

M/S OERLIKON FRICTION SYSTEM (INDIA) PRIVATE LIMITED

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No.118/AAR/2023 Dated:29.11.2023

Q Questions Before the Authority

- Whether the activity of bonding of carbon material friction strip to Metal components amounts to supply of service(job work) falling under SAC 9988?
- Whether the activity of bonding of carbon material friction strip to Metal components amounts to composite supply of goods under heading 6815 of the First Schedule to Customs Tariff Act?
- Whether the activity of bonding of carbon material friction strip to Metal components amounts to composite supply of goods under heading 8708 of the First Schedule to Customs Tariff Act?

F Facts

The applicant receives metal components (Synchronizer Cores) from customers under a job work arrangement. They bond imported carbon friction strips to these cores and return the finished Synchronizer rings to the customer. The applicant charges for the cost of the carbon material, conversion costs, and profit.

H Ruling

Classification as job work service	Amounts to supply of job work services under SAC 9988	None
Classification as composite supply of goods (6815)	Not applicable	As discussed in para 6.3
Classification as composite supply of goods (8708)	Not applicable	As discussed in para 6.3

The Authority ruled that the activity constitutes a supply of job work services under SAC 9988. It rejected the applicant's contention that the activity could be classified as a composite supply of goods, noting that the entire process is a service of treatment or process applied to another person's goods.

R Reasoning

The Authority relied on Section 7 of the CGST Act and Schedule II, which classifies any treatment or process applied to another person's goods as a supply of services. It determined that the activity falls under SAC 9988, which covers manufacturing services on physical inputs owned by others. The Authority clarified that the use of the job worker's own materials, such as the carbon strips, does not alter the nature of the activity as a job work service. Consequently, the concept of composite supply of goods was deemed inapplicable.

P Provisions Relied On

Section 2(68) of the CGST Act, 2017

Section 7 of the CGST Act, 2017

Schedule II of the CGST Act, 2017

Section 15 of the CGST Act, 2017

Notification No.11/2017-CT(Rate) dated 28.06.2017

Circular No.38/12/2018-GST dated 26.03.2018

! For the Practitioner

This ruling confirms that **job work involving the use of the job worker's own materials** remains classifiable as a service under SAC 9988 rather than a supply of goods. It serves as a precedent for manufacturers performing value-added processes on customer-owned components. Practitioners should note that the ruling emphasizes the **substance of the transaction** over the description used in tax invoices.

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 -> [118_oerlikon.pdf](#)

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