

Mazagon Dock Shipbuilders Limited

Authority for Advance Ruling — Maharashtra

NO.GST-ARA- 28/2017-18/B- 64 Mumbai, dt. 11/7/2018

Dated 11.07.2018

Q Questions Before the Authority

- Whether the expression "Parts of goods of headings 8901, 8902, 8904, 8905, 8906, 8907" in entry number 252 of the schedule 1 of the Notification No 01/2017-Integrated Tax (Rate) covers specific list of goods attached herewith (Refer Annexure B)?
- Also, what will be the rate of tax for the specific list of inputs raw materials, parts and consumables etc., purchased or imported for use in manufacture of warship?
- What procedure is required to be followed with Vendors if rate of tax applicable is as per entry no. 252 of the Schedule 1.
- If the rate of tax applicable to all or any of these items is 5% and if the vendor has charged higher rate of tax, whether the Company would be eligible for input tax credit at 5% or the actual tax paid to the Vendors?

F Facts

The applicant, a defence public sector undertaking shipyard under the Ministry of Defence, is engaged in constructing state-of-the-art warships and submarines for the Indian Navy. It procures and imports raw materials, components, equipment, consumables, and tools, or outsources blocks of ships to vendors. It sought an advance ruling on whether its procured items qualify as parts under Entry No. 252 of Schedule I to Notification No. 01/2017-Integrated Tax (Rate) and attract the concessional 5% GST rate.

H Ruling

Coverage of Annexure B items under Entry 252 (parts of heading 8906)	Covered only for items not specifically excluded in the discussions	Excludes consumables, raw materials consumed in construction, and non-essential/statutory equipment
Applicable GST rate for inputs, raw materials, parts, and consumables	5% GST for qualifying parts; respective scheduled entry rates for all other items	5% IGST or 2.5% CGST + 2.5% SGST under entry no. 252
Procedure to be followed with vendors under Entry 252	Outside the purview of this Authority	
ITC eligibility if vendor charged higher tax instead of 5%	Outside the purview of this Authority	

The Authority held that only essential equipment and components without which a warship or submarine cannot be complete or functional qualify as **parts under Entry No. 252**. Raw materials consumed in construction (such as steel plates, angles, and sections) and consumables (such as welding electrodes and gases) are **not parts**

and cannot avail the 5% concessional rate. The Authority declined to answer queries regarding vendor procedures and input tax credit on taxes paid at higher rates as being outside its statutory jurisdiction.

R Reasoning

Relying on the Supreme Court judgments in *Saraswati Sugar Mills and Kores (India) Ltd.*, the Authority reasoned that an item constitutes a 'part' or 'component' only if it is an integral constituent without which the finished product cannot be conceived, completed, or function. Raw materials like steel plates and angles are consumed in the construction process, cannot be removed for repairs, and therefore do not retain identity as distinct parts. Similarly, consumables, general passenger comfort items, and auxiliary safety equipment do not constitute essential parts of a vessel.

P Provisions Relied On

Entry No. 250 of Schedule I of Notification No. 01/2017-Integrated Tax (Rate)

Entry No. 252 of Schedule I of Notification No. 01/2017-Integrated Tax (Rate)

Notification No. 01/2017-Central Tax (Rate)

Section 97 of the Central Goods and Services Tax Act, 2017

Section 98 of the Central Goods and Services Tax Act, 2017

Heading 8906 of the Customs Tariff Act, 1975

! For the Practitioner

This ruling establishes that **raw materials and consumables do not qualify as parts** for the concessional 5% GST rate under Entry 252 of Schedule I. Only distinct, identifiable, and essential components integral to the functioning and completion of a vessel are eligible. Taxpayers cannot use the advance ruling mechanism to resolve vendor billing disputes or seek approval to claim input tax credit on wrongly charged excess taxes.

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 -> [maha-gst-ara-28-b-64 dt.11.07.18 mds1.pdf](#)

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