

**THE AUTHORITY FOR ADVANCE RULING
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009**

Advance Ruling No. KAR ADRG 41/2024

Date : 13-11-2024

Present:

1. Sri. Kiran Reddy T

Additional Commissioner of Customs & Indirect Taxes . . . Member (Central)

2. Sri. Prathap Kumar S

Additional Commissioner of Commercial Taxes Member (State)

1.	Name and address of the applicant	M/s. MEDPIPER TECHNOLOGIES PVT. LTD., Site No.677, 27 th Main, 13 th Cross Road, Sector-1, HSR Layout, Bengaluru-560 102.
2.	GSTIN or User ID	29AANCM4050E1ZF
3.	Date of filing of Form GST ARA-01	12-03-2024
4.	Represented by	Sri. Unnikrishnan Nair, Manager, Accounts & Authorised Representative
5.	Jurisdictional Authority – Centre	The Principal Commissioner of Central Tax, Bengaluru South Commissionerate, Bengaluru.
6.	Jurisdictional Authority – State	ACCT, LGSTO-17, Bengaluru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2901230444041 dated 31.01.2023.

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

M/s. Medpiper Technologies Pvt. Ltd., (herein after referred to as 'Applicant'), Site No.677, 27th Main, 13th Cross Road, Sector-1, HSR Layout, Bengaluru-560 102, having GSTIN 29AANCM4050E1ZF, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017, in form GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act, KGST Act.

The applicant submitted that they act as an aggregator for diagnostics and labs for companies, insurance companies and insurance brokers; they provide access to digital platform, digital tools to manage workflows for the

Medpiper Technologies



companies/insurance companies/insurance brokers; as an aggregator they aggregate a network, provide standard pricing to companies/insurance companies/insurance brokers, collect payment and then disburse the payment to labs, while retaining a margin; as a digital workflow tool/platform they provide the tool for free for the companies/insurance companies/insurance brokers to manage the operations. The diagnostic labs and wellness providers raise invoices on the applicant and the applicant in turn raises invoices to the contractor company by adding a margin. If the contractor is an insurance company, billing can be in the form of monthly invoice and the final amount will be adjusted against the next month invoice cycle.

3. In view of the above, the applicant has sought advance ruling in respect of the following questions:

- a. *Whether the assessee need to collect GST on the diagnostic and lab services provided through third party diagnostic labs? If yes, Whether GST has to be collected for the whole invoice amount or on the margin on the supply alone and what will be the applicable tax rate and which SAC to be used?*
- b. *Whether TCS needs to be collected?*
- c. *Whether the assessee fall under the definition/meaning of an "Insurance Agent" if invoiced to an insurance company, If yes how is GST applicable?*

4. **Admissibility of the Application** : The applicant claimed that the questions on which advance rulings have been sought are with regard to "Applicability of a notification issued under the provisions of CGST/KGST Act 2017", "Determination of time and value of supply of goods or services or both" and "Determination of the liability to pay the tax on any goods or services or both", covered under Sections 97(2)(b), 97(2)(c) & 97(2)(e) respectively of the CGST Act 2017. However, the first question is about the "Classification of the services of the applicant and the tax thereon", covered under Section 97(2)(a) of the CGST Act 2017. Thus the questions are covered under Sections 97(2)(a), 97(2)(b), 97(2)(c) & 97(2)(e) respectively of the CGST Act 2017 and hence the instant application is admissible.

5. **BRIEF FACTS OF THE CASE:** The applicant furnishes the following facts relevant to the issue:

5.1 The applicant gets in contract with companies to provide diagnostic labs and wellness services to the employees of the company or any group of people that the company decides, through third-party labs and wellness providers. The contract can be between an insurance company and the applicant to provide the said services to a specific group of people. These employees or groups of people can select a specific date, time and a specific diagnostic and lab tests to be done from diagnostic lab and wellness providers from the list the applicant provides. The medium of interaction between these employees and group of people with the applicant and with diagnostic labs can be through a mobile app developed by the applicant or Whatsapp or e-mail or telephonic conversation. The diagnostic labs



will be providing medical reports to these employees or group of people through the medium of their choice.

5.2 The applicant acts as an aggregator for diagnostics and labs for companies, insurance companies and insurance brokers; they provide access to digital platform, digital tools to manage workflows for the companies/insurance companies/insurance brokers; as an aggregator they aggregate a network, provide standard pricing to companies/insurance companies/insurance brokers, collect payment and then disburse the payment to labs, while retaining a margin; as a digital workflow tool/platform they provide the tool for free for the companies/insurance companies/insurance brokers to manage the operations. The diagnostic labs and wellness providers raise invoices on the applicant and the applicant in turn raises invoices to the contractor company by adding a margin. If the contractor is an insurance company, billing can be in the form of monthly invoice and the final amount will be adjusted against the next month invoice cycle.

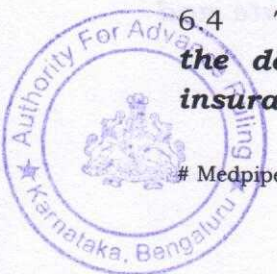
6. **Applicant's Interpretation of Law:** The applicant furnishes their interpretation of law on the issues on which advance ruling is sought, inter alia stating as under:

6.1 The applicant with regard to the issue "**Whether the assessee (applicant) need to collect GST on the diagnostic and lab services provided through third-party diagnostic labs**" contends that they act as an aggregator for the said services for companies/insurance companies/insurance brokers; they provide access to the digital platform and digital tools, for companies/insurance companies/insurance brokers, to manage the workflows for availing the services of the said diagnostic labs / clinical establishments for their employees or group of people.

6.2 As per Notification 12/2017-Central Tax, services by way of health care services by clinical establishment are exempted and thus the service is being provided by the clinical establishment to the persons using the digital platform of the applicant and the applicant is only working as an aggregator. Further, the service mentioned by the assessee comes under the definition of e-commerce and hence the applicant is not required to collect the tax under GST.

6.3 The applicant with regard to the issue "**Whether TCS needs to be collected**" contends that the applicant is providing digital platform for availing the services of diagnostic labs/clinical establishments and the services provided by diagnostic labs/clinical establishments are exempted as per Notification 12/2017-Central Tax. As per section 52(1) of the CGST Act 2017 TCS is to be collected on "the net value of taxable supplies" and in this case the diagnostic labs / clinical establishments are not having taxable supplies as they are exempted as per Notification 12/2017-Central Tax. Therefore TCS is not applicable in this transaction.

6.4 The applicant with regard to the issue "**Whether the assessee falls under the definition / meaning of "insurance agent", if invoice is raised on insurance company**" contends that the assessee is providing aggregator service



through a digital platform to an insurance company and hence does not qualify as an insurance agent. Thus the Reverse Charge Mechanism (RCM) under GST is not applicable for the said services provided by the assessee (applicant) to an insurance company.

PERSONAL HEARING PROCEEDINGS HELD ON 28.10.2024

7. Sri. Unnikrishnan Nair, Manager, Accounts & Authorised Representative of the applicant appeared for personal hearing proceedings and reiterated the facts narrated in their application.

FINDINGS & DISCUSSION

8. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and the KGST Act, 2017 are in pari-materia and have the same provisions in like matters 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 would also mean reference to the corresponding similar provisions in the KGST Act.

9. We have considered the submissions made by the applicant in their application for advance ruling. We also considered the issues involved on which advance ruling is sought by the applicant and relevant facts along with the arguments made by the applicant & the submissions made by their learned representative during the time of hearing.

10. The applicant submitted that they provide, under the contracts with companies, diagnostic labs and wellness services to the employees of the company or any group of people the company decides, through third party labs and wellness providers; the contract can be between an Insurance Company and the applicant to provide the said services to a specific group of people. These employees or group of people can select a specific date, time and what diagnostic and lab tests to be done from diagnostic lab and wellness providers from the list provided by the applicant; the medium of interaction between these employees and group of people with the applicant and with diagnostic labs can be through a mobile app developed by the applicant/whatsapp/e-mail/telephonic conversation. The applicant provides access to digital platform, digital tools to manage workflows for the companies/insurance companies/insurance brokers. The diagnostic labs and wellness providers raise invoice to the applicant and in turn the applicant raises invoices to the contractor company by adding a margin. In view of the foregoing, the applicant sought advance ruling in respect of the questions mentioned at para 3 supra. We consider one question at a time and proceed to examine the issue/s.

11. The first question is ***whether the assessee need to collect GST on the diagnostic and lab services provided through third party diagnostic labs? If yes, Whether GST has to be collected for the whole invoice amount or on the margin on the supply alone and what will be the applicable tax rate and which SAC to be used.***



The applicant, with regard to taxability of diagnostic and lab services provided through third party diagnostic labs, contends that they act as an aggregator for the said services for companies/insurance companies/insurance brokers; they provide access to the digital platform and digital tools, for companies/insurance companies/insurance brokers, to manage the workflows for availing the services of the said diagnostic labs / clinical establishments for their employees or group of people; as per Notification 12/2017-Central Tax, services by way of health care services by clinical establishment are exempted and thus the service is being provided by the clinical establishment to the persons using the digital platform of the applicant and the applicant is only working as an aggregator; the service mentioned by the applicant comes under the definition of e-commerce and hence the applicant is not required to collect the tax under GST.

We proceed to examine the issue i.e. whether the applicant qualifies to be an e-commerce operator or not. In this regard, we invite reference to the Section 2(44) and 2(45) of the CGST Act 2017, which are as under:

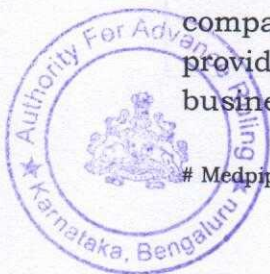
2(44) –electronic commerce means the supply of goods or services or both, including digital products over digital or electronic network;

2(45) –electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce;

It could be inferred from the definitions supra that Electronic Commerce Operator (ECO) means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce i.e. for the supply of goods or services or both, including digital products over digital or electronic network.

12. In the instant case the applicant owns a digital platform / mobile App. The employees or group of people of companies / insurance companies / insurance brokers i.e. recipients of service having contract with the applicant, selects the diagnostic labs or wellness providers and books specific date & time, from the list provided on the digital platform / App. Once the tests are done the diagnostic labs or wellness providers raise invoice on the applicant and the applicant in turn raises the invoice on the companies after retaining their margin. It is clearly evident from the foregoing that the service is not being provided by the labs to the recipients, **through the App / Mobile platform**, but through the applicant. The applicant merely provided the platform for the recipients so as to enable them to select the lab from whom the services are to be procured. Once the selection is over, the labs after the tests provide the reports directly to the recipients. The invoices are raised by the labs on the applicant. Thus the applicant doesn't qualify to be an e-commerce operator.

13. It is, further, observed from the submissions made by the applicant, at para 10 supra, that applicant is providing the diagnostics, labs and wellness services to their client companies, on procuring the said services from third-party labs & wellness providers. The applicant is neither acting as an agent of the client company to whom the services are provided nor of the diagnostic labs / wellness providers from whom the services are procured, as the applicant is not carrying the business of supply of services on behalf of another party but on his own account.



Further, the fact that the diagnostic labs / wellness providers raise invoice on the applicant and in turn the applicant raises the invoice on their clients substantiates the nature of supply of services in the hands of the applicant.

The applicant, admittedly, adds mark up on the cost of the services procured from the diagnostic labs / wellness providers and raises invoices on their clients with the marked up value. In this scenario, the applicant has to charge GST on the whole invoice amount, being the transaction value but not merely on the mark-up value, in terms of Section 15(1) of the CGST Act 2017.

14. Now we proceed to examine the classification of the services being provided by the applicant, as they requested for the SAC of the said services. The applicant contends that the impugned services are covered under healthcare services and thus are covered under SAC 9993.

In the instant case, the services being provided by the applicant are by way of diagnosis for illness etc., in a recognised system of medicines in India and hence the impugned services being diagnostic services are covered under healthcare services and thus gets covered under SAC 9993.

15. Now we proceed to examine the rate of GST applicable to the impugned services. The applicant contended that as per Notification 12/2017-Central Tax, services by way of health care services by clinical establishment are exempted as the service is being provided by the clinical establishment to the persons using the digital platform of the applicant and the applicant is only working as an aggregator. In this regard we invite reference to entry number 74 and also paras 2(zg) & 2(s) of the Notification 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, which are as under:

Para 2(zg): "health care services" means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma;

Para 2(s): "clinical establishment" means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases;

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition



(1)	(2)	(3)	(4)	(5)
74	Heading 9993	<p>Services by way of-</p> <p>(a) health care services by a clinical establishment, an authorised medical practitioner or para-medics;</p> <p>(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above :</p> <p>[Provided that nothing in this entry shall apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs. 5000 per day to a person receiving health care services.]</p>	NIL	NIL

It could be seen from the above table that entry number 74 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017, as amended, exempts services by way of **health care services by a clinical establishment, an authorised medical practitioner or para-medics**. Thus to avail the said exemption the following two conditions have to be fulfilled.

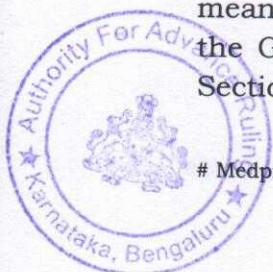
- (i) The services being provided must be covered under health care services.
- (ii) The service provider must qualify to be a clinical establishment

In the instant case, the services being provided by the applicant are covered under healthcare services and thus the first condition is fulfilled.

The clinical establishment, for the purpose of the Notification No.12/2017, has been defined under para 2(s) of the said notification. In the instant case, applicant does not qualify to be "a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India" as the applicant, admittedly, is not a hospital or nursing home or clinic or sanatorium or any other similar institution, but an aggregator procuring the services from diagnostic labs. Thus the applicant do not qualify to be a clinical establishment. Therefore the second condition is not fulfilled and hence the applicant is not entitled to avail the aforesaid exemption. Thus the applicant **is liable to collect GST on the diagnostic and lab services provided through third party diagnostic labs** to their clients.

16. The second question is with regard to collection of TCS by the applicant. The question of collection of TCS arises only when the applicant is an e-commerce operator. As it is already decided at para 12 supra that the applicant does not qualify to be an e-commerce operator, the instant question becomes redundant.

17. The third question is whether the applicant falls under the definition / meaning of Insurance Agent, if invoiced to an insurance company and if yes, how the GST is applicable. The term "insurance agent" has not been defined under Section 2 of the CGST Act 2017.



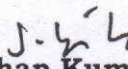
Section 42 of the Insurance Act 2015 stipulates that an insurance agent is a representative who sells the policy on behalf of an insurance company. The agent helps consumers select the right insurance based on their needs, but represents an insurance company. Insurance agents will sell and negotiate different insurance policies.

In the instant case, the services being provided by the applicant are not connected, not even remotely, with the sale of insurance policies and hence the applicant does not fall under the definition / meaning of the "Insurance Agent". Therefore the applicant has to raise invoice on par with the other companies.

18. In view of the foregoing, we pass the following

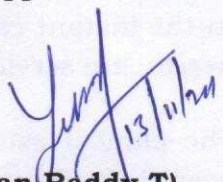
RULING

- (i) *The assessee need to collect GST on the diagnostic and lab services provided through third party diagnostic labs, for the whole invoice amount and the applicable tax rate is 18% and SAC is 9993.*
- (ii) *The applicant doesn't qualify to be an e-commerce operator and thus the question "whether TCS needs to be collected" is redundant.*
- (iii) *The assessee does not fall under the definition/meaning of an "Insurance Agent", if invoiced to an insurance company and thus the applicant has to raise invoice on par with the other companies.*


(Prathap Kumar S)
Member

MEMBER

Karnataka Advance Ruling Authority
Place: Bengaluru,
Date: 13-11-2024
Bengaluru - 560 009


(Kiran Reddy T)
Member

MEMBER

Karnataka Advance Ruling Authority
Bengaluru - 560 009

To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Principal Commissioner of Central Tax, Bangalore South Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-17, Bengaluru.
5. Office Folder.

