

**Dr Hasmukh Adhia**  
**Secretary (Revenue)**  
**Department of Financial Services**  
**Ministry of Finance**  
**Government of India**  
**Room No - 129A, North Block**  
**New Delhi, 110001**

**July 23, 2018**

**SUBJECT: Representation on Implication of GST on Business Correspondents**

Dear Sir,

The implementation of GST has impacted the financial inclusion services provided by the Business Correspondents (BCs) in a big way.

Under the GST tax law, the mechanism of payment of GST under reverse charge on services received from unregistered persons is an area of concern for the Corporate Business Correspondents (CBCs). The role of BCs is more into working for a social cause with main object of bringing the unbanked customers into the banking system and carry on the good work of PMJDY movement, by bringing Financial Inclusion in India. The CBCs provide services through network of their Agent Business Correspondents (ABCs) also called Bank Mitras, Bank Sakhis, VLEs, CSPs etc.

**The Business Correspondents Model**

ABCs provide banking services to the bank customers at rural level where their main object is to bring unbanked customers into the banking and other financial services viz. insurance and pension. They also interalia provide utility bill payment services to the customers.

ABCs are mostly small-time business entrepreneurs/individuals who don't have aggregate turnover on pan-India basis exceeding Rs 20 Lakh for the purpose of obtaining registration and hence, are unregistered. Also, in case of inter-state supply of services, exemption has been granted from registration in case turnover does not exceed Rs 20 lakh.

**Impact of GST**

1. CBCs will have to discharge GST under reverse charge on supplies received from ABCs (unregistered persons) leading to avoidable and unnecessary increase in compliance burden.
2. The ABCs are situated across India and provide banking and other financial services to customers at village level, as unregistered ABCs will not be able to provide services to their principals i.e. CBCs who are registered out of their State.
3. The principals i.e. CBCs are primarily fintech start-ups for whom it is not viable to have registration under GST in all the states.
4. The livelihood of ABCs (mostly small-time business entrepreneurs/individuals) gets impacted due to above.





5. As per the GST Act there is no clarity on chargeability of GST on rural or urban financial banking transactions. The Act states that services by Business Correspondent (BCs) to a banking company with respect to accounts in its rural area branch are exempt from GST.

Hence, clarification is being sought on the meaning of the aforesaid since there could be transactions originating from rural area but ending in urban area. There are still certain banking financial transactions even though may be from a rural branch which are not exempted from GST. *Example:* a rural customer transfers fees for his child studying in a college in a city.

#### Request

In the interest of promoting financial inclusion in general and PMJDY in particular the following requests are submitted for expeditious consideration:

1. Grant exemption to all CBCs to deposit GST on reverse charge mechanism for availing services from unregistered persons i.e. ABCs.
2. Clarify the meaning of services by Business Correspondent (BCs) to banking company with respect to "accounts in its rural area branch" and to abolish GST fully on all financial Transactions conducted by them.

We remain,

Yours sincerely,



**Dr Anand Shrivastav**

**Chairman**

CC:

- 1) Shri Rajiv Kumar, IAS  
Secretary  
Department of Financial Services  
Ministry of Finance, Government of India  
Room No-6A, 3<sup>rd</sup> Floor Jeevan Deep Building, New Delhi, 110001
- 2) Shri Arun Goyal  
Special Secretary GST Council  
5<sup>th</sup> Floor, Tower II, Jeevan Bharati Building  
Janpath Road, Connaught Place, New Delhi, 110001
- 3) Shri S. Ramesh, IRS  
Chairman, Central Board of Indirect Taxes and Customs (CBIC)  
Ministry of Finance, Room No 153  
North Block, New Delhi, 110001
- 4) Shri Upender Gupta, IRS  
Commissioner - GST Policy Wing  
Central Board of Indirect Taxes and Customs (CBIC)  
Ministry of Finance, Room No 220  
North Block, New Delhi, 110 001