
	KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM	
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BEFORE THE AUTHORITY OF: *Shri. B.G. Krishnan IRS &*

: Shri. B.S. Thyagarajababu B.Sc, LL.M

Legal Name of the applicant	M/s. Vista Marine and Hydraulics
GSTIN	32AAFFV4180P1ZR
Address	XIII/513D, N.H.47, Chandiroor, Alappuzha 688537.
Advance Ruling sought for	Whether the supply of spare parts / accessories and repair service can be considered as composite supply wherein the principal supply is repair service and hence the rate of tax for all the supplies, consisting of spare parts / accessories and repair service, be taken as 18%?
Date of Personal Hearing	05.09.2019
Authorized Representative	Mr. V.J. Cyrjoe, CA.

ADVANCE RULING No. KER/ 58 /2019 Dt.16.09.2019

The applicant is engaged in the business of rendering repairing service of boats / vessels along with supply of spare parts and accessories. The applicant has entered into a Repair Rate Contract with customer, Naval Ship Repair Yard, Southern Naval Command, Indian Navy, Kochi, to provide service, viz., repairing of boats as per the rate mentioned in Repair Rate Contract. On the basis of such contract, necessary spare parts / accessories and repair service are provided by the applicant. Applicant requested advance ruling on the following:

Whether the supply of spare parts / accessories and repair service can be considered as composite supply wherein the principal supply is repair service and hence the rate of tax for all the supplies, consisting of spare parts / accessories and repair service, be taken as 18%?

The authorized representative was heard. It has been pointed out that the applicant being an authorized dealer of Volvo Penta, a division of Volvo Group India (P) Ltd, whenever there is a requirement of repair of Volvo Penta engine installed boats, on the basis of quotation given by the applicant, the customer shall raise a Repair Work Order, wherein the details of spare parts / accessories to be supplied along with the price, service to be rendered along with rate, etc. shall

be separately specified, in consonance with the Repair Rate Contract. After completion of the work, the applicant shall raise invoice to the customer indicating therein the value of various spare parts / accessories and service charge of repair work separately, as mentioned in the work order. Rate of tax of supply of spare parts involved, if considered as independent supply, include both 28% and 18%, whereas the rate of tax of repair service is 18%. The repair service of boats along with supply of necessary spare parts and accessories is a composite supply wherein the principal supply is supply of repair service and thereby attracts 18% GST.

The matter was examined in detail. The applicant is engaged in the business of rendering repairing service of boats / vessels along with supply of spares and accessories. They had entered into a contract with Naval Ship Repair Yard for repairing of boats as per the rate mentioned in Repair Rate Contract on the basis of which necessary spare parts and accessories are also to be supplied by the applicant. Whenever, there is a requirement for repair of the Volvo Penta Engine installed boats, the Naval Ship Yard raises a Repair Work Order wherein the details of spare parts / accessories to be supplied along with the price, service to be rendered along with rate shall be separately specified in the Work Order as per the Repair Rate Contract. On completion of the work the applicant raises invoice to the Naval Ship Yard indicating therein the value of spare parts / accessories and service charges separately as mentioned in the work order.

The question raised by the applicant is whether the supply of spare parts / accessories and repair service can be considered as composite supply wherein the principal supply is repair service and hence the rate of GST applicable is the rate applicable to supply of repair service.

The Article -4 – Para 4.1.1 of the Repair Rate Contract agreement reads as follows;

4.1: Contract Price

4.1.1: This is rate contract for completion of work specified in Article 3.2 for a period of three years from the date of signing the contract. The approved unit rate of service charge and list of spares are placed at Annexure – 2 of this contract.

4.1.2 (a): The quoted rates for supply of spares for first year will be applicable up to 31st March 2018.

(b) The firm will submit the revised price list of spares in the first week of January in the years 2018, 2019 and 2020. The upward revision will not exceed 6% with respect to previous year's price.

The Article -25 – Para 25.1 of the RRC reads as follows;

25.1: Fall Clause

25.1.1: Fall Clause is a price safety mechanism in rate contracts. The fall clause provides that if the rate contract holder reduces its price or sells or even offers to sell the rate contracted goods following conditions of sale similar to those of the rate contract, at a price lower than the rate contract price, to any person or organisation during the currency of the rate contract, the rate contract price will be automatically reduced with effect from that date for all the subsequent supplies under the rate contract and the rate contract amended accordingly.

From the above it is evident that in the Repair Rate Contract entered by the applicant with the Naval Ship Yard; the supply of spares / accessories and repair service are distinct and separately identifiable supplies for which the rates are quoted differently; work orders are issued separately specifying the spares / accessories to be supplied and the services to be supplied and the rates applicable thereon as per the rates quoted in the Repair Rate Contract. The applicant is also issuing invoices separately indicating the value of spares / accessories and the service charges.

Further the Repair Rate Contract provides for revision of rate of supply of spares / accessories separately and fall clause is also provided for the supply of spares / accessories.

Considering the clauses as above in the Repair Rate Contract, the fact of issue of work order separately for supply of spares / accessories and repair service the activity of the applicant is covered by the clarification in Para 2.2 of CBIC Circular No.47/21/2018 – GST dated 08.06.2018 wherein it is clarified that where a supply involves supply of both goods and services and the value of such goods and services supplied are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately.

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

Whether the supply of spare parts / accessories and repair service can be considered as composite supply wherein the principal supply is repair service and hence the rate of tax for all the supplies, consisting of spare parts / accessories and repair service, be taken as 18%?

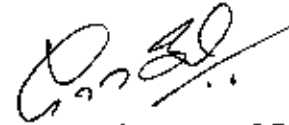
The supply of spares parts / accessories and repair service are distinct and separately identifiable supplies for which the rates are quoted differently and work orders are issued separately specifying the spares / accessories to be supplied and the services to be supplied and the rates applicable thereon as per the rates quoted in the Repair Rate Contract can't be considered as a composite supply. Where a supply involves supply of both goods and services and the value of such goods and services supplied are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately.



B. G. Krishnan, IRS

Joint Commissioner of Central Tax

Member



B.S. Thyagarajababu, B.Sc, LL.M

Joint Commissioner of State Tax

Member

To

M/s. Vista Marine & Hydraulics,
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