



BEFORE THE AUTHORITY FOR ADVANCE RULING - ANDHRA PRADESH
Goods and Service Tax

D.No.12-468-4, Adjacent to NH-16 Service Road, Kunchanapalli, Guntur-522501

Present

1. Sri. K. Ravi Sankar, Commissioner of State Tax (Member)
2. Sri. B. Lakshmi Narayana, IRS, Additional Commissioner of Central Tax (Member)

AAR No. 14 /AP/GST/2025 dated: 16.10.2025

1	Name and address of the applicant	M/s Greater Visakhapatnam Smart City Corporation Limited , Plot No. 21 Ground Floor, Near Victory at Sea Memorial , Kirlampudi Layout, Visakhapatnam, Andhra Pradesh, 530017.
2	GSTIN	37AAGCG3743B1ZV
3	Date of filing of Form GST ARA-01	21-07-2025
4	Personal Hearing	08-10-2025
5	Represented by	Sri M. Ravi Teja, Chartered Accountant
6	Jurisdictional Authority – State	Assistant Commissioner (ST) Siripuram Circle, Visakhapatnam -1 Division
7	Clause(s) of section 97(2) of CGST/SGST Act, 2017 under which the question(s) raised	e) Determination of the liability to pay tax on any goods or services or both;

ORDER

(Under sub-section (4) of Section 98 of Central Goods and Services Tax Act, 2017 and sub-section (4) of Section 98 of Andhra Pradesh Goods and Services Tax Act, 2017)

1. Wherein, M/s Greater Visakhapatnam Smart City Corporation Limited (GSTIN: 37AAGCG3743B1ZV), Visakhapatnam, (hereinafter referred to as applicant) has filed an application in FORM GST ARA-01 under Section 97(1) of the Central Goods & Services Tax Act, 2017 and AP Goods &

Services Tax Act, 2017 (hereinafter referred to as CGST Act and APGST Act respectively).

2. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and APGST Act, 2017 are in parimateria and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act, 2017 would also mean reference to the corresponding similar provisions in the APGST Act, 2017.
3. It is observed that the queries raised by the applicant fall within the ambit of Section 97 of the GST ACT. The applicant has paid fees Rs.5,000/- under SGST (25073700077234 dated 17.07.2025), and another Rs.5,000/- under CGST (25073700077234 dated 17.07.2025) towards the fee for Advance Ruling. The Applicant has declared that the questions raised in the application have neither been decided by nor are pending before any authority under any provisions of the GST Act.

4. Brief Facts of the case:

- M/s Greater Visakhapatnam Smart City Corporation Limited (GVSCCL) is a special purpose vehicle (SPV) incorporated as Public Limited Company under the Companies Act, 2013, owned by the State Government of Andhra Pradesh and the Greater Visakhapatnam Municipal Corporation (GVMC) on 50:50 paid up capital and shall be governed as per the rules and guidelines issued by the Government of India and the State Government from time to time.
- The aim of the SPV is to drive economic growth and improve the quality of life of people by enabling local area development and harnessing technology especially technology that leads to smart outcomes. The approach adopted for realizing the aim is mission mode approach where Greater Visakhapatnam Smart City Corporation Ltd was set up as a Special Purpose Vehicle on 11.03.2016 to implement various projects as a part of the Smart City Mission scheme. The scheme achieved its financial closure by 31.03.2025, however the SPV shall continue to contribute to the economic development of the city and

aid ULB by providing technical, consultancy, research, support services etc and implementing the key infrastructure projects under other government schemes.

- Greater Visakhapatnam Smart City Corporation Limited GVSCCL has undertaken two convergence projects with smart city funds towards development of sewerage system and supply of recycle water to industries.

Facts and understanding of the applicant

1. GVSCCL has entered into renewed tripartite agreement dated 10.06.2025 (Check the date of agreement) between Greater Visakhapatnam Municipal Corporation (GVMC), Greater Visakhapatnam Smart City Corporation Limited (GVSCCL) and M/s Hindustan Petrol Corporation Limited (HPCL) towards supply of recycled water to M/s HPCL, wherein GVMC and GVSCCL provided sewerage infrastructure project in Visakhapatnam comprising of
 - Laying of sewerage network and providing connections in Gajuwaka, Malkapuram and Pendurthi in a phased manner
 - Full utilisation of the existing 108 MLD Sewage Treatment Plant (STP) at Narava
 - Augmentation of the existing sewerage pumping stations and development of new sewage pumping stations as required
 - Development of a new waste water treatment plant with a system for additional treatment to further treat the treated waste water from the STPs for the supply of Recycled Water to various industries in Visakhapatnam.
2. The schedule date of commencement of commercial operations is 01.07.2023 and accordingly at present around 18 MLD capacity of supply of recycled water is being supplied to M/s HPCL Ltd.
3. GVSCCL has also sought advance ruling on applicability of GST on supply of recycled water. The ruling pronounced that the recycled water falls under Sr. No. 99 of Notification No. O2/2017-C.T.(R) dated 28.06.2017 and rate of tax applicable is Nil.

4. Further clause 9 of the tripartite agreement towards supply of recycled water specifies that Metering for determining the exact quantities of the Product supplied shall be done at the Delivery Point in the premises of HPCL. GVSCCL shall install a meter with a standby at the Delivery Point i.e. M/s HPCL.
5. In continuation to above facts, the renewed tripartite agreement dated 10.06.2025 contained the clause for levy of charges for maintenance of meters, instrumentation, automation etc at the rate of 0.75% of monthly supply of recycled water bill.
6. GVSCCL has installed only flow meters in the premises of M/s HPCL to measure recycled water and there is no other instrumentation/automation of GVSCCL installed at the premises of M/s HPCL.
7. Further the definition of composite supply as per CGST act 2107 is as below:

“A composite supply means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply”

5. Questions raised before the authority:

The applicant sought advance ruling on the following:

1. Whether the maintenance charges of flow meters installed at the end user premises to record the recycled water falls under composite supply.
2. If yes, the rate applicable to principal supply i.e., nil rate can be applied to Ancillary supply also i.e., maintenance charges of flow meters also.
3. If not? What is the applicable GST rate and what is the SAC/HSN code applicable to the same?

On Verification of basic information of the applicant, it is observed that the applicant is under State jurisdiction i.e., Siripuram Circle, Visakhapatnam -1 Division Accordingly, the application has been forwarded to the jurisdictional officer their remarks as per Sec. 98(1) of CGST /APGST Act 2017.

In response, remarks are received from the State jurisdictional officer concerned through mail dated 13-08-2025 stating that as per the agreement the applicant provides supply of recycled water to HPCL. They collected consideration for these services. The supply of recycled water and installation pipes, flow meters may be treated as composite supply. But there after they provides maintenance services of flow meters (which are already installed at HPCL premises) such as calibration, repair, up keeping of meters is being done by the applicant in periodical or monthly basis and charges collected separately at the rate of 0.75% (Plus applicable taxes) of the monthly bill, which is subject to revision as and when necessary (Clause 5 (a) (vi)). In addition to the supply price for supply of recycled water (Clause 5(a)(i).

According to the section sub section 30 of section 2 composite supply means "a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

Illustration, where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply".

Whereas the supply of recycled bulk water and maintenance services on already installed flow meters are both are independent supplies and not a naturally bundled supply. The maintenance services of flow meters can provide separately by any third party in ordinary course of business. For providing these services such as calibration of up keeping of meters is required certain technical expertise are required. In ordinary course of business, the services engaged by the third-party agencies. Hence the maintenance of flow meters and supply of recycled water do not constitute as composite supply.

The supply of recycled water constitutes a taxable supply under Section 7 of the CGST Act, 2017. However, the same is exempted from GST under Sr. No. 99 of Notification No. 02/2017-CT (Rate), dated 28.06.2017, as already clarified in the earlier Advance Ruling pronounced by the Andhra Pradesh Authority for Advance Ruling (AAR). The installation of flow meters and their subsequent maintenance are distinct supplies, with maintenance services falling under SAC 9987, taxable at 18%.

6. Applicant's Interpretation of Law:

- 6.1 Statement containing the Applicant's interpretation of law and/or facts, as the case may be, in respect of the questions(s) on which advance ruling is sought

The applicant submitted that the supply of recycled water constitutes the principal supply, and the installation and maintenance of flow meters are ancillary activities that enable and support the supply.

- 6.2 The flow meters are compulsory for accurately determining the volume of recycled water supplied and form the basis of billing. The Maintenance activity is directly connected and performed solely for ensuring the accuracy and continuity of the recycled water supply.
- 6.3 Hence, the activities of supplying recycled water and maintaining flow meters are naturally bundled and supplied in conjunction with each other in the ordinary course of business, satisfying the definition of composite supply under Section 2 (30) of the CGST Act.

7. Personal Hearing:

The proceeding of Personal Hearing was conducted on 08.10.2025, for which the authorized representative Sri M. Ravi Teja, Chartered Accountant, has appeared and reiterated the facts narrated in their application and also submitted copies of Agreements Copy of Tripartite Agreement dated

29.03.2019, amended tripartite agreement dated 10.06.2025 (Check the date of agreement) between Greater Visakhapatnam Municipal Corporation (GVMC), Greater Visakhapatnam Smart City Corporation Limited (GVSCCL) and M/s Hindustan Petrol Corporation Limited (HPCL) towards supply of recycled water to M/s HPCL, wherein GVMC and GVSCCL provided sewerage infrastructure project in Visakhapatnam and copy of Advance Ruling order dated 2.5.2024.

8. Discussion and Findings:

- 8.1 We have carefully examined the statement of facts submitted by the applicant, the contents of the application filed, and the supporting documents produced during the personal hearing and the comments of the jurisdictional Tax Authority. We also considered the issue involved, on which advance ruling is sought by the applicant and other relevant facts.
- 8.2 As seen from the agreement, it is understood that GVMC and GVSCCL have jointly undertaken a sewerage infrastructure project for the development of the sewerage network, pumping stations, and waste water treatment plants, including the establishment of a system to further treat the treated wastewater for supply to various industries. The recycled water so generated is supplied to HPCL, for which flow meters are installed at HPCL's premises to determine the exact quantity supplied.
- 8.3 Clause 9 of the tripartite agreement specifies that metering for determining the exact quantity of recycled water supplied shall be done at the delivery point in HPCL's premises, and GVSCCL shall install and maintain the flow meters. The renewed agreement dated 10.06.2025 provides for levy of charges at the rate of 0.75% of the monthly recycled water bill towards maintenance of meters, instrumentation, and automation systems.
- 8.4 It is noticed that GVSCCL has installed only flow meters at the consumer's end to record water flow. There are no other automation or instrumentation systems involved at HPCL's premises. The maintenance charges are being

collected separately on a monthly basis as a percentage of the recycled water supply bill. The issue for determination is whether such **maintenance of flow meters** constitutes a part of a **composite supply** along with the supply of recycled water, and if not, what rate of GST and classification would be applicable for such activity.

- 8.5 The applicant has contended that the supply of recycled water is the principal supply and the maintenance of flow meters is ancillary to it, being necessary for measurement and continuity of water supply. It was argued that since the meters serve the purpose of quantifying water supplied, the maintenance thereof is integrally connected and should be treated as part of the composite supply, thereby inheriting the principal supply's nil rate of tax.
- 8.6 Before delving into the merits of the case, it is imperative to first examine whether the activity undertaken by the applicant qualifies as a *composite supply* within the meaning assigned under Section 2(30) of the CGST Act. The classification of the nature of supply whether as a composite supply, mixed supply, or an independent standalone supply holds critical relevance for the proper determination of the applicable rate of tax, valuation, and exemption eligibility under the GST law.
- 8.7 The provisions of 'composite supply' and 'principal supply' enshrined in section 2(30) and 2(90) of the Act respectively and the meaning of the 'naturally bundled services' explained in CBI&C Circular under the Finance Act, 1994 are extracted as under:

Section 2(30) of the CGST Act defines 'composite supply' as under:

"composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;"

Section 2(90) defines Principal supply as, "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;"

Meaning of 'naturally bundled' as explained in CBIC Circular: The definition of 'composite supply' uses the words 'naturally bundled'. This is not defined in GST Act but was used in Finance Act, 1994 (relating to service tax).

Hence, clarifications given under those provisions are relevant. The principle was nicely explained in Para 9.2.4 of CBIC's 'Taxation of Services : An Education Guide' published on 20-6-2012, as follows –

Whether services are bundled in the ordinary course of business would depend upon the normal or frequent practices followed in the area of business to which services relate. Such normal and frequent practices adopted in a business can be ascertained from several indicators few of which are listed below –

- ♦ *The perception of the consumer or the service receiver. If large number of service receivers of such bundle of services reasonably expect such services to be provided as a package then such a package could be treated as naturally bundled in the ordinary course of business.[emphasis added]*
- ♦ *Majority of service providers in a particular area of business provide similar bundle of services. For example, bundle of catering on board and transport by air is a bundle offered by a majority of airlines.*
- ♦ *The nature of the various services in a bundle of services will also help in determining whether the services are bundled in the ordinary course of business. If the nature of services is such that one of the services is the main service and the other services combined with such service are in the nature of incidental or ancillary services which help in better enjoyment of a main service. For example service of stay in a hotel is often combined with a service or laundering of 3-4 items of clothing free of cost per day. Such service is an ancillary service to the provision of hotel accommodation and the resultant package would be treated as services naturally bundled in the ordinary course of business.*
- ♦ *Other illustrative indicators, not determinative but indicative of bundling of services in ordinary course of business are –*
 - (a) ***There is a single price or the customer pays the same amount, no matter how much of the package they actually receive or use***
 - (b) *The elements are normally advertised as a package*
 - (c) *The different elements are not available separately*
 - (d) *The different elements are integral to one overall supply - if one or more is removed, the nature of supply would be affected.*

No straight jacket formula can be laid down to determine whether a service is naturally bundled in the ordinary course of business. Each case has to be individually examined in the backdrop of several factors some of which are outlined above.

Section 8 (a) of the CGST Act provides in case of composite supply the rate applicable to the Principal Supply required to be adopted. Section 8 (a) is reproduced hereunder for an immediate reference:

"8. The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply"

8.8 In order to classify any activity as a Composite Supply, it could be said that the following conditions are required to be fulfilled referring to the definition of 'Composite Supply' under Section 2(30) of CGST Act:

- (i) There should be two or more taxable supplies of goods or services or both;
- (ii) The taxable supplies should be naturally bundled in the ordinary' course of business;
- (iii) The taxable supplies should be supplied in conjunction with each other in the ordinary' course of business; and
- (iv) One taxable supply should be a principal supply.

8.9 Accordingly, prior to evaluating the substantive taxability of individual components of the transaction, it is essential to first assess whether the supply of recycled water, along with the maintenance of flow meters and associated instrumentation, are **supplied in conjunction with each other in a manner that is naturally bundled in the ordinary course of business**, so as to fall within the scope of a *composite supply*. This threshold determination is a prerequisite for any further analysis on the merits of the case.

8.10 The relevant paragraphs of the Amended Tripartite agreement dated 10.6.2025 relating to 'Supply price for the Product and Clear Water' and 'Metering and Calibration' are extracted hereunder for an immediate reference:

5. Supply Price for the Product and Clear Water:

(a) Supply by GVSCCL (Product):

- i. *The supply Price of the Product payable by HPCL to GVSCCL for the supply of the Product will be Rs. 59.85/- per KL (inclusive of all taxes)*

from 1st July 2024 and Rs. 62.85/- per KL (inclusive of all taxes) w.e.f 1 July 2025 and thereon with 5% escalation every successive year.

- ii. HPCL shall be charged for at least 60% of the Contracted Quantity of Product per month (Contracted Quantity of Product per month is defined as 66.2 LIGD (30.10 MLD x number of days in that particular month) if the quantity of Product consumed in a month is less than 60% of the Contracted quantity.
- iii. HPCL shall be charged for the actual quantity consumed in a month if it is more than 60% of the Contracted Quantity of Product in a month.
- iv. For the quantity of Product consumed over and above the Contracted Quantity of Product in a month, HPCL shall be charged for the extra quantity at the same price as the Supply Price of the Product.
- v. The Supply Price shall escalate by 5% every year on 1st July from the successive year after effective date.
- vi. HPCL will be charged for maintenance of meters, instrumentation and automation etc., at the rate of 0.75% (plus applicable taxes) of the monthly bill, which is subject to revision as and when necessary.

(b) Supply by GVMC (Clear Water):

- i. The Supply Price of Clear Water to be supplied by GVMC to HPCL shall be calculated at the rate of Rs. 60/- per KL or at such rate as may be applicable from time to time.
- ii. HPCL will be charged for at least for 60% of the Contracted Quantity of Clear Water per month if the Contracted Quantity of Clear Water consumed in a month is less than 60% of Contracted Quantity of Clear Water.
- iii. HPCL will be charged for actual quantity of Clear Water consumed in a month if it varies between 60% and 100% of Contracted Quantity of Clear Water, reckoned per month at the rate of Rs.60/- per KL or at such rate as may be applicable from time to time.
- iv. HPCL will be charged for additional Clear Water quantity consumed, over and above the Contracted Quantity of Clear Water, reckoned per month at the rate of Rs. 120/- per KL or at such rate as may be applicable from time to time.
- v. HPCL will be charged for actual consumption of Clear Water even though it is less than the 60% of Contracted Quantity of Clear Water, reckoned per month, if GVMC is solely responsible for supply of less than 60% of Contracted Quantity of Clear Water.
- vi. HPCL will be charged for maintenance of meters, instrumentation and automation etc., at the rate of 0.75% of the monthly bill, which is subject to revision as and when necessary.

- vii. *The existing rate per KL of Clear Water consumed shall be revised as and when deemed necessary by the governing council of GVMC from time to time.*
- viii. *HPCL will be informed of the revision in Supply Price well in advance by 2 months by directly addressing through a letter.*
- ix. *The Clear Water supply bye-laws as framed and amended from time to time by the GVMC shall form part of this Agreement to the extent they are consistent with the provisions hereof.*

9. Metering and Calibration

(a) Product:

- i. *Metering for determining the exact quantities of the Product supplied shall be done at the Delivery Point in the premises of HPCL. GVSCCL shall install a meter with a standby at the Delivery Point.*
- ii. *Periodical calibration of the meter shall be carried out by GVSCCL.*
- iii. *HPCL shall provide adequate space (2m x 2m) for installation of the water meters.*
- iv. *Power requirement for the metering station shall be provided by HPCL while power backup by way of UPS shall be provided by GVSCCL.*

(b) Clear Water:

- i. *The metering and connected automation will be arranged immediately at the tapping point of GVMC water supply main.*

8.11 It is pertinent to note that as per the provisions contained in Para 5(a)(vi) and 5(b)(vi) of the agreement executed between the parties, it is explicitly stipulated that Greater Visakhapatnam Municipal Corporation (GVMC) and Greater Visakhapatnam Smart City Corporation Limited (GVSCCL) are levying separate charges upon Hindustan Petroleum Corporation Limited (HPCL) at the rate of 0.75% (plus applicable taxes) of the monthly bill value, towards maintenance of meters, instrumentation and automation etc.,. These charges are further subject to revision as and when deemed necessary.

Furthermore, it is to be observed that such maintenance charges are not subsumed within the consideration payable for the supply of "product and clear water," which has been distinctly provided for under Para 5(a)(i) and 5(b)(i) of the said agreement. This contractual separation clearly establishes that the

maintenance of flow meters is being charged as an independent service, in addition to the primary supply of recycled water.

In light of the foregoing, it is evident that the maintenance charges levied for flow meters do not form an integral part of the principal supply, and hence, cannot be regarded as a *composite supply* within the meaning assigned under Section 2(30) of the CGST Act. A composite supply requires that two or more taxable supplies be naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which must be a principal supply.

In the present instance, the maintenance of flow meters constitutes a distinct, standalone supply that is not naturally bundled with the supply of recycled water. It is not incidental or ancillary to the supply of water and is capable of being rendered independently by any third-party service provider. As such, it does not satisfy the essential conditions required to qualify as a composite supply.

- 8.12 Consequently, the maintenance of flow meters is to be treated as a standalone supply of service, falling under Heading 9987 – Maintenance, repair and installation (except construction) services, taxable at 18% (9% CGST + 9% SGST) under Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017 as amended. The earlier ruling of the Authority confirming nil rate for recycled water under Sl. No. 99 of Notification No. 02/2017-CT(R) continues to hold good and is not disputed. However, the ancillary maintenance charges cannot take the character of the principal supply, as they are independent, contractual, and separately priced.
- 8.13 Hence, it is concluded that the maintenance of flow meters installed at HPCL's premises does not form part of a composite supply with recycled water. The said activity is independent supply of service, classifiable under SAC 9987, and liable to GST at 18%.

RULING

(Under Section 98 of Central Goods and Services Tax Act, 2017 and the Andhra Pradesh Goods and Services Tax Act, 2017)

Question: Whether the maintenance charges of flow meters installed at the end user premises to record the recycled water falls under composite supply.

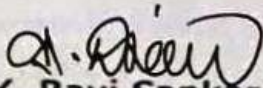
Answer : No.

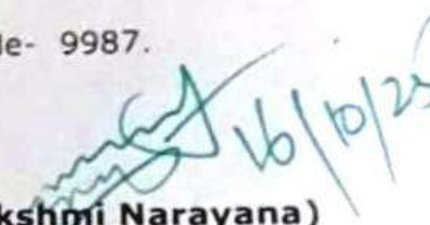
Question: If yes, the rate applicable to principal supply i.e., nil rate can be applied to Ancillary supply also i.e., maintenance charges of flow meters also.

Answer : Does not arise.

Question: If not? What is the applicable GST rate and what is the SAC/HSN code applicable to the same?

Answer: Rate of Tax 18% (APGST- 9% + CGST-9%), SAC code- 9987.


(K. Ravi Sankar)
Member


(B. Lakshmi Narayana)
Member

To

M/s Greater Visakhapatnam Smart City Corporation Limited , Plot No. 21 Ground Floor, Near Victory at Sea Memorial , Kirlampudi Layout, Visakhapatnam, Andhra Pradesh, 530017.. **(By Registered Post)**

Copy to

1. The Assistant Commissioner (ST) Siripuram Circle, Visakhapatnam -1 Division through mail)
2. The Commissioner of Central Tax, CGST, GST Bhavan, Central Revenue Buildings, Kannavari Thota, Guntur - 522 004

Copy submitted to

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Kunchanapalli, Guntur District, (A.P)
2. The Principal Chief Commissioner (Central Tax), O/o Principal Chief Commissioner of Central Tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035. A.P.

Note: Under Section 100 of the APGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under Section 99 of APGST Act, 2017, with in a period of 30 days from the date of service of this order.