HP India Sales Private Limited

Authority for Advance Ruling — Tamil Nadu

ORDER No. 40/AAR/2019 DATED 28.08.2019 (Tamil Nadu Authority for A… Dated **28.08.2019**

Q Questions Before the Authority

- What is the rate of GST applicable on supply of desktops consisting of CPU, monitor, keyboard and mouse or any combination of input/output unit?

F Facts

The applicant is an Indian subsidiary of HP Inc (California) that imports and sells IT products, mainly desktops, laptops and printers. Its purchase orders and invoices describe a 'Desktop Computer' or 'Desktop with Monitor' as one product, with a single recommended selling price, though the CPU and monitor carry separate part numbers and serial numbers. The applicant argued that the CPU with its input and output units is one supply under HSN 8471 taxed at 18%, or alternatively a composite supply whose principal supply is the CPU.

H Ruling

Rate of GST on supply of desktops (CPU with monitor, keyboard, mouse or any combination of input/output units)	**9% CGST under Notification 01/2017-C.T.(Rate) dated 28.06.2017 (Sl. No. 360, CTH 8471) and 9% SGST under Notification No. II(2)/CTR/532(d-14)/2017 (G.O.(Ms) No. 72 dated 29.06.2017, as amended)**	Applies only if all the units are supplied together with the CPU in a single supply. The applicant's claimed 18% rate was not accepted. The order also notes that monitors presented separately under a different invoice or line item would not fall under CTH 8471 but under CTH 8528.

The authority ruled that a supply of desktops consisting together of CPU, monitor, keyboard and mouse, classifiable under CTH 8471, attracts **9% CGST and 9% SGST** , but only if all the units are supplied together with the CPU in a single supply. It treated the desktop as a single supply under CTH 8471, not as a composite supply, and so did not accept the applicant's 18% rate.

R Reasoning

The authority read Chapter Note 5A and 5B to Chapter 84 and held that a desktop with CPU, keyboard, mouse and monitor is an automatic data processing machine within CTH 8471. It applied Chapter Note 5C, under which keyboards and mice are units of heading 8471, and Chapter Note 5D, which excludes separately presented monitors from heading 8471 and places them under 8528. It then applied Section Note 4 to Section XVI, holding that where a machine's individual components together serve a defined function the whole falls under the heading for that function, and that the processing unit gives the essential character. Because the invoice describes a

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single 'Desktop Computer' with a single price, the authority treated the supply as a single supply under CTH 8471 and did not go on to decide the composite supply question under section 2(30) on the merits. The order also refers to the explanatory notes in Notification 01/2017-C.T.(Rate) that adopt the Customs Tariff headings and Chapter Notes.

P Provisions Relied On

- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, Schedule III, Sl. No. 360 (heading 8471), and explanation (iii)…
- Notification No. II(2)/CTR/532(d-14)/2017 (G.O.(Ms) No. 72 dated 29.06.2017, as amended) (Tamil Nadu SGST)
- Customs Tariff Act, 1975: heading 8471 and 8528 (monitors capable of directly connecting to an ADP machine)
- Chapter Note 5(A), 5(B), 5(C) and 5(D) to Chapter 84, Customs Tariff
- Section Notes 4 and 5 to Section XVI, Customs Tariff
- Section 2(30) of the CGST/TNGST Act, 2017 (composite supply), considered in the alternative

! For the Practitioner

A practitioner selling desktops with peripherals can cite this order for the proposition that a CPU with monitor, keyboard and mouse sold together on one invoice and one price is treated as a single supply under CTH 8471 at 9% CGST and 9% SGST. The order does not decide the composite supply question, and it is conditional on the units being supplied together. It does not bind other authorities, and it does not address software, warranties or monitors invoiced separately.

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_aar_40_2019_28.08.19_hpispl.pdf

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