M/s. Bhutoria Refrigeration Private Limited (Appellant; the appeal is No. MAH/AAAR/27/2018-19)

Appellate Authority for Advance Ruling — Maharashtra

ORDER NO. MAH/AAAR/SS-RJ/27/2018-19 Date-28.03.2019 Dated **28.03.2019**

Q Questions Before the Authority

- Whether the Fan Coil Unit is covered under HSN Code 8418 under Goods and Service Tax Act, 2017?

F Facts

The appellant is registered under GST and supplies Fan Coil Units, valves, actuators, thermostats and standard spare parts and accessories to customers across India. The Fan Coil Unit (FCU) is one of several terminals in an HVAC system fed by chillers and pumps. The appellant sought an advance ruling from the Maharashtra AAR, which held that the FCU falls under HSN 8415 rather than 8418 (AAR Ruling No. GST-ARA-64/2018-19/B-25 dated 3 October 2018), and the appellant appealed against that ruling.

H Ruling

Whether Fan Coil Unit is covered under HSN 8418	****No.** Not covered under HSN 8418. Covered under HSN 8415 (air conditioning machines), as upheld from the AAR.**	The order rests on the FCU being a part of the air conditioning system, not a refrigerating unit. It also rejects classification under HSN 8414 (fans) because the fans described there do not resemble an FCU. The rate of tax applicable to HSN 8415 is not stated in the order.

The Appellate Authority dismissed the appeal on merits and upheld the AAR ruling. It held that the FCU is not a refrigerator, freezer, other refrigerating equipment or heat pump under heading 8418, and that it is an air conditioning unit covered by heading 8415. It also rejected the argument that a standalone FCU falls under heading 8414 as a fan.

R Reasoning

The Authority held that heading 8418 covers refrigerators, freezers, other refrigerating or freezing equipment and heat pumps, and does not cover air conditioning systems. It treated the FCU's core function as controlling room temperature, as opposed to the chiller's function of chilling water, and so placed it in the air conditioning category. Under the HSN explanatory note to heading 8415, separately presented indoor and outdoor units of split systems are included, and the FCU was held to be a unit forming part of an air conditioning system. The appellant's reliance on Section XVI Notes 2(a) and 2(b), on the Supreme Court decision in Carrier Aircon (chillers held to be refrigerating equipment), and on the CBEC Circular dated 25.09.2002 did not persuade the Authority.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

P Provisions Relied On

- Section 99 of the CGST Act and MGST Act, 2017 (constitution of the Appellate Authority)
- Section 100 of the CGST Act and MGST Act, 2017 (appeal)
- Section 101 of the CGST Act and MGST Act, 2017 (appellate order)
- Notification No. 1/2017 CT(Rate), Schedule III, entry 319(A), as cited by the appellant for heading 8418
- HSN heading 8414 (air or vacuum pumps, fans and ventilating goods)
- HSN heading 8415 (air conditioning machines) and its explanatory note
- HSN heading 8418 (refrigerators, freezers and heat pumps other than air conditioning machines)
- Section XVI, Notes 2(a) and 2(b), HSN
- Supreme Court judgment in Carrier Aircon Ltd (Civil Appeal No. 3914 of 2001, dated 5.7.2006), as cited by the appellant
- CBEC Circular dated 25.09.2002, as cited by the appellant

! For the Practitioner

Dealers and manufacturers of FCUs and other HVAC terminals can use this order to show that the FCU is classified under heading 8415 for GST, not under 8418 or 8414. The order rests on the FCU's function in controlling room temperature, which distinguishes it from a chiller under Carrier Aircon. It does not decide the rate of tax applicable to 8415 items, and it does not settle the separate question of how parts or accessories supplied with HVAC equipment are classified. As an advance ruling, its binding effect is limited to the parties, though it is persuasive for similar products.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> mah_aaar_ss-rj_27_2018-19.pdf

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