M/s Sandvik Asia Pvt. Ltd., C-Scheme, F-85, Panchsheel Marg, Jaipur, Rajasthan - 302001 (GSTIN 08AACCS6638K1ZX)

Authority for Advance Ruling — Rajasthan

ADVANCE RULING NO.RAJ/AAR/2018-19/21, Date of Ruling 12.10.2018 (t… Dated **13.10.2018**

Q Questions Before the Authority

- Whether the maintenance services rendered on customers' equipment under the comprehensive maintenance services agreement and the supply of parts and services agreement (which also includes supply and replacement of spare parts) should be classified as composite supply under Section 2(30) of the CGST Act and RJ SGST Act, or as mixed supply under Section 2(74).
- If the agreements are composite supply, what is the principal supply between goods and services?
- If services are the principal supply, what tax rate should be applicable?
- In respect of the said agreements, what is the relevant place of supply and the type of tax to be discharged (CGST and SGST or IGST)?

F Facts

The applicant manufactures and distributes industrial products and also provides after-sales support for mining equipment made by its overseas group entities and imported by customers. Under its agreements it maintains that equipment after commissioning, including repair and replacement of parts and tools, for a period agreed with the customer and charged at a fixed hourly or per-ton rate. The parts supplied fall under several GST rates (12%, 18%, 28%), and the applicant could not predict in advance which parts would be needed.

H Ruling

Classification of the Comprehensive Maintenance Contract and the Equipment Parts Supply and Services Agreement	**Comprehensive Maintenance Contract: composite supply. Equipment Parts Supply and Services Agreement: mixed supply.**	The authority rejected the applicant's contention that both agreements are composite supply. It disagreed with the jurisdictional officer's view that the whole supply is mixed supply at 28%.
Principal supply under the composite supply	**Supply of operation and maintenance services is the principal supply.**	Other services and supplies are ancillary to the principal supply. Under the mixed supply agreement, the concept of a principal supply does not apply.
Tax rate applicable where services are the principal supply	**18% (CGST 9% plus SGST 9%, or IGST 18%) under service code 9987171.**	For the mixed supply, the highest rate applies under Section 8(b) of the CGST Act. The order states the rate as printed and the scan is legible on this point.

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

Place of supply and type of tax (CGST and SGST or IGST)	**Not answered.**	The authority held that place of supply is not a matter under Section 97(2), so the query was disposed of without a finding.

The activities under the Comprehensive Maintenance Contract are a **composite supply of services** , with operation and maintenance services as the principal supply and other services ancillary to it. The activities under the Equipment Parts Supply and Services Agreement are **mixed supply** . The applicable rate is 18% under service code 9987171, and for mixed supply the highest rate applies under Section 8(b) of the CGST Act. The place of supply question was not answered because it falls outside Section 97(2).

R Reasoning

The authority applied the definitions of composite supply (Section 2(30)), mixed supply (Section 2(74)) and principal supply (Section 2(90)). It treated the comprehensive contract as composite because the maintenance services and the supply of parts are naturally bundled and supplied together, with maintenance as the predominant element. It treated the parts agreement as mixed because the parts and services can be supplied individually and are separately identifiable through the daily and monthly logsheets. For the rate, it relied on the service classification for maintenance and repair of commercial and industrial machinery and applied the highest-rate rule in Section 8(b) of the CGST Act to the mixed supply. It declined to decide place of supply because Section 97(2) of the CGST/SGST Act does not cover it.

P Provisions Relied On

- Section 2(30) CGST/RGST Act, 2017 (composite supply)
- Section 2(74) CGST/RGST Act, 2017 (mixed supply)
- Section 2(90) CGST/RGST Act, 2017 (principal supply)
- Section 8(b) CGST Act, 2017 (highest rate for mixed supply)
- Section 97(2)(a) and (e) CGST/SGST Act, 2017 (scope of advance ruling)
- Section 96 SGST Act, 2017 (constitution of the Authority)
- Sections 10 and 12 IGST Act, 2017 (referred to for place of supply, not decided)
- Section 100 CGST/RGST Act, 2017 (appeal period noted in the order)
- Service code 9987171 (maintenance and repair of commercial and industrial machinery)

! For the Practitioner

This ruling is useful for after-sales maintenance contracts on machinery where parts and services are bundled under one agreement. It settles that an integrated maintenance contract is composite supply with maintenance as the principal supply, and it gives the 18% rate and service code for that service. It does not decide the place of supply or whether IGST or CGST and SGST applies. It also gives no separate rate for parts supplied under the mixed supply agreement, so the highest-rate rule should be checked against the actual parts involved.

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 -> raj.21.2018-19_sandvik.pdf

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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