M/s Volvo-Eicher Commercial Vehicles Limited

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 32/2019, Date: 12-09-2019 Dated **12.09.2019**

Q Questions Before the Authority

- Whether the supplies made by the Applicant to Volvo Sweden is a supply of services?
- Whether the supplies by the Applicant amounts to export of services to Volvo Sweden and hence zero rated under GST law?

F Facts

The applicant is a joint venture between the Volvo Group and Eicher Motors Limited, selling Volvo-branded trucks and buses in India under appointment by Volvo Sweden and providing after-sales warranty services. Under a standard warranty of 1 to 2 years, the applicant or its authorised dealers process customer warranty claims, repair or replace defective parts (replacements sometimes free of charge), and fit the replaced parts. The applicant invoices Volvo Sweden, which reimburses these costs in convertible foreign exchange through Warranty Credit Note Acceptance (WCA) notes issued to the applicant and its dealers.

H Ruling

Nature of the applicant's supply under the warranty arrangement	**Composite supply of goods and services to the customers**	Whether the principal supply is goods or services depends on the nature of the individual case. The authority did not accept that the principal supply is warranty service alone, as the applicant argued.
Whether the transaction is an export of services to Volvo Sweden	**No. It is an intra-State or inter-State transaction, not an export transaction**	This depends on the place of supply. Volvo Sweden was held to be a payer of consideration, not the recipient of the services.
Whether the supply is zero-rated under the IGST Act	**No. Not a zero-rated supply under the IGST Act**	Follows from the finding that the transaction is not an export of services.

The authority held that the applicant provides a composite supply of goods and services to the customers, with the principal supply being goods or services depending on the facts of each case. It held that the transaction is an intra-State or inter-State supply (not an export) depending on the place of supply. Because it is not an export of services, it is not a zero-rated supply under the IGST Act.

R Reasoning

The authority relied on the definition of supply in Section 7 of the CGST Act and on the definition of consideration in Section 2(31), holding that the amount reimbursed by Volvo Sweden through credit notes is consideration and

that it is immaterial who pays it. It found that the applicant is not charging the customer only because Volvo Sweden has committed to reimburse, but that the applicant still supplies parts and services to the customer for consideration. Even if the applicant acts as an agent of Volvo Sweden, the authority held that the services are still a supply for consideration. Volvo Sweden was therefore treated as a payer rather than the recipient of services, which defeats the export condition in Section 2(6) of the IGST Act. The applicant's reliance on Section 13 of the IGST Act for place of supply, and on Section 16(1), was considered but did not change the outcome.

P Provisions Relied On

- Section 7, CGST Act, 2017 (definition of supply)
- Section 2(31), CGST Act, 2017 (definition of consideration)
- Section 2(30), CGST Act, 2017 (composite supply), as cited by the applicant
- Section 2(90), CGST Act, 2017 (principal supply), as cited by the applicant
- Section 8, CGST Act, 2017 (Explanation 1, distinct persons), as cited by the applicant
- Section 2(6), IGST Act, 2017 (export of services)
- Section 13, IGST Act, 2017 (place of supply of services), as cited by the applicant
- Section 16(1), IGST Act, 2017 (zero-rated supply), as cited by the applicant
- Section 97 and Section 98(4), CGST Act, KGST Act and IGST Act, 2017 (advance ruling)
- Rule 104, CGST Rules 2017 and KGST Rules 2017

! For the Practitioner

A practitioner dealing with OEM warranty reimbursement arrangements in which the manufacturer pays the dealer or service provider and the customer is not charged can cite this ruling to show that the authority treats the OEM's payment as consideration for a supply made domestically. It supports the position that such arrangements are not automatically exports merely because the OEM is located abroad. The ruling does not conclusively determine the place of supply, since its ruling is expressed as depending on the facts. It is binding only on the applicant and turns on its specific facts, including the credit note mechanism and the absence of physical making available of goods by the recipient.

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_32_2019_volvoeichercommercial.pdf

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