

18% GST applicable on Activity of Surface Coating on Old, Worn out or used Goods received from Customers: The AAR, Maharashtra

Fact of the Case

The applicant, Oerlikon Balzers Coating India Pvt. Ltd., an Indian subsidiary of Oerlikon Balzers AG, provides surface coating services to its customers with respect to various goods such as tools, inserts, semi-finished goods, capital goods etc. The goods are coated with material such as Taniium, Chromium, Aluminum etc., to enhance their life, efficiency, strength and performance. Applicant undertakes surface coating on semi-finished/ original as well as old and worn out and received from customers. The manufacture process of semi-finished/original tools involved Gear cutting, drilling, sharpening, coating, cleaning, inspection etc. The process of coating is outsourced by such tool manufacturers to the Applicant. Coating is therefore one of those involved during manufacture of semi-finished or original tools.

The process of coating old, used or worn out goods remains the same, but the said goods are not sent by Customers for carrying out any part of the process of manufacturing but instead to restore the functionality of the said tools and make them reusable for such Customers. One additional process required for such an old and worn out tool is re-sharpening which is done by the applicant themselves or is outsourced to third parties. Activities undertaken by the Applicant are in the nature of job work as defined under the Central Goods and Services Tax Act, 2017.

The applicant has sought the advance ruling on the issue

- Whether activity of surface coating undertaken by the Applicant in the State of Maharashtra on old, worn out or used goods received from Customers is classifiable under service accounting code 9988 more specifically under code 998898 as job work activity chargeable to tax at 12% in terms of entry no. 26(id) of Notification 11/2017 Central Tax (Rate) as amended or under Service accounting code 9987 more specifically under code 998729 as repairs chargeable to tax at 18% in terms of entry no. 25(ii) of Notification no 11/2017.
- Whether activity of surface coating undertaken by the Applicant in the State of Maharashtra on original/new goods received from Customer is classifiable under service accounting code 9988 more specifically under code 998898 as job work activity chargeable to tax at 12% in terms of entry no. 26(id) of Notification 11/2017 Central Tax (Rate) as amended or at 18% in terms of entry no. 26(iv) of Notification no. 11/2017.

Decision of the Case

The Coram ruled that the activity of surface coating undertaken by the Applicant on original/new goods received from Customer (tool manufacturers and not end users) is classifiable under service accounting code 9988 more specifically under code 998898 as job work activity chargeable to tax at 12% in terms of entry no. 26(id) of Notification 11/2017 Central Tax (Rate) dated 28.06.2017, as amended.

“The activity of surface coating undertaken by the Applicant on old, worn out or used. goods received from Customers (end users) is classifiable under service accounting code 9987 as repairs chargeable to tax at 18% in terms of entry no. 25(ii) of Notification no. 11/2017-CTR dated 28.06.2017, as amended,” the AAR said.

The Maharashtra Authority of Advance Ruling (AAR) held that 18% GST applicable on activity of surface coating on old, worn out or used goods received from Customers.