S.B. Reshellers Pvt. Ltd.

Authority for Advance Ruling — Maharashtra

NO.GST-ARA- 97/2018-19/B- 24, Mumbai, dt. 02/03/2019 (order number a… Dated **02.03.2019**

Q Questions Before the Authority

- Whether the activity of converting bare shaft/beams supplied by the customer into a ready-to-use sugar mill roller, using the applicant's own raw material, is treatable as a supply of goods or as a supply of services.
- Whether the cost of the shaft/beam supplied by the customer is includible in the value of the said supply for the purpose of payment of GST.

F Facts

The applicant manufactures sugar mill rollers from its own raw material and re-shells worn-out rollers sent by customers. Customers also send bare shafts, new shafts or forged bars, which the applicant converts into finished rollers by fitting its own shells, machining grooves and attaching rings and accessories before returning them. The applicant had treated this activity as a service under SAC 9988 at 18% GST on agreed charges, and it sought a ruling on whether the activity is a supply of goods or services and whether the customer-supplied shaft's cost is part of the taxable value.

H Ruling

Q1: Whether converting customer-supplied bare shaft/beams into a ready-to-use sugar mill roller (using the applicant's own raw material) is a supply of goods or of services	**Supply of goods**	The job work exception was held not to apply because the applicant's own material and skill are substantial, so the activity is not mere job work of minor additions to customer goods.
Q2: Whether the cost of the shaft/beam supplied by the customer is includible in the value of the said supply for payment of GST	**Yes, includible (answered in the affirmative)**	Applies because the consideration is not wholly in money; the declared value of the bare shaft or beam is included under Rule 27(b) of the CGST Rules, 2017.

The authority held that converting the bare shaft or beam into a ready-to-use sugar mill roller using the applicant's own raw material is a **supply of goods** , not a service. It further held that the cost of the shaft or beam supplied by the customer is **includible in the value of supply** , because the consideration is not wholly in money and the declared value of the customer-supplied input must be added under Rule 27(b).

R Reasoning

The authority first examined whether the activity was job work under Section 2(68) and Section 143 of the CGST Act and Rule 45 of the CGST Rules. Relying on the CBEC flyer and the Supreme Court's decision in Prestige Engineering (India) v. CCE Merut (1994), it held that job work does not extend to a worker who supplies

substantial material of its own and whose value is comparable to the customer's input, so the applicant was not a job worker. On valuation, it held that Section 15(1) does not apply because price is not the sole consideration, so Section 15(4) applies. Rule 27 was then found applicable, and since the open market value was not available, clause (b) of Rule 27 was held to bring the declared value of the customer's shaft or beam into the value of supply.

P Provisions Relied On

- Section 2(68) of the CGST Act, 2017 (definition of job work)
- Section 143 of the CGST Act, 2017 (job work procedure)
- Rule 45 of the CGST Rules, 2017
- Section 15(1), 15(2) and 15(4) of the CGST Act, 2017 (value of supply)
- Rule 27 (clauses (a) to (d)) of the CGST Rules, 2017 (consideration not wholly in money)
- Rule 55 of the CGST Rules, 2017 (challan for movement of goods; referred to by the applicant)
- Sections 97 and 98 of the CGST Act and MGST Act, 2017 (advance ruling procedure)
- Prestige Engineering (India) v. CCE Merut, 1994 (73) E.L.T. 497 (SC) (relied on for the job work analysis)

! For the Practitioner

A practitioner dealing with re-shelling or conversion of customer-supplied shafts can cite this order for the position that such work is a supply of goods where the contractor adds substantial own material, so job work treatment is not available. It also settles that the declared value of customer-supplied free-of-cost inputs is included in the taxable value under Rule 27(b). The order does not decide the GST rate or HSN classification, which the applicant had stated as 18% under HSN 8438, and it does not resolve whether a case with only minor additions would qualify as job work.

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 -> ara_order_97_2018_sbrpl.pdf

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