M/s Antrix Corporation Limited

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 19/2019, Date: 26-08-2019 Dated **26.08.2019**

Q Questions Before the Authority

- Whether leasing of satellite transponder which is covered under SAC Code 997319 be charged at 5% GST as per HSN Code 8803 – Parts Goods of Heading 8802 (Satellites)?

F Facts

Antrix Corporation Limited is a Government of India company under the Department of Space that leases transponder capacity on INSAT/GSAT communication satellites to customers, who then uplink and downlink their own data through their own or teleport ground equipment. The applicant contends that a transponder is a specific, non-generic part of a communication satellite, without which the satellite cannot function, and that it should be classified under HSN 8803 rather than as ground equipment under 8525 60 92. The applicant's earlier import of a transponder had been assessed under HSN 8803 9000.

H Ruling

Rate of GST on leasing of satellite transponders (SAC 997319), with transponder classified under HSN 8803	**5% GST (2.5% CGST and 2.5% KGST; 5% IGST), under HSN 8803 90 00**	Applies because the lease falls under Entry 17(viii) of Notification 8/2017-IT(Rate) and the rate follows Entry 245 of Schedule I of Notification 1/2017-IT(Rate) for parts of heading 8802. The ruling is limited to transponders forming part of communication satellites.

The authority held that leasing of satellite transponders, under SAC 9973 19, falls under Entry 17(viii) of Notification No. 8/2017-Integrated Tax (Rate) and is taxable at 5% IGST (2.5% CGST and 2.5% KGST). The rate follows the rate on supply of like goods involving transfer of title, which is the rate for transponders as parts of a communication satellite under HSN 8803 90 00. The transponder is therefore not classifiable under the ground-station heading 8525 60 92.

R Reasoning

The authority held that a transponder is the key payload of a communication satellite, performing amplification and frequency conversion, and so is an integral part of the satellite and not part of the ground segment. It applied Section Note 3 and Explanatory Notes (General III) to Section XVII of the Customs Tariff, finding that the three conditions for a part were met: the transponder is not excluded by Note 2, it is suitable solely or principally for use with satellites under Chapter 88, and it is not more specifically classified elsewhere. It then classified the transponder under 8803 90 00. It treated the lease of a transponder as a transfer of right to use goods, which falls under Entry 17(viii) of the rate notification, and the rate was taken from Entry 245 of Schedule I. The Heading 8525 entries were rejected because they cover ground-based equipment, and the transponder does not appear in the list of Satellite Communication Equipment in the 1993 telematic exemption notification.

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

P Provisions Relied On

- Section 97 and Section 98(4) of the CGST Act, 2017 and KGST Act, 2017
- Rule 104 of the CGST Rules, 2017 and KGST Rules, 2017
- Notification No. 8/2017-Integrated Tax (Rate) dated 28.06.2017, Serial No. 17(viii), heading 9973
- Notification No. 1/2017-Integrated Tax (Rate) dated 28.06.2017, Schedule I, Entry 245 (HSN 8803)
- Notification No. 2/2017-Integrated Tax (Rate) dated 28.06.2017, Entry 140 (HSN 8802 60 00), as recited in the order
- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, Explanations (iii) and (iv), as recited in the order
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, Entry 17, as cited in para 6.23 of the order
- Section Note 3 to Section XVII and Explanatory Notes to Section XVII (General III), Customs Tariff Act, 1975
- Customs Tariff headings 8525 60 92, 8802 and 8803
- Notification No. 153/93-Customs dated 13.08.1993 (telematic infrastructure exemption), relied on by the applicant
- Case law cited by the applicant, including Insulation Electrical (P) Ltd (2008 (224) ELT 512 SC), Eureka Forbes Ltd (2001 (13…

! For the Practitioner

This ruling helps satellite operators and transponder lessors who want the 5% rate for transponder leasing, since it sets the rate under the goods-based entry for parts of satellites. It also settles that transponders are not ground-segment equipment under 8525 60 92. It is an advance ruling binding only on the applicant, and it does not decide the rate for ground equipment, for satellites themselves, or for transponder leases where the lessor is not treated as the supplier of a part of a satellite. Readers should check the notification numbers and the Entry 245 wording against the original notifications, as the order's references need verification.

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_aar_19_2019_acl_26.08.19.pdf

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