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Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 15 / 2019, Date: 25th July 2019 Dated **25.07.2019**

Q Questions Before the Authority

- What is the applicable rate of GST for the manufacture and supply of submersible pump sets and accessories with installation, electrification and energisation under the Ganga Kalyana scheme to Social Welfare departments of the Government of Karnataka for various beneficiaries (farmers), where the applicant also gives guarantee and maintenance of the installed pump sets for 2 years, used for irrigational purposes?

F Facts

The applicant, a proprietary concern registered under the GST law, manufactures and supplies submersible pump sets and accessories and installs, electrifies and energises them in already drilled bore wells. The work is awarded under the Ganga Kalyana scheme by several Government of Karnataka corporations (including Dr. B.R. Ambedkar Development Corporation Limited) for small and marginal SC/ST/OBC farmers. The applicant had been charging GST at 12% (6% CGST and 6% SGST) on the basis that the supply is a works contract for other irrigation works.

H Ruling

GST rate on supply of submersible pump sets and accessories with installation, electrification and energisation under the Ganga Kalyana scheme to Government entities	**Rate applicable to the principal supply, i.e. submersible pump sets. The order does not state a percentage in the ruling.**	The supply is not a works contract, so the 12% claim and the 6% concessional entry for irrigation works were rejected. The ruling is confined to the contract terms examined, which were with Dr. B.R. Ambedkar Development Corporation Limited, and does not bind other agencies if their terms differ.

The authority held that the applicant's supply does **not qualify as a works contract** . It is a **composite supply** whose principal supply is the supply of goods, namely submersible pumps, so the GST rate applicable to the composite supply is the rate applicable to the submersible pump sets. The 6% concessional rate under Notification No. 11/2017-Central Tax (Rate) was held not to apply.

R Reasoning

The authority found the supply to involve two taxable supplies, goods (pump sets) and installation service, naturally bundled and supplied together, so it is a composite supply under Section 2(30). The pump sets were the predominant element, making them the principal supply under Section 2(90), and Section 8 directs that the composite supply be taxed at the principal supply's rate. On the works contract question, the authority applied the

definition in Section 2(119), holding that the activity must relate to immovable property. Here the applicant did not construct or alter immovable property, did not drill bore wells, and supplied movable pumps, so the first condition of the concessional notification was not met. The Rajasthan advance ruling relied on by the applicant was distinguished because it involved construction of a housing structure.

P Provisions Relied On

- Section 2(30) of the CGST Act 2017 (composite supply)
- Section 2(90) of the CGST Act 2017 (principal supply)
- Section 2(119) of the CGST Act 2017 (works contract)
- Section 8 of the CGST Act 2017 (tax liability on composite supply)
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, as amended by Notifications No. 20/2017 (22.08.2017) and N…
- Section 97 and Section 98(4) of the CGST Act 2017 and the corresponding provisions of the KGST Act 2017

! For the Practitioner

A practitioner supplying pumps with installation to government corporations can cite this order for the proposition that such a contract, where goods predominate and no immovable property is built or altered, is a composite supply taxed at the rate of the pump sets rather than as a works contract at 6% CGST and 6% SGST. The ruling is fact-specific and limited to the contract examined, so it should be checked against the terms of any other agency contract. The order does not state the GST percentage for submersible pumps, so that rate must be confirmed from the rate notification. The order also does not address the 2-year guarantee point beyond noting the one-year guarantee in the agreement.

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 -> krntk_aar_15_2019_uew_25.07.2019.pdf

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