M/s Sandvik Asia Pvt. Ltd., F-85, Panchsheel Marg, C-Scheme, Jaipur-302001 (Rajasthan) (appellant before the Appellate Authority; GSTIN 08AACCS6638K1ZX)

Appellate Authority for Advance Ruling — Rajasthan

ORDER NO. RAJ/AAAR/07/2018-19 Dated **18.03.2019**

Q Questions Before the Authority

- Classification of any goods or services or both (Section 97(2) CGST/SGST Act, 2017), specifically whether the activities under the 'Equipment Parts Supply and Services Agreement' (Agreement-2) are a Composite Supply, with maintenance services as the principal supply, or a Mixed Supply under Section 2(74).

F Facts

The appellant provides after-sales maintenance for mining equipment made by its overseas group entities and imported by customers into India. It does so under two agreements: a Comprehensive Maintenance Agreement (Agreement-1) and an Equipment Parts Supply and Services Agreement (Agreement-2), under which it supplies parts attracting several GST rates along with maintenance services. The AAR held Agreement-1 to be a Composite Supply and Agreement-2 to be a Mixed Supply, and the appellant challenged only the latter finding.

H Ruling

Classification of activities under Agreement-2 (parts supply plus maintenance services)	**Mixed Supply under Section 2(74) CGST Act; not a Composite Supply**	The order contains no numbered RULING section, so this row reflects the single holding in para 48-49. No rate or SAC/HSN is stated.

The Appellate Authority held that the activities under Agreement-2 are a **Mixed Supply** under Section 2(74) of the CGST Act, because the parts supply and the services are not naturally bundled in the ordinary course of business. It upheld the AAR ruling dated 12.10.2018 and dismissed the appeal. The order states no GST rate or HSN for the supply.

R Reasoning

The authority read Agreement-2 as separating two distinct engagements: Clause D of the agreement recites a customer appointing the provider for (a) supply of spare parts and (b) maintenance services as separate items. Schedule B also excludes certain assemblies, so the parts supply is not integral to the services. Because the two supplies are not naturally bundled and supplied in conjunction in the ordinary course of business, the Composite Supply test under Section 2(30) is not met. The activities therefore fall within Mixed Supply under Section 2(74), since they are made for a single price. The authority declined to rely on the AAR Uttar Pradesh and Cummins rulings or on the pre-GST case law the appellant cited, because the underlying agreements were not before it and AAR rulings carry no precedential value.

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

P Provisions Relied On

- Section 97(2) CGST Act, 2017 (classification question)
- Section 100 CGST Act and Section 100 RGST Act (appeal)
- Section 101 CGST Act and Section 101 RGST Act (appellate order)
- Section 2(30) CGST Act, 2017 (Composite Supply definition, applied by the authority)
- Section 2(74) CGST Act, 2017 (Mixed Supply definition, relied on)

! For the Practitioner

This order is useful for any practitioner whose contracts combine parts supply with maintenance services. It shows that separate agreements, a separately stated parts supply and separate titles weigh heavily toward Mixed Supply, and that a single per-ton charge does not by itself make the arrangement Composite. It does not decide the GST rate for either supply, and it does not resolve the Composite treatment of Agreement-1, which the appellant accepted. The reasoning rests on the drafting of this particular contract, so it should not be read as a general rule for all maintenance contracts.

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 -> aaar-raj-7-2018-19 dtd. 18.03.19-sandvik asia pl.pdf

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