

# Classification in GST Laws



Rohit Kumar Singh  
ACA, ACMA, FCS, LLB, DISA (ICAI)

**Goods / Services**

# Goods/ Service

## Goods [Sec 2(52)]:

“goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply

## Service [Sec 2(102)]:

“services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

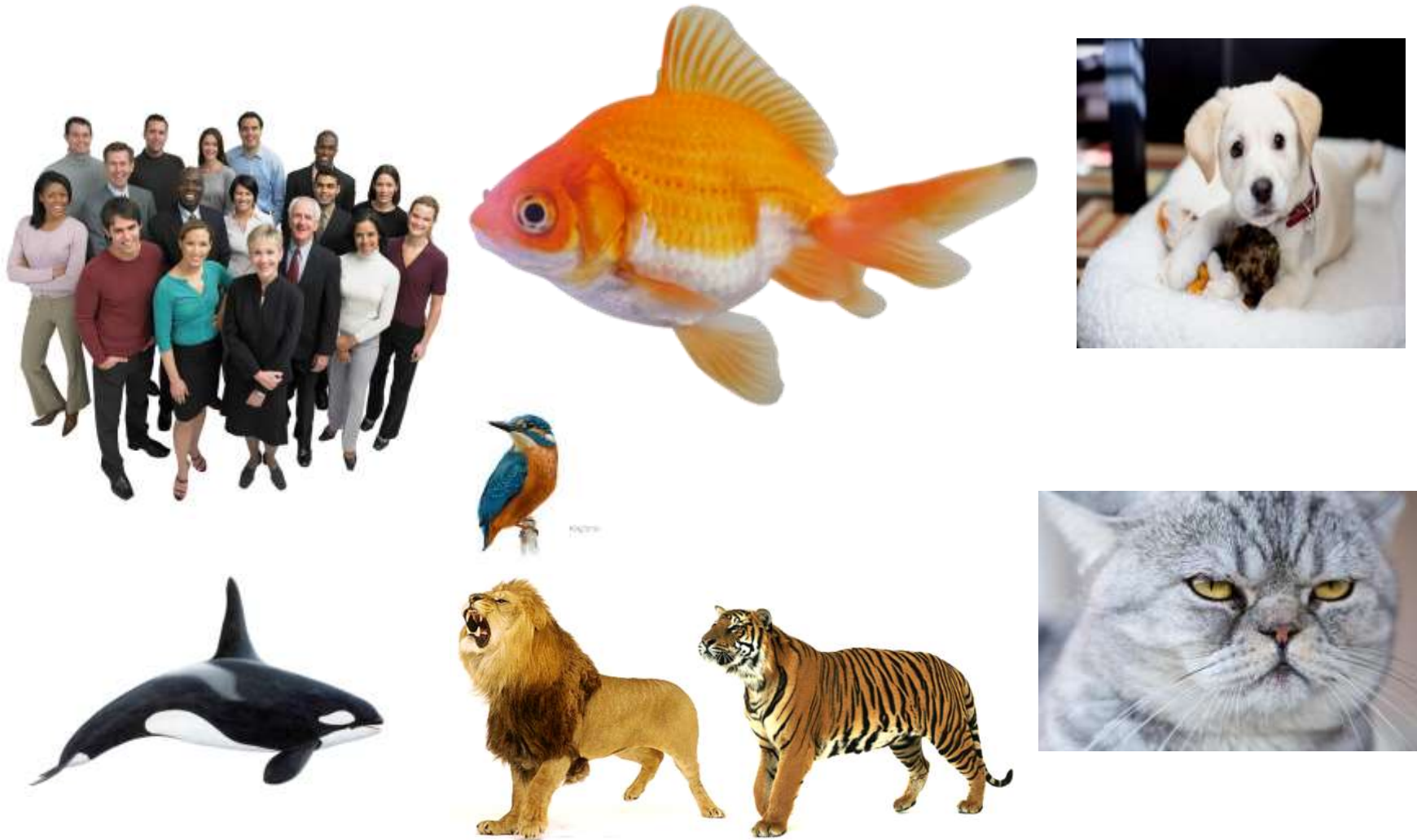
**[Explanation.-- For the removal of doubts, it is hereby clarified that the expression “services” includes facilitating or arranging transactions in securities]**

# Classification

# Classification?????



# Classification?????



# Some Questions on classification

Goods or services taxable – in all situations?

Can there be two rate % for same HSN or SAC?

Will classification change taxability?

Can goods be classified as services? Impact on taxability?

# Basics of Classification





## Schedule II

## Deemed treatment as goods or services

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

#### 1. Transfer

- (a) any transfer of the title in goods is a supply of goods;
- (b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;
- (c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, **is a supply of goods.**

#### 2. Land and Building

- (a) any lease, tenancy, easement, licence to occupy land is a **supply of services;**
- (b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a **supply of services.**

#### (3) Treatment or process

Any treatment or process which is applied to another person's goods is a **supply of services.**

## Schedule II

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

#### (4) Transfer of business assets

(a) where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, <sup>2</sup> [\*\*\*\*] such transfer or disposal is a supply of goods by the person;

(b) where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, <sup>2</sup> [\*\*\*\*] the usage or making available of such goods is a supply of services;

(c) where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless-

(i) the business is transferred as a going concern to another person; or

(ii) the business is carried on by a personal representative who is deemed to be a taxable person.

## Schedule II

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

#### 5. Supply of services

The following shall be treated as supply of services, namely:-

(a) renting of immovable property;

(b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.























#### 6. Composite supply

The following composite supplies shall be treated as a supply of services, namely:-

(a) works contract as defined in clause (119) of [section 2](#); and

(b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.




# Tariff Notifications

Central Tax (Rate) Notifications			
Notification No. & Date of Issue	English	हिन्दी	Subject
18/2017-Central Tax (Rate) ,dt. 30-06-2017	<a href="#">View</a>  (136 KB)	<a href="#">देखें</a>  (37 KB)	Seek to reduce the rate of Central Tax, Union Territory Tax, on fertilisers from 6% to 2.5% and Integrated Tax rate on fertilisers from 12% to 5%
17/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (136 KB)	<a href="#">देखें</a>  (585 KB)	To notify the categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator
16/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (344 KB)	<a href="#">देखें</a>  (385 KB)	To notify specialised agencies entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them under CGST Act
15/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (142 KB)	<a href="#">देखें</a>  (431 KB)	To notify the supplies not eligible for refund of unutilized ITC under CGST Act
14/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (248 KB)	<a href="#">देखें</a>  (318 KB)	To notify the supplies which shall be treated neither as a supply of goods nor a supply of service under the CGST Act
13/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (274 KB)	<a href="#">देखें</a>  (722 KB)	To notify the categories of services on which tax will be payable under reverse charge mechanism under CGST Act
12/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (440 KB)	<a href="#">देखें</a>  (990 KB)	To notify the exemptions on supply of services under CGST Act
11/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a>  (399 KB)	<a href="#">देखें</a>  (1.11 MB)	To notify the rates for supply of services under CGST Act
	<a href="#">Annexure</a>  (252 KB)	<a href="#">Annexure</a>  (252 KB)	
10/2017-Central Tax (Rate),dt. 28-06-2017	<a href="#">View</a>  (143 KB)	<a href="#">देखें</a>  (503 KB)	CGST exemption for dealers operating under Margin Scheme notified under section 11 (1)
09/2017-Central Tax (Rate),dt. 28-06-2017	<a href="#">View</a>  (143 KB)	<a href="#">देखें</a>  (500 KB)	Exempting supplies to a TDS deductor by a supplier, who is not registered, under section 11 (1)

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# Basics of Classification

4. *Explanation.*- For the purposes of this notification,-

(i) Goods includes capital goods.

(ii) Reference to “Chapter”, “Section” or “Heading”, wherever they occur, unless the context otherwise requires, shall mean respectively as “Chapter, “Section” and “Heading” in the annexed scheme of classification of services (Annexure).

(iii) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of heading 9988.

(iv) Wherever a rate has been prescribed in this notification subject to the condition that

# Confusion... Confusion and more confusion.....!!!!!!!

Chapter	Description	HSN Code	Rate (%)
Milk Products (16)	Condensed milk	04029920	12
	Curd; Lassi; Butter milk (excluding pre-packaged and labelled)	0403	NIL
	Curd; Lassi; Butter milk (pre-packaged and labelled)	0403	5%
	Milk and cream, concentrated or containing added sugar or other sweetening matter, including skimmed milk powder, milk food for babies [other than condensed milk]	0402	5
	Fresh milk and pasteurised milk, including separated milk, milk and cream, not concentrated nor containing added sugar or other sweetening matter, excluding Ultra High Temperature (UHT) milk	0401	NIL
	Ultra High Temperature (UHT) milk	0401	5
Water - Mineral & Aerated	Beverages containing milk	2202903 0	12

# Test your Knowledge!

Question 1 –

Which all of the following is treated as deemed supply of services?

- (a) Temporary transfer of right to use IPR
- (b) Sale of food or drinks for human consumption
- (c) Transfer of Business Assets
- (d) Works Contract

Answer – option (a), (b) and (d)

# HSN and SAC in GST



# HSN in GST

- **What is HSN Code?**
- The Harmonized Commodity Description and Coding System generally refers to “Harmonized System of Nomenclature” or simply “HSN”. It is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It first came into effect in 1988.

# HSN in GST

- **How does HSN code work?**
- It has about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure. It is supported by well-defined rules to achieve uniform classification.
- **Why is HSN important?**
- The main purpose of HSN is to classify goods from all over the World in a systematic and logical manner. This brings in a uniform classification of goods and facilitates international trade.

# HSN in GST

- **Understanding the HSN Code**
- The HSN structure contains 21 sections, with 99 Chapters, about 1,244 headings, and 5,224 subheadings.
- Each Section is divided into Chapters. Each Chapter is divided into Headings. Each Heading is divided into Sub Headings.
- Section and Chapter titles describe broad categories of goods, while headings and subheadings describe products in detail.

# HSN in GST

- Understanding the HSN Code
- For example:
- **Handkerchiefs made of Textile matters 62.13.90**
- First two digits (62) represent the **chapter number** for Articles of apparel and clothing accessories, not knitted or crocheted.
- Next two digits (13) represent the **heading number** for handkerchiefs.
- Finally, last two digits (90) is the **product code** for handkerchiefs made of other textile materials.
- *India has 2 more digits for a deeper classification.*
- If the handkerchiefs are made from a **man-made fibre**, then the HSN code is 62.13.90.10.
- If the handkerchiefs are made from **silk or waste from silk.**, then the HSN code is 62.13.90.90.

# SAC in GST

- **Services Accounting Code (SAC) in GST**
- Like goods, services are also classified uniformly for recognition, measurement and taxation. Codes for services are called Services Accounting Code or SAC.
- **For example:**
- Legal documentation and certification services concerning patents, copyrights and other intellectual property rights-- **998213**
- The first two digits are same for all services i.e. 99
- The next two digits (82) represent the major nature of service, in this case, legal services
- The last two digits (13) represent detailed nature of service, i.e., legal documentation for patents etc.

# Disclosing HSN in GST

## Disclosing HSN in returns

### 12. HSN-wise summary of outward supplies

Sr. No.	HSN	Description (Optional if HSN is provided)	UQC	Total Quantity	Total value	Total Taxable Value	Amount			
							Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5	6	7	8	9	10	11

## 8 digit HSN code mandatory for all imports and exports

# Importance of HSN in GST

- The purpose of HSN codes is to make GST systematic and globally accepted.
- Minimises issues of classification
- HSN codes will remove the need to upload the detailed description of the goods. This will save time and make filing easier since GST returns are automated.
- A dealer or a service provider must provide HSN/SAC wise summary of sales in his GSTR-1 if his turnover falls in above slabs.

# HSN Classification List -

Section	HSN Code List
Section 1	Live Animals, Animal Products
Section 2	Vegetable Products
Section 3	Animal or Vegetable Fats and Oils and their cleavage products, prepared edible fats, Animal or Vegetable waxes
Section 4	Prepared Foodstuffs, Beverages, Spirits and Vinegar, Tobacco and Manufactured Tobacco Substitutes
Section 5	Mineral Products
Section 6	Product of the chemicals or allied Industries
Section 7	Plastics and articles thereof, Rubber and articles thereof
Section 8	Raw hides and skins, Leather, Fur, skins and articles thereof, saddlery and harness, travel goods, handbags and similar containers, articles of animal gut ( other than silk-worm gut )



# HSN Classification List -

Section	HSN Code List for
Section 9	Wood and articles of wood, Wood charcoal, Cork and articles of cork, Manufacturers of straw, of Esparto or of other Plaiting Materials, Basketwork and Wickerwork
Section 10	Pulp of wood or of other Fibrous Cellulosic Material, Recovered ( Waste and scrap ) paper or paperboard, paper and paperboard and articles thereof
Section 11	Textile and textile articles
Section 12	Footwear, Headgear, Umbrellas, Sun Umbrellas, Walking-sticks, seat-sticks, whips, riding-crops and parts thereof, Prepared feathers and articles made therewith, Artificial flowers, Articles of human hair
Section 13	Articles of stone, plaster, cement, asbestos, mica, or similar materials, ceramic products, glass and glassware
Section 14	Natural or cultured pearls, Precious or semi-precious stones, precious metals, Metal clad with precious metal, and articles thereof, Imitation Jewellery, Coins

# HSN Classification List -

Section	HSN Code List
Section 15	Base Metals and articles of Base Metal
Section 16	Machinery and mechanical appliances, electrical equipment, parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and Parts and Accessories of such article
Section 17	Vehicles, Aircraft, Vessels and Associated Transport Equipment
Section 18	Optical, Photographic, Cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, clocks and watches, musical instruments, parts and accessories thereof
Section 19	Arms and ammunition, parts and accessories thereof
Section 20	Miscellaneous Manufactured Articles
Section 21	Works of art, Collectors' Pieces and antiques

# Exempted goods – Some examples

S. No	List
1	Milk
2	Bread
3	Butter milk
4	Children's' picture, drawing or colouring books
5	Coconuts
6	Curd
7	Earthen pot and clay lamps
8	Eggs
9	Fire wood
10	Fish
11	Judicial, Non-judicial stamp papers, Court fee stamps
12	Live trees and plants

# SAC Classification List -

Heading & Group	Service Code (Tariff)	Service Description
<b>Section 5 : Construction Services</b>		
<b>Heading No.9954</b>		<b>Construction Services</b>
<b>Group 99541</b>		<b>Construction Services of Buildings</b>
	995411	Construction services of single dwelling or multi dwelling or multi-storied residential buildings
	995412	Construction services of other residential buildings such as old age homes, homeless shelters, hostels etc
	995413	Construction services of industrial buildings such as buildings used for production activities (used for assembly line activities), workshops, storage buildings and other similar industrial buildings
	995414	Construction services of commercial buildings such as office buildings, exhibition & marriage halls, malls, hotels, restaurants, airports, rail or road terminals, parking garages, petrol and service stations, theatres and other similar buildings.
	995415	Construction services of other non-residential buildings such as educational institutions, hospitals, clinics including veterinary clinics, religious establishments, courts, prisons, museums and other similar buildings
	995416	Construction Services of other buildings n.e.c
	995419	Services involving Repair, alterations, additions, replacements, renovation, maintenance or remodelling of the buildings covered above.

# Test your Knowledge!

Question 2 –

There are some goods and services exempted from GST.  
Which of the following is not exempted from GST?

- (a) Eggs
- (b) Fire Wood
- (c) Unpacked Rice
- (d) India-gate Basmati Rice

**Answer – option (d) India-gate Basmati Rice**

**Questions Please!**

# Thank you

Thanks for your Patience and Time



## **GENERAL RULES FOR THE INTERPRETATION OF THE HARMONIZED SYSTEM**

Classification of goods in the Nomenclature shall be governed by the following principles :

1. The titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions :
  2.
    - (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled.
    - (b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of Rule 3.
  3. When by application of Rule 2 (b) or for any other reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows :
    - (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
    - (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3 (a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.
    - (c) When goods cannot be classified by reference to 3 (a) or 3 (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.
  4. Goods which cannot be classified in accordance with the above Rules shall be classified under the heading appropriate to the goods to which they are most akin.
  5. In addition to the foregoing provisions, the following Rules shall apply in respect of the goods referred to therein :
    - (a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This Rule does not, however, apply to containers which give the whole its essential character;
    - (b) Subject to the provisions of Rule 5 (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.
  6. For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related Subheading Notes and, *mutatis mutandis*, to the above Rules, on the understanding that only subheadings at the same level are comparable. For the purposes of this Rule the relative Section and Chapter Notes also apply, unless the context otherwise requires.
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<b>GUJARAT AUTHORITY FOR ADVANCE RULING</b> <b>GOODS AND SERVICES TAX</b> <b>A/5, RAJYA KAR BHAVAN, ASHRAM ROAD,</b> <b>AHMEDABAD – 380 009.</b>	
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ADVANCE RULING NO. GUJ/GAAR/R/2022/40  
(IN APPLICATION NO. Advance Ruling/SGST&CGST/2022/AR/24)

Date: 10/08/22

Name and address of the applicant	:	M/s. Hasmukhlal Jivanlal Patel, C/o Tirupati Industries, Opp Umiya Timber, Opp Ambemata Mandir, Vatva Memdavad Road, Vinzol, Gujarat- 382445
GSTIN/ User Id of the applicant	:	24AFUPP9842E1ZW
Date of application	:	27.04.2022
Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.	:	(a) and (e)
Date of Personal Hearing	:	8-7-22 and 2-8-22
Present for the applicant	:	Shri Hem Chhajed, CA

Brief facts:

M/s. Hasmukhlal Jivanlal Patel. (referred to as ‘ the applicant’ for the sake of brevity) submits that it is engaged in building bodies of various vehicles falling under Chapter 87 of the First Schedule to the Custom Tariff Act such as mounting of tankers, tippers etc. on chassis provided by the owner of such chassis, either registered or unregistered.

2. On receipt of such chassis, undertakes the following activities on such chassis:

- (i) First the chassis of the Principal, either registered or unregistered, is received at the applicant registered premises. Thereafter, they make the drawing for type of the job to be undertaken and ascertain the type and quantity of materials required for the job. Depending on the work to be carried out i.e. Mounting of Tanker or Tipper, they place the order for purchase of the required materials such as steel sheets, nuts and bolts, etc. The steel sheets are then cut and bent as per the required dimensions and the bended edges are joined through the process of welding. In this manner, all the required parts are independently fabricated and then assembled to obtain the Tanker, Tipper, etc. Such tankers, tippers, etc. are then mounted on the chassis owned by the Principal.



3. The applicant has submitted that the activity undertaken by them is in the nature of working upon the goods i.e. chassis supplied by the Principal and converting the same into a Mounted Tanker, Tipper, etc. Therefore, the activity, as per their understanding, would be in the nature of supply of services. As per the Scheme of Classification of services in the Annexure to Notification No. 11/2017 Central Tax (Rate) and corresponding SGST/IGST Notifications, their services would be covered under the main head of 9988 which reads as under:

*“Manufacturing services on physical inputs (goods) owned by others”*

The sub-group would be 99888 i.e. Transport equipment manufacturing services further classifiable under Service Code 998882 i.e. Other transport equipment manufacturing services.

3.1 The applicant has submitted that the applicable rate of GST, would be 18% in terms of Entry No. 26(ic) & (iv) of Notification No. 11/2017 CT(Rate) and submitted as under :

a) In cases where the chassis is provided by a Registered Person – Rate of tax 18%  
Entry number 26 in Notification No. 11/2017 Central Tax (Rate) as amended vide Notification No. 20/2019 Central Tax (Rate) dated 30.9.2019 specifies the rate of 18% in case the services are in the nature of job-work. The relevant entries are reproduced below:

3	4	5
(ic) Services by way of job work in relation to bus body building;	9	
(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id),(H), (ia) and(Hi) above.	9	

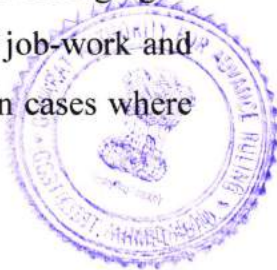
(i) The term ‘bus body building’ has been defined as building of body on chassis of any vehicle falling under chapter 87 by virtue of Explanation which was inserted vide Notification No. 26/2019 CT(Rate) and the same reads as under:

*Explanation - For the purposes of this entry, the term “bus body building” shall include building of body on chassis of any vehicle falling under chapter 87 in the First Schedule to the Customs Tariff Act, 1975.”*

(ii) Job work has been defined at Section 2(68) of the CGST Act as under:

*“Job work means any treatment or processing undertaken by a person on goods belonging to another registered person and the expression ‘job worker’ shall be construed accordingly.”*

(iii) A conjoint reading of the entry in the Notification and Section 2(68) of the CGST Act, 2017 indicates that any treatment or processing undertaken on the goods belonging to another person who is Registered would be covered under the definition of job-work and accordingly, the applicable rate would be the entry at (ic) above. In short, in cases where





the applicant receive the chassis from a GST registered person, the activity would be in the nature of services covered under Sr. No. 26(ic) of Notification No. 11/2017 Central Tax (Rate) as amended vide Notification No. 20/2019 Central Tax (Rate) and the applicable rate would be 18%

b) In cases where the chassis is provided by an unregistered person – Rate of Tax 18%

In cases where the chassis is provided by an unregistered person, the activity would be covered under the description “*Manufacturing services on physical inputs (goods) owned by others*” as appearing at Sr. No. 26(iv) of Notification No. 11/2017 Central Tax (Rate) as amended vide Notification No. 20/2019 Central Tax (Rate) and the applicable rate would be 18%.

3.2 The applicant submitted that the above position has also been clarified under Circular No. 126/45/2019-GST dated 22.11.2019 and the relevant text of the clarification is as follows:

*In view of the above, it may be seen that there is a clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another **registered** person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act.*

(i) It is submitted by the applicant that the above clarification expressly indicates that the activity of manufacturing services on physical inputs owned by others would be classifiable under ‘Job-work’ services in case the goods are received from Registered person and ‘Other Manufacturing Services’ in case the goods are received from Unregistered person.

4. The applicant has submitted that they are physically receiving the goods i.e. Chassis owned by the Principal which are registered in some cases and not registered in some cases. Thereafter, they are undertaking the activity of fabricating the tanker, tipper, etc. and mounting the same on such chassis. With regard to the activity undertaken by them, they are charging the job-charges which include the charges of fabrication of Tanker, Tipper, etc. and mounting of the same on the chassis owned by the Principal. The cost of raw materials used for fabrication of Tanker, Tipper, etc. is included in the said job charges raised under tax invoice.

4.1 The applicant has submitted that the activity undertaken by it is supply of services.

5. The applicant submits that the activity undertaken by them is purely supply of service is based on the following clarifications issued by the Board and the various Advance





Rulings pronounced by the Authority of Advance Ruling pertaining to various states across India:

a) Circular No. 52/26/2018-GST dated 09.08.2018

The applicant has submitted that in Para 12 of the said circular clarifies the activity of bus-body building which is identical to their activity in terms of Explanation to Sr. No. 26(ic) of Notification No. 11/2017 CT(Rate) which was inserted vide Notification No. 26/2019 CT(Rate). The text of the said circular reads as under:

*12.1 Applicable GST rate for bus body building activity : Representations have been received seeking clarifications on GST rates on the activity of bus body building. The doubts have arisen on account of the fact that while GST applicable on job work services is 18%, the supply of motor vehicles attracts GST @ 28%.*

*12.2 Buses [motor vehicles for the transport of ten or more persons, including the driver] fall under headings 8702 and attract 28% GST. Further, chassis fitted with engines [8705] and whole bodies (including cabs) for buses [8707] also attract 28% GST. In this context, it is mentioned that the services of bus body fabrication on job work basis attracts 18% GST on such service. Thus, fabrication of buses may involve the following two situations :*

*(a) Bus body builder builds a bus, working on the chassis owned by him and supplies the built-up bus to the customer, and charges the customer for the value of the bus.*

*(b) Bus body builder builds body on chassis provided by the principal for body building, and charges fabrication charges (including certain material that was consumed during the process of job-work).*

*12.3 In the above context, it is hereby clarified that in case as mentioned at Para 12.2(a) above, the supply made is that of bus, and accordingly supply would attract GST @ 28%. In the case as mentioned at Para 12.2(b) above, fabrication of body on chassis provided by the principal (not on account of body builder), the supply would merit classification as service, and 18% GST as applicable will be charged accordingly.*

b) Answer to Question No. 27 in the sectoral FAQs published by the CBIC <https://www.cbic.gov.in/resources/htdocs-cbec/gst/Final-GST-FAQ-31218> is read as under:

Q27. Whether activity of bus body building, is a supply of goods or services?

Ans. The classification would depend on which supply is the principal supply. In case, a bus body building company builds on the chassis owned by it and sells the completely built buses, it would be supply of goods. On the other hand, if the company builds the body on the chassis belonging to some else, it would be supply of services.





The applicant has submitted that their activity is falling under the category of supply of services in view of the above clarification in as much as they are undertaking the activity of bus body building on the chassis owned by the Principal.

c) The applicant cited following Advance Rulings:

(i) M/s AB N Dhruv Autocraft (India) Pvt. Ltd. reported at 2020 (41) GSTL 383 (AAR-Gujarat)

(ii) Advance Ruling in the case of M/s SLN Tech-Fabs (Bengaluru) Pvt. Ltd. reported at 2020 (34) GSTL 290 (AAR-GST-Kar)

*(2) The activity of fabrication of body building on Tippers, Trailers etc., merits classification under SAC 998881, under "Motor vehicle and trailer manufacturing services", in terms of Sl. No. 535 of Annexure to Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017.*

(iii) Advance ruling in the case of M/s Commercial Vehicles Ltd. reported at 2020 (39) GSTL 378 (AAR-GST-MP)

(iv) Advance ruling in the case of M/s Tube Investments of India Ltd. reported at 2020 (42) GSTL 256 (AAR-GST-TN)

(v) Advance Ruling in the case of M/s Jeet & Jeet Glass And Chemicals Pvt. Ltd. reported at 2021 (48) GSTL 85 (AAR-GST-Raj)

(vi) Advance Ruling in the case of M/s Kondody Autocraft (India) Pvt. Ltd. reported at 2019 (23) GSTL 488 (AAR-GST)

(vii) Advance Ruling in the case of M/s Rohan Coach Builders reported at 2019 (26) GSTL 525 (AAR-GST)

(viii) Advance Ruling in the case of M/s Sanghi Brothers (Indore) Pvt. Ltd. reported at 2019 (27) GSTL 136 (AAR-GST)

(ix) Advance Ruling pronounce in the case of M/s Vasant Fabricators Pvt. Ltd. vide Advance Ruling Order No. GUJ/GAAR/R/2022/23 dated 12-04-2022 (AAR-GST-GUJ).

#### RULING

1. Supply of Bus body building on the chasis owned by customer is supply of Service.

2. GST Rate :

S. No.	Description	Notification 11/ 2017-CT(R) dated 28-6-17	Service Code	GST Rate
i	Bus Body building on chasis owned by GST registered customer	Sr. No. 26 (ic)	998882	18%
ii	Bus Body building on chasis owned by un registered customer	Sr. No. 26 (iv)	998882	18%





**6. Question on which Advance Ruling sought:**

(1) Whether the activity of fabricating and mounting Tankers, Tippers, etc. on the chassis provided by the owner of such chassis i.e. bus body building would be covered under the category of Supply of Services?

(2) If yes, the applicable accounting code of such services as per the Scheme of Classification of Services and the applicable rate of GST thereon.

**Personal Hearing:**

7. Personal hearing (virtual) granted on 8-7-22 and 2-8-22 was attended by Shri Hem Chhajed, CA and he reiterated the submission.

**Revenue's Submission:**

8. Revenue has neither submitted its comments nor appeared for hearing.

**FINDINGS:**

9. We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by authorised signatory, during the personal hearing proceedings on 2-8-22 before this authority . We also considered the issue involved, on which advance ruling is sought by the applicant, relevant facts & the applicant's interpretation of law.

10.. At the outset we would like to make it clear that the provisions of CGST Act and GGST Act are in pari materia and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the GGST Act.

11. We note that the prime facie issue before us is to determine the classification of the activity of bus body building on chasis owned by the principal undertaken by the applicant and subsequently HSN and Tax rate on the such supply.

12. We find that the applicant is engaged in the building bodies of various vehicles falling under Chapter 87 of the First Schedule to the Custom Tariff Act such as mounting of tankers, tippers etc. on chassis provided by the owner (principal) of such chassis. The chassis are received from the owner of such chassis (Principal) under cover of delivery challan. On receipt of such chassis, undertakes the following activities on such chassis :

(i) Received chasis at workshop from the Principal, either registered or unregistered

(ii) make the drawing for type of the job to be undertaken





- (iii) Purchase required materials such as steel sheets, nuts and bolts, etc.
- (iv) The steel sheets are then cut and bent as per the required dimensions and the bended edges are joined through the process of welding.
- (v) All the parts are independently fabricated and then assembled to obtain the Tanker, Tipper, etc.
- (vi) Such tankers, tippers, etc. are then mounted on the chassis owned by the Principal.

13. In the instant case, the applicant procures various goods such as raw steel etc. as inputs for fabricating the bus body on the chasis supplied by the principal on delivery challan. The applicant uses the said material for mounting/fabricating the body and once the body is built and mounted on the chassis, the vehicle is sent back to principal. The applicant charged the lump sum charges of fabrication including cost of certain material that was consumed during the process of mounting of Bus Body on the chassis. The applicant supply of complete built vehicle to the principal i.e. owner of chasis would amount to composite supply and the taxability would depend upon the "principal supply". The issue for consideration in the instant case is "what is principal supply".

13.1 Composite supply is defined under Section 2 (30) of CGST Act, 2017 which is as follows :

*As per Sec. 2(30) "composite supply" means "supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply".*

13.2 As per Section 2(68) of the CGST Act, 2017 and as per para 3 of the Schedule II of the CGST Act 'any treatment or process which is applied to goods of another person's is a supply of service.'

13.3. In the instant case we find that the applicant is carrying out the activity of mounting/fabrication of body on the chasis supplied by the principal. Accordingly, such activity would be supply of service as principal supply. Section 8(a) of CGST Act, 2017 determines tax liability on composite supply, which reads as under :-

*"The Tax liability on a composite or a mixed supply shall be determined in the following manner, namely:-*

*A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and"*

14. Now, We find that the activity and question raised before us has been suitably clarified and dealt with **Circular No. 52/26/2018-GST** dated 9-8-18 issued by Government of India. The relevant Para 12 of the said circular is read as under:

12.1 **Applicable GST rate for bus body building activity :** Representations have been received





seeking clarifications on GST rates on the activity of bus body building. The doubts have arisen on account of the fact that while GST applicable on job work services is 18%, the supply of motor vehicles attracts GST @ 28%.

12.2 Buses [motor vehicles for the transport of ten or more persons, including the driver] fall under headings 8702 and attract 28% GST. Further, chassis fitted with engines [8705] and whole bodies (including cabs) for buses [8707] also attract 28% GST. In this context, it is mentioned that the services of bus body fabrication on job work basis attracts 18% GST on such service. Thus, fabrication of buses may involve the following two situations :

- (a) Bus body builder builds a bus, working on the chassis owned by him and supplies the built-up bus to the customer, and charges the customer for the value of the bus.
- (b) Bus body builder builds body on chassis provided by the principal for body building, and charges fabrication charges (including certain material that was consumed during the process of job-work).

12.3 In the above context, it is hereby clarified that in case as mentioned at Para 12.2(a) above, the supply made is that of bus, and accordingly supply would attract GST @ 28%. In the case as mentioned at Para 12.2(b) above, fabrication of body on chassis provided by the principal (not on account of body builder), the supply would merit classification as service, and 18% GST as applicable will be charged accordingly.

14.1 It is evident from Para 12.2(b) of the said circular that if the body is built on the chassis provided by the principal/customer and the fabrication charges, has been charged then the activity amounts to Supply of Service and attracts 18% GST. In the instant case, the fabrication of body is built on the chassis provided by the owner and as stated fabrication charges are charged from the owner of the chassis. Therefore, the instant question is answered by the provisions of Para 12.2(b) of the said circular and the activity merits classification as supply of service attracting GST @ 18%.

15. The Sectoral FAQ published by the C.B.E. & C. <https://www.cbic.gov.in/resources/htdocs-cbec/gst/Final-GST-FAQ-31218> in reply of Q. No. 27 it is categorically state that, "if the company builds the body on the chassis belonging to some else, it would be supply of services". The extract of the same is as under

**Q27. Whether activity of bus body building, is a supply of goods or services?**

**Ans.** The classification would depend on which supply is the principal supply. In case, a bus body building company builds on the chassis owned by it and sells the completely built buses, it would be supply of goods. On the other hand, if the company builds the body on the chassis belonging to some else, it would be supply of services.

16. Now, for classification of the supply of service by the applicant, we refer to the Annexure attached to the Not. No. 11/2017-CT (Rate) dated 28.06.2017. As stated above, the applicant is engaged in the manufacturing of body building i.e. mounting of tanker, tripper on the chassis supplied by the owner of the chassis. Therefore, the said service would be classified under Service Accounting Code 9988 "Manufacturing Service on Physical Inputs (Goods) owned by others". "Manufacturing services on physical inputs (goods) owned by others". The sub-group would be 99888 i.e. Transport equipment manufacturing





services further classifiable under Service Code 998882 i.e. Other transport equipment manufacturing services. The relevant entry Sr. No. 498 of the classification of the Service is as reproduced as under:

Sl. No.	Chapter, Section, Heading or Group	Service Code (Tariff)	Service Description
498	Heading 9988		Manufacturing services on physical inputs (goods) owned by others
534	Group 99888		Transport Equipment Manufacturing Service
		998881	Motor vehicle and trailer manufacturing services
		998882	Other transport equipment manufacturing services

16.1 We hold that the activity of fabrication and mounting of bus body on the chassis supplied by the owner of chasis i.e. Principal on delivery challan and collecting job work charges including inputs required for such fabrication work merits classification under SAC 998882 - "Other transport equipment manufacturing services".

17. We find that the applicant is receiving the chasis from the Principal who are registered with GST and having GSTIN also receiving the Chasis from the principal who are not registered with GST and not having GSTIN for fabrication and mounting of Tanker and Tripper on the chasis owned by the principal.

17.1 We find that in cases chassis is provided/supplied by a Registered Person i.e. having GSTIN to the applicant for carrying out the fabrication and mounting work on the chassis owned by them, such service are in the nature of Job work and specifies the rate 18% as per Entry No. 26 (ic) of Notification No. 11/2017-CT (Rate) amended vide Notification No. 20/2019-CT (Rate) dated 30-9-2019. The relevant entries are reproduced below:

3	4	5
(ic) Services by way of job work in relation to bus body building;	9	
(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (H), (ia) and (Hi) above.	9	

(i) The term 'bus body building' has been defined as building of body on chassis of any vehicle falling under chapter 87 by virtue of Explanation which was inserted vide Notification No. 26/2019 CT(Rate) and the same reads as under:





*Explanation - For the purposes of this entry, the term "bus body building" shall include building of body on chassis of any vehicle falling under chapter 87 in the First Schedule to the Customs Tariff Act, 1975."*

17.2 We find that in cases where the chassis is provided/supplied by an unregistered principal to the applicant for carrying out the fabrication and mounting work on the chassis owned by them, such activity is covered under the description "*Manufacturing services on physical inputs (goods) owned by others*" as appearing at Sr. No. 26(iv) of Notification No. 11/2017 Central Tax (Rate) as amended vide Notification No. 20/2019- Central Tax (Rate) and the applicable rate would be 18%.

17.3 We find that the above position has also been clarified under Circular No. 126/45/2019-GST dated 22.11.2019 and the relevant text of the clarification is as follows:

*In view of the above, it may be seen that there is a clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another **registered person**. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act.*

17.4 The above clarification clearly shows that the activity of manufacturing services on physical inputs owned by others would be classifiable under 'Job-work' services in case the goods are received from Registered person and 'Other Manufacturing Services' in case the goods are received from Unregistered person.

18. Accordingly, we hold that the applicant activity of fabrication and mounting of Tanker and Tripper on the chassis supplied and owned by the principal is supply of Service. The rate of tax in both the cases if chassis is supplied by the registered person (principal) i.e. having GSTIN and un-registered person (principal) i.e. not having GSTIN would be 18% as per Entry No. 26 (ic) and 18% as per Entry No. 26(iv) respectively. This activity merits classification SAC 998882 'Other transport equipment manufacturing services' as per Annexure attached to Notification No. 11/2017-CT (Rate) dated 28-6-17.

19. We find that the applicant has relied upon the following Advance Ruling pronounced by various Authority of Advance Ruling:

(i) M/s AB N Dhruv Autocraft (India) Pvt. Ltd. reported at 2020 (41) GSTL 383 (AAR-Gujarat)

The Gujarat Advance Authority Ruling has given the following ruling in the above case and the activity undertaken by Vasant is identical i.e. bus body building to the activity under consideration in the above case:

**RULING**





(A) Whether the treatment or process of body building by fabrication and other processes carried out on chassis of motor vehicle owned by others is supply of services?

**Ans.** In case the applicant received the chassis from the principal on Job work challan/delivery challan and build body on it and thereafter clear to the principal by raising the Invoice of Job work charges, it would amount to supply of service. In cases applicant owned the chassis and built the body and thereafter supply as complete body built motor vehicle to the customer by raising invoice of value of motor vehicle, it would amount to supply of goods.

(B) If the above stated activity of body building is considered as supply of service in terms of description given at paragraph 3 of Schedule-II of the CGST Act, 2017 what will be the rate of GST applicable on such service?

**Ans. A :** We hold that in case of supply of service, rate of GST will be 18% [CGST 9% + SGST 9%]. In case supply of goods i.e. motor vehicle GST rate will be 28% [CGST-14% + SGST-14%]

(C) What will be the Service Code (Tariff) for above stated activity of body building carried out on another person's chassis of motor vehicle?

**Ans:** The activity of body building carried out on another person's chassis of motor vehicle is classifiable under SAC 9988. In case of supply of complete built-up motor vehicle on owns chassis is classifiable under CTH 87 (depends upon type of vehicle supplied)

(ii) Advance Ruling in the case of M/s SLN Tech-Fabs (Bengaluru) Pvt. Ltd. reported at 2020 (34) GSTL 290 (AAR-GST-Kar)

The case under consideration in the above matter was the activity of fabrication of Tippers/ Trailers on the chassis provided by the Principal and the following ruling was given:

#### **RULING**

(1) Charging of GST 28% (CGST @ 14% + SGST @ 14%) as per Sl. No. 169 of Schedule-IV to the Notification No. 1/2017-C.T. (R), dated 28-6-2017 is correct, if the activity of the applicant is treated as supply of goods, falling under Chapter Heading 8707.

(2) The activity of fabrication of body building on Tippers, Trailers etc., merits classification under SAC 998881, under "Motor vehicle and trailer manufacturing services", in terms of Sl. No. 535 of Annexure to Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017.

(3) The applicant can start charging GST 18% (CGST @ 9% + SGST @ 9%) as per Sl. No. (i)(ic) of Notification No. 11/2017-Central Tax (Rate), dated 28-6-2017, as amended by Notification No. 20/2019-Central Tax (Rate), dated 30-9-2019 read with explanation provided under Notification No. 26/2019-C.T. (R), dated 21-11-2019.

(iii) Advance ruling in the case of M/s Commercial Vehicles Ltd. reported at 2020 (39) GSTL 378 (AAR-GST-MP)

(iv) Advance ruling in the case of M/s Tube Investments of India Ltd. reported at 2020 (42) GSTL 256 (AAR-GST-TN)

(v) Advance Ruling in the case of M/s Jeet & Jeet Glass And Chemicals Pvt. Ltd. reported at 2021 (48) GSTL 85 (AAR-GST-Raj)



(vi) Advance Ruling in the case of M/s Kondody Autocraft (India) Pvt. Ltd. reported at 2019 (23) GSTL 488 (AAR-GST)

(vii) Advance Ruling in the case of M/s Rohan Coach Builders reported at 2019 (26) GSTL 525 (AAR-GST)

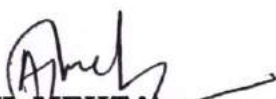
(viii) Advance Ruling in the case of M/s Sanghi Brothers (Indore) Pvt. Ltd. reported at 2019 (27) GSTL 136 (AAR-GST)

19.1 We find that in all the Ruling Authority of Advance Ruling has held that activity of bus body building on the chasis provided/supplied by Principal covers under the category of Service and liable to GST @ 18%. The issue and facts in all the Advance Rulings are similar to the instant case and therefore it has persuasive value in the identical matter. However, as per Section 103 of CGST Act, 2017, any Advance Ruling is binding on the Applicant who has sought it and on the concerned officer or the jurisdictional officer in respect of the Applicant.


20. We, hereby pass the Ruling:

**RULING**

- (i) Activity of fabrication and mounting of Tanker and Tripper on the chasis supplied and owned by the principal is supply of Service as discussed in Para 17.1, 17.2 17.3 and 17.4.
- (ii) Supply of Service merits classification 998882 'Other transport equipment manufacturing services' and Tax Rate is 18% in both the cases (i) Chasis supplied by GST Registered person (ii) Chasis supplied by un-registered person i.e. not having GSTIN.

  
(ATUL MEHTA)  
MEMBER (S)




  
(AMIT KUMAR MISHRA)  
MEMBER (C)

Place: Ahmedabad

Date: 10.08.2022



<b>GUJARAT AUTHORITY FOR ADVANCE RULING</b> <b>GOODS AND SERVICES TAX</b> <b>D/5, RAJYA KAR BHAVAN, ASHRAM ROAD,</b> <b>AHMEDABAD – 380 009.</b>	
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ADVANCE RULING NO. GUJ/GAAR/R/2023/10  
(IN APPLICATION NO. Advance Ruling/SGST&CGST/2022/AR/50)

Date: - 09.03.2023

Name and address of the applicant	:	Manishaben Vipulbhai Sorathiya, [Trade name : Autotech] A-14/8, Ground floor, Road Mp/ 7, Udhyognagar, Udhna, Surat- 394 210.
GSTIN of the applicant	:	24HHZPS8418D1ZL
Date of application	:	20.10.2022
Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.	:	(a)
Date of Personal Hearing	:	22.12.2022
Present for the applicant	:	Shri Nishant C Shukla, Advocate

#### Brief facts:

M/s. Manishaben Vipulbhai Sorathiya, [Trade name : Autotech], A-14/8, Ground floor, Road Mp/ 7, Udhyognagar, Udhna, Surat- 394 210 [for short – ‘applicant’] is registered under GST and their GSTIN is 24HHZPS8418D1ZL.

2. The applicant, a proprietary concern is engaged in the business of manufacture & supply of floor mats for four wheel motor vehicles [cars]. The floor mats are essentially made of PVC [poly vinyl chloride] material.

3. The PVC floor mat as per the applicant is made of the following raw materials viz:

- [a] PVC leather commonly known as artificial leather;
- [b] PU Foam also known as polyurethane foam;
- [c] XLPE foam known as cross linked polyethylene foam;
- [d] PVC mat, commercially known as Heel pad.

4. According to the applicant, the details of the aforementioned raw materials are as under:

- PVC leather commonly known as artificial leather.
  - It gives the impression of leather;
  - It is derived by laminating PVC and fabric;



- It is cheaper than leather;
- It is classified under HSN 59031090 and leviable to GST @ 12%.
- PU Foam also known as polyurethane foam;
  - It is classified under HSN 39211390 and leviable to GST @ 18%.
- XLPE foam known as cross linked polyethylene foam;
  - It's a cross linked closed cell foam with compact feel;
  - Its resistant to water;
  - It is classified under HSN 39211390 and leviable to GST @ 18%.
- PVC mat commercially known as Heel pad
  - The heel pad is nothing but additional foot support for the driver of the vehicle;
  - It is classified under HSN 39211390 and leviable to GST @ 18%.

5. Further, the applicant has explained the manufacturing process of PVC floor mat as under:

- PVC leather and PU foam are laminated with each other;
- this laminated material undergoes embroidery & is further bonded with XLPE foam;
- consequent to the above, cotton thread and adhesive is used to put all the above materials together to make a complete floor mat
- the floor mat is then cut as per the customized vehicle floor pattern adding stitches & piping wherever required;
- after the process, Velcro is attached at the bottom/base surface at the appropriate places to form a firm grip;
- finally Heel pad made up of PVC is affixed/attached on the exposed surface [upper surface] of one floor mat which is for the vehicle driver's side.

6. The applicant's contention is that the product would merit classification under CTH 3918, as the product in question is a floor covering of plastic.

7. The applicant has relied upon the case of M/s. Soft Turf [2021 55 GSTL 52 (AAAR)] & National Plastic Industries Ltd [2018(16)GSTL 287(AAAR Maha)]. The applicant has further in his application stated that floor mats are alternatively also classified under 390410 as held by the Authority for Advance Ruling in the case of M/s. Stinzo Automotive (P) Ltd [2021(47) GSTL 311 (AAR-Haryana)].

8. In view of the foregoing, the applicant is before us raising the following question for advance ruling viz

**What is the appropriate classification & rate of GST applicable on supply of PVC floor mats [Cars] under the CGST & SGST?**

9. Personal hearing was granted on 22.12.2022 wherein Shri Nishant C Shukla, Advocate appeared and reiterated the facts as stated in the application.





## Discussion and findings

10. At the outset, we would like to state that the provisions of both the CGST Act and the GGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the GGST Act.

11. We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made during the course of personal hearing. We have also considered the issue involved, the relevant facts & the applicant's submission/interpretation of law in respect of question on which the advance ruling is sought.

12. We find that the applicant has requested a ruling about the appropriate classification of the floor mats made up of PVC manufactured by him and used in motor cars.

13. Under the GST regime, classification of goods shall be done using the General Rules of interpretation of the first schedule of the Customs Tariff Act, 1975 including the section & chapter notes and the General Explanatory Notes to the HSN of the first schedule of CTA, 1975 in terms of explanation 1 to notification No. 1/2017-Central Tax (Rate), which reads as under:

*(iii) "Tariff item", "sub-heading" "heading" and "Chapter" shall mean respectively a tariff item, sub-heading, heading and chapter as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).*

*(iv) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification*

14. Ongoing through the manufacturing process which is mentioned in detail *supra*, we find that the applicant's product, is an admixture of PVC leather, PU Foam [polyurethane foam], XLPE foam [known as cross linked polyethylene foam]. Cotton thread and adhesive is used to bind all the above materials and then Heel pad is affixed on the PVC mat.





15. Before moving on to decide the issue, it would be prudent to reproduce the competing entries, chapter notes, HSN notes, etc., viz

➤ **(A)**

<b>3904</b>	<b>POLYMERS OF VINYL CHLORIDE OR OF OTHER HALOGENATED OLEFINS, IN PRIMARY FORMS</b>
3904 10	- Poly (vinyl chloride), not mixed with any other substances:
3904 10 10	--- Emulsion grade PVC resin / PVC Paste resin/ PVC dispersion resin
3904 10 20	--- Suspension grade PVC resin
3904 10 90	--- Other
	- Other poly (vinyl chloride), mixed with other substances:
3904 21 00	-- Non-plasticised
3904 22 00	-- Plasticised
3904 30	- Vinyl chloride-vinyl acetate copolymers
3904 30 10	--- Poly (vinyl derivatives)
3904 30 90	--- Other
3904 40 00	- Other vinyl chloride copolymers
3904 50	- Vinylidene chloride polymers
3904 50 10	- - - Copolymer of vinylidene chloride with a crylonitrite, in the form of expansible beads of a diameter of 4 micrometers or more but not more than 20 micrometers
3904 50 90	--- Other
	- Fluro-polymers
3904 61 00	-- Polytetrafluroethylene
	-- Other
3904 69 10	Poly (vinyl fluoride), in one of the forms mentioned in Note 6(b) to this Chapter
3904 69 90	--- Other
3904 90	- Other
3904 90 10	--- Chlorinated poly vinyl chloride (CPVC) resin
3904 90 90	--- Other

➤ **(B)**

<b>3918</b>	<b>FLOOR COVERINGS OF PLASTICS, WHETHER OR NOT SELF-ADHESIVE, IN ROLLS OR IN THE FORM OF TILES; WALL OR CEILING COVERINGS OF PLASTICS, AS DEFINED IN NOTE 9 TO THIS CHAPTER</b>
3918 10	- Of polymers of vinyl chloride
3918 10 10	--- Wall or ceiling coverings combined with knitted or woven fabrics, nonwovens or felts
3918 10 90	--- Other
3918 90	- Of other plastics
3918 90 10	--- Floor coverings of linotype
3918 90 20	--- Wall or ceiling coverings combined with knitted or woven fabrics, nonwovens or felts
3918 90 90	--- Other

➤ **(C)**

- **Note 1 to chapter 39, 'Plastics and articles thereof', states as follows:**

1. Throughout this Schedule, the expression "plastics" means those materials of headings 3901 to 3914 which are or have been capable, either at the moment of polymerisation or at some subsequent stage, of being formed under external influence (usually heat and pressure, if necessary with a solvent or plasticiser) by moulding, casting, extruding, rolling or other process into shapes which are retained on the removal of the external influence.





Throughout this Schedule any reference to "plastics" also includes vulcanised fibre. The expression, however, does not apply to materials regarded as textile materials of Section XI.

- **Note 2 to chapter 39, 'Plastics and articles thereof', states as follows:**

2. This Chapter does not cover:

(a) to (n);

(p) goods of Section XI (textiles and textile articles);

- **Note 9 to chapter 39, 'Plastics and articles thereof', states as follows:**

9. For the purposes of heading 3918, the expression "wall or ceiling coverings of plastics" applies to products in rolls, of a width not less than 45 cm, suitable for wall or ceiling decoration, consisting of plastics fixed permanently on a backing of any material other than paper, the layer of plastics (on the face side) being grained, embossed, coloured, design-printed or otherwise decorated

➤ **(D)**

5703	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, TUFTED, WHETHER OR NOT MADE UP
5703 10	- Of wool or fine animal hair
5703 10 10	--- Carpets
5703 10 20	--- Mats and matting
5703 10 90	--- Other
5703 20	- Of nylon or other polyamides
5703 20 10	--- Carpets, carpeting and rugs
5703 20 20	--- 100% polyamide tufted velour, cut pile loop pile carpet mats with jute, metre, whichever rubber latex is higher or PU foam backing
5703 20 90	--- Other
5703 30	- Of other man-made textile materials
5703 30 10	--- Carpets, carpeting and rugs
5703 30 20	--- 100% polypropylene carpet mats with jute, rubber, latex or PU foam backing
5703 30 90	--- Other
5703 90	- Of other textile materials
5703 90 10	--- Carpets and other floor coverings, of cotton, other than durries
5703 90 20	--- Carpets and floor coverings of Coir
57039090	--- Other

- **Note 1 to chapter 57, 'Carpets and other textile floor coverings', states as follows:**

1. For the purposes of this Chapter, the term "carpets and other textile floor coverings" means floor coverings in which textile materials serve as the exposed surface of the article when in use and includes articles having the characteristics of textile floor coverings but intended for use for other purposes.

➤ **(E)**

8708	PARTS AND ACCESSORIES OF THE MOTOR VEHICLES OF HEADINGS 8701 TO 8705
8708 10	- Bumpers and parts thereof
8708 10 10	--- For tractors
8708 10 90	--- Other
	- Other parts and accessories of bodies (including cabs)



8708 21 00	-- Safety seat belts
8708 29 00	-- Other
8708 30 00	- Brakes and servo-brakes; parts thereof
8708 40 00	- Gear boxes and parts thereof
8708 50 00	- Drive-axles with differential whether or not provided with other transmission components, non-driving axles; parts thereof
8708 70 00	- Road wheels and parts and accessories thereof
8708 80 00	- Suspension systems and parts thereof (including shock absorbers)
	- Other parts and accessories
8708 91 00	-- Radiators and parts thereof
8708 92 00	-- Silencers (mufflers) and exhaust pipes; parts thereof
8708 93 00	-- Clutches and parts thereof
8708 94 00	-- Steering wheels, steering columns and steering boxes; parts thereof
8708 95 00	-- Safety airbags with inflator system; parts thereof
8708 99 00	-- Other

○ **Note 2 of Section XVII of the HSN states as follows :**

2. The expressions "parts" and "parts and accessories" do not apply to the following articles, whether or not they are identifiable as for the goods of this Section:

- (a) joints, washers or the like of any material (classified according to their constituent material or in heading 8484) or other articles of vulcanised rubber other than hard rubber (heading 4016);
- (b) parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of plastics (Chapter 39);
- (c) articles of Chapter 82 (tools);
- (d) articles of heading 8306;
- (e) machines and apparatus of headings 8401 to 8479, or parts thereof, other than the radiators for the articles of this Section, articles of heading 8481 or 8482 or, provided they constitute integral parts of engines and motors, articles of heading 8483;
- (f) electrical machinery or equipment (Chapter 85);
- (g) articles of Chapter 90;
- (h) articles of Chapter 91;
- (ij) arms (Chapter 93);
- (k) lamps or lighting fittings of heading 9405; or
- (l) brushes of a kind used as parts of vehicles (heading 9603).

○ **Note 3 of Section XVII states as follows :**

3. References in Chapters 86 to 88 to "parts" or "accessories" do not apply to parts or accessories which are not suitable for use solely or principally with the articles of those Chapters. A part or accessory which answers to a description in two or more of the headings of those Chapters is to be classified under that heading which corresponds to the principal use of that part of accessory

➤ **(F)**

○ **Relevant notes of HSN :**

87.08 PARTS AND ACCESSORIES OF THE MOTOR VEHICLES OF HEADINGS

87.01 TO 87.05.

8708.10 - Bumpers and parts thereof

- Other parts and accessories of bodies (including cabs):





8708.21 -- Safety seat belts  
 8708.29 -- Other  
 - Brakes and servo-brakes and parts thereof:  
 8708.31 -- Mounted brake linings  
 8708.39 -- Other  
 8708.40 - Gearboxes  
 8708.50 - Drive-axles with differential, whether or not provided with other transmission components  
 8708.60 - Non-driving axles and parts thereof  
 8708.70 - Road wheels and parts and accessories thereof  
 8708.80 - Suspension shock-absorbers  
 - Other parts and accessories :  
 8708.91 -- Radiators  
 8708.92 -- Silencers and exhaust pipes  
 8708.93 -- Clutches and parts thereof  
 8708.94 -- Steering wheels, steering columns and steering boxes  
 8708.99 -- Other

*This heading covers parts and accessories of the motor vehicles of headings 87.01 to 87.05, provided the parts & accessories fulfill both the following conditions :*

- (i) They must be identifiable as being suitable for use solely or principally with the above-mentioned vehicles; and*
- (ii) They must not be excluded by the provisions of the Notes to Section XVII (see the corresponding General Explanatory Note).*

***Parts and accessories of this heading include :***

*(A) .....*

*(B) Parts of bodies and associated accessories, for example, floor boards, sides, front or rear panels, luggage compartments, etc.; doors and parts thereof; bonnets (hoods); framed windows, windows equipped with heating resistors and electrical connectors, window frames; running-boards; wings (fenders); mudguards; dashboards; radiator cowlings; number-plate brackets; bumpers and over-riders; steering column brackets; exterior luggage racks; visors; non-electric heating and defrosting appliances which use the heat produced by the engine of the vehicle; safety seat belts designed to be permanently fixed into motor vehicles for the protection of persons; floor mats (other than of textile material or unhardened vulcanized rubber), etc. Assemblies (including unit construction chassis-bodies) not yet having the character of incomplete bodies, e.g., not yet fitted with doors, wings (fenders), bonnets (hoods); and rear compartment covers, etc., are classified in this heading and not in heading 87.07.*

16. We find that in the citations relied upon by the applicant, in the case M/s. Soft Turf [2021(55 GSTL 52 (AAAR)] & National Plastic Industries Ltd [2018(16)GSTL 287(AAAR Maha)], the Appellate Advance Ruling authority [for short 'AAAR' has classified the PVC carpet mats under CTH 3918, while the Advance Ruling Authority [for short 'AAR'] of Haryana in the case of M/s. Stinzo Automotive (P) Ltd [2021(47)GSTL311(AAR-Haryana)] has held that the PVC floor mats, used for motor vehicles would fall within the ambit of 390410. The applicant has relied on these cases while seeking the advance ruling. Since the competing entries in these two rulings are 3904 and 3918, we will first examine





whether the impugned product would fall within the ambit of 3904, as held by AAR, Haryana.

17. The Advance Ruling Authority of Haryana in the case of M/s. Stinzo Automotive (P) Ltd [2021(47)GSTL311(AAR-Haryana)] has classified the PVC floor mats under 390410, on the reasoning that:

- *Heading 5705 includes other carpets and other textile floor coverings, whether or not made up [such as Mats and matings including Bath Mats, where cotton predominates by weight, of Handloom, Cotton Rugs of handloom]; that heading 5705 talks about carpets and textile floor covering where cotton predominates by weight or made of handlooms or cotton rugs of handloom;*
- *no sub-heading of Chapter 57 covers carpets made of PVC yarn;*
- *Chapter 39 covers plastics and articles thereof; likewise, heading 3904 covers Polymers of Vinyl Chloride or of other Halogenated Olefins, in primary forms;*
- *that in terms of manufacturing process, the car foot mats are made of PVC fibres, which are bounded to each other by way of liquid PVC coating;*
- *as per Chapter 39, note 2, clause (p), goods of Section XI (Textiles and Textile Articles) are excluded from chapter 39. The article manufactured and supplied by the applicant is neither covered under Chapter 57 nor any other chapter of Section XI;*
- *the foot mats are made entirely of PVC and thus is clearly covered under the sub-heading 4904 10 [sic] which covers Poly Vinyl Chloride, not mixed with any other substances, taxable at 18%.*

18. Now, CTH 390410 clearly provides that it covers items by the description of Poly vinyl chloride, **not mixed with any other substances**. This not being the case in the goods manufactured by the applicant the question of the PVC mat of the applicant falling within the ambit of 390410, does not arise.

19. Even otherwise, ongoing through the description of the goods in chapter 39 under the Customs Tariff, we find the description as under:

3901	<b>I. Primary Forms</b> <i>Polymers of Ethylene, In Primary Forms</i>
3902	<i>Polymers of Propylene or of other olefins, In Primary Forms</i>
3903	<i>Polymers of Styrene, In Primary Forms</i>
3904	<i>Polymers of Vinyl Chloride or of Other Halogenated Olefins, In Primary Forms</i>
3905	<i>Polymers of Vinyl Acetate or Of Other Vinyl Esters, In Primary Forms; Other Vinyl Polymers In Primary Forms</i>
3906	<i>Acrylic Polymers In Primary Forms</i>
3907	<i>Polyacetals, Other Polyethers &amp; Epoxide Resins, In Primary Forms; Polycarbonates, Alkyd Resins, Polyallylestere &amp; Other Polyesters, In Primary Forms</i>
3908	<i>Polyamides In Primary Forms</i>
3909	<i>Amino-Resins, Phenolic Resins And Polyurethanes, In Primary Forms</i>
3910	<i>Silicones In Primary Forms</i>
3911	<i>Petroleum Resins, Coumarone-Indene Resins, Polyterpenes, Polysulphides, Polysulphones And Other Products Specified In Note 3 To This Chapter, Not Elsewhere Specified Or Included, In Primary Forms</i>
3912	<i>Cellulose And Its Chemical Derivatives, Not Elsewhere Specified Or</i>





	<i>Included, In Primary Forms</i>
3913	<i>Natural Polymers (For Example, Alginic Acid) And Modified Natural Polymers (For Example, Hardened Proteins, Chemical Derivatives Of Natural Rubber), Not Elsewhere Specified Or Included, In Primary Forms</i>
3914	<i>Ion-Exchangers Based On Polymers Of Headings 3901 To 3913, In Primary Forms</i>
3915	<b><i>II. –Waste, Parings &amp; Scrap; Semi-Manufactures; Articles</i></b>

As is evident, for the goods to fall within the ambit of 3901 to 3914, it has to be in **Primary form**. The goods viz waste, parings, & scrap, semi manufactured and articles would appropriately have to be classified from CTH 3915 onwards. Hence, on this count also, the goods manufactured by the applicant ie PVC floor mat for motor vehicles would not fall within the ambit of CTH 3904. Hence, the applicants alternate reliance on the case of M/s. Stinzo Automotives P Ltd [2021 (47) GSTL 311(AAR-Haryana)], is not legally tenable.

20. We find that the applicant in para (5), page 7, of his submission has primarily contended that his PVC floor mats for motor vehicles manufactured and supplied by them is classifiable under CTH 3918. The applicant has further relied upon the judgement of Uni Products India Ltd. [2020 (116) taxmann.com 401(SC)] in his submission. Thus, we now need to examine whether the product would fall under CTH 3918, 5703 or 8708.

21. CTH 3918 covers within its ambit, floor coverings of plastics, whether or not self adhesive in rolls or in the form of tiles; wall or ceiling coverings of plastics as defined in note 9 to chapter 39. The note is reproduced *supra*. It is not disputed that the applicant's goods are used as floor mats for motor vehicles. Further, the manufactured goods, is an admixture of PVC leather, PU Foam, XLPE foam which is bound together by using a cotton thread and adhesive, consequent to which a Heel pad is affixed.

22. A conjoint reading of notes 1 & 2 of the chapter 39, clearly depicts that "**plastic**" in terms of chapter 39, will not cover any material which is classified as textile material under section XI of the CTH. Relevant notes to section XI of Textiles and Textile articles, states as follows:

"1. This section does not cover. 1

(a).....

(h) Woven, knitted or crocheted fabrics, felt or non-wovens, impregnated, coated, covered or laminated /with plastics, or articles thereof, of Chapter 39"





23. Thus, classification needs to be finalized after deciding the nature of the material used to manufacture PVC floor mats used in motor vehicles. Only the goods made up of textile articles, would get covered under section XI [Textiles & Textiles articles]. However, going by the constituents/ingredients present in the applicants impugned product, the same would get excluded from section XI, by virtue of section note 1(h), *supra*.

24. Thus the question now which remains to be answered is whether the goods supplied by the applicant would merit classification under CTH 3918 or 8708. The concerned tariff item and its description is mentioned *supra*.

25. Going by the tariff heading, section notes, chapter notes, HSN notes, which we have already reproduced above, we are of the opinion that the goods merit classification under CTH 8708 owing to the following reasons *viz*

- the HSN note under 8708 covers *parts and accessories of the motor vehicles* falling under 8701 to 8705 subject to two conditions. The first condition being that the goods in question must be identifiable as being suitable for use solely or principally with the vehicles mentioned from 87.01 to 87.05. The floor mats for four wheel vehicles [cars] made of poly vinyl chloride [PVC], supplied by the applicant, is suitable for use principally with the motor vehicles for which it is being manufactured, it being a tailor made product. The second condition is that these goods must not be excluded by the provisions of the notes to Section XVII. As is evident from note 2 of section XVII of the HSN, PVC floor mats for four wheel motor vehicles does not fall in the exclusion.
- As per section note 2 of section XVII of HSN, parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), **or similar goods of plastics (Chapter 39) are excluded**. Note 2 of section XV of Customs Tariff Act, 1975, states as follows *viz*:

2. Throughout this Schedule, the expression "*parts of general use*" means :  
 (a) articles of headings 7307, 7312, 7315, 7317 or 7318 and similar articles of other base metal;



(b) springs and leaves for springs, of base metal, other than clock or watch springs (heading 9114); and

(c) articles of headings 8301, 8302, 8308, 8310 and frames and mirrors, of base metal, of heading 8306.

In Chapters 73 to 76 and 78 to 82 (but not in heading 7315) references to parts of goods do not include references to parts of general use as defined above.

Subject to the preceding paragraph and to Note 1 to Chapter 83, the articles of Chapter 82 or 83 are excluded from Chapters 72 to 76 and 78 to 81.

Now headings mentioned *supra* is in respect of the following

7307	Tube or pipe fittings (For example, Couplings, Elbows, Sleeves), of Iron or Steel
7312	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated
7315	Chain and parts thereof, of iron or steel
7317	Nails, tacks, drawing pins, corrugated nails, staples (other than those of heading 8305) and similar articles, of iron or steel, whether or not with heads of other material, but excluding such articles with heads of copper
7318	Screws, bolts, nuts, coach-screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of iron or steel

What is therefore excluded is similar goods as mentioned above of plastics falling under Chapter 39. As is evident, PVC floor mats, for four wheel motor vehicles, does not fall in the exclusion. Para (A) of the HSN notes further gives the details of the parts and accessories excluded via note 2 to Section XVII, which states as follows [relevant extract]

(2) Parts of general use as defined in Note 2 to Section XV, for example, cable and chain (whether or not cut to length or equipped with end fittings, other than brake cables, accelerator cables and similar cables suitable for use in motor vehicles of Chapter 87), nails, bolts, nuts, washers, cotters and cotterpins, springs (including leaf springs for vehicles (such goods of base metals fall in Chapters 73 to 76 and 78 to 81, and similar goods of plastics fall in Chapter 39), and locks, fittings or mountings for vehicle coachwork (e.g., made up ornamental beading strips, hinges, door handles, grip bars, foot rests, window opening mechanisms), number plates, nationality plates, etc. (such goods of base metals fall in Chapter 83, and similar goods of plastics fall in Chapter 39).





Again it is evident that the floor mats for four wheel vehicles [cars] made of poly vinyl chloride [PVC] supplied by the applicant does not fall within the exclusion.

- under section note 3 of HSN, parts and accessories which are not suitable for use solely or principally with the articles of Chapters 86 to 88 are excluded. Further, as per Note 3 of the HSN, when a part or accessory can fall in more other one sections as well as in section XVII, the final classification is determined by its sole or **principal use**. In the present case, the floor mats used for four wheel motor vehicles [cars] supplied by the applicant, is principally for use in motor vehicles.
- the parts and accessories of chapter 87 include floor mats (other than of textile material or unhardened vulcanized rubber), etc.. It is not the applicant's case that his product falls within this exception mentioned in the HSN.
- the PVC floor mats used in motor vehicles supplied by the applicant even otherwise, would get excluded from section XI, by virtue of section note 1(h). This view is in-fact supported by the applicant in his application made before us, wherein he has stated that according to him, the floor mats for four wheel vehicles supplied by him would fall within 3918.

26. For the aforementioned reasons, we find that the applicant's claim that his supply would fall under CTH 3918 by relying on the rulings of M/s. Soft Turf [2021(55 GSTL 52 (AAAR))] & National Plastic Industries Ltd [2018(16)GSTL 287(AAAR Maha)], is not legally tenable.

27. In his additional submission, we find that the applicant has also relied upon the case of Uni Products India Ltd. [2020 (116) taxmann.com 401(SC)]. The relevant paragraph, is reproduced below for ease of reference:

*These two appeals against the decision of the Customs Excise & Service Tax Appellate Tribunal (CESTAT) rendered on 16th July, 2008 require adjudication on the question as to whether "car matting" would come within Chapter 57 of the First Schedule to the*





*Central Excise Tariff Act, 1985 under the heading "Carpets and Other Textile Floor Coverings" or they would be classified under Chapter 87 thereof, which relates to "Vehicles other than Railway or Tramway Rolling-Stock and Parts and Accessories Thereof". The appeals are against a common decision and we shall also deal with both these appeals together in this judgment. The respondent-assessee want their goods to be placed under Chapter heading 5703.90.....*

*24. The core issue in these appeals is as to whether car mats come under chapter-heading 57.03 or not. In the second appeal, the numerical representation of the product, as claimed by the assessee, was different but that difference is not of much significance. Revenue's case is that the goods are manufactured in such a way that these can be used as accessories of cars. The Tribunal found that though in common parlance the products involved may not be considered as carpets, in view of the wordings of the chapter, section notes, chapter notes and explanatory notes, the goods were classifiable under chapter heading 570390.90.*

*26..... The Tribunal on detailed analysis on various entries, Rules and Notes have found they fit the description of goods under chapter heading 570390.90. We accept this finding of the Tribunal.....*

The ratio of the aforementioned judgement is not applicable to the facts of the present application in view of the reasoning recorded *supra*. Further, even otherwise, the applicant has nowhere claimed that the production process in respect of their product and the product under dispute before the Hon'ble Supreme Court was similar.

28. In the light of the foregoing, we rule as under:

### **RULING**

29. We hold that the impugned goods i.e. PVC floor mats for use in cars supplied by the applicant is classifiable under CTH 8708 & applicable rate of GST would be 28% [14% each of CGST and SGST].

(MILIND KAVATKAR)  
MEMBER (SGST)



(AMIT KUMAR MISHRA)  
MEMBER (CGST)

Place: Ahmedabad

Date: 09/03/2023