M/s Randox Laboratories India Private Limited, KIADB Industrial Area, Bommasandra Jigani Link Road, Bengaluru 560105 (GSTIN 29AADCR0074K1Z7)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 118/2019, dated 30th September 2019 (t… Dated **30.09.2019**

Q Questions Before the Authority

- Whether the applicant is liable to pay GST on the machines given to customers under the RRC/PRC models?
- Whether the supply of reagents along with machine rental and services in an RRC/PRC contract is a separate supply, a mixed supply or a composite supply, and if composite, what is the principal supply?
- What is the rate of tax for the service of machine rental under RRC/PRC models?
- What is the value on which GST has to be paid in case of the RRC/PRC model, and what is the time of supply?
- Whether the applicant is eligible for input tax credit on the purchase of machinery for use in RRC/PRC contracts?

F Facts

The applicant trades in medical diagnostic reagents and equipment and provides servicing and spares. Under Reagent Rental Placement Contracts (RRC) and Part Reagent Rental Placement Contracts (PRC), analyser machines are placed with end-customers for up to five years, with the customer committing to buy minimum reagent quantities; PRC additionally requires an upfront non-refundable deposit. The applicant retains title to the machines, which it capitalises and depreciates, and reagents are sold to distributors who resell them to end-customers.

H Ruling

Q1: GST liability on machines given to customers under RRC/PRC	**Liable under PRC; not liable under RRC**	Under RRC, the order finds no consideration for the equipment, so no supply arises. Under PRC, the non-refundable deposit is treated as consideration for rental of equipment.
Q2: Nature of reagent supply together with machine rental and services	**Separate supply, independent of machine rental services, not a composite supply**	The order holds that the contract detaches equipment from reagents, since reagents may be supplied by the applicant or by a distributor at its discretion, so the supplies are not provided in conjunction. Principal-supply question therefore does not arise.

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

Q3: Rate of tax for machine rental under RRC/PRC	**9% CGST and 9% KGST**	Rental of equipment without transfer of title is taxed under the residual leasing/rental entry (entry 17(vi)) at the rate applicable to like goods, relying on HSN 9027 8090 and Schedule III entry 417. The order cites the notification number inconsistently as 11/2017 and 01/2017 in different places.
Q4(a): Value and time of supply under RRC model	**Reagents: at time of supply, on transaction value. Services for tolerating reduced purchase: at time of supply, on transaction value**	No separate value is assigned to the equipment, which is treated as a free-of-charge provision and not a supply.
Q4(b): Value and time of supply under PRC model	**Rental of equipment: at time of supply, on the non-refundable payment received or invoiced. Reagents: at time of supply, on transaction value. Services: at time of supply, on transaction value**	Reagent supply rate is recorded in the order as 6% under Schedule II entry 80 (CGST and KGST), while the applicant had argued 12%. Verify this figure against the full order and notification.
Q5: Input tax credit on purchase of equipment for RRC/PRC contracts	**Eligible**	Equipment is capital goods under section 2(19) because it is capitalised in the applicant's books and used in business. Credit is subject to the conditions in section 16(3) and the restrictions in section 17.

The authority held that the applicant is liable to GST on machines given under the PRC model but not under the RRC model. It held that reagent supply and machine rental are separate supplies and not a composite supply, that equipment rental attracts 9% CGST and 9% State GST, and that the applicant is eligible for input tax credit on the equipment.

R Reasoning

The authority analysed RRC and PRC separately. Under RRC it found no consideration for the equipment, so no supply of equipment arose, while under PRC the non-refundable deposit was treated as rental consideration under section 2(31). On the composite question it applied section 2(30) and found that the applicant had detached equipment from reagents, so the naturally bundled and in-conjunction conditions were not met. It treated the equipment as capital goods under section 2(19) and allowed credit under section 16(1), subject to section 16(3) and section 17.

P Provisions Relied On

- CGST Act and KGST Act, section 2(19) (capital goods)
- CGST Act and KGST Act, section 2(30) (composite supply)
- CGST Act and KGST Act, section 2(31) (consideration)

CGST Act and KGST Act, section 2(62) and 2(63) (input tax and input tax credit)

CGST Act, section 7(1)(a) and 7(1)(c) (scope of supply)

CGST Act, section 8 (tax liability on composite and mixed supplies)

CGST Act, section 9 (levy)

CGST Act, section 12(2) and section 13(2) (time of supply)

CGST Act, section 15 (value of supply)

CGST Act, section 16(1) and 16(3) (eligibility for input tax credit)

CGST Act, section 17 (blocked credits, referred to generally)

Notification No. 11/2017-Central Tax (Rate), entries 17(iii), 17(vi) and 35 of the services table

Notification No. 1/2017-Central Tax (Rate), Schedule II entry 80 and Schedule III entry 417 (as cited in the order)

Karnataka notification FD 48 CSL 2017 dated 29 June 2017 (KGST counterpart, as cited in the order)

! For the Practitioner

This ruling is useful for diagnostic companies running reagent-rental placement contracts in Karnataka. It indicates that PRC deposits attract GST as equipment rental, while RRC arrangements may be treated as free-of-charge provision, and it rejects the composite-supply argument. The ruling binds only the applicant and the authority's jurisdiction. It does not settle the rate on reagents, which should be checked against the full order and current notifications, and it does not resolve the internal inconsistencies in the notification citations.

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_118_2019_30.09.2019_rlipl.pdf

Prepared 12-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: +91 94594 56700 | sales@patronaccounting.com | patronaccounting.com