



SUPREME COURT RULING:

**COMMISSION FROM FOREIGN
BUYERS FOR SOURCING
SUPPORT SERVICES: NOT
INTERMEDIARY SERVICES**



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Greetings from ValuFocus,

Here's a summary of a recent Supreme Court ruling:

Commission received from foreign buyers for services and procurement of goods do not fall under the definition of 'Intermediary Services' [Commissioner of G.S.T. and Central Excise Vs SNQS International Socks Private Limited (Supreme Court of India) CIVIL APPEAL NO(S). /2024 (CIVIL APPEAL DY. NO(S). 8343/2024)]

The Commissioner of Goods and Services Tax and Central Excise ("the Appellant") conducted an audit and noted that M/s. SNQS International Socks Pvt Ltd ("the Respondent") had received sales commission for orders procured from foreign buyers for the supply of garments. Thereafter, a show cause notice ("SCN") was issued alleging that these services were classifiable under 'intermediary' service as per Rule 2(f) of the Place of Provision of Services Rules, 2012, as amended with effect from October 01, 2014. Subsequently, an Order was passed confirming the demand.

An appeal was made against the aforesaid order before the Hon'ble Customs Excise and Service Tax Appellate Tribunal ("CESTAT"). The Hon'ble CESTAT passed an Order ("Impugned Order") and held that the services provided in the given case are not only the procurement of goods but also include the selection of vendors, monitoring the quality of the goods produced, designing of samples, live testing of the samples produced, and carrying out various other quality checks on the garments till their final dispatch to its foreign client.

Thus, the Respondent had undertaken a bunch of services that are not mere selling or purchase of goods. Further, the CESTAT added that the consideration is computed based on the Free on Board ("FOB") value of the garments exported, which itself does not make the Respondent an intermediary and all the services were rendered to the foreign client are on a principal-to-principal basis.

Hence, aggrieved by the Impugned Order passed by the CESTAT, the Appellant appealed before the Hon'ble Supreme Court, wherein the Hon'ble Court held that the activity performed by the Respondent does not fall within the scope and ambit of any of the definitions of 'Business Auxiliary Service', 'Business Support Service' as well as 'Intermediary'. Hence, the appeal was dismissed.

Accordingly, it was held that commissions received from foreign buyers for sourcing support services and procurement of goods do not qualify as intermediary services.

**Best Regards,
Team ValuFocus**

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