M/s New Space India Limited

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 19/2020, Date: 31-03-2020 Dated **31.03.2020**

Q Questions Before the Authority

- Whether Leasing of Satellite Transponder, which is covered under SAC Code 997319, be charged at 5% GST as per HSN Code 8803 (Parts of goods of Heading 8802, Satellites)?
- Whether the applicant can levy GST @5% for Leasing of Satellite Transponder Services, covered under SAC 997319 as per HSN 8803 (parts of goods of Heading 8802, Satellites), from the date of commencement of the service?

F Facts

The applicant is a wholly owned Government of India company (CPSE) under the Department of Space, and is the commercial arm of ISRO. Under an MOU with the Department of Space, it acts as 'Contract Manager' for leasing INSAT/GSAT satellite transponder (space segment) capacity to users such as TV broadcasters, DTH, DSNG, VSAT and telephony service providers. It also leases transponder capacity procured from foreign operators. The question is what rate applies to this transponder leasing.

H Ruling

Q1: Rate of GST on leasing of satellite transponders (SAC 997319, HSN 8803)	**5% IGST (2.5% CGST + 2.5% KGST)**	Applies to the transponder as part of a communication satellite, classified under HSN 8803 90 00. Ruling is limited to the pure transponder leasing supply; if the applicant makes any other supply, the ruling does not apply and composite or mixed supply must be examined (para 6.24).
Q2: Whether 5% GST can be levied on transponder leasing from the date of commencement of the service	**Printed as 'cannot levy GST @ 5%' for services already provided, where tax is already charged and collected under any invoice**	The scan of this answer is hard to read and the negative phrasing is unusual given the Q1 answer. Read with the operative text, it appears to concern excess tax already collected, which must be paid to the Government and corrected by debit or credit note under section 34 of the CGST Act. Verify against the original order.

The authority held that the leasing of satellite transponders falls under Entry 17(viii) of Notification No. 8/2017-Integrated Tax (Rate), so the rate is the same as for supply of like goods involving transfer of title. Transponders are classifiable under HSN 8803 90 00 as parts of satellites under heading 8802, and so are taxable at **5% IGST (2.5% CGST and 2.5% KGST)** under Entry 245 of Schedule I of Notification No. 1/2017-Integrated Tax (Rate). On the second question, the order states that the applicant cannot levy 5% GST for services already provided where tax has been charged and collected, and that any excess collection must be paid to the Government and corrected through a debit note or credit note mechanism.

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

R Reasoning

The authority treated the transponder as the key payload of a communication satellite, which amplifies and retransmits signals and cannot function without it, so it is a part of the satellite and not ground segment equipment under heading 8525 60 92. Relying on Section XVII Note 3 and the Explanatory Notes on parts, it found that the three conditions for classification as a part were met: no Note 2 exclusion, use solely or principally with satellites, and no more specific heading. It then classified the transponder under 8803 90 00. Because leasing falls under the residual Entry 17(viii) of Notification 8/2017, the rate follows the rate on the supply of like goods, which is 5% under Entry 245. The order also states that Notification 01/2017-Central Tax (Rate) Explanations (iii) and (iv) apply the Customs Tariff's rules of interpretation to the notification. Paragraph 6.23 cites Notification No. 11/2017-Central Tax (Rate) for Entry 17, which appears inconsistent with the Notification 8/2017 reference used elsewhere and should be checked.

P Provisions Relied On

- Notification No. 8/2017-Integrated Tax (Rate) dated 28.06.2017, Serial No. 17 (heading 9973), sub-serial (viii)
- Notification No. 1/2017-Integrated Tax (Rate) dated 28.06.2017, Schedule I, Serial No. 245 (parts of goods of heading 8802,…
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, Entry 17 (cited at para 6.23)
- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, Explanations (iii) and (iv) on the Customs Tariff and its interpre…
- Customs Tariff Act, 1975: headings 8802, 8803 (HSN 8803 90 00) and 8525 60 92
- Section XVII Note 3 and the Explanatory Notes to Section XVII (General, Parts and Accessories)
- Section 97 and Section 98(4) of the CGST Act, 2017 and the corresponding KGST Act provisions
- Section 34 of the CGST Act, 2017 (debit note and credit note correction)

! For the Practitioner

The order gives a practitioner a clear ruling that transponder leasing by a satellite capacity provider attracts 5% GST (2.5% CGST and 2.5% KGST) by classifying the transponder as a part of a satellite under heading 8803. It is useful for similar satellite capacity lessors and their customers. It is binding only on the applicant and only for a pure transponder leasing supply, so it does not settle the rate for bundled services or for ground segment equipment. Practitioners should check the Q2 answer against the original order, since the scanned wording is unclear.

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 -> kar_aar_19_2020_new_space.pdf

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