

## **Supply of un-assembled parts and components to railways are not classifiable under Chapter 86 for lower rate of GST**

The Hon'ble AAR Haryana in *M/s. JSL India Private Limited [Advance Ruling No. HAR/HAAR/R/2018-19/51 decided on April 24, 2019]* held that supply of un-assembled rail coach from one unit to another unit where these goods would be assembled together (including fabrication and adding components) to form complete assemblies cannot be classified under Chapter 86 of *Notification No. 1/2017-Central Tax(Rate), dated June 28, 2017 ("Goods Rate Notification")* to attract GST @ 5% and rather, they would attract the general applicable rate of duties as per the classification of each item in their respective chapters.

### **Facts:-**

M/s. JSL India Private Limited ("**Applicant**") is engaged in manufacture and supply of various parts and components of railway coaches to the Indian Railways. The parts and components include roof assembly, retention tank, toilets, side wall assembly, end-walls, carlines, partition profiles, roof-arch etc. ("**Rail Coach Components**") which are manufactured according to the specifications and drawings provided by the Indian Railways, which are classified under customs tariff item 8607 99 10 of the First Schedule of the Customs Tariff Act, 1975

The Applicant received a tender from Indian Railway which required supply of 'assemblies' (i.e., Roof Assembly, Welding Pin Assembly & End roof Assembly) to the Indian Railways.

Due to the inconvenience for transportation of Rail Coach Components in assembled condition, the Applicant has created a manufacturing facility at Chennai and declared such place as "Additional Place of Business".

The rail coach components manufactured at Pathredi would be dispatched in un-assembled condition to Chennai. Upon receipt in Chennai, these parts would be assembled together by welding or bolting to form complete assemblies i.e. roof assembly, roof end assembly etc.

### **Issue:-**

What would be the tariff classification of sub-assemblies supplied from Pathredi unit to Chennai unit as well as the rate of IGST applicable?

**Held:-**

The Hon'ble AAR Haryana in ***Advance Ruling No. HAR/HAAR/R/2018-19/51 decided on April 24, 2019*** has held that:

- Observed that, from GST invoice no. JL1898000594 dated January 28, 2019 that the items back piece, RIB and roof arch for coaches are parts and sub-parts of sub-assemblies. Thus, the Pathredi unit has dispatched parts and sub parts of the sub-assemblies to the Chennai unit.
- Further, fabrication of sub-parts and fabrication of final roof will be done at the Chennai unit. Fabrication is basically a process of making something rather than assembling something as per the dictionary definition of Fabrication. Hence, the process being done at the Chennai Unit amounts to work process or manufacturing.
- Furthermore, the parts assembled in Chennai unit would be done by adding some other components procured from other suppliers and processes such as in-house inspection, fabrication, welding, painting, leakage testing and final inspection would take place. Hence, it can be said that **assembly operation as well as addition of components** is being done to prepare the parent assembly in Chennai unit.
- Stated that Explanatory note VII of the General Rules of the Interpretation of the Harmonized System makes it clear that complete or finished articles presented unassembled or disassembled are to be classified in the same heading as the assembled article only if there is assembly operation is involved. But in the present case assembly operation as well as addition of components is being done to prepare the parent assembly and thereafter being supplied to Indian Railways. Therefore, the goods supplied from Pathredi Unit to Chennai Unit cannot be classified in the same heading as the assembled article is classified.
- As per Para 4 of the ***Circular No. 30/4/2018-GST dated January 25, 2018***, it has been clarified that only the goods classified under Chapter 86 of the Goods Rate Notification, supplied to the Railways attract 5% GST rate with no refund of unutilized

ITC and other goods would attract the general applicable rates to such goods, even if supplied to railways.

- Held that, the goods which would be supplied from Pathredi unit to Chennai unit cannot be classified under Chapter 86 of the Goods Rate Notification hence, they would attract the general applicable rate of duties as per the classification of each item in their respective chapters.

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