc.....</p> <p>(ii) clause (d) of sub-section (3) empower the State Government to present to pay such amount in relation to the system referred is sub-section (2).</p>

The proposed delegation of Legislative power is normal in character.

**Siddaramaiah**  
Chief Minister

**M.K. VISHALAKSHI**  
Secretary  
Karnataka Legislative Assembly

## ANNEXURE

**EXTRACT FROM THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017  
(KARNATAKA ACT NO.27 OF 2017)**

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**2. Definitions.- XXX XXX XXX**

**(61) Input Service Distributor** means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office;

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**(69) local authority means—**

- (a) a Panchayat as defined in clause
- (d) of article 243 of the Constitution;
- (b) a Municipality as defined in clause
- (e) of article 243P of the Constitution;
- (c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
- (d) a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (Central Act 41 of 2006);
- (e) a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
- (f) a Development Board constituted under article 3713[and article 371J]3 of the Constitution; or
- (g) a Regional Council constituted under article 371A of the Constitution;

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**12. Time of supply of goods.- XXX XXX XXX**

(4) In case of supply of vouchers by a supplier, the time of supply shall be-

- (a) the date of issue of voucher, if the supply is identifiable at that point; or
- (b) the date of redemption of voucher, in all other cases.

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**13. Time of supply of services.- XXX XXX XXX**

(4) In case of supply of vouchers by a supplier, the time of supply shall be—

- (a) the date of issue of voucher, if the supply is identifiable at that point; or
- (b) the date of redemption of voucher, in all other cases.

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**17. Apportionment of credit and blocked credits.- XXX XXX XXX**

(5) Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:-

(a) motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:-

- (A) further supply of such motor vehicles; or
- (B) transportation of passengers; or
- (C) imparting training on driving such motor vehicles;
- (aa) vessels and aircraft except when they are used,-
  - (i) for making the following tax able supplies, namely:-
    - (A) further supply of such vessels or aircraft; or
    - (B) transportation of passengers; or
    - (C) imparting training on navigating such vessels; or
    - (D) imparting training on flying such aircraft;
  - (ii) for transportation of goods;

(ab) services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):

Provided that, the input tax credit in respect of such services shall be available,-

(i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;

(ii) where received by a taxable person engaged,-

(I) in the manufacture of such motor vehicles, vessels or aircraft; or

(i) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;

(b) the following supply of goods or services or both,-

(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or air craft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:

Provided that, the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

(ii) membership of a club, health and fitness centre; and

(iii) travel benefits extended to employees on vacation such as leave or home travel concession:

Provided that, the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide to its employees under any law for the time being in force.

(c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

**Explanation.**—For the purposes of clauses (c) and (d), the expression construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

(e) goods or services or both on which tax has been paid under section 10;

(f) goods or services or both received by a non-resident taxable person except on goods imported by him;

(fa) goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013 (Central Act 18 of 2013);

(g) goods or services or both used for personal consumption;

(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

(i) any tax paid in accordance with the provisions of section 74 in respect of any period up to Financial Year 2023-24.

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## **20. Manner of distribution of credit by Input Service Distributor.-**

(1) Any office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under sub-section (3) or sub-section (4) of section 9, for or on behalf of distinct persons referred to in section 25, shall be required to be registered as Input Service Distributor under clause (viii) of section 24 and shall distribute the input tax credit in respect of such invoices.

(2) The Input Service Distributor shall distribute the credit of State tax or integrated tax charged on invoices received by him, including the credit or State tax or integrated tax in respect of services subject to levy of tax under sub-section (3) or sub-section (4) of section 9 paid by a distinct person registered in the same State as the said Input Service Distributor, in such manner, within such time and subject to restrictions and conditions as may be prescribed.

(3) The credit of State tax shall be distributed as State tax or integrated tax and integrated tax as integrated tax or State tax, by way of issue of a document containing the amount of input tax credit, in such manner as may be prescribed.

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## **34. Credit and debit notes.- XXX XXX XXX**

(2) Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than 2[the thirtieth day of November]2 following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

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**38. Communication of details of inward supplies and input tax credit.-** (1) The details of outward supplies furnished by the registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.

(2) The auto-generated statement under sub-section (1) shall consist of-

(a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and

(b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,-

(i) by any registered person within such period of taking registration as may be prescribed; or

(ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or

(iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or

(iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or

(v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or

(vi) by such other class of persons as may be prescribed.]1

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**39. Furnishing of returns.-** Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52 shall, for every calendar month or part thereof, furnish, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars, in such form and manner, and within such time, as may be prescribed:

Provided that, the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.

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**107. Appeals to Appellate Authority.- XXX XXX XXX**

(6) No appeal shall be filed under sub-section (1), unless the appellant has paid –

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and

(b) a sum equal to ten per cent. of the remaining amount of tax in dispute arising from the said order, subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed.

Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent . of the penalty has been paid by the appellant.

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**112. Appeals to Appellate Tribunal.- XXX XXX XXX**

(8) No appeal shall be filed under sub-section (1), unless the appellant has paid —

(a) in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and

(b) a sum equal to ten percent of the remaining amount of tax in dispute, in addition to the amount paid under sub-section (6) of the section 107, arising from the said order, subject to a maximum of twenty crore rupees, in relation to which the appeal has been filed.

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**SCHEDULE III**

**[See section 7]**

**ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER  
AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES**

1. Services by an employee to the employer in the course of or in relation to his employment.

2. Services by any court or Tribunal established under any law for the time being in force.

3. (a) the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;

(b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

(c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this 135 clause.

4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

6. Actionable claims, other than specified actionable claims.

7. Supply of goods from a place outside India to another place outside India without such goods entering into India.

8. (a) Supply of warehoused goods to any person before clearance for home consumption;

(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

9. Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements, subject to the condition that the lead insurer pays the Central tax, the State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.

10. Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the Central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

**Explanation 1.**—For the purposes of paragraph 2, the term —court<sup>1</sup> includes District Court, High Court and Supreme Court.

**Explanation 2.**— For the purposes of paragraph 8, the expression —warehoused goods<sup>1</sup> shall have the same meaning as assigned to it in the Customs Act, 1962 (Central Act 52 of 1962).

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