



**KERALA AUTHORITY FOR ADVANCE RULING  
GOODS AND SERVICES TAX DEPARTMENT  
TAX TOWER, THIRUVANANTHAPURAM**

BEFORE THE AUTHORITY OF: *Shri. S. Anil Kumar IRS &  
: Shri. B.S. Thyagarajababu B.Sc, LL.M*

Legal Name of the applicant	M/s. IRENE RUBBERS
GSTIN	32AAEFI7364P1ZX
Address	157, Irene Building, Kurichy, Kottayam - 686549.
Advance Ruling sought for	(i) Whether the process and treatment carried out on the goods belonging to the principal and made available by the principal amounts to job work?  (ii) Whether the activity of job work carried out on goods falling under Chapter heading 5702 and 5703 is liable to CGST at the rate of 2.5% under Entry No.26(1)(b), Notification no.11/2017 -CTR (Corresponding 2.5% under Kerala GST)?
Date of Personal Hearing	12.04.2019
Authorized Representative	Adv. Radhika Chandra Sekhar

**ADVANCE RULING No. KER/ 45 /2019 Dt.12.04.2019**

M/s. Irene Rubbers is a job worker engaged in production of Rubber backed and rubber edged coir mats and polypropylene mats of various designs and size as required by the principal on the materials provided by the principal. The materials like coir mats and mattings covered under HSN 5702 and tufted carpets covered under HSN 5703 are supplied by the principal for executing job works along with moulds in the required designs. The rubber compound required for the rubber backing and edging is prepared in a mixing mill. The petitioner cut the materials in desired size and mixing the material with molten rubber compound. Accordingly, the molten rubber compound and coir materials are fused / vulcanized perfectly with the aid of hydraulic press. Thereafter, the edges are cut for finishing and the finished product like rubber backend mat of coir, polypropylene of felt will be delivered to the principal.

The petitioner requested advance ruling on the activities like,

(i) Whether the process and treatment carried out on the goods belonging to the principal and made available by the principal amounts to job work?

(ii) Whether the activity of job work carried out on goods falling under Chapter heading 5702 and 5703 is liable to CGST at the rate of 2.5% under Entry No.26 (i) (b), Notification No.11/2017 -CT(R ) dated 28.06.2017 (Corresponding 2.5% under Kerala GST)?

The authorized representative was heard. It is stated that manufacturing services on physical inputs owned by others are treated as service by way of job work. As such this service is covered under SAC 9988. Services by way of job work in relation to Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 are taxable @ 5% GST. The coir fibre supplied by the Principal comes under HSN 5305. Therefore the job work services applied on such goods squarely come under Sl.No.26 (i)(b) of Notification 11/2017 CT (Rate) dated 28.06.2017.

The matter was analysed in detail. Any treatment or process undertaken by a person on the goods belonging to another registered person is a job work as defined in Clause (68) of Section 2 of the CGST / SGST Act. As per the Circular No.38/12/2018 dtd.26-03-2018 issued by CBEC, it is clarified that, in addition to the goods received from the principal, the job worker can use his own goods for providing the services of job work. The services are performed on physical inputs owned by units other than units providing the services. As such, they are characterized as outsourced portions of a manufacturing process or a complete outsourced manufacturing process. Under job work services, the output is not owned by the unit providing this service. Therefore, the value of the services is based on the service charge paid, not the value of the goods manufactured. The job worker, as a supplier of services, is liable to pay GST if he is liable to be registered. He shall issue an invoice at the time of supply of the services. The value of services would include not only the service charges but also the value of any goods or services used by him for supplying the job work services, if recovered from the principal.

The materials supplied for execution of job work are falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975. The materials like carpets, coir etc. are

supplied by the principal for executing job works along with moulds in the required designs. All the raw materials supplied by the principal are covered under Chapter 50 to 63 of the Customs Tariff Act, 1975. Therefore the job work services applied on such goods squarely come under Sl.No.26(i)(b) of Notification 11/ 2017 CT (Rate) dated 28.06.2017 and taxable @ 5% GST.

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

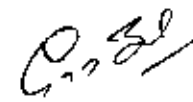
(i) Whether the process and treatment carried out on the goods belonging to the principal and made available by the principal amounts to job work?

Yes. Manufacturing services on physical inputs owned by the principal is treated as service by way of job work and is covered under SAC 9988.

(ii) Whether the activity of job work carried out on goods falling under Chapter heading 5702 and 5703 is liable to CGST at the rate of 2.5% under Entry No.26 (i) (b), Notification no.11/2017 -CT(R) dated 28.06.2017 (Corresponding 2.5% under Kerala GST)?

Yes. The activity of job work carried out on the materials supplied by the principal falling under HSN 5702 & 5703 are taxable @ 2.5% CGST and 2.5% SGST vide Entry No.26(i) (b), Notification No.11/2017-Central Tax (Rate) & SRO.No.370/2017.

  
**S.Anil Kumar, IRS**  
**Additional Commissioner of Central Tax**  
**Member**

  
**B.S.Thyagarajababu, B.Sc, LL.M**  
**Joint Commissioner of State Tax**  
**Member**

To

**M/s. IRENE RUBBERS**  
**157, Irene Building, Kurichy,**  
**Kottayam - 686549.**

