



Gujarat AAR Authority

Gujarat Narmada Valley Fertilizers & Chemicals Ltd.

***Gujarat Narmada Valley Fertilizers & Chemicals
Ltd. vs Gujarat AAR Authority
Order No. Guj/GAAR/R/2025/11***

Facts of the Case:

- Gujarat Narmada Valley Fertilizers & Chemicals Ltd. (Applicant) had initiated a share buyback programme. In connection with the same, expenses were incurred towards professional fees, legal fees, arrangement fees and other incidental charges in connection with the buyback process.
- The applicant contended that buyback improves financial standing, creates shareholder value, reduces equity capital.
- Accordingly, it is an activity undertaken in the course or furtherance of business, thereby qualifying for ITC under Sec. 16(1) of the CGST Act, 2017.



- The applicant also argued that the meaning of 'transaction in securities' under Sec. 17(3) must be read in conjunction with 'value of exempt supply' and not independently. Further, since shares bought back are cancelled, there is no sale/purchase transaction involved.
- The applicant sought an advance ruling on whether ITC is available on expenditure incurred for the buyback of shares in the course or furtherance of business under the GST regime.



AAR Observations:

- Shares are expressly classified as 'securities' under Sec. 2(h) of the Securities Contracts (Regulation) Act, 1956 and therefore falling outside the scope of both definitions under the GST law.
- Sec. 16(1) entitles ITC only on the supply of goods or services used in the course or furtherance of business.
- Since a share buyback involves securities which are neither goods nor services and the fundamental eligibility condition is not met.
- The AAR ruled that the applicant must reverse ITC already availed on common inputs and input services to the extent used in relation to the share buyback activity.

Our Comments:

- In many share buyback transactions in case of private limited or public limited companies, legal fees are paid to advocates or legal firms.
- The AAR has specifically directed that ITC already availed on common inputs and input services used in relation to the share buyback expenditure must be reversed.
- While the AAR is binding only on the applicant and may be subject to further judicial scrutiny before higher courts, the tax authorities are likely to rely on its persuasive value and raise ITC demands on said issue.
- Accordingly, companies must identify and segregate buyback-related expenses and compute possible ITC that may be disallowed by GST authorities.

THANK YOU



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