M/s. Borgwarner Morse Systems India Private Limited

Authority for Advance Ruling — Tamil Nadu

ORDER No. 17 /AAR/2018 DATED : 29.10.2018 Dated **29.10.2018**

Q Questions Before the Authority

- Whether automotive chains (i.e., silent chains used in petrol engines and roller chains used in diesel engines) manufactured by the applicant are classifiable under HSN 8409 or 7315?

F Facts

The applicant manufactures automotive timing and transmission chains of iron or steel, namely silent (inverted tooth) chains for petrol engines and roller chains for diesel engines, for two-wheeler and four-wheeler engines. It first classified them under HSN 8409 as engine parts, which attracted 28% GST, but after customer pressure and industry deliberations it reclassified them under HSN 7315 and charged 18% GST from 20.12.2017. The applicant sought a ruling on the correct heading.

H Ruling

Classification of automotive chains manufactured by the applicant (silent chains for petrol engines and roller chains for diesel engines): HSN 8409 or 7315?	**Roller chains: CTH 73151100. Inverted tooth (silent) chains: CTH 73151290. Both are under heading 7315, not 8409.**	The ruling covers the applicant's products as described in its technical write-up. Classification is under the Customs Tariff as applicable to GST per Explanation (iii) to Notification 1/2017-Central Tax (Rate) dt. 28.06.2017 and G.O. Ms No. 59 dt. 29.06.2017. The order does not itself state the GST rate.

The Authority held that the chains are articulated link chains falling under Chapter 7315 and are not parts suitable for engines under heading 8409. It ruled that roller chains are classifiable under CTH 73151100 and inverted tooth (silent) chains under CTH 73151290 of the Customs Tariff as applied to GST. The chains are 'parts of general use' excluded from Chapter 84 by Section XVI Note 1(g).

R Reasoning

The Authority examined the technical write-up and found the products to be transmission chains of steel, articulated link chains driven by sprockets with no other assembly. Under the HSN explanatory notes to heading 7315, articulated link chains such as roller chains and inverted tooth (silent) chains are included irrespective of their intended use. Although the chains form part of internal combustion engines under Chapters 8407 and 8408, they are 'parts of general use' as defined in Note 2(a) to Section XV, which Section XVI Note 1(g) excludes from Chapter 84. The heading 8409 classification was therefore rejected.

P Provisions Relied On

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

Section 98 of the CGST Act, 2017 (advance ruling)

Section 100(1) of the CGST/TNGST Act, 2017 (appeal to the State Appellate Authority within 30 days)

Notification No. 1/2017-Central Tax (Rate) dt. 28.06.2017, Explanations (iii) and (iv)

G.O. Ms No. 59, Commercial Taxes and Registration (B1) dt. 29.06.2017

First Schedule to the Customs Tariff Act, 1975 (headings 7315, 8409, Chapter 84)

Interpretation rules of the First Schedule to the Customs Tariff Act, 1975, including Section and Chapter Notes and General E…

Section XV Note 2(a) (definition of 'parts of general use')

Section XVI Note 1(g) (exclusion of parts of general use from Chapter 84)

HSN Explanatory Notes to heading 7315 and heading 8409

General Notes to Section XV, Part (C) (parts of articles)

! For the Practitioner

This ruling is useful for manufacturers of silent and roller chains for engines who face the 8409 versus 7315 question. It gives a clear Tamil Nadu advance ruling that such chains fall under 7315 as parts of general use, which supports the 18% rate position. It does not decide the rate itself, and it does not address chains for other uses or other products. It is an advance ruling on the applicant's own products and facts and can be appealed to the State Appellate Authority within 30 days.

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 -> tn-17-aar-2018-bmsi.pdf

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