

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



BEFORE THE AUTHORITY OF: Dr S.L. Sreeparvathy, IRS &
:Shri Abraham Renn S, IRS

Legal Name of the applicant	M/s. New Grand Auto Body Works
GSTIN	32AASFN0334L1Z6
ARN NO	AD320721008255K
Advance Ruling sought for	<p>i) Whether the activity of commercial vehicle's body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of services?</p> <p>ii) If it is a supply of goods, what is the applicable rate of GST?</p> <p>iii) If it is supply of services, what is the applicable rate of GST?</p>
Date of Personal Hearing	05/07/2022
Authorized Representative	Adv. Aji V. Dev & Adv. Alan V. Dev

ADVANCE RULING No.KER/145/2021 Dtd.01/08/2022

1. M/s. New Grand Auto Body Works(**hereinafter referred to as the applicant**)is an assesee registered under the GST Act bearing GSTIN 32AASFN0334L1Z6. The applicant is engaged in the business of body building of commercial vehicles used for carrying goods.

2. At the outset, it is clarified that 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 the 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 an advance ruling on the following:

3.1. Whether the activity of commercial vehicle's body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of services?

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

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

4. Contentions of the Applicant:

4.1. The applicant submitted that they are carrying on the business of body building of commercial vehicles. In the normal course of trade, the customer purchase the chassis and hand it over to the applicant for fabricating the vehicle body. The applicant on receipt of the chassis, fabricates the body of the vehicle as per the needs of the customer. Therefore, the applicant's activity in respect of which Advance Ruling is sought for is in the nature of works contract. It is also argued that they are engaged in job work as defined under Section 2(68) of SGST / CGST Act. Section 2(68) defines job work as "*any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly*". In support of this contention, the applicant places reliance on paragraph 3 of Schedule II. The applicant submits that activity carried on by the applicant is in the nature of a service. Schedule II lists certain activities that are to be treated as supply of goods and supply of services. Paragraph 3 of Schedule II deems "*treatment or process which is applied to another person's goods*" as a supply of service.



4.2. It is further submitted that the applicant's activity is of the nature that treatment or processes is applied to the chassis provided by another person and therefore, squarely fall under Paragraph 3 of Schedule II. It is further submitted that the business activity will fall within SAC 9988, is manufacturing services on physical inputs (goods) owned by others. Further in support of their contentions, the applicant also places reliance on the Circular No.52/2018, wherein applicable GST rate for bus body building is classified. The circular clarifies bus body fabrication in 2 situations as follows:

- a) Bus body builder, working on a chassis owned by him and supplies the built bus to the end customer and charges the customer for the value of the bus. In this situation, supply made is that of the bus and attracts 28% GST.
- b) Bus body builder, builds on chassis provided by the principal for body building and realize fabrication charges, including certain materials that was consumed during the process of job work. In this situation, supply would merit classification as service and attracts 18% GST. The applicant further contents before the authority that the activities of the applicant may be declared as supply of service.

5. Remarks of the Jurisdictional Officer:

5.1. The application was forwarded to the jurisdictional officer as per provisions of Section 98(1) of the CGST Act. The jurisdictional officer submitted that the applicant is registered from 30.11.2020. On verification of available records and data on the GST backend portal, it is found that the questions raised in the application for advance ruling are not pending or not decided in any proceedings under any of the provisions of the Act in the case of the applicant so far.

6. Personal Hearing:

6.1. The applicant was granted opportunity for personal hearing on 05.07.2022. Adv. Alan V. Dev, represented the applicant. The counsel



reiterated the contentions made in the application and requested to issue a ruling on the basis of the submissions made in the application.

7. Discussion and Finding:

7.1. The matter was examined in detail. The applicant is providing services of body building of commercial vehicles used for carrying goods 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 commercial vehicles for carrying of goods 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 of 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 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), (ia) and (iii) above" of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.

Given the observations stated above, the following rulings are issued:

RULING

Question 1. Whether the activity of commercial vehicles body building on job work basis, on the chassis supplied by the customer, is supply of goods or supply of services?

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

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

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



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

Ruling: 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), (ia) and (iii) above” of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.

~~Sreeparvathy S.L.
Joint Commissioner of Central Tax
Member~~


Abraham Renn S.
Additional Commissioner of State Tax
Member

To,

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Copy to,

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2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram - 695002.
3. The State Tax Officer, Circle II, Perumbavoor [E-mail ID: perumbavoorcir1.ctd@kerala.gov.in]

