

**THE AUTHORITY FOR ADVANCE RULINGS
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009**

Advance Ruling No. KAR ADRG 34/2022

Date : 14-09-2022

Present:

1. Dr. M.P. Ravi Prasad

Additional Commissioner of Commercial Taxes Member (State)

2. Sri. T. Kiran Reddy

Additional Commissioner of Customs & Indirect TaxesMember (Central)

1.	Name and address of the applicant	M/s. EBERSPAECHER SUETRAK BUS CLIMATE CONTROL SYSTEMS INDIA PRIVATE LIMITED, Survey No.25/1, Devalapura Village, Anugondanahalli Hobli, Hoskote Taluk, Bengaluru Rural- 560 067.
2.	GSTIN or User ID	29AACCE3922E1ZV
3.	Date of filing of Form GST ARA-01	19-05-2022
4.	Represented by	Sri. Anant Nyamannavar, C A & Authorised Representative
5.	Jurisdictional Authority – Centre	The Commissioner of Central Tax, Bangalore East Commissionerate, Bengaluru. (Range-AED7)
6.	Jurisdictional Authority – State	ACCT, LGSTO-35, Bengaluru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2904220333858 dated 22.04.2022.

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

M/s. Eberspaecher Suetrak Bus Climate Control Systems India Pvt. Ltd., (herein after referred to as 'Applicant'), Survey No.25/1, Devalapura Village, Anugondanahalli Hobli, Hoskote Taluk, Bengaluru Rural, Karnataka – 560 067, having GSTIN 29AACCE3922E1ZV, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and



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Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017, in FORM GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and KGST Act.

2. The applicant is a Private Limited Company registered under Companies Act and has GST registrations in Bengaluru, Mumbai, Bhubaneswar, Delhi and Kolkata. They are into manufacture of Bus Rooftop air conditioning systems which include Rooftop Unit, Compressor and installation kit. In addition the applicant undertakes installation and servicing of air conditioning systems as per the requirement of customers through dealer network. They specially cater to the needs of passenger buses and is not into the business of air conditioning systems for passenger car, commercial vehicles, house or office.

3. In view of the above, the applicant has sought advance ruling in respect of the following questions:

- i. Classification of Bus air-conditioning system inclusive of Rooftop unit, compressor and installation kit for one consolidated price to a single customer.
- ii. Classification of Rooftop unit, compressor and installation kit sold to single customer for a single fitting at customer end, but price negotiated and agreed separately for each unit.
- iii. Classification of Rooftop unit, compressor and installation kit sold as mentioned below:
 - a. Rooftop unit alone
 - b. Rooftop unit and compressor
 - c. Compressor
 - d. Installation Kit
 - e. Compressor and installation kit
 - f. Rooftop unit and installation kit
 - g. Rooftop unit and compressor

3.1 Admissibility of the application: The question is about the “classification of goods or services or both” and hence is admissible under Section 97(2)(a) of the CGST Act 2017.

4. BRIEF FACTS OF THE CASE: The applicant furnishes the following facts relevant to the issue:

4.1 Rooftop air conditioning systems are fitted on mobile vehicles to control the inside temperature and provide adequate ventilation. The said systems mainly consists of three components (units) namely Rooftop unit, compressor and installation kit.

a) **Rooftop Unit** : This item is seen on the roof of the bus i.e. certain portion is seen inside the roof of the bus and certain portion is seen on the top of the



roof facing sky; It is designed depending on the size of the bus and the chassis size; It contains one evaporator and one condenser, which can either be integrated as a single unit or a split unit based on the unit design of the rooftop and expectation/requirement of the customer.

The evaporator cools the air inside the bus with the help of temperature sensor and condenser absorbs the heat from inside the bus and exchanges it to the atmosphere. Rooftop consists of heat exchangers, blowers, fans, copper tubing's, relay panel, rubber hoses and electrical wiring harness.

Though there is requirement of compressor and installation kits for running of rooftop unit, customer can choose to buy the compressor and installation kit separately from another vendor.

- b) Installation Kit: It consists of controller, hoses, wiring harness, drain hoses, hardware accessories. The main purpose of the items in kit is to facilitate Rooftop unit installation on to the bus. Customers can buy only installation kit without rooftop unit.
- c) Compressor: This is the heart of the complete AC system where the refrigerant is pumped to the rooftop in cycles for the heat exchange process. Cold air is not possible without a working air conditioner compressor. Some customers buy only compressor with or without modifications. Compressor is a bought out item for the company.
- d) GST Rates being applied by the Applicant:

Sl.No.	Item	GST Rate	Notification
1	Rooftop unit (as a standalone unit without installation kit and compressor)	28%	1/2017-CT(R)
2	Complete Bus air-conditioning system (sold as complete unit with installation kit and compressor)	28%	1/2017-CT(R)
3	Compressor (sold independently with or without alteration i.e. not as a part of air conditioning system)	18%	27/2017-CT(R)

5. Applicant's Interpretation of Law:

The applicant instead of giving their arguments have merely quoted the definitions of composite supply, mixed supply and Section 8 of the CGST Act 2017, and stated that:

Rooftop unit, Installation kit and Compressor together when sold for a single price can be treated as composite supply. However, in some cases customers negotiate the prices separately for Rooftop unit, Installation kit and Compressor and customer has option to choose the all or any of these three units. Customer accordingly issues purchase order for units he needs with separate prices for each unit. In such cases, whether we can still call it as composite supply or mixed supply?



PERSONAL HEARING PROCEEDINGS HELD ON 22.06.2022

6. Sri. Anant Nyamannavar, Chartered Accountant and Authorised Representative of the applicant appeared for personal hearing proceedings and reiterated the facts narrated in their application.

FINDINGS & DISCUSSION

7. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and the KGST Act, 2017 are in pari-materia and have the same provisions in like matters and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.

8. We have considered the submissions made by the applicant in their application for advance ruling. We also considered the issues involved on which advance ruling is sought by the applicant and relevant facts along with the arguments made by the applicant & the submissions made by their learned representative during the time of hearing.

9. The applicant manufactures & supplies Bus Rooftop air conditioning systems which include Rooftop Unit, Compressor and installation kit; undertakes installation and servicing of air conditioning systems as per the requirement of customers through dealer network. The applicant specially caters exclusively to the needs of passenger buses. In view of this the applicant sought advance ruling in respect of the questions mentioned at para 3 supra with regard to classification of their product/s.

10. We proceed to consider one question at a time. In this regard we invite reference to explanation (iii) and (iv) given in Notification No.1/2017-Central Tax (Rate) dated 28.06.2017, relevant to the classification of goods under GST, which are as under:

Explanation. – For the purposes of this notification No.1/2017-Central Tax (Rate) dated 28.06.2017,-

(iii) “Tariff item”, “sub-heading” “heading” and “Chapter” shall mean respectively a tariff item, sub-heading, heading and chapter as specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

(iv) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification.



11. We consider the first question with regard to Classification of Bus air-conditioning system which comprises of Rooftop unit, compressor and installation kit for one consolidated price to a single customer. We examined and observed from the Customs Tariff Act 1975 that Chapter 84 covers machinery and mechanical appliances and parts thereof and heading 8415 covers Air conditioning machines, comprising a motor driven fan and elements for changing the temperature and humidity, including those machines in which the humidity can't be separately regulated. Heading 8415 20 covers air conditioning machines of a kind used for persons in motor vehicles and the heading 8415 2010 covers the said machines for buses.

12. In the instant case, it is an admitted fact that the applicant supplies the air conditioning system, comprising of Rooftop unit, Compressor and Installation kit, as a single product for a consolidated price to a single customer, exclusively for buses. Thus the said air conditioning system for buses merits classification under heading 8415 20 10 as the same is specifically classified under the said heading.

13. The second question is about the classification of Rooftop unit, compressor and installation kit sold to single customer for a single fitting at customer end, but price negotiated and agreed separately for each unit. It could be inferred from the question that the applicant is undoubtedly supplying bus air condition system only comprising all the three major components as in the case of first question, but the prices of individual components have been negotiated and agreed separately for each of the units. Further it is an admitted fact and pertinent to mention here that these parts are meant for a single fitting at customer end. In other words the entire air condition system is fitted into a particular bus and for a particular customer except that the components are negotiated and agreed separately.

14. In this regard, we invite reference to Notes 2 to 5 of Section XVI of the Customs Tariff Act 1975, which are as under:

2. Subject to Note 1 to Section XVI, Note 1 to Chapter 84 and to Note 1 to Chapter 85, part of machines (not being parts of the articles of heading 8484,8544,8545,8546 or 8547) are to be classified according to the following rules:

(a) parts which are goods included in any of the heading of Chapter 84 or 85 (other than headings 8409,8431,8448,8466,8473,8487,8503,8522,8529,8538 and 8548) are in all cases to be classified in their respective headings;

(b) other parts, if suitable for use solely or principally with a particular kind of machine, or with a number of machines of the same heading (including a machine of heading 8479 or 8543) are to be classified with the machines of that kind or in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate. However, parts which are equally suitable for use principally with the goods of heading 8517 and 8525 to 8528 are to be classified in heading 8517, and parts which are suitable for use solely or principally with goods of heading 8524 are to be classified in heading 8529;



(c) all other parts are to be classified in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate or, failing that, in heading 8487 or 8548.

3. Unless the context otherwise requires, composite machines consisting of two or more machines fitted together to form a whole and other machines designed for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function.

4. Where a machine (including a combination of machines) consists of individual components (whether separate or interconnected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole falls to be classified in the heading appropriate to that function.

5. For the purposes of these Notes, the expression "machine" means any machine, machinery, plant, equipment, apparatus or appliance cited in the headings of Chapter 84 or 85.

It could be seen from Note 3 supra that parts of composite machines consisting of two or more machines fitted together to form a whole are to be classified as if consisting only of that component or as being that machine which performs the principal function. Further in terms of Note 4 supra, where a machine consisting of individual components (whether separate or interconnected by piping, by transmission devices, by electric cables or by other devices) intended to contribute together to a clearly defined function covered by one of the headings in Chapter 84 or Chapter 85, then the whole falls to be classified in the heading appropriate to that function. In the instant case when Rooftop Unit, Compressor and Installation Kit are supplied together to a single customer for a single fitting at customer end, it amounts to supply of a composite machine designed for the purpose of performing the principal function of a bus air conditioning system, and hence such supply is classifiable under tariff heading 84152010 and attracts GST accordingly.

15. The third question is about classification of Rooftop unit, compressor and installation kit when sold individually or combinations thereof as under:

- i. Rooftop unit alone
- ii. Rooftop unit and compressor
- iii. Compressor
- iv. Installation Kit
- v. Compressor and installation kit
- vi. Rooftop unit and installation kit
- vii. Rooftop unit and compressor

We proceed to examine the classification of the parts of the composite machine "air condition system for a bus" i.e. Rooftop unit, compressor and installation kit when sold individually or in combinations thereof. In this regard we



observed that Rooftop unit and Installation kits are not classified individually under the Customs Tariff Act 1985, but are identified/recognised as parts of the composite machine i.e. "air condition system for a bus" itself. Thus the above items either individually or in combinations, are to be classified as parts of said composite machine, as they are suitable for solely or principally with a particular composite machine i.e. air conditioning system for bus. Thus they merit classification under heading 8415.90.00 i.e., parts of air conditioning machines and attracts GST accordingly.

16. Now we proceed to examine the classification of compressor when sold individually. We observed from the Customs Tariff Act 1985 that the air or other gas compressor is classified under tariff heading 8414 and the extract of relevant entries is as under:

Tariff Item	Description of goods
8414	AIR OR VACUUM PUMPS, AIR OR OTHER GAS COMPRESSORS AND FANS; VENTILATING OR RECYCLING HOODS INCORPORATING A FAN, WHETHER OR NOT FITTED WITH FILTERS; GAS-TIGHT BIOLOGICAL SAFETY CABINETS, WHETHER OR NOT FITTED WITH FILTERS
.....
8414 3000	- Compressors of a kind used in refrigerating equipment
8414 40	- Air compressors mounted on a wheeled chassis for towing
8414 40 10	--- Reciprocating air compressors
8414 40 20	--- Centrifugal air compressors
8414 40 30	--- Screw air compressors
8414 40 90	--- Other
.....
8414 80	- Other :
	--- Gas compressors:
8414 80 11	---- Of a kind used in air-conditioning equipment
8414 80 19	---- Other
.....
8414 90	- Parts :
	--- Of air or vacuum pumps and compressors:
8414 90 11	---- Of gas compressors of a kind used in refrigerating and air conditioning appliances and machinery
.....
8414 90 90	--- Other

17. It could be seen from the table above that **gas compressor of kind used in air-conditioning equipment** are classified under tariff heading 84148011. We invite reference to Note 2(a) of Section XVI, mentioned at para 14 supra, which specifies that "parts which are goods included in any of the heading of Chapter 84 or 85 (other than headings 8409,8431,8448,8466,8473,8487,8503,8522,8529,8538 and 8548) are in all cases to be classified in their respective headings". Thus the gas



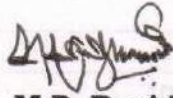
compressors used in air-conditioning equipment which are classified under tariff heading 84148011 merit classification in all cases in their respective heading only and accordingly the compressor in the instant case merits classification under tariff heading 84148011 and attract GST accordingly.

18. In view of the foregoing, we pass the following

RULING

- a. The Bus air-conditioning system inclusive of Rooftop unit, compressor and installation kit for one consolidated price to a single customer merits classification under heading 8415 20 10.
- b. The Rooftop unit, compressor and installation kit sold to single customer for a single fitting at customer end, but price negotiated and agreed separately for each unit also merits classification under heading 8415 20 10.
- c. The Rooftop unit or installation kit sold individually or in combinations thereof, as mentioned below, merit classification under heading 8415.90.00.
 - i. Rooftop unit alone
 - ii. Rooftop unit and compressor
 - iii. Installation Kit
 - iv. Compressor and installation kit
 - v. Rooftop unit and installation kit
 - vi. Rooftop unit and compressor

The compressor sold alone merits classification under tariff heading 84148011, as discussed at para 17 supra.



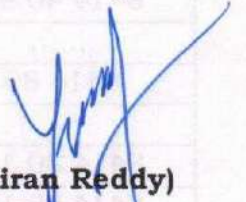
(Dr. M.P. Ravi Prasad)

Member

Karnataka Advance Ruling Authority

Place: Bengaluru - 560 009

Date : 14-09-2022



(T. Kiran Reddy)

Member

Karnataka Advance Ruling Authority
Bengaluru - 560 009

To,
The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bengaluru East Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-35, Bengaluru. Office Folder.



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