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**Shri S. Ramesh, IRS**  
**Chairman**  
**Central Board of Indirect Taxes and Customs (CBIC)**  
**Ministry of Finance**  
**Room No 153, North Block**  
**New Delhi, 110001**

**July 17, 2018**

**SUBJECT: Request for clarification under GST to remove hardship to Financial Intermediaries including Business Correspondents**

Dear Sir,

Financial sector in India is undergoing rapid changes in the recent past with increased use of technology and Government's priority to expand digitisation of financial transactions and inclusion of hitherto unbanked rural population. This initiative also serves the purpose of employment and income generation for the youth. Consequently, several Corporate Business Correspondents (CBCs/BCs) are working to fulfil the Government mandate to extend financial inclusion services to the masses through technology platforms and Agent Business Correspondents (ABCs/BCs), to facilitate digital payments without customer's having to visit bank branches.

Financial services were earlier taxable in the hands of service provider and with effect from July 1, 2017 a person supplying the service is liable to pay GST (unless service provider is non-resident). GST law is quite clear that each person in a value /supply chain who is supplying service, has to pay GST if his turnover is more than threshold limit. Accordingly, each supplier of financial service i.e. CBCs and ABCs involved in a money transfer and other financial services have to pay GST on their revenue from supply of service.

#### **Hardship Faced by BCs of Banks**

Recently the CGST department has started investigation of CBCs, ABCs and banks and trying to tax CBCs and banks even for the services supplied by other entities involved in transactions even when applicable tax is being paid on taxable supply of service. This appears to be based on misapplication of an old RBI circular to banks in relation to use of services of BCs which does not change the taxability under GST. RBI itself has revised the regulatory procedure in this context in 2011 with change in the technology and payment systems. The details about this issue is given in Annexure.

If the CGST department attempts to tax banks and/or BCs for supply of services made by other entities by whom applicable tax is to be paid, then it will have major adverse impact on the financial market, investor sentiments and Government's efforts for speedy digitisation of the economy.



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In order to remove the uncertainty of GST tax implications on BCs and banks, it requested that a clarification/ instruction be issued reaffirming that each person involved in a transaction should pay GST on supply of service and separately identified services provided by different persons should not be clubbed for tax purpose.

We request you to us give an opportunity to meet and explain this matter.

We remain,  
Yours sincerely,

  
**Dr Anand Shrivastav**  
Chairman

CC:

1) Shri Rajiv Kumar, IAS  
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2) Shri Arun Goyal  
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