

**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 62 / 2021

Dated : 29-10-2021

Present:

1. Dr. M. P. Ravi Prasad
Additional Commissioner of Commercial Taxes Member (State)
2. Sri. T. Kiran Reddy
Joint Commissioner of Customs & Indirect TaxesMember (Central)

1.	Name and address of the applicant	M/s. ALCOATS, Plot No.242, Hebbal Industrial Area, Mysuru-570018.
2.	GSTIN or User ID	29AAHFA7052R1ZS
3.	Date of filing of Form GST ARA-01	16-08-2021
4.	Represented by	Sri. Sridharan Bhat, Chartered Accountant, and Duly Authorised Representative.
5.	Jurisdictional Authority – Centre	The Principal Commissioner of Central Tax, Mysore Commissionerate, Vinaya Marga, Siddhartha Nagar, Mysuru-570 011.
6.	Jurisdictional Authority – State	ACCT, LGSTO-190, Mysuru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- each under CGST Act & KGST Act through debit from electronic cash ledger vide reference No.DC2907200212412 dated 20/07/2020.

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

M/s. ALCOATS (herein after referred to as “Applicant”), Plot No.242, Hebbal Industrial Area, Mysuru – 570 018, having GSTIN 29AAHFA7052R1ZS, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and 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 the KGST Act.



2. The Applicant is a Private Limited Company registered under the provisions of Central Goods and Services Tax Act, 2017 / Karnataka Goods and Services Tax Act, 2017 (hereinafter referred to as the CGST Act and KGST Act respectively). The Applicant is engaged in providing job work services by carrying out the processes such as anodizing, plating on the materials sent by its customers, on job work basis.

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

Applicable rate of GST for our activity when it is provided to registered person, as per Notification No.11/2017-Central Tax (Rate) dated 28-06-2017 as amended time to time and clarification Circular No.126/45/2019-GST dated 22-11-2019 serial number 26 of the said notification as amended time to time specifies tax rate for the heading 9988 (manufacturing services on physical inputs (goods) owned by others), Whether our activity falls under item number (id) which attracts 12% tax rate (GSTs at 6%) or whether it falls under item number (iv) which attracts 18% tax rate (GSTs at 9%)

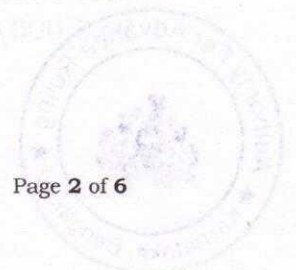
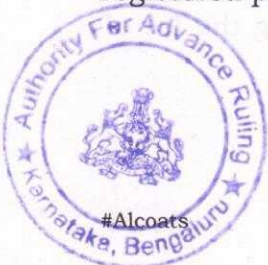
4. **Admissibility of the application:** The question is about “applicability of notification issued under the CGST Act 2017” and consequently the applicable rate of GST to their activity. Hence the application is admissible under Section 97(2)(b) of the CGST Act 2017.

5. **BRIEF FACTS OF THE CASE:** The Applicant states that they are engaged in providing job work services by carrying out the process such as anodizing, plating on the materials sent by its customers on job work basis i.e., manufacturing services on physical inputs (goods) owned by others. Applicable SAC Code for their services is 998873 – Other fabricated metal product manufacturing and metal treatment services.

6. **APPLICANT’S INTERPRETATION OF LAW:**

6.1 The applicant states that they receive the materials from their customers (principal manufacturer) to carry out job work activity which involves anodizing, silver plating and painting treatment on the materials sent by them.

6.2 After executing required treatment, they send back the materials to the customer (i.e., principal manufacturer). They are providing services only to registered person.



PERSONAL HEARING PROCEEDINGS HELD ON 07.10.2021

7. Shri Shridharan Bhat, Chartered Accountant and Duly Authorised Representative of the applicant appeared for personal hearing proceedings and reiterated the facts narrated in their application.

FINDINGS & DISCUSSION

8. 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.

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

10. The applicant is engaged in providing job work services by carrying out the processes such as anodizing, plating on the materials sent by their customers and returns the said material back to the respective customers. In this regard the applicant sought advance ruling on the issue that whether their activity is covered under clause (id) or clause (iv) of the entry number 26 of Notification No.11/2017-Central Tax (Rate), as amended, and consequential rate of GST applicable to their activity.

11. In view of the above, the issue before us to decide is the applicable rate of GST on the job work services of the applicant consequent to the amendment of Notification No.11/2017-Central Tax (Rate) dated 28-06-2017 by Notification 20/2019 Central Tax (Rate) dated 30-09-2019, effective from 01.10.2019. In this regard we invite to reference to the entry number 26 pertains to heading 9988 which covers the manufacturing services on physical inputs (goods) owned by others.

12. The Jurisdictional Assistant Commissioner of Central Tax & Central Excise, Bannimantap Division, Mysore Commissionerate, Mysore, in response to this office letter dated 18.08.2021, furnished their comments/views on the issue/s, vide their letter dated 07.09.2021, which are appended below:

- i. *The applicant M/s. Alcoats vide their letter dated 13-08-2021 enclosed to the above Head Quarters dated 25-08-2021 has informed that they provide job work services by carrying out the process such as anodizing, plating on the materials sent by its customers on job work basis. Applicable SAC code for their service is 998873.*



- ii. Further, the applicant vide letter dated 13.08.2021 sought the Advance Ruling from the Advance Ruling Authority in Karnataka, as to whether, their activity falls under item number (id) which attracts 12% tax rate (CGST at 6%) or falls under item number (iv) which attracts 18% tax rate (CGST at 9%) vide Notification No.11/2017-Central Tax (Rate) dated 28-06-2017 as amended.
- iii. Section 2(68) of CGST Act, 2017, defines "Job work means any treatment or processing undertaken by a person on goods belonging to another registered person and the expression 'job worker' shall be construed accordingly."
- iv. Serial Number 26 of the said Notification prescribes rates of tax for various services including "job work" services under the SAC Heading 9988 (viz Manufacturing services on physical inputs (goods) owned by others, other than (i) above.
- v. Further, Notification No.20/2019-Central Tax (Rate) dated 30-09-2019 amended the Notification No.11/2017-Central Tax (Rate) dated 28-06-2017, wherein, entries (ib), (ic) & (id) under the heading 9988 inserted at Serial No.26, with effect from 01-10-2019.
- vi. From the information provided by the Applicant it is noticed that they are providing job work services on the materials sent by their customers. The job work services provided by the applicant appears to be covered under the two entries (viz at (id) which attracts 12% rate of tax; and at (iv) which attracts 18% rate of tax w.e.f., 01-10-2019 of serial number 26 of Notification No.11/2017-Central Tax (Rate) dated 28-06-2017 as amended.
- vii. In this regard, the C.B.I.C has issued a clarification vide Circular No.126/45/2019-GST dated 22-11-2019. At Para 4 of the said Circular, the Board has clarified that "there is clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No.11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in Section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another registered person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act"; and
- viii. From the facts furnished by the Applicant, it is seen that they are providing job work services only to the registered persons.



- ix. In view of the above, it is opined that w.e.f., 01-10-2019 the Applicant is liable to pay GST at the rate of 12% (6% CGST vide Sl.No.26(id) of Notification No.11/2017-C.T. Rate + 6% SGST under the relevant notification) if the job work services are provided to the registered persons. However, if the job work services are provided to the un-registered persons, they are liable to pay GST at the rate of 18% (9% CGST vide Sl.No.26(iv) of Notification No.11/2017-C.T. Rate + 9% SGST under the relevant notification). It is further opined that the Applicant's GST liability would be 18% (9% CGST (under sub entries (iv)/ (iii) / (ii) (during the respective periods) of Sl.No.26 of Notification No.11/2017-C.T. Rate as amended from time to time + 9% SGST under the relevant notification) for the period upto 30-09-2019 irrespective of whether the services are provided to registered or unregistered persons.
- x. It is also submitted that the issue is covered under the decisions of AAR as below: (i) 2020 (34) G.S.T.L. 641 (A.A.R.-GST-T.N.)-IN RE: ELECTROPLATING AND METAL FINISHERS (Order No.06/AAR/2020, dated 31-01-2020 in Application Sl.No.42/2019) (ii) ADVANCE RULING No.GUJ/GAAR/R/89/2020 (IN APPLICATION NO.Advance Ruling /SGST & CGST / 2019/AR/61) Date: 17-09-2020 (available at <https://taxguru.in/wp-content/uploads/2020/01/In-re-ENP-Techno-Engineers-GST-AAT-Gujarat.pdf>)

13. In view of the above the core issue before us to decide is whether the job work services provided by the applicant are covered under clause (id) or clause (iv) of entry number 26 of Notification No.11/2017-Central Tax(Rate) dated 28-06-2017 for the heading 9988 or not. In this regard we invite reference to para 4 of the circular No.126/45/2019-GST dated 22-11-2019, issued by the CBIC, wherein it is communicated as under:

*"there is clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No.11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in Section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another **registered** person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act".*

14. It could be inferred from the foregoing circular (para 4) that the job works defined under Section 2(68) of the CGST Act i.e. job work services by way of treatment or processing undertaken by a person on goods belonging to another registered person are covered under clause (id) of entry number 26 of the Notification 11/2017-Central Tax (Rate) dated 28.06.2017, as amended, and clause (iv) of the notification supra covers only services which are excluded under clause



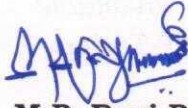
(id) and also carried out on physical inputs (goods), owned by the unregistered person/s.

15. In the instant case the applicant provides the job work services on the goods belonging to registered persons and hence are covered under clause (id) of entry number 26 of the Notification 11/2017-Central Tax (Rate) dated 28.06.2017, as amended and accordingly attract GST rate of 12%.

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

RULING

The job work services undertaken by the applicant by way of treatment or processing such as anodizing, plating, on the goods / materials belonging to the registered persons are covered under clause (id) of entry number 26 of the Notification 11/2017-Central Tax (Rate) dated 28.06.2017, as amended and accordingly attract GST rate of 12%.



(Dr. M.P. Ravi Prasad)

Member
MEMBER

Karnataka Advance Ruling Authority
Place : Bengaluru - 560 009



(T. Kiran Reddy)

Member
MEMBER

Karnataka Advance Ruling Authority
Bengaluru - 560 009

Date : 29-10-2021

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 Principal Commissioner of Central Tax, Mysore Commissionerate, Mysuru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-190, Mysuru.
5. Office Folder.

