M/s Premier Car Sales Ltd., Lucknow, Uttar Pradesh (GSTIN 09AABCP5806H1ZE)

Authority for Advance Ruling — Uttar Pradesh

Order No. 29, dated 11.03.2019 (order number as handwritten on the sig… Dated **11.03.2019**

Q Questions Before the Authority

- Whether repair services carried out by the Applicant under the Dealership Agreement with HMIL, to fulfil HMIL's warranty obligation, which also involve supply of parts, should be classified as a composite supply of services under Section 2(30) of the CGST Act / SGST Act, 2017.
- Whether the entire repair services, including supply of spares, can be classified under S. No. 25 in Notification 11/2017-Central Tax (Rate) dated 28 June 2017 (or the parallel SGST notification) and subjected to tax at 9% under CGST.

F Facts

The Applicant is an authorised non-exclusive dealer of Hyundai Motors India Limited (HMIL) under a Dealership Agreement dated 10 April 2006. Under HMIL's warranty policy, the Applicant repairs or replaces defective genuine parts on customer vehicles free of charge, and HMIL reimburses it for labour and for parts at the parts markup rate. The Applicant currently invoices HMIL for this work as a composite supply, with the parts element taxed under SAC 998729 at 18%.

H Ruling

Whether warranty repair services under the HMIL Dealership Agreement, which also involve supply of parts, are a composite supply of services under Section 2(30) CGST/SGST Act	**Yes. Such repair services are a composite supply of services.**	Applies only if (a) primarily repair service is provided under the warranty period, (b) parts are replaced as incidental to the repair in the ordinary course of business, and (c) HMIL reimburses the Applicant for labour and parts under the warranty period. Transactions not meeting these conditions are outside the ruling.

Whether the entire repair service including supply of spares can be classified under S. No. 25 of Notification 11/2017-CT(Rate) and taxed at 9% under CGST	**Classified under the heading Repair and Maintenance Service as the principal or predominant supply. The order states that such warranty repair service with parts appears to be subject to tax under S. No. 25 of Notification 11/2017-CT(Rate) dated 28.06.2017 or the parallel SGST notification, as amended. The 9% rate is not restated in the ruling text.**	The ruling uses the word 'appears', and the 9% rate figure is not restated in the operative ruling. The same conditions as Q1 apply.

The Authority held that repair services with supply of parts, carried out under warranty for HMIL, are a composite supply of services under Section 2(30), with repair and maintenance service as the principal supply and parts as ancillary. Under Section 8, the tax follows the principal supply, and the Authority indicated that such warranty repair services with parts appear to be taxable under S. No. 25 of Notification 11/2017-Central Tax (Rate) or its SGST counterpart. The ruling applies only where the three conditions set out in the order are met.

R Reasoning

The Authority reasoned that under warranty the Applicant's main activity is repair, with defective parts replaced only as necessary to complete it, so labour is the predominant element and parts are ancillary. It found that the labour and parts are naturally bundled and supplied together in the ordinary course of business, which satisfies the composite supply definition in Section 2(30). It then applied Section 8, which treats a composite supply as a supply of its principal supply, so the tax liability follows the repair and maintenance service. On that basis it pointed to S. No. 25 of Notification 11/2017-Central Tax (Rate) as the applicable entry.

P Provisions Relied On

- Section 2(30) of the CGST Act, 2017 and the corresponding SGST Act, 2017 (composite supply)
- Section 2(90) of the CGST Act, 2017 and the corresponding SGST Act, 2017 (principal supply)
- Section 8 of the CGST Act, 2017 and the corresponding SGST Act, 2017 (tax liability on composite supply)
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, S. No. 25, and the parallel SGST notification, as amended

! For the Practitioner

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

This ruling helps authorised dealers and service providers who perform manufacturer warranty repairs and are reimbursed for labour and parts, because it sets out a three-part test for treating such work as a composite supply of services with repair as the principal supply. It does not conclusively fix the rate, since the operative ruling says the service 'appears' to fall under S. No. 25 and does not restate 9%. It also does not cover warranty work outside the three conditions, non-warranty repairs, or parts sold separately, and as an advance ruling it binds only the Applicant.

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 -> up_aar_29_11.03.2019_pcsl.pdf

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