

Kolhapur Foundry and Engineering Cluster

Authority for Advance Ruling — Maharashtra

GST-ARA- 55/2019-20/B-47, Mumbai, dated 26.08.2020

Q Questions Before the Authority

- Whether the activity of Applicant is Supply of Goods or Supply of Job Work Services?
- The used waste sand which is of the value 'Nil' (Refer separate Valuation Certificate by Engineer) will have any impact on valuation?

F Facts

The applicant operates a sand reclamation plant that processes waste sand received from various foundry units. The applicant claims the waste sand has no commercial value and is processed through heat treatment and other procedures to produce reclaimed sand, which is then sold. The applicant sought a ruling on whether this activity constitutes job work or a supply of goods, and how the 'Nil' value of the input waste sand affects the valuation of the final product.

H Ruling

Nature of activity	Supply of Goods	The activity does not satisfy the criteria for job work under the GST Act.
Impact of 'Nil' value of input on valuation	Answered in the affirmative	The value of input waste sand has a bearing on the valuation of the outward supply.

The authority ruled that the applicant's activity constitutes a **supply of goods** rather than job work services. Regarding the second question, the authority held that the 'Nil' value of the input waste sand does have an impact on the valuation of the final product.

R Reasoning

The authority determined that the applicant is not a job worker because the input waste sand is not returned to the original supplier, and the final product is a distinct commodity with commercial value. The process involves the applicant's own consumables and labor, making it a **manufacturing process** resulting in a new product. Consequently, the activity falls under the definition of 'manufacture' and 'goods' under Section 2(52) and Section 2(72) of the CGST Act. The authority reasoned that the value of the input, even if initially considered 'Nil', is a factor in the overall valuation of the final supply.

P Provisions Relied On

Section 2(52) of the CGST Act

Section 2(72) of the CGST Act

Section 2(68) of the CGST Act	Section 15(4) of the CGST Act
Section 97 of the CGST Act	Section 98 of the CGST Act
Rule 27 of CGST Rules	Rule 28 of CGST Rules
Rule 30 of CGST Rules	Rule 31 of CGST Rules
Rule 45 of CGST Rules	Rule 55 of CGST Rules

! For the Practitioner

This ruling clarifies that processing waste materials into a new, commercially viable product is a **supply of goods** and not job work, especially when the input is not returned to the original supplier. Practitioners should note that the 'Nil' value of waste inputs does not exempt the final product from valuation requirements under the CGST Act. It does not, however, provide a specific HSN classification for the reclaimed sand, as the authority focused on the nature of the transaction.

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 -> mah aar 55 2019-20 b-47 26.08.2020 kfec.pdf

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