M/s Parker Hannifin India Pvt. Ltd, Plot No. 320 P2, Near APC Circle, Bommasandra Jigani Link Road, Industrial Area, Jigani Hobli, Anekal Taluk, Karnataka 560105 (GSTIN 29AAACP6820G1ZF)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 54/2019, dated 19th September, 2019 (A… Dated **19.09.2019**

Q Questions Before the Authority

- (a) Whether filters manufactured solely and principally for use by or in Indian Railways, and supplied directly to Indian Railways, are classifiable under HSN Heading 8421 or under HSN Heading 8607 of the Customs Tariff (borrowed for GST classification).
- (b) Whether the classification would alter if identical goods are supplied to a distributor instead of Indian Railways directly, with the distributor then supplying Indian Railways.

F Facts

The applicant manufactures air, oil, fuel and other filters, some custom-made to Indian Railways' design specifications for locomotives (electric and diesel) and sold directly to Indian Railways. The applicant states these filters have no use outside railway locomotives and no buyer other than Indian Railways. It also proposed that future orders may come through an intermediary or distributor that holds the railway's order, with the goods still made to railway specifications and used in locomotives.

H Ruling

Q(a): HSN classification of railway-specific filters supplied directly to Indian Railways	****HSN Heading 8421** (not 8607)**	Filters are excluded from Chapter 86 by Section Note 2(e) to Section XVII, so the sole or principal use test in Section Note 3 is not reached. The order names specific sub-headings, 84212300 (oil filters), 84213100 (air filters for IC engines) and 84213990 (air filters for electric locomotives), in its reasoning.
Q(b): whether classification changes if goods are supplied through a distributor to Indian Railways	****No change; classification remains HSN 8421****	The ruling states the classification 'shall not alter on account of supply by distributor to Railways'. The reasoning does not separately address the distributor point.

The authority ruled that the filters are classifiable under HSN Heading 8421, not Heading 8607. It further ruled that the classification does not alter when the goods are supplied through a distributor to Indian Railways. The order does not state a GST rate.

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

R Reasoning

The authority held that Section Note 1(l) to Chapter 84 excludes articles of Section XVII, but that the filters are not Section XVII articles because Section Note 2(e) excludes parts of machines in headings 84.01 to 84.79 from the 'parts' expression. Applying the HSN Explanatory Notes, it held that the three conditions for classifying a part under Chapter 86 must all be met, and the first condition (not excluded by Note 2) failed because the filters fall under Heading 8421. The authority distinguished the cited railway cases (Rail Tech, Polyset, Parikh, Diesel Component Works and others) on the ground that those goods were not within headings 84.01 to 84.79. It also relied on the Note 2 rules for parts, under which parts specifically named in a heading keep that heading even if designed for a particular machine.

P Provisions Relied On

- Central Goods and Services Tax Act, 2017, s. 97 and s. 98(4) (and corresponding KGST Act, 2017 provisions)
- Customs Tariff headings 8421 and 8607 (borrowed for GST classification)
- Section Note 1(l) to Section XVI (Chapter 84)
- Section Note 2(e) to Section XVII
- Section Note 3 to Section XVII
- Section Note 2 to Chapter 84 and the associated Rules 2(a) and 2(b) for parts of machines
- HSN Explanatory Notes (Section Note 2 Part II and Part III on parts and accessories)

! For the Practitioner

Manufacturers of filters made to railway specifications can rely on this order for the position that such filters fall under HSN 8421 and not 8607, even though their use is limited to railways. The order also confirms that a distributor-route supply does not change the classification. It does not state the applicable GST rate, and as an advance ruling it binds only the applicant and the jurisdictional officers for this applicant. It also does not address parts of railway locomotives that are not within headings 84.01 to 84.79, which the authority distinguished without deciding.

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_54_2019_19.09.2019_phipl.pdf

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