

	<b>KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM</b>	
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**BEFORE THE AUTHORITY OF:** Shri. Sivaprasad .S, IRS &  
: Shri. Senil A.K. Rajan.

Legal Name of the applicant	M/s.CC FABS
GSTIN	32AAKFC8108P1Z5
Address	6/319A, Nalukettu, Koratty, Thrissur – 680308.
Advance Ruling sought for	i) Whether the activity of tanker body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of service? ii) If it is supply of goods, what is the applicable rate of GST? iii) If it is supply of services, what is the applicable rate of GST? iv) What will be the service code (tariff) for above stated activity of tanker body building carried out on chassis of motor vehicle owned by customer.
Date of Personal Hearing	06.01.2021
Authorized Representative	Shri. K.A.Joseph, Chartered Accountant

**ADVANCE RULING No. KER/107/2021 dated 25.05.2021**

The applicant is engaged in tanker body fabrication on the chassis given by the customer on job work basis. The customers purchase chassis and hand over to the applicant for fabricating the tanker body. On receipt of chassis, a work order with the specifications of the tanker body will be raised and on acceptance of the same by customer, the materials used for structural fabrication of tanker will be procured and tanker body will be built on the chassis. The processes involved in the manufacturing activity are; (a) receiving chassis at workshop; (b) purchase of raw steel; (c) cutting and bending of raw materials; (d) welding of all cut and bend parts; (e) assembly of all fabricated parts and statutory parts; and (f) final product on chassis and delivery of the tanker with license.

2. At the outset, the provisions of the Central Goods and Services Tax Act, 2017 (**hereinafter referred to as CGST Act**) and the Kerala State Goods and Services Tax Act, 2017 (**hereinafter referred to as KSGST Act**) are same except for certain provisions. Accordingly, a reference hereinafter to the provisions of the CGST Act, Rules and the notifications issued there under shall include a reference to the corresponding provisions of the KSGST Act, Rules and the notifications issued there under.

3. The applicant requested for advance ruling on the following;

1. *Whether the activity of tanker body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of service?*
2. *If it is supply of goods, what is the applicable rate of GST?*
3. *If it is supply of services, what is the applicable rate of GST?*
4. *What will be the service code (tariff) for above stated activity of tanker body building carried out on chassis of motor vehicle owned by customer?*

**4. Contentions of the Applicant:**

4.1. The activity of providing service of tanker building on motor vehicles / chassis owned by others by fabrication and collecting lumpsum fabrication charges should be treated as supply of service in terms of Paragraph 3 of Schedule II of the CGST Act, 2017. As per Clause 3 of Schedule II, "any treatment or process which is applied to another person's goods is supply of services". They are merely providing services of fabricating and body building on motor vehicles chassis belonging to another person as per the requirements of their customers. There is no transfer of ownership of the chassis for providing such services and thus it is supply of service. Chassis is a semi-finished good and any treatment done by any other party on the chassis of principal is the activity of job work. The ownership of the chassis is not transferred to the job worker.

4.2. The activity of body building on chassis provided by the owner is in nature of service and in this regard CBIC has issued clarification vide Circular No.52/26/2018-GST dated 09.08.2018. In the circular it is categorically clarified that fabrication of body on chassis provided by the principal (not on account of body builder), would merit classification as service and 18% GST as applicable will be charged. Further for carrying out the activity of building and mounting of the body, the customer provides or delivers

the chassis and ownership of such chassis is not transferred to them in any case. They never purchase such chassis on their own account. They procure various inputs and services directly which are used for carrying out body building on the chassis received and once the body is built and mounted on the chassis, the fully built vehicle is sent back to principal and bill is raised to the customer only for job charges including materials used by them. The consideration received by them is towards the building of body by using their own procured material and mounting of the body on the chassis supplied by the principal. The body requirement differs from party to party and the body is fabricated on chassis supplied by the owner using their own inputs.

4.3. As per Section 2(68) of the CGST Act, the term job work means “any treatment or process undertaken by a person on goods belonging to another registered person” and the expression ‘job worker’ shall be construed accordingly. As per Para 3 of Schedule II to the CGST Act, 2017 any treatment or process which is applied to another person’s goods is a supply of service. Therefore, the service code (tariff) for the above activity of body building carried out on another person’s chassis of motor vehicle should be 9988 that covers “manufacturing services on physical inputs (goods) owned by others” and attracts total 18% GST. Considering this, the activity of building and mounting of the body on the chassis provided by the principal will result in supply of services under HSN code 9988 and hence should be taxed at total rate of 18% GST in terms of clear description of services provided in the scheme of classification of services as Annexure to Notification No.11/2017-CT (Rate) dated 28.06.2017. The applicant also relied upon the Advance Ruling No.KER/39/2019 dated 02.03.2019 given by Kerala Authority to M/s. Kondody Autocraft (India) Pvt. Ltd, Kottayam and also Advance Ruling Advance Ruling No.GUJ/GAAR/R/30/2020 dated 02.07.2020 given by Gujarat Authority to M/s.ABN Dhruv Autocraft (India) Pvt. Ltd.

## **5. Contentions of the Jurisdictional Officer:**

5.1. The jurisdictional officer submitted that the applicant is dealing in Trailers and semi Trailers, other vehicles falling under HSN – 87161000, Paint and Varnishes falling under HSN-32081010, Glass Mirrors, Rear-view mirrors for vehicles falling under HSN-70091010 and stainless steel in Ingots or other primary forms falling under HSN-72181000. They have filed returns collecting and paying GST at the rate of 28% and 18%.

5.2. The activity of Tanker Body Building on job work basis, on the chassis supplied by the customer, is supply of service covered under SAC Code 9988 and thereby attract 18% GST.

**6. Personal Hearing:**

The applicant was granted opportunity for personal hearing on 06.01.2021. Shri. K.A.Joseph, Chartered Accountant represented the applicant. He reiterated the contentions made in the application and requested to issue the ruling on the basis of the submissions made in the application.

**7. Discussion and Conclusion:**

7.1. The matter was examined in detail. The applicant is providing services of body building of tankers on the chassis supplied by the customers. The body is built as per the requirement of the customers. The main issue to be determined is whether the activity constitutes supply of services or supply of goods.

7.2. As per Para 3 of Schedule II of the CGST Act, 2017 which lists out the activities or transactions to be treated as supply of goods or supply of services- any treatment or process which is applied to another person's goods is a supply of service. In the instant case the applicant is building body of tankers on the chassis supplied by the customer as per specifications of the customer. The applicant is collecting the charges for the activity which includes the cost of inputs / material used by the applicant and the labour charges for fabrication of the body. Thus it is evident that the applicant is fabricating body on the chassis belonging to the customer. The ownership of the chassis remains with the customer and at no stage of the process of fabrication of the body, the title in the chassis is transferred to the applicant. Therefore, the applicant is fabricating the body on the chassis belonging to another person and hence the activity is squarely covered under Para 3 of Schedule II of the CGST Act, 2017 as a treatment or process which is applied to another person's goods and accordingly is a supply of services.

7.3. Having come to the conclusion that the activity is a supply of services, we proceed to determine the classification of the activity and the rate of GST applicable. As per the Scheme of Classification of Services notified as Annexure to Notification No. 11/2017

Central Tax (Rate) dated 28.06.2017 the Heading [Service Accounting Code] - 9988 pertains to manufacturing services on physical inputs (goods) owned by others. The Explanatory Notes to the Scheme of Classification of Services states that the services included in the Heading 9988 - Manufacturing services on physical inputs owned by others - are services performed on physical inputs owned by units other than the units providing the service. As such, they are characterized as outsourced portions of a manufacturing process or a complete outsourced manufacturing process. This Heading covers manufacturing services in which the output is not owned by the unit providing this service. Therefore, the value of the services in this Heading is based on the service fee paid, not the value of the goods manufactured. SAC – 99888 under Heading 9988 pertains to Transport equipment manufacturing services and Sub - Heading 998881 pertains to Motor vehicle and trailer manufacturing services. Therefore, the activity of the applicant as discussed above is appropriately classifiable under Service Accounting Code 998881.

7.4. Accordingly, the activity is liable to GST at the rate of 18% [9% CGST + 9% SGST] as per entry at SI No. 26 (iv) – 9988 – “Manufacturing services on physical inputs (goods) owned by others - Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above” of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.

In view of the observations stated above, the following rulings are issued;

### **RULING**

1. Whether the activity of tanker body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of service?

The activity of tanker body building on the chassis supplied by the customer is a supply of service.

2. If it is supply of goods, what is the applicable rate of GST?

Not relevant in view of the answer to Q.No.1 above.

3. If it is supply of services, what is the applicable rate of GST?

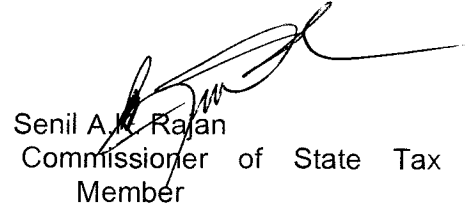
The activity is liable to GST at the rate of 18% [9% CGST + 9% SGST] as per entry at Sl No. 26 (iv) – 9988 – “Manufacturing services on physical inputs (goods) owned by others - Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above” of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.

4. What will be the service code (tariff) for above stated activity of tanker body building carried out on chassis of motor vehicle owned by customer?

The activity of tanker body building on the chassis owned by the customer is classifiable under Service Accounting Code 998881.



Sivaprasad.S  
Joint Commissioner of Central Tax  
Member



Senil A.K. Rajan  
Additional Commissioner of State Tax  
Member

To,

M/s.CC FABS,  
6/319A, Nalukettu, Koratty,  
Thrissur – 680308.

Copy to;

- 1) The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin- 682018. [E-mail ID: [cccocochin@nic.in](mailto:cccocochin@nic.in)]
- 2) The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
- 3) The State Tax Officer – I, Chalakudy, Thrissur. [E-mail ID: [chalakudycto.ctd@kerala.gov.in](mailto:chalakudycto.ctd@kerala.gov.in)]