M/s SYNTHITE INDUSTRIES

Authority for Advance Ruling — Andhra Pradesh

AAR/AP/ 08(GST)/2018 Dated **20.08.2018**

Q Questions Before the Authority

- Whether the process of providing job work service to foreign customer as explained above is taxable under GST. Is such transaction attracts GST?
- If applicable to GST, whether they have to pay IGST or SGST+CGST?.
- Is the job work service provided by them is exempted from service tax under Mega exemption list as per Notification No. 25/2012 dated 20.06.2012 and not chargeable to GST?

F Facts

The applicant undertakes job work involving the extraction of caffeine from tea powder imported from a foreign principal in Germany. The raw materials are supplied free of cost by the principal, and after processing via super critical fluid extraction, the de-caffeinated tea is exported back. The applicant sought clarity on taxability, the applicable GST type (IGST vs. CGST+SGST), and the relevance of pre-GST Service Tax exemption notifications.

H Ruling

Taxability and GST rate on job work service for foreign customer	**Taxable @ 18%**	Entry No. 26 (HSN Code 9988) Proviso (iv)
Applicability of IGST vs SGST+CGST	**SGST and CGST apply**	Place of supply is the location where service is actually performed under Section 13(3)(a) of IGST Act
Exemption under Notification No. 25/2012 dated 20.06.2012	**Not applicable**	Service Tax Act subsumed under GST Act 2017

The Authority held that job work performed on imported goods for a foreign principal is taxable under GST under HSN 9988 at 18%. Since the place of supply under Section 13(3)(a) of the IGST Act is the place where services are physically performed, the supply is intrastate and **subject to CGST and SGST** . Pre-GST exemption notifications under Service Tax are no longer applicable.

R Reasoning

The activity qualifies as job work under HSN Code 9988 (manufacturing services on physical inputs owned by others) taxable at 18%. Under Section 13(3)(a) of the IGST Act 2017, when services are supplied in respect of goods physically made available to the supplier, the place of supply is where the services are actually performed. Since the processing occurs at the applicant's premises in Andhra Pradesh, the place of supply is within the state, making it liable to CGST and SGST rather than IGST or zero-rating. Pre-GST exemptions like Notification No. 25/2012 lapsed upon the subsumption of Service Tax into the GST regime.

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

P Provisions Relied On

- Section 2(68) of CGST Act, 2017
- Section 13(1) of IGST Act, 2017
- Section 13(3)(a) of IGST Act, 2017
- Entry No. 26 (HSN Code 9988) Proviso (iv)
- Notification No. 25/2012 dated 20.06.2012

! For the Practitioner

This ruling highlights that job work on imported physical goods for a foreign principal does not automatically qualify as an export of service. Because place of supply is determined by physical performance under **Section 13(3)(a) of the IGST Act** , such transactions are treated as local intra-state supplies subject to CGST and SGST.

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 -> ap_08-2018_20.08.18_synthite_inds.pdf

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