

**AUTHORITY FOR ADVANCE RULING, TAMILNADU**  
**DOOR NO.32, INTEGRATED COMMERCIAL TAXES OFFICE COMPLEX**  
**5<sup>TH</sup> FLOOR, ROOM NO. 503, ELEPHANT GATE BRIDGE ROAD,**  
**CHENNAI -600 003.**

**PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE**  
**GOODS AND SERVICES TAX ACT, 2017.**

**Members present are:**

1. Ms. Manasa Gangotri Kata, I.R.S., Additional Commissioner/Member,  
Office of the Commissioner of GST & Central Excise, Chennai-34.
2. Thiru Kurinji Selvaan V.S., M.Sc. (Agri.), M.B.A.,  
Joint Commissioner(ST)/Member,  
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-6.

**ORDER No.27/ARA/2020 Dated 12.05.2020**

GSTIN Number, if any / User id		33AADCT1398N1ZX
Legal Name of Applicant		Tube Investments of India Ltd
Trade Name of the Applicant		Tube Investments of India Ltd
Registered Address / Address provided while obtaining user id		Dare House, 234B NSC Bose Road, Chennai 600001.
Details of Application		Form GST ARA – 001 Application SI.No. 29 Dated 05.08.2019
Concerned Officer		State: D.C.-II LTU, Egmore, Chennai 600008 Centre: Chennai North Commissionerate Division: Egmore
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for		
A	Category	Factory/manufacturing
B	Description (in brief)	The applicant is engaged in the business of manufacture and sale of cycles, metal forming products, tube products, and chains and also undertakes the activity of body building on a chassis for various customers across India.
Issue/s on which advance ruling required		Whether the activity undertaken by the applicant amounts to supply of goods or supply of services.

Question(s) on which advance ruling is required	Whether the activity of building and mounting of the body on the chassis made available by the customers will result in supply of goods or supply of services.
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**Note : Any appeal against the advance ruling order shall be filed before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.**

**At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.**

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M/s. Tube Investments of India Ltd., Dare House, 234B NSC Bose Road, Chennai 600001. (hereinafter referred to as 'Applicant') are registered under GST vide GSTIN No. 33AADCT1398N1ZX. The Applicant has preferred this application for seeking Advance Ruling on the following Question:

Whether the activity of building and mounting of the body on the chassis made available by the customers will result in supply of goods or supply of services.

The Applicant has submitted the copy of application in Form GST ARA – 01 and submitted a copy of Challan evidencing payment of application fees of Rs.5,000/- each under Sub-rule (1) of Rule 104 of CGST rules 2017 and SGST Rules 2017.

2. The applicant has stated that they are a listed company engaged in the business of manufacture and sale of cycles, metal forming products, tube products, and chains and also undertake the activity of body building for various customers across India. The customers of the applicant predominantly comprise of fleet owners who require trucks for use in their business of transportation of goods. The two stages involved in the manufacture of trucks are

- a. Manufacture of Chassis;
- b. Erection of body over chassis

2.1 The applicant has further stated that the customers place orders on various chassis manufacturers for procurement of chassis and on receipt of the same, the chassis are made available to them for erection of the body over the chassis. They erect the body over chassis made available by the customer and clear the fully built truck to the customers. They never own the chassis and at no point in time do they manufacture and supply chassis to the customer. For undertaking the body building activity they charge the customer a lumpsum pre-agreed consideration. They have also stated that on receipt of purchase orders from the customers they enter into agreement with various third-party vendors and place order on various vendors for undertaking the body building activity. They have submitted sample copy of the purchase order placed with Shri Balaji Industrial Products [hereinafter referred to as SBIP]

2.2 The applicant has stated that on their instructions the chassis procured by their customers are directly made available to their vendors for building and integrating the truck-body with the chassis. Apart from the chassis other inputs which are required for the said purpose will be procured directly by the vendor. The body building activity essentially entails the erection of cabin and load body. The process of building them is distinct and is detailed below:

**Cabin:** When the vendor undertakes to build the cabin on the chassis, the same would involve a welding process. The erection of the cabin would involve welding and fabrication of the requisite raw material parts on the chassis in a step by step manner. Once the cabin is built on the chassis, the same is painted and the vendor will proceed to install necessary fitments which are required on the cabin's interior portion. Thus, the cabin is erected over the chassis by way of fabricating the parts on the latter in a brick by brick/plank by plank manner. It is not a case where the cabin is separately manufactured and merely mounted on the chassis.

**Load Body:** In case of load bodies, the vendors erect a sub-frame/ mounting bracket over the chassis. These sub-frames form the base of the load body which will integrate the body with the chassis. For convenience, the erected sub-frames are then dismantled from the chassis and the body is built over the sub-frame. The purpose of erection of sub-frame over the chassis is to ensure that the load body consisting of the sub-frame ultimately integrates with the chassis accurately without any need for re-work. Once the load body is

built on the sub-frames, it would be painted and thereafter, will be mounted on to the chassis.

2.3 On the applicant's understanding of law, it is stated that they undertake supply of service of job work by way of building the cabin and load body over the chassis provided by customers. Although, they subcontract the activity of body building to their vendors, the privacy of contract for undertaking the body building activity as regards the customers is with the applicant only. The activity undertaken by them qualifies as a job work and thus, in terms of Section 7(1A) read with clause 3 of Schedule II to the CGST Act, the same will be deemed to be a supply of service under GST. The concept of 'job work' under the GST regime entails a treatment or process to be carried out 'on' the goods belonging to the principal. Also as per Section 2(68) of CGST Act, 2017 which defines Job Work the following three conditions have to be cumulatively fulfilled for an activity to qualify as Job Work

- i. Treatment or process should be undertaken by a person;
- ii. Such treatment or process should be on goods; and
- iii. These goods should belong to another registered person

Which are satisfied in the case at hand. The applicant has made reference to Merriam Webster dictionary for the definition of process which states it as a "series of actions or operations conducing to an end; especially a continuous operation or treatment especially in manufacture". They have also cited case laws of Hon'ble Supreme Court in r/o Chowgale & Co.Vs.Union of India[1981 AIR 1014], Rajasthan State Chemical works[1991(55) E.L.T 444(S.C.)], Honb'le High Court of Bombay in the case of Samodar Padmanath Rao [1968(22) STC 187 (Bom)] where the definition for process has been analysed in detail. The applicant has also made reference to the oxford dictionary to define the term "Treatment" wherein it is defined as the "use of a chemical physical or biological agent to preserve or give particular properties to something"

2.4 In view of the above facts, the applicant has stated that as they undertake to construct cabin and load bodies by way of erecting the same over the chassis, it can be said that the activities amount to "treatment or process". Further, the treatment or process is performed on goods i.e. the chassis provided by the customers and also the ownership of the chassis vests with the customers during the process of body building. The applicant has stated that the concept of job work under the GST and erstwhile indirect tax are not identical but they are similar

insofar as it deals with carrying out an activity on the goods made available by the Principal, with the only difference being nature of activity undertaken is not restricted to result in manufacture. Accordingly, they have referred to the judgment issued in the erstwhile indirect regime viz Judgment of Apex Court in Prestige Engineering (India) Ltd [1994(73) ELT 497(SC)]. They have also placed reliance on the judgment of the Honb'le Tribunal Delhi, in the case of Audi Automobiles[2010(249) ELT 124 (Tri.Del.)] where the tribunal held that the activity of building a body on the automobile chassis made available by the principal manufacturer will amount to job work. The applicant has also referred to various other judgments viz JBM Auto Ltd V CST Delhi; Kamal Coach works Pvt Ltd V CCE Jaipur; Sita Singh & Sons Pvt Ltd V Commissioner of Cex & ST, Delhi and AAR ruling of Goa, Kerala, Madhya Pradesh in case of Automobile Corporation of Goa Ltd, Kondody Autocraft (India) Pvt Ltd, M/s Sanghi Brothers (Indore) Pvt Ltd & M/s Rohan Coach Builders respectively.

2.5 The applicant has stated that in Circular No.52/26/2018-GST it has been clarified that the activity of body building on the chassis provided by the principal will qualify as supply of service and not supplies of goods and attracts GST at the rate of 18%. In light of the aforementioned facts the applicant has contended that the activity of body building performed by them through their vendors on the chassis provided by the customer will qualify as job work, and thus should be treated as supply of service.

3.1 The applicant was given an opportunity to be personally heard on 30.08.2019. The applicant appeared before the authority for advance ruling and stated that their customers supply chassis fitted with engines (sometimes with or without cabin) and the applicant does load body and cabin fitting depending on the purchase order. They stated that they are covered under category (b) of Board's Circular. They undertook to submit documents related to supply of chassis, e-way bill, delivery challan, agreements with customer, documents related to delivery of vehicle after completing the work. They stated that they will clarify the statement of the customer regarding financing as mentioned in the purchase order. They also stated that all raw materials are supplied by themselves and the customer 'e2e supply' is not related to the applicant. They further outsourced all work to their job workers. They informed that they will submit all link documents from start to finish for a transaction in 2 weeks time.

3.2 The state jurisdictional officer submitted the comments and they requested to verify the actual transaction at the premises of the applicant. The State jurisdictional authority on perusal of the place and documents furnished their comments vide their letter dated 17/09/2019 which is given below verbatim:

- i. The chassis were brought by the customer to TI Truck Body Works (Division of Tube Investments of India Ltd.,)
- ii. Then the customer approaches TI Truck Body works
- iii. On receipt of an order from customer vide TI Truck Body Works gets a quotation from their subcontractor [Tvl.N.S Rama Rao Body Works]
- iv. The Quotation was then served to the Customer
- v. On instruction of TI Truck Body works, the chassis were directly delivered to the sub-contractor (Tvl.N.S.Rama Rao Body Works) by the customer (E2E supply chain solutions Ltd.,)
- vi. On completion of work, the sub-contractor (Tvl. N.S.Rama Rao Body Works) raises delivery note to Tube Investments of India Ltd.,)
- vii. Then Tube investments of India Ltd., raises an invoice to final customer E2E supply chain solutions Ltd., along with body building certificate and Form 22-A as per Motor Vehicles Act.

3.2 In furtherance, to the PH held on 30.08.2019 the applicant submitted the following documents on 23.09.2019

- i. Entire documentation trail starting from receipt of the chassis by the third-party vendor up to delivery of fully built truck in respect of a particular transaction with clarification
- ii. Invoice raised, check list issued by the chassis manufacturer on E2E Supply chain solutions Ltd [E2E], insurance taken by E2E for the said chassis , Body building certificate and form 22A certificate dated 15.05.2019 issued by the applicant as evidences that the chassis is owned by the customer, i.e., E2E only.
- iii. In response to the query raised by the authority in the PH held on 30.08.2019 regarding the standard condition “ The purchase order is subject to satisfactory financing of the purchase of the chassis”, the applicant has submitted that the aforesaid condition has been included by the customer i.e E2E in the purchase order issued by them to the applicant only to convey

their intention of not proceeding with the contractual agreement in a situation where E2E fails to receive the requisite financing sought from banks/financial institutions for purchase of the chassis. The proof of procuring such finance from banks for purchase of chassis is also apparent from the Certificate of Insurance submitted by them.

4.1 The applicant requested to be heard again and accordingly was heard on 07.11.2019. The applicant appeared before the authority for advance ruling and stated that they have submitted all relevant documents. They also informed that they do not finance the chassis; chassis is provided by the customer themselves. They sub contract the whole activity and no materials are provided by the applicant. They stated that a recent notification has been issued where rate of tax has been amended. However, the original question in the application is only about the nature of activity and so, the ruling cannot be given on rates. The state jurisdictional authority appeared and reiterated the verification made by the officer.

5. We have carefully examined all the submissions of the applicant and that of the State Tax officer. Both the Central and State Tax Offices were addressed to ascertain whether any proceedings are pending in respect of the applicant on the question raised by them. The applicant is under the administrative jurisdiction of State Tax and the State Tax officer, in the comments furnished has not mentioned about any pending proceedings. Also, the Central Tax Office did not furnish any comment. We consider that no proceedings are pending on the question raised by the applicant. The issue raised by the applicant is

Whether the activity of body building undertaken on the chassis made available by a customer through their sub-contractor vendor amounts to supply of goods or supply of services.

As the question is to determine the nature of supply, which is within the ambit of this authority, the same is taken up for decision.

6.1 In the instant case, it is seen that the customers procure the chassis and the same is delivered to the vendors of the applicants to erect body over the chassis on the specifications of the customer. The applicant on receipt of the Purchase Order for building the body on the chassis bought by the customer enters into agreement with third party vendors and sub contracts the entire activity of body

building over the chassis to third party vendors as a back to back work. The inputs required for the works are procured directly by the third party vendors. The Purchase Order placed on the applicant is for building the body on the chassis and the applicant is before us requiring clarification as to whether the activity of building the body on the chassis of their customer is a supply of goods or supply of service.

6.2 The above facts stated by the applicant has been verified by the State Tax officer, who after undertaking physical verification has reported that the chassis is owned by the customer who approaches the applicant for body works. The supply required of the applicant is completion of body works with own materials. The applicant contends that the activity qualifies as 'job work' and therefore it is a supply of services under GST. The relevant provisions of CGST/ TNGST Act 2017 related to 'Jobwork' are extracted below for ease of reference

Section 2(68) of CGST Act 2017 defines job work as

*"job work" means any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly;*

Definition of goods under Section 2(52) is as follows:

*"goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;*

Section 143 of CGST Act 2017 provides that

*"For the purpose of job work, input includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or the job worker".*

Para 3 of the Schedule II of the CGST Act, specifies certain activities to be treated as supply of goods or supply of services, in accordance to which

*"Any treatment or process which is applied to another person's goods is a supply of services".*

In the instant case the applicant is entrusted with the work of building the load body using own material for fabricating the bus body besides fabrication services.



Once the bus body is built and mounted on the chassis, the vehicle is sent back to the Customers after raising tax invoice towards body building charges on which GST is charged separately. At no stage the ownership of the chassis is transferred to the applicant. The consideration received by the applicant is towards the manufacturing of the bus body on the chassis supplied by the principal. From the above it is evident that the activity undertaken by the applicant for body building on the chassis provided by customer is to be classified as Job work under CGST/TNGST Act 2017 and as per Schedule II of CGST Act 2017, the said activity of building body on the chassis of the customer by the applicant is supply of services.

6.3 The above conclusion arrived at by us is in line with the clarification in Circular, No. 52/26/2018 – GST dated 09-08-2018, wherein the applicable GST on the bus body building activity is clarified as under:

*12.1 Applicable GST rate for bus body building activity: Representations have been received seeking clarifications on GST rates on the activity of bus body building. The doubts have arisen on account of the fact that while GST applicable on job work services is 18%, the supply of motor vehicles attracts GST @ 28%.*

*12.2 Buses [motor vehicles for the transport of ten or more persons, including the driver] fall under headings 8702 and attract 28% GST. Further, chassis fitted with engines [8705] and whole bodies (including cabs) for buses [8707] also attract 28% GST. In this context, it is mentioned that the services of bus body fabrication on job work basis attracts 18% GST on such service. Thus, fabrication of buses may involve the following two situations:*

- a) Bus body builder builds a bus, working on the chassis owned by him and supplies the built-up bus to the customer, and charges the customer for the value of the bus.*
- b) Bus body builder builds body on chassis provided by the principal for body building, and charges fabrication charges (including certain material that was consumed during the process of job work).*


*12.3 In the above context, it is hereby clarified that in case as mentioned at Para 12.2(a) above, the supply made is that of bus, and accordingly supply would attract GST @ 28%. In the case as mentioned at Para 12.2(b) above, fabrication of body on chassis provided by the principal (not on account of body builder), the supply would merit classification as service, and 18% GST as applicable will be charged accordingly.*

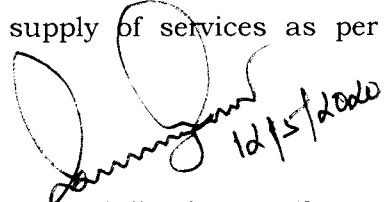
Applying the above clarification to the case at hand, the situation at hand is the situation spelt at Para 12.2(b) above and therefore is a Supply of service under SAC 998881- "Motor vehicle and trailer manufacturing services"

7. In the light of the above, we rule as under:

**Ruling**

The activity of body building undertaken on a truck chassis made available by a customer to the applicant amounts to supply of services as per Schedule II clause 3 of CGST Act 2017.

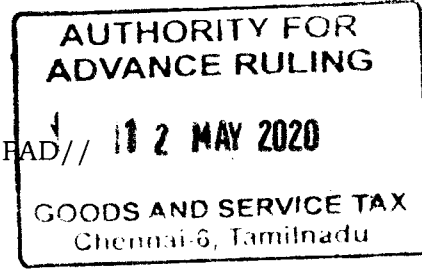
  
Ms. Manasa Gangotri Kata,  
Member, CGST

  
Shri Kurinji Selvaan.V.S.,  
Member, TNGST

To

M/s. Tube Investments of India Ltd  
Dare House, 243B NSC Bose Road,  
Chennai 600001

// By SPAD//



Copy Submitted to:

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2. The Additional Chief Secretary/Commissioner of Commercial Taxes,  
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