

**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	Sri.Puthusserikudy Thankappan Santhosh, M/s. Oyester Auto Body
GSTIN	32BRRPS1291N1Z3
Address	16/78, Kavumpuram, Aimurikkara, Koovapady, Ernakulam, Kerala – 683544.
Advance Ruling sought for	i) Whether the activity of commercial vehicles bodybuilding on a job work basis, on the chassis supplied by the customer, is a supply of goods or supply of services? ii) If it is a supply of goods, what is the applicable rate of GST? iii) If it is a supply of services, what is the applicable rate of GST?
Date of Personal Hearing	05/07/2022
Authorized Representative	Adv. Aji V. Dev & Adv.AlanV. Dev

ADVANCE RULING No.KER/144/2021 Dtd. 01/08/2022

1. M/s. Oyester Auto Body(hereinafter referred to as the applicant) is an assessee registered under the GST Act bearing GSTIN 32BRRPS1291N1Z3. 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 vehicles bodybuilding on a job-work basis, on the chassis supplied by the customer, is a supply of goods or a supply of services?

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

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

4. Contentions of the Applicant:

4.1. The applicant submitted that they are engaged in the business of bodybuilding of commercial vehicles used for carrying goods. In the normal course of trade, the customers purchase the chassis and hand it over to the applicant for fabricating the vehicle's 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 the Works Contract.

4.2. It is further submitted that motor vehicles for the transport of goods (other than refrigerated motor vehicles) fall under heading 8704, chassis fitted with engines fall under heading 8706, bodies including cabs for motor vehicles used for transport of goods falls under heading 8707; and all of it attracts 28% tax. However, manufacturing services on physical inputs (goods) owned by others falls under SAC 9988 and attract 18% GST. It is further submitted that the applicant is engaged in job work as defined u/s.2(68) of CGST / SGST Acts. Sec.2(68) defines job work as "*any treatment or process undertaken by a person on goods 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 to emphasise the point that, the activity carried on by the applicant is in the nature of a service. Schedule II lists certain



activities that are to be treated as a supply of goods and a 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. It is further contended that the applicant's activity is in the nature of treatment or process applied to the chassis provided by a 3rd person and therefore will squarely fall under Paragraph 3 of Schedule II. It is also pointed out that the applicant's activity falls within SAC 9988, ie manufacturing services on physical inputs (goods) owned by others.

4.3. Further the applicant also places reliance on Circular No.52/2018, which clarified the fabrication of buses into two 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, the supply made is that of the bus and attracts 28% GST.
- b. Bus body builder, builds on chassis provided by the principal for bodybuilding and realizes fabrication charges, including certain materials that were consumed during the process of job work. In this situation, supply would merit classification as a service and attracts 18% GST. It is submitted that the circular is applicable to the applicant also, the only difference is that, the applicant deals in commercial vehicles and not buses. The applicants pray for dealing with their activity as a 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 has registered under the Goods and Services Tax Act from 01.07.2017. It is found that the questions raised in the application 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 an opportunity for a personal hearing on 05.07.2022. Adv.AlanV.Dev,represented the applicant. The counsel 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 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 a 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 a body of commercial vehicle for carrying goods on the chassis supplied by the customer as per the specifications of the customer. The applicant is collecting the charges for the activity which include the cost of inputs / material used by the applicant and the labour charges for the fabrication of the body. Thus it is evident that the applicant is fabricating the 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 concluded 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), (iia) 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 commercial vehicle 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), (iia) and (iii) above” of Notification No. 11/2017 Central Tax (Rate) dated 28.06.2017.


Sreeparyathy S.L.

Joint Commissioner of Central Tax
Member


Abraham Renn S.

Additional Commissioner of State Tax
Member

To,

Shri.Puthusserikudy Thankappan Santhosh,
M/s. Oyester Auto Body
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Copy to,

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682018. [E-mail ID: cccchin@nic.in; ccu-cexcok@nic.in]
2. The Commissioner of State Goods and Services Tax Department,
Tax Towers, Karamana, Thiruvananthapuram – 695002.
3. The State Tax Officer,
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