M/s JSL India Pvt. Ltd., Village Pathredi, Bilaspur-Tauru Road, Gurugram, Haryana (the body of the order refers to the applicant as M/s. JSL Lifestyle Limited)

Authority for Advance Ruling — Haryana

Advance Ruling No. HAR/HAAR/R/2018-19/51, dated 24.04.2019 (In Appli… Dated **24.04.2019**

Q Questions Before the Authority

- What is the tariff classification of the goods and sub-assemblies supplied from the applicant's Pathredi unit to its Chennai unit for rail coach components, and what rate of IGST applies to them?

F Facts

The applicant manufactures rail coach components at Pathredi under a Indian Railways tender for stainless steel roof, welding pin and end roof assemblies. Because of transport and logistics concerns, the components are sent in unassembled sub-assembly form to its Chennai unit, which is registered as an additional place of business. There, the goods are fabricated, welded, painted, tested and inspected, and the finished assemblies are delivered to the Integral Coach Factory, Chennai, while being billed to JSL Limited, Pathredi.

H Ruling

Classification of goods/sub-assemblies supplied from Pathredi unit to Chennai unit, and IGST rate	****Cannot be classified under Chapter 86**; they attract the general applicable rate as per the classification of each item in its respective chapter**	The order does not name the chapter, HSN heading or rate for each item. It relies on the assembly and fabrication operations at Chennai and on the Rule 2(a) explanatory notes. The question of IGST rate is answered only by reference to the general rate.

The authority held that the goods supplied from Pathredi to Chennai **cannot be classified under Chapter 86** . Because they fall outside Chapter 86, the 5% railway supply rate does not apply, and they attract the general applicable GST rate for their own chapters. The order does not state a specific rate or HSN heading.

R Reasoning

The authority reviewed the process and found that the Chennai unit carries out fabrication of sub-parts, welding, painting, testing and final inspection, and adds components procured from other suppliers, so the process amounts to manufacturing rather than mere assembly. It applied the General Rules for Interpretation of the Harmonised System. Under Rule 2(a) and its explanatory notes, unassembled articles are classified as the assembled article only where assembly operation alone is involved. Here, assembly together with addition of components and fabrication occurs, so the Rule 2(a) route is not available. The authority then relied on para 4 of CBIC Circular No. 30/4/2018-GST dated 25.01.2018, under which only Chapter 86 goods supplied to Railways

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attract the 5% rate, to conclude that the Pathredi goods fall outside Chapter 86.

P Provisions Relied On

- Section 97(2) of the CGST/HGST Act, 2017 (clause (d) is printed as the clause under which the question was raised)
- General Rules for the Interpretation of the Harmonized System, Rule 1, with explanatory notes (III) to (V)
- General Rules for the Interpretation of the Harmonized System, Rule 2(a), with explanatory notes (I) to (VI)
- General Rules for the Interpretation of the Harmonized System, Rule 2(b)
- CBIC Circular No. 30/4/2018-GST dated 25.01.2018, para 4
- Customs Tariff Act, 1975, First Schedule, tariff item 8607 99 10 (mentioned in the facts as the applicant's classification of rail…

! For the Practitioner

This ruling is useful for railway suppliers who split production between plants in different states, because it shows that **splitting sub-assembly manufacture from the final assembly, where fabrication and addition of bought-in components occur, can take the intermediate goods out of Chapter 86** . It does not give a specific HSN heading or rate for the Pathredi goods, so a practitioner will need to classify each item separately. The ruling also does not decide the place-of-supply or input tax credit issues, despite the clause cited in the heading.

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 -> har_aar_51_2018-19_24.04.2019_jslipl.pdf

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