METHODEX SYSTEMS PRIVATE LIMITED, 35A, Fort Industrial Estate, Kila Maidan, Indore (M.P.) - 452006 (GSTIN 23AAACM1924E1Z3)

Authority for Advance Ruling — Madhya Pradesh

Order Number 08/2020 dated 05/03/2020 (Case Number 03/2020). The co… Dated **05.03.2020**

Q Questions Before the Authority

- Whether the work relating to 'supply, installation and fixing of customized furniture in a building' is a composite supply of goods or is in the nature of a works contract.
- What is the applicable rate of GST on the above supply, if it is a supply of goods or a supply in the nature of a works contract.

F Facts

The applicant, a registered manufacturer of office furniture, was awarded a tender by the Capital Project Administration, Bhopal (a Government of Madhya Pradesh department), for supply, installation and fixing of customized furniture for the newly constructed Mantralaya, Vallabh Bhawan Extension, Bhopal. The applicant invoiced the work at 18%, treating it as a composite supply of furniture, with item-wise prices of furniture shown but no separate installation or fixing charge. The department's position was that the work was a works contract taxable at the concessional 12% rate.

H Ruling

Whether supply, installation and fixing of customized furniture in a building is a composite supply of goods or a works contract	**Not a works contract under Heading 9954 (Sl.No.1 of Notification No.11/2017-Central Tax (Rate)). It is a **composite supply of goods** under section 2(30).**	Furniture is the principal supply. The authority relied on the immovable property requirement and the 'original works' definition.
Applicable rate of GST on the supply	**Classified under Chapter Head 9403; liable to GST at the rate applicable at the time of supply. The order does not state a percentage in its ruling.**	The applicant's submission and the order's discussion refer to 18% under Sl.No.438 of Schedule III (HSN 9403, effective 15.11.2017). The 12% concessional rate was rejected. The ruling is subject to sections 103(2) and 104(1).

The authority held that the activities of supply, installation and fixing of furniture cannot be classified under Heading 9954 (construction services) as a works contract. The contract instead conforms to a composite supply under section 2(30) of the GST Act, in which furniture is the **principal supply of goods** . The work order falls

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under Chapter Head 9403 and is liable to GST at the rate applicable at the time of supply.

R Reasoning

The authority held that the furniture supplied and fixed was not immovable property and that the supply did not create a new construction or alter a structure, so it could not be a works contract under section 2(119) or the 'original works' entry in Notification No.11/2017 Sl.No.3(vi) as read with Notification No.12/2017 Explanation 1(zs). Because the goods and their installation were naturally bundled and supplied together in the ordinary course of business, the arrangement was treated as a composite supply under section 2(30). Under section 8(a) the tax liability follows the principal supply, which the authority identified as the furniture, leading to Chapter Head 9403. The order also notes that installation at site is treated as a supply of goods under section 10(1)(d) of the IGST Act.

P Provisions Relied On

- Section 97(2)(g) CGST/SGST Act, 2017 (admissibility of question)
- Section 98 CGST/SGST Act, 2017 (procedure and ruling)
- Section 2(30) CGST Act, 2017 (composite supply)
- Section 2(119) CGST Act, 2017 (works contract)
- Section 8(a) CGST Act, 2017 (tax liability on composite supply)
- Section 10(1)(d) IGST Act, 2017 (place of supply of assembled or installed goods)
- Notification No.11/2017-Central Tax (Rate) dated 28.06.2017, Sl.No.1 and Sl.No.3(vi) of heading 9954
- Notification No.12/2017-Central Tax (Rate) dated 28.06.2017, Explanation 1(zs) ('original works')
- Schedule II para 6(a) (works contract treated as supply of service)
- Schedule III Sl.No.438 (HSN 9403, other furniture)
- HSN 9403 (Chapter Head of GST Tariff)
- Sections 103(2) and 104(1) CGST/SGST Act, 2017 (binding effect of ruling)

! For the Practitioner

A practitioner dealing with government or private fit-out contracts for supply and installation of furniture can cite this ruling to argue that such work is a composite supply of goods under HSN 9403, not a works contract at 12%. The ruling is a single-applicant order of the Madhya Pradesh Authority for Advance Ruling, binding only on the applicant, and it does not settle the position for fixtures that are immovable or for other states. The order also does not state a percentage in its ruling, so the rate must be checked against the notification in force at the time of supply.

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 -> mp_aar_08_2020_05.03.2020_mspl.pdf

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