Cummins India Limited

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-65/2018-19/B-161, Mumbai, dated 19.12.2018 (application n… Dated **19.12.2018**

Q Questions Before the Authority

- Determination of GST liability by deciding the principal supply of the composite supply qua maintenance contracts executed between the customer and the Applicant.

F Facts

Cummins manufactures diesel and natural gas engines and also runs an after-sales distribution business. It executes Annual Maintenance Contracts (AMCs) with end customers, such as HDFC Bank for DG sets, for a fixed charge covering preventive and routine maintenance, inspection, supply of consumables, and other repairs. Dealers carry out the work on the company's behalf and draw parts from the company, which recovers their value under the AMC, while major parts and replacements are excluded.

H Ruling

Principal supply in the composite supply under the maintenance contract (AMC) between the customer and the applicant	****Supply of services** is the principal supply**	Goods and parts supplied under the AMC are incidental to the maintenance service. The order gives no rate, HSN or classification. The place-of-supply reasoning (Maharashtra as supplier location) is stated in the body, not in the operative answer.

The Authority held that the principal supply in the transaction between the applicant and the customer is a supply of services. The AMC is therefore a composite supply in which the service is the principal element and the supply of goods is incidental. The place of supply is determined under section 12(2) of the IGST Act, with the supplier's location taken as Maharashtra.

R Reasoning

The Authority found that the AMC is a composite supply under section 2(30) of the CGST Act because services and parts are supplied together, for a single price, in the ordinary course of business. It held that the works contract definition in section 2(119) does not apply, because engines are movable property. Applying section 2(90), it treated maintenance service as the predominant element, since the parts are supplied only when the service requires them and the purpose of the contract is to keep the engines operative. It then held that the place of supply is the recipient's location under section 12(2) of the IGST Act, and that the supplier's location is the registered premises in Maharashtra under section 2(15) of the IGST Act.

P Provisions Relied On

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

Section 2(30) CGST Act (composite supply)	Section 2(90) CGST Act (principal supply)
Section 2(119) CGST Act (works contract), considered and held inapplicable	
Section 12(2) IGST Act (place of supply of services, default rule)	
Section 2(15) IGST Act (location of the supplier of services)	
Sections 97 and 98 CGST Act / MGST Act (advance ruling procedure)	

! For the Practitioner

This order helps companies that bundle maintenance services and spare parts under fixed-price AMCs for movable equipment. It treats the service as the principal supply, which determines the tax treatment of the bundle. It does not decide the applicable rate, HSN or classification, and it binds only the applicant. The applicant's reliance on a Uttar Pradesh ruling and on older Supreme Court cases is noted, but the Authority does not rest its decision on them.

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 -> ara_order_65_2018_maharashtra_cil.pdf

Prepared 28-10-2026.

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