M/s. TATA PROJECTS LIMITED

Authority for Advance Ruling — Tamil Nadu

ORDER No.47 /ARA/2019 Dated **16.10.2019**

Q Questions Before the Authority

- Whether supply of Engineering, Procurement & Construction (EPC) contract for establishment of Integrated Cryogenic Engine & Stage Test facility (ICET), wherein both goods and services are supplied, can be construed to be a Composite Supply in terms of Section 2(30) of the CGST Act, 2017?
- If yes, whether the Principal Supply in such case can be said to be 'Establishment of Fluids Servicing System (FSS)' and taxable at 5% GST under Notification No. 45/2017-Central Tax (Rate) dated 14th November 2017?
- If the Principal Supply is taxable at 5%, whether the entire transaction in the contract is taxed at the rate applicable to the Principal Supply?

F Facts

The applicant, a prime contractor, was awarded a contract by ISRO Propulsion Complex, Mahendragiri (IPRC) under contract No. IPRC/PUR/2016E008630101 dated 02/11/18 to establish an Integrated Cryogenic Engine & Stage Test facility for the satellite launch vehicle programme. The scope covers detailed engineering, procurement and supply of materials, installation, testing and commissioning of civil, electrical, air-conditioning, structural, mechanical, facility fluid, safety and fire protection, and instrumentation systems, along with transport and installation of materials. The contract is a lump-sum turnkey price of about Rs. 715.6 crore, with materials making up roughly 82% of the value.

H Ruling

Q1: Is the EPC contract for ICET, supplying both goods and services, a composite supply under Section 2(30) CGST Act?	**Yes. It is a composite supply.**	Goods and services are naturally bundled, and the main intent is provision of the functional ICET facility. The billing is indivisible under the payment schedule.
Q2: Can the principal supply be taxed at 5% under Notification 45/2017-CT(Rate)?	**No. Notification 45/2017-CT(Rate) and G.O.(Ms) No.161 do not apply.**	The supply is a works contract under Section 2(119) and therefore a supply of services. The concessional rate for goods does not extend to it. The order's own reasoning does not treat the 5% rate as the applicable rate.
Q3: If the principal supply is taxable at 5%, is the entire transaction taxed at that rate?	**The entire transaction is taxable at the rate applicable to the works contract supply. The order does not state the percentage.**	The premise of the 5% question is rejected. The rate itself is not specified in the ruling text.

The authority held that the contract, covering both goods and services, is a **composite supply** under Section 2(30) of the CGST Act. It then held that the arrangement is a **works contract** under Section 2(119), which

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

Schedule II treats as a supply of services. For that reason, the 5% concessional rate under Notification No. 45/2017-Central Tax (Rate) and the corresponding Tamil Nadu notification do not apply, and the entire transaction is taxed at the rate applicable to works contracts.

R Reasoning

The authority found that the applicant supplies goods and services that are naturally bundled, relying on Section 2(30) and the responsibility matrix in the contract. It then examined the definition of works contract in Section 2(119) and applied the Supreme Court decision in Commissioner of C.Ex. Ahmedabad v. Solid & Correct Engineering Works [2010 (252) ELT 481 (SC)]. Under that decision, erection that permanently fixes machinery to the earth makes it immovable property, so the ICET facility is an immovable structure. Schedule II, Entry 6(a), therefore treats the supply as a supply of services, and the goods-based concessional notification ceases to apply.

P Provisions Relied On

- Section 2(30) of the CGST Act, 2017 (composite supply)
- Section 2(119) of the CGST Act, 2017 (works contract)
- Schedule II, Entry 6(a) to the CGST Act, 2017 (works contract treated as supply of services)
- Notification No. 45/2017-Central Tax (Rate) dated 14.11.2017
- G.O.(Ms) No.161 dated 14.11.2017 (Tamil Nadu corresponding notification; the ruling text reads '104.11.2017')
- Commissioner of C.Ex. Ahmedabad v. Solid & Correct Engineering Works, 2010 (252) ELT 481 (SC)
- Rule 104(1) of CGST and SGST Rules, 2017 (application fee, mentioned in the submissions)

! For the Practitioner

The ruling is useful for turnkey EPC or installation contracts with government research bodies that involve immovable installed systems. It shows that the authority will classify such a contract as a works contract, which takes it outside the 5% goods notification even where the contract is labelled composite. It does not state the applicable works-contract rate, so that must be checked separately. As an advance ruling it binds only the applicant and the jurisdictional officers for this contract.

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 -> tn_aar_47_2019_16.10.2019_tpl.pdf

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