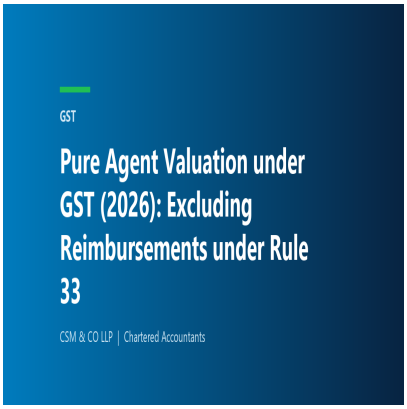


Pure Agent Valuation under GST (2026): Excluding Reimbursements under Rule 33

Description

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Quick summary

- A “pure agent” incurs an expense on behalf of its client, with no intention of using the goods or services for its own benefit, and recovers only the exact amount paid, with no markup.
- Rule 33 of the CGST Rules excludes a pure agent’s reimbursed expenditure from the value of its own supply, so GST is not charged a second time on an amount that was already taxed (or exempt) in the third party’s hands.
- All eight conditions in Rule 33 must be met together - the third-party contract must actually be with the recipient, the amount recovered must be exact with no markup, and it must be shown separately on the invoice.
- A professional (a CA, CS or lawyer) recovering a statutory fee paid to a government authority on the client’s behalf, such as an RoC filing fee, is the textbook example of a pure agent disbursement.
- Failing even one condition - for example adding a small margin, or not itemising the recovery separately - turns the “reimbursement” into part of the taxable value of the professional’s own supply.

Professionals who pay a statutory fee or a third-party cost on a client’s behalf, then recover it on the invoice, need to know whether that recovery is taxed again as part of their own fee - this is exactly what the pure agent valuation rule decides.

Who is a pure agent

Under GST, a person is a **pure agent** where all of the following hold:

- They enter into a contract with the recipient of supply to act on the recipient’s behalf and incur expenditure in the course of a supply of goods or services.
- They neither intend to hold, nor actually hold, any title to the goods or services procured for the recipient.
- They do not use the procured goods or services for their own interest.
- They recover only the exact amount incurred to procure those goods or services, with no mark-up.

A practising Chartered Accountant incorporating a private limited company on behalf of a client, and separately recovering the statutory registration fees paid to the Registrar of Companies, is the standard illustration.

Who is the principal

A “principal,” in this context, is the person on whose behalf an agent carries on the business of supplying or receiving goods or services.

Rule 33: what gets excluded from the value of supply

Rule 33 of the CGST Rules excludes a pure agent’s reimbursed expenditure from the taxable value of their own supply, provided **all** of the following eight conditions are satisfied:

1. The pure agent makes a payment to a third party, on the recipient’s behalf, where the contract for the procured supply is between the third party and the recipient (for example, filing fees paid to the Registrar of Companies).
2. The recipient of the supply is the sole user of what was procured from the third party.
3. The recipient is liable to pay the third party.
4. The recipient authorises the pure agent to make that payment on its behalf.
5. The recipient knows that the services paid for were actually provided by the third party.
6. The payment made on the recipient’s behalf is shown separately on the invoice the pure agent issues.
7. The pure agent recovers only the exact amount paid to the third party - no mark-up.
8. The services procured from the third party are in addition to the supply the pure agent makes on its own account.

Worked example

A corporate services firm handles the legal work for incorporating a client’s company. In addition to its own service fee, it recovers the Registrar of Companies’ registration fee and name-approval fee, which are statutory charges payable by the client. Since the fee is compulsorily levied on the client, the firm is merely acting as a pure agent in making that payment - the recovery of this exact amount is a disbursement, not part of the value of the firm’s own supply, so it does not attract GST at the firm’s hands.

Why one failed condition changes everything

Because all eight conditions must be satisfied together, a single slip - adding even a modest margin to the recovered amount, clubbing it into the overall fee instead of itemising it separately, or the recipient not actually being the one liable to the third party - removes the exclusion entirely. The whole amount then becomes part of the taxable value of the agent’s own supply, and GST applies to it along with the service fee.

How CSM & Co LLP can help

Structuring invoices correctly so that genuine reimbursements qualify for pure agent treatment, rather than being taxed as part of the fee, is a routine but easy-to-get-wrong area for professional service firms - please reach out to our team and we will be happy to assist with invoicing and GST valuation.

Technical terms explained in simple words

Term	What it means
Pure agent	A person who pays a third party on a client's behalf, under a contract, without taking any benefit or mark-up, and recovers only the exact amount spent.
Principal	The person on whose behalf an agent carries out a supply or receipt of goods or services.
Disbursem	A cost paid on someone else's behalf and recovered exactly, as distinct from a fee charged for one's own service.
Value of supply	The amount on which GST is charged, generally the transaction value under section 15, subject to specific valuation rules such as Rule 33.
Mark-up	Any amount added over and above the actual cost incurred, which would disqualify a recovery from pure agent treatment.

Frequently asked questions

Who is a "pure agent" under GST?

A person who, under a contract with the recipient, incurs expenditure or costs on the recipient's behalf while supplying goods or services - without holding title to what is procured, without using it for their own benefit, and recovering only the exact amount spent, with no mark-up.

Why does the pure agent concept matter for GST valuation?

Because Rule 33 of the CGST Rules lets a supplier exclude a genuine pure-agent reimbursement from the value of its own supply - so GST is charged only on the supplier's actual service fee, not again on an amount already taxed, or exempt, when the third party supplied it.

What are the conditions for a reimbursement to qualify as a pure agent payment?

All eight conditions in Rule 33 must be satisfied together: the contract for the procured supply must be between the third party and the recipient; the recipient must be the sole user of what was procured; the recipient must be liable to pay the third party; the recipient must authorise the agent to pay on its behalf; the recipient must know the services are from the third party; the payment must be shown separately on the agent's invoice; the agent must recover only the exact amount paid; and the procured supply must be in addition to the agent's own supply.

What is a common real-world example of a pure agent disbursement?

A Chartered Accountant or Company Secretary incorporating a company for a client and separately

recovering the Registrar of Companies' statutory filing and name-approval fees, paid on the client's behalf, without any mark-up.

What happens if the agent adds even a small margin to the recovered amount?

The exclusion under Rule 33 no longer applies to that amount - once any mark-up is added, or the amount is not shown separately, the whole recovered sum is treated as part of the taxable value of the agent's own supply.

Official sources

- CBIC Tax Information Portal - Rule 33, CGST Rules, 2017 (Value of supply of services in case of pure agent)
- GST Portal

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