



Board Secretariat

Ref:- JKB/BS/F3652/2026/180
Date: 29th October, 2026

National Stock Exchange of India Limited
Exchange Plaza 5th Floor
Plot No. C/1 G-Block
Bandra Kurla Complex
Bandra (E) Mumbai - 400 051
Symbol: J&KBANK

The BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code:532209

SUB:- CLARIFICATION REGARDING GST TREATMENT OF FUND TRANSFER PRICING (FTP) MECHANISM IN BANKS

Dear Sirs,

In continuation of our letter nos. JKB/BS/F3652/2025/308 dated 05.02.2025 and JKB/BS/F3652/2026/271 dated 24.03.2026, wherein it was intimated that the GST authorities had initiated following proceedings against the Bank in relation to Funds Transfer Pricing (FTP) transactions comprising of two demand orders:

1. Demand order dated February 04, 2025, from Joint Commissioner, Central GST Commissionerate, Jammu for GST liability of Rs. 81,30,66,42,768/- (Rupees Eight Thousand One Hundred Thirty Crores Sixty-Six Lacs Forty-Two Thousand Seven Hundred and Sixty-Eight Only) with interest as applicable and penalty of Rs. 81,30,66,42,768/- (Rupees Eight Thousand One Hundred Thirty Crores Sixty-Six Lacs Forty-Two Thousand Seven Hundred and Sixty-Eight Only).
2. Demand order dated March 23, 2026, from Additional Commissioner, Central GST Commissionerate, Jammu for GST liability of Rs.200,20,80,009.00 (Rupees Two Hundred Crores Twenty Lakh Eighty Thousand and Nine Only) with interest as applicable and penalty of Rs.200,20,80,009.00 (Rupees Two Hundred Crores Twenty Lakh Eighty Thousand and Nine Only).

The Bank challenged the aforesaid proceedings before the Hon'ble High Court of Jammu & Kashmir and Ladakh and obtained interim protection in respect of the two demand orders.

In furtherance to same, we are providing the following update;

The Central Board of Indirect Taxes and Customs (CBIC), through circular No: 266/12/2026-GST dated 28th October, 2026 has clarified that the notional amount/interest recorded in the Books of Accounts against the activity of making a loan or an advance under the Fund Transfer Price mechanism is covered by the definition of "interest" for the purpose of exemption under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. The relevant text of the said circular is reproduced hereunder;

6. **Clarification regarding GST treatment of Fund Transfer Pricing (FTP) mechanism in banks, i.e., whether GST is applicable on the notional interest recorded in the Books of Accounts by Head Office, when funds are notionally transferred from one branch to another, through the Head office.**
 - 6.1 Representation has been received seeking clarification regarding applicability of GST on the notional interest recorded in the Books of Accounts by the banks under the Fund Transfer Pricing (FTP) mechanism, wherein funds are notionally transferred between different branches of a bank through its Head Office. FTP is an internal funds allocation and performance measurement mechanism used by banks for evaluating the performance of different branches or business units.

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6.2 It has been observed that in certain cases, demands have been raised on such notional amount/interest on the ground that FTP represents a financial service provided by the Head Office to its branches since the Head Office and its branches are distinct persons under section 25(4) of the CGST Act.

6.3 The matter has been examined. Under the FTP mechanism, the Head Office notionally pools funds from deposit-mobilising branches and allocates such funds to lending branches at an internally determined price linked to the relevant product or tenure. Such notional amount represents the cost of funds and is akin to interest. Further, the definition of "interest" in Notification No. 12/2017-Central Tax (Rate) covers interest payable in any manner in respect of moneys borrowed or debt incurred.

6.4 Therefore, on recommendations of the 57th meeting of GST Council, it is hereby clarified that the notional amount/interest recorded in the Books of Accounts against the activity of making a loan or an advance under the Fund Transfer Pricing mechanism is covered by the definition of "interest" for the purpose of exemption under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017."

The Bank has consistently maintained that the relevant book entries represent notional interest in nature, arising from the internal FTP mechanism adopted for banking operations, and that such amounts are in nature of interest which is exempt from GST.

This stance of the Bank has now been validated through the aforementioned circular issued by CBIC.

In view of the aforesaid clarification, the bank shall pursue the matter with appropriate authorities for quashing of above demand orders, in accordance with the applicable provisions.

This is for your information and appropriate dissemination.

Thanking you

Yours faithfully

For Jammu and Kashmir Bank Limited

Mohammad Shafi Mir
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(Mohammad Shafi Mir)
Company Secretary