

Pew Engineering Pvt Ltd

Authority for Advance Ruling — West Bengal

29/WBAAR/2018-19 dated 21.12.2018

Q Questions Before the Authority

- Whether the activity of retro-fitment of Twin Pipe Air Brake Systems on wagons is to be treated as a Composite Contract or Works Contract.
- If it is a Composite Contract, what is the Principal Supply and the appropriate classification and rate of tax.

F Facts

The applicant received a tender from Indian Railways for the retro-fitment of Twin Pipe Air Brake Systems on existing wagons. The scope involves the supply of materials as per RDSO specifications and the provision of manpower and tools for on-site fitment and testing. The applicant contends that the supply of goods constitutes approximately 90% of the contract value and is the predominant element.

H Ruling

Nature of contract	Composite Supply	The service of fitting is ancillary to the supply of goods.
Tax rate	5%	Under Tariff Head 8607 21 00 with no refund of unutilized input tax credit.

The authority ruled that the contract is a **Composite Supply** where the Twin Pipe Air Brake System is the Principal Supply. Consequently, the entire contract value is taxable at the rate applicable to the air brake system, which is 5%.

R Reasoning

The authority determined that the contract does not qualify as a works contract under Section 2(119) because the wagons are not immovable property. Applying Section 2(30) and Section 2(90), it found the supply of goods and services to be naturally bundled, with the supply of the air brake system being the predominant element. The classification relies on Tariff Head 8607 21 00 and Notification No. 01/2017 – CT (Rate).

P Provisions Relied On

Section 2(30) of the GST Act	Section 2(90) of the GST Act
Section 2(119) of the GST Act	Section 97(2)(a), (e) & (g) of the GST Act
Notification No. 01/2017 – CT (Rate) dated 28/06/2017	F.No.354/1/2018-TRU dated 25/01/2018



For the Practitioner

This ruling clarifies that retro-fitting contracts for railway wagons involving the supply of parts are treated as **Composite Supply** rather than works contracts. It provides a clear precedent for tax practitioners to classify similar railway maintenance tenders where the supply of goods is the primary component. It does not apply to contracts involving immovable property or where the service element is predominant.

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 -> [wb 29 2018-19 dt 21.12.2018-pepl.pdf](#)

Prepared 20-10-2026.

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