M/s Parker Hannifin India Pvt Ltd, Plot No 320 P2, Near APC Circle, Bommasandra Jigani Link Road, Industrial Area, Jigani Hobli, Anekal Taluk, Karnataka 560105 (appellant, against Advance Ruling No KAR ADRG 54/2019 dated 19.09.2019)

Appellate Authority for Advance Ruling — Karnataka

ORDER NO: KAR/AAAR/07/2019-20 Dated **10.01.2020**

Q Questions Before the Authority

- (a) Whether filters manufactured solely and principally for use by or in Indian Railways and supplied directly to Indian Railways are classifiable under HSN Heading 8421 or under HSN Heading 8607 of the Customs Tariff?
- (b) Whether the aforementioned classification of the filter will change if the identical goods are supplied to a distributor instead of Indian Railways directly, and the distributor in turn effects supply to Indian Railways?

F Facts

The appellant manufactures oil, fuel and air filters for industrial sectors including railways and automobiles. Some filters are tailor-made to Indian Railways' specifications, and in some cases the purchase order is placed by an intermediary who then supplies the filters to Indian Railways. The appellant sought advance ruling on whether such filters fall under Heading 84.21 or Heading 86.07, and whether the answer changes when the goods pass through a distributor.

H Ruling

Q(a): Classification of filters made solely and principally for Indian Railways and supplied directly to them	****Heading 84.21** (filtering or purifying machinery and apparatus for liquids or gases), not Heading 86.07**	Filters are excluded from Section XVII as parts by Section Note 2(e), so the sole or principal use test in Section Note 3 cannot bring them into Heading 86.07. The order does not state a GST rate.
Q(b): Whether classification changes when identical goods go through a distributor who supplies Indian Railways	****No change.** Classification remains Heading 84.21**	The ruling is stated for goods supplied to a distributor who in turn supplies Indian Railways. The order does not discuss other supply chains.

The Appellate Authority dismissed the appeal and upheld the Advance Ruling order. It held that the subject filters, made solely and principally for Indian Railways and supplied directly to them, are classifiable under Chapter Heading 84.21 and not under Heading 86.07. It further held that the classification does not change if the same goods are supplied through a distributor who in turn supplies Indian Railways.

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

R Reasoning

The authority held that Section Notes 2 and 3 to Section XVII must be read together and in sequence, not with Note 3 given primacy. Note 2(e) excludes machines and apparatus of Headings 84.01 to 84.79 from being treated as parts, so the sole or principal use test in Note 3 applies only after an article passes that exclusion. The authority also applied the General Notes on Parts and Accessories, which require all three conditions to be met before Chapter 86 applies. The subject filters fail the first condition because of Note 2(e), and the third because they are specifically included in Heading 84.21 as filtering apparatus. The authority distinguished the appellant's authorities (Rail Tech, Poona Radiators, Polyset, Best Cast and Diesel Components Works) and did not give weight to the UP ruling in G.S. Products. It also relied on CBIC Circular 80/54/2018-GST on turbo chargers supplied to Railways.

P Provisions Relied On

- CGST Act, 2017 and KGST Act, 2017, Sections 100 and 101 (appeal and proceedings)
- Section Note 2(e) to Section XVII of the First Schedule to the Customs Tariff Act, 1975
- Section Note 3 to Section XVII of the First Schedule to the Customs Tariff Act, 1975
- General Notes on Parts and Accessories to Section XVII (the three conditions)
- Heading 84.21 and Heading 86.07 of the Customs Tariff
- Rule 1 of the General Rules for Interpretation of the HSN (as cited by the authority)
- CBIC Circular No 80/54/2018-GST dated 31.12.2018, para 12 (turbo chargers supplied to Railways)
- CBEC Circular No 17/90-CX.4 dated 09.07.1990 (considered and held not relevant, as it concerns Heading 84.83 transmissio…

! For the Practitioner

This order is useful for a practitioner whose client makes railway-specific filters or similar items, as it shows that custom-made parts may still fall outside Chapter 86 where Section Note 2 excludes them. The authority's reading of Section Note 2(e) against Section Note 3 is the main point and is likely to be cited by revenue. The order is binding only on the appellant and does not decide the rate, which the rate schedules show differs between Heading 84.21 (18%) and Heading 86.07 (5%, then 12%). Practitioners should check the current position on the rate, and the position on other railway components, before relying on it.

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 -> kar_aaar_07_2019-20_10.01.2020.pdf

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