

**GOVERNMENT OF TRIPURA**  
**OFFICE OF THE CHIEF COMMISSIONER OF STATE TAX**  
**PANDIT NEHRU COMPLEX, GURKHABASTI**  
**AGARTALA, TRIPURA WEST, PIN-799006.**

Dated, Agartala, the        July, 2024.

**Circular No. 18/2024 – GST (State)**

To  
The Additional Commissioner of State Tax/  
Deputy Commissioner of State Tax (All)/  
Assistant Commissioner of State Tax (All)  
Superintendent of State Tax (All)/  
Inspector of State Tax (All)

**Subject: Clarification on various issues pertaining to taxability and valuation of supply of services of providing corporate guarantee between related persons.**

Madam / Sir,

The Government of India, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes and Customs, GST Policy Wing vide Circular No. 225/19/2024–GST dated 11<sup>th</sup> July, 2024 has issued a clarification on various issues pertaining to taxability and valuation of supply of services of providing corporate guarantee between related persons, in order to ensure uniformity in the implementation of the provisions of law across the field formations, which is annexed herewith.

In exercise of powers conferred by section 168 of the Tripura State Goods and Services Tax Act, 2017 (Tripura Act No. 9 of 2017) for the purpose of uniformity in the implementation of the Act it is instructed to follow the guidelines issued vide Circular No. 225/19/2024–GST dated 11<sup>th</sup> July, 2024 by the Government of India, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes and Customs, GST Policy Wing.

**Encls.:** Circular No. 225/19/2024–GST.

**(VIVEK H.B, IAS)**  
Chief Commissioner of State Tax  
Government of Tripura

**Copy to:**

1. The P.S. to the Secretary, Finance, Government of Tripura for favour of kind information to the Secretary, Finance.
2. The Assistant Statistical Officer, Statistical Section, O/o the Commissioner of Taxes & Excise, Agartala with request to upload the Circular in the Official website [www.tripurataxes.nic.in](http://www.tripurataxes.nic.in).
3. Guard File.

**Circular No. 225/19/2024-GST**

**F. No. CBIC-20001/4/2024 - GST**  
**Government of India**  
**Ministry of Finance**  
**(Department of Revenue)**  
**Central Board of Indirect Taxes and Customs**  
**GST Policy Wing**  
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New Delhi, Dated the 11<sup>th</sup> July, 2024

To,

The Principal Chief Commissioners/ Chief Commissioners/ Principal Commissioners/Commissioners of Central Tax (All)  
The Principal Directors General/ Directors General (All)

Madam/Sir,

**Subject: Clarification on various issues pertaining to taxability and valuation of supply of services of providing corporate guarantee between related persons.**

1.1 As per the recommendations of the GST Council, sub-rule (2) was inserted in Rule 28 of Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the “CGST Rules”) vide [Notification No. 52/2023-Central Tax dated 26<sup>th</sup> October, 2023](#) to provide for a specific clause for valuation of supply of services of providing corporate guarantee to any banking company or financial institution by an entity on behalf of a related person. Besides, [Circular No. 204/16/2023-GST dated 27th October, 2023](#) was also issued as per the recommendations of the GST Council, to provide clarity regarding the applicability of the said sub-rule. Subsequently, based on the recommendations of the GST Council, sub-rule (2) of Rule 28 of CGST Rules has been amended retrospectively with effect from 26.10.2023 vide notification No. 12/2024 dated 10<sup>th</sup> July 2024.

1.2 In this regard, various representations have been received from trade and industry, seeking clarifications on various issues pertaining to the taxability and valuation of the supply of services of providing corporate guarantee between related persons as per the said rule.

2. Therefore, in order to ensure uniformity in the implementation of the provisions of law across the field formations, the Board, in exercise of its powers conferred by section 168 (1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “CGST Act”), hereby clarifies the issues as under:

S. No.	Issue	Clarification
1	<p>Whether sub-rule (2) of rule 28 of CGST Rules will apply to the corporate guarantees issued prior to insertion of the said sub-rule on 26<sup>th</sup> October 2023? Also, where intra-group corporate guarantees have been issued before 26<sup>th</sup> October 2023, which are still in force today, would they be liable to pay GST on “1% of the amount of such guarantee offered” on such guarantees?</p>	<p>It is to be clarified that the supply of service of providing corporate guarantee to any banking company or financial institution by a supplier to a related recipient, on behalf of the said recipient, was taxable even before the insertion of sub-rule (2) in rule 28 of CGST Rules with effect from 26<sup>th</sup> October 2023. Rule 28(2) of CGST Rules is only for determination of the value of the taxable supply of providing corporate guarantee to any banking company or financial institution by a supplier to a related recipient, on behalf of the said recipient and not regarding the taxability of the said supply itself. Prior to the insertion of the said sub-rule, i.e., before 26<sup>th</sup> October 2023, the valuation of service of providing corporate guarantee to any banking company or financial institution by a supplier to a related recipient, on behalf of the said recipient, was to be done as per the provisions of Rule 28 of CGST Rules, as it existed then.</p> <p>Therefore, in respect of supply of services of providing corporate guarantee between related persons, in respect of corporate guarantee issued or renewed before 26<sup>th</sup> October 2023, the valuation of the said supply is to be done in accordance with Rule 28, as it existed during that time. However, if the corporate guarantee is issued or renewed on or after 26<sup>th</sup> October 2023, then the valuation of the said supply will be required to be done as per Rule 28(2) of CGST Rules.</p>
2	<p>In cases where the corporate guarantee is provided for a particular amount, whereas the loan is only partly availed or not availed at all by the recipient, what will be the value of supply of corporate guarantee. Also, whether the recipient would be eligible to avail full ITC (Input Tax Credit) even before total loan is disbursed?</p>	<p>The activity of supply of the service of providing a corporate guarantee is not linked with the actual disbursement of the loan. The service that is provided by the guarantor to the guarantee is that of taking on the risk of default. Therefore, it is clarified that the value of supply of the service of providing a corporate guarantee will be calculated based on the amount guaranteed and will not be based on the amount of loan actually disbursed to the recipient of the corporate guarantee.</p> <p>Further, it is also clarified that the recipient of the service of providing corporate guarantee shall be eligible to avail the ITC, subject to other conditions specified in the Act and the Rules made thereunder, irrespective of when the loan is actually disbursed to the recipient, and irrespective of the amount of loan actually disbursed.</p>
3	<p>In the case of takeover of existing loans, since there is merely an assignment of an</p>	<p>In the service of providing corporate guarantee to any banking company or financial institution by a supplier to a related recipient, on behalf of the said recipient, the</p>

	<p>already issued corporate guarantee, whether GST would be applicable again?</p>	<p>supplier of the service is the corporate entity providing the corporate guarantee and the recipient is the related entity for whom the corporate guarantee is provided by the said supplier.</p> <p>Therefore, if the loan issued by the banking company/ financial institution is taken over by another banking company/ financial institution, the said activity of taking over of the loan does not fall under the service of providing corporate guarantee to any banking company or financial institution by a supplier to a recipient. Therefore, it is clarified that in such cases, there will be no impact on GST, unless there is issuance of fresh corporate guarantee or there is a renewal of the existing corporate guarantee. However, if the takeover of the loan is followed/ accompanied by issuance of fresh corporate guarantee, then GST would be payable on the same.</p>
4	<p>Where corporate guarantee is provided by more than one entity / co-guarantor, what is the amount on which GST is payable by each co-guarantor?</p>	<p>In cases where corporate guarantee is being provided by multiple related entities, the value of such services of providing corporate guarantee shall be the sum of the actual consideration paid/ payable to co-guarantors, if the said amount of total consideration is higher than one per cent of the amount of such guarantee offered. In cases where the sum of the actual consideration is less than one per cent of the amount of such guarantee offered, then GST shall be payable by each co-guarantor proportionately on one per cent of the amount guaranteed by them.</p> <p>For instance, if there are two co-guarantors, A and B, who jointly provide a corporate guarantee to a banking/ financial institution on behalf a related recipient C for Rs. 1 crore, then A and B shall each pay GST on 0.5% of the amount guaranteed.</p> <p>However, if in the above case of A and B providing corporate guarantee jointly to a banking/ financial institution on behalf a related recipient C for Rs 1 crore, A provides guarantee for 60% of the guarantee amount and B provides guarantee for the remaining 40% of the guaranteed amount, then GST shall be payable by A and B proportionately i.e., 0.6% and 0.4% of the amount guaranteed. This is to say that A shall pay GST on 1% of the amount guaranteed by A, i.e., 1% on Rs. 60 lakhs and B shall pay GST on 1% of the amount guaranteed by B, i.e., 1% on Rs. 40 lakhs.</p>
5	<p>Where intra-group corporate guarantee is issued, whether GST may be paid by the</p>	<p>It is clarified that in cases where domestic corporates issue intra-group guarantees, GST is to be paid under forward charge mechanism, and invoice is to be issued</p>

	<p>recipient under reverse charge, as in the absence of actual invoice and payment, the recipient entity may not be able to claim input tax credit of tax paid by the domestic guarantor?</p>	<p>by the supplier of the service of providing corporate guarantee to the related recipient under Section 31 of CGST Act, 2017 read along with the relevant rules.</p> <p>However, in cases where such guarantee is provided by the foreign/ overseas entity for a related entity located in India, then GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India.</p>
6	<p>Whether the discharge of tax liability on corporate guarantee @ 1% of such guarantee offered is to be done one time or on yearly basis or on monthly basis and when issued for a fixed term of say, five years or ten years as per tenure of the loan?</p>	<p>Rule 28(2) of CGST Rules has been amended retrospectively with effect from 26<sup>th</sup> October 2023, vide notification No. 12/2024 -CT dated 10.07.2024.</p> <p>Therefore, it is clarified that the value of supply of the service of providing corporate guarantee to a banking company or a financial institution on behalf of a related recipient shall be one per cent of the amount guaranteed <b>per annum</b> or the actual consideration, whichever is higher.</p> <p>Accordingly, the value of supply of the service of providing corporate guarantee to a banking company or a financial institution on behalf of a related recipient for a particular number of years shall be one per cent of the amount of such guarantee offered multiplied by the number of years for which the said guarantee is offered or the actual consideration whichever is higher.</p> <p>In addition to the above, in cases where the corporate guarantee is provided for a period less than a year, say 6 months (half a year), then in those cases as well, the valuation may be done on proportionate basis for the said period, i.e., in this case, the value of the said supply of services may be taken as half of one per cent of the amount of such guarantee offered (<math>6/12 * \text{one per cent}</math>), or the actual consideration, whichever is higher.</p> <p>To illustrate the same, if a corporate guarantee is issued for a period of say five years, then the value of such guarantee is to be calculated at one per cent per year of the amount of such guarantee offered, or the actual consideration, whichever is higher, i.e., the value of such corporate guarantee provided would be 5% of the amount guaranteed or the actual consideration, whichever is higher. Therefore, GST would be payable on such amount at the time of issuance of such corporate guarantee, i.e., 5% of the amount guaranteed or the actual consideration, whichever is higher.</p> <p>However, if a corporate guarantee is issued, say for a period of one year and is renewed five times, for a</p>

		period of one year each, then tax would be payable on one per cent of the amount of such guarantee offered, or the actual consideration, whichever is higher, on the issue of such corporate guarantee in the first year as well as on every renewal in subsequent years.
7	Whether the benefit of second proviso to sub-rule (1), which states that value declared in invoice is deemed to be the open market value in cases where full input tax credit is available to the recipient of services, is not applicable in cases falling under sub-rule (2)?	<p>Proviso has been inserted in sub-rule (2) of Rule 28 of CGST Rules, retrospectively with effect from 26<sup>th</sup> October 2023 vide notification No. 12/2024 - CT dated 10.07.2024, similar to that provided in the second proviso to sub-rule (1) of Rule 28 of CGST Rules, to provide the benefit in cases involving supply of service of corporate guarantees provided between related persons.</p> <p>Accordingly, it is clarified that in cases involving the supply of service of corporate guarantees provided between related persons, where full input tax credit is available to the recipient of services, the value declared in the invoice shall be deemed to be the value of supply of the said service.</p>
8	Whether the valuation in terms of Rule 28(2) of CGST Rules will apply to the export of the service of providing corporate guarantee between related persons?	As per the amendment done in sub-rule (2) of rule 28 of CGST Rules retrospectively w.e.f. 26 <sup>th</sup> October 2023 vide notification No. 12/2024 -CT dated 10.07.2024, the provisions of the said sub-rule will not apply in cases where the recipient of the services of providing corporate guarantee between related persons is located outside India. Accordingly, the provisions of the said sub-rule shall not apply to the export of the services of providing corporate guarantee between related persons.

3. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

4. Difficulties, if any, in implementation of this Circular may please be brought to the notice of the Board. Hindi version would follow.

(Sanjay Mangal)  
Principal Commissioner (GST)