

GST on Royalty paid to Govt.

1. How is royalty taxable?

(a) Specifically excluded the "any service provided to business entities" in the Finance Act, 2016 (Negative list) and the same is continued in the new GST exemption list - Entry no. 01 in the exemption list.

(b) The exemption list continued from Service Tax under the GST specifically exempts the services provided by the Govt. in this context before 01.04.2016. That means on or after 01.04.2016, it is taxable. - Entry no. 51 in the exemption list

2. Is royalty an input?

Yes, royalty is an input for the quarry business because it pays Royalty & GST on it at the time of production & not at the time of dispatch. Moreover, GST is not charged on the supply of goods (in case of Royalty), so it is not output but it is input tax

3. Can the Quarry business charge the GST on royalty to the customer in the bill?

No. Royalty is kind of rent paid to the Govt for services provided by the govt. to the business entity. Now, the GST is levied on such rent i.e., royalty. So GST on royalty can be charged only on the services provided by the govt. not on the sale of material.

4. GST on royalty will have to be paid under the Reverse Charge Mechanism by the Quarry Business entity. So, provisions of RCM will apply. - Notification no. 13/2017 dt 28.06.2017

5. Is ITC available of GST on royalty to the quarry business entity?

Yes. Full Input Tax Credit shall be available but since it is covered under the RCM provisions, so first pay the tax through cash ledger and then avail ITC against the next output liability.