

M/s JSW Energy Limited

Authority for Advance Ruling — Maharashtra

GST-ARA-05/2017/B- 08 Mumbai, dt. 05.03.2018

Dated **05.03.2018**

Q Questions Before the Authority

- Supply of coal or any other inputs on a job work basis by JSL to JEL
- Supply of power by JEL to JSL
- Job work charges payable to JEL by JSL

F Facts

The applicant, JEL, and JSL are related entities. JSL proposes to supply coal to JEL on a free-of-cost basis for JEL to convert into electricity at its power plant. JEL would then supply the generated power back to JSL and charge for the services rendered.

H Ruling

Supply of coal by JSL to JEL	Not entertained	Pertains to JSL, not the applicant
Supply of power by JEL to JSL	Taxable supply	Treated as supply between related persons
Job work charges	Does not survive	Transaction is not job work

The authority refused to entertain the first question as it pertained to the supply by JSL, not the applicant. It held that the supply of power by JEL to JSL is a taxable supply of goods. It further concluded that the transaction is not a job work arrangement, so the question regarding job work charges does not survive.

R Reasoning

The authority reasoned that the conversion of coal into electricity results in a new product, which constitutes **manufacture** rather than job work under the GST Act. Because the activity is not job work, the provisions of Section 143 do not apply. Furthermore, since JEL and JSL are related persons, the supply of power is a taxable supply under Schedule I even if made without consideration. The ruling relied on the definitions of job work and manufacture under Section 2 of the CGST Act.

P Provisions Relied On

Section 2(68) of the CGST Act

Section 2(72) of the CGST Act

Section 7 of the CGST Act

Section 143 of the CGST Act

Schedule I of the CGST Act



For the Practitioner

This ruling clarifies that the conversion of raw materials into a distinct new commodity, such as coal into electricity, is **manufacture** and not job work. Practitioners should note that transactions between related entities will be treated as a taxable supply under Schedule I. It does not decide on the taxability of the initial supply of inputs by the principal if the applicant is the service provider.

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 -> [maharashtra gst-ara-05 2017 dt 5.3.18 jswel.pdf](#)

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