

**AUTHORITY FOR ADVANCE RULING, TAMIL NADU  
NO.206, 2<sup>ND</sup> FLOOR, PAPJM BUILDING , NO.1 , GREAMS ROAD,  
CHENNAI -600 006.**

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND UNDER  
SECTION 98(4) OF THE TNGST ACT, 2017.**

**Members present:**

Smt. D. Jayapriya, I.R.S., Additional Commissioner/ Member(CGST), Office of the Principal Chief Commissioner of GST & Central Excise, Chennai -600 034.	Smt. T Indira, Joint Commissioner/Member(SGST), Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-600 006.
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**Advance Ruling No.120/AAR/2023 Dated: 18.12.2023**

1. Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/ TNGST Act 2017, within 30 days from the date on the ruling sought to be appealed, is communicated.

2. In terms of Section 103(1) of the Act, Advance Ruling pronounced by the Authority under Chapter XVII of the Act shall be binding only-

(a) on the applicant who had sought it in respect of any matter referred to in sub-section (2) of Section 97 for advance ruling.

(b) on the concerned officer or the jurisdictional officer in respect of the applicant.

3. In terms of Section 103(2) of the Act, this advance ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.

4. Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.

5. The provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act (herein referred to as an 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.

GSTIN Number, if any / User id	33AAVFK6262D1Z6
Legal Name of Applicant	M/s. KK Processors
Trade Name of Applicant (Optional)	M/s. KK Processors

Registered Address / Address provided while obtaining user id		No.9, SIDCO Womens Industrial Estate, Karuppur, Salem – 636 012.
Details of Application		Form GST ARA – 01 Application Sl.No.63/2022/ARA, dated 19.12.2022.
Concerned Officer		<b>State:</b> Omalur Assessment Circle, Salem Division. <b>Centre:</b> Salem Commissionerate.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for		
A	Category	Manufacturer
B	Description (in brief)	The applicant is a manufacturer of Enameled Copper wire situated in Salem. They are planning for a new Start up. Their main product is Re-useable winding wire. The Raw Material used here is a Copper Scraps. They are planning to purchase old Copper Scraps from the local Motor mechanics and convert the same into winding wire and sell back to them. This process will take time. In order to have a quick solution to the Motor Mechanics to get the new Winding wire instantly after giving the old Copper Scraps, they plan to have Hub Centers at every 50 Km radius where they will hold Stock of finished goods processed from the Old Scrap, which will be replaced with the new one at a fixed differential price. They are planning to do this through Mobile App.
Issue/s on which advance ruling Required		1) Classification of any goods or services or both. 2) Determination of time and value of supply of goods or services or both. 3) Determination of the liability to pay tax on any goods or services or both. 4) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.
Question(s) on which advance ruling Is required		1) Is it sale of goods or service 2) If it is Service, what is the Tax Structure 3) If it is sale of goods, what is the Tax Structure 4) Is it comes under composite supply.

	<p>5) If RCM is applicable on the purchase old Copper Scraps from the Motor Mechanics, then what is the Tax rate.</p> <p>6) If RCM is applicable, can we take Input Tax Credit on the RCM paid.</p> <p>7) Also clarify the Tax Structure and the related procedures and documents to be followed for the movement of goods from Hub to Factory to Hub.</p> <p>8) What is the HSN code / SAC code we should follow.</p>
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M/s. KK Processors, No.9, SIDCO Womens Industrial Estate, Karuppur, Salem – 636 012 (hereinafter called as ‘the Applicant’) who are engaged in the business of Enameled Copper Wire, are registered under GST with GSTIN: 33AAVFK6262D1Z6. Now they are proposing to adopt a new business model through Mobile APP. On receipt of Copper Scraps at the Factory, from the local Motor Mechanics, they propose to undertake conversion of such copper scraps into Winding Wire. As this conversion process is bound to take some time, they plan to have Hub Centers at every 50 Km radius, which will hold Stock of finished goods processed already from the Old Scrap. They propose to replace the old scrap received from the customers with the already processed Winding wire, then and there, at a fixed differential price. Under these circumstances, they have preferred an application seeking Advance Ruling on the following questions:

- 1) Is it sale of goods or service
- 2) If it is Service, what is the Tax Structure
- 3) If it is sale of goods, what is the Tax Structure.
- 4) Does it come under composite supply.
- 5) If RCM is applicable on the purchase old Copper Scraps from the Motor Mechanics, then what is the Tax rate.
- 6) If RCM is applicable, can they take Input Tax Credit on the RCM paid.
- 7) Clarify the Tax Structure and the related procedures and documents to be followed for the movement of goods from Hub to Factory to Hub.
- 8) What is the HSN code / SAC code to be followed.

2.1 The Applicant 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.

2.2 The authorities of the Centre and State were addressed to report if there are any pending proceedings against the applicant on the issues raised by the applicant in the ARA application and for comments on the issues raised.

3 In their application for Advance Ruling, the Applicant has stated that -

- They are planning to do business through Mobile APP. The local Motor Mechanics will send the Copper Scraps to the Factory, where they will convert the scraps into Winding Wire. As this conversion process is bound to take some time, they plan to have Hub Centers at every 50 Km radius, which will hold Stock of finished goods processed already from the Old Scrap. They propose to replace the old scrap received from the customers with the already processed Winding wire, then and there, at a fixed differential price.
- Rewinding work is done when winding of the motor fails. Normally, rewinding wire is used and the old wire is sold in scraps. The reason behind this is that reprocessed copper cannot be used in winding wire.
- In order to overcome the above problem, they have planned to convert scrap into Anode and from Anode to Cathode and from Cathode to Rod and from Rod to wire and from wire to Enameled wire. Though this process amounts to just reworking or reprocessing the scrap and reusing it for winding, it has to be done in lot for cost effectiveness. So they have planned to first buy scraps, convert them in bulk, keep it in their stores, where the customers can get their old wires replaced with the reprocessed wires, which will help them to cut the cost and it will also help in saving natural resources.
- The reason for collection of scrap as enamel wire is the purity of Copper, because after removing the upper covered enamel, the purity of copper remains at 99.90%, which can be directly used in manufacturing of Anode, from which other processes can be easily done. If copper scraps are brought from the market, the quality of the scrap will not be as good as scraps from Enamel Wire, and this we can save the cost for both the end user as well as the applicant.
- As the scrap is only processed, and fresh usable winding wire is given to the customers, the applicant had stated that this process may be considered as

service, so that they can bill the customers on Service Basis, and they have equated the said process to recharging of old Batteries.

- The applicant had come up with an illustrative calculation to demonstrate the benefit that could be derived through this scrap conversion method. The conversion cost for 5Kgs of scrap at Rs.200/- per Kg works out to Rs.1,000/- and alongwith GST component at 18%, works out to Rs.1,180/- overall. Whereas, when Enamel copper of 5 Kgs are purchased at the rate of Rs.1,000/- per Kg, the total cost alongwith GST works out to Rs.5,900/-. Against the same, the overall purchase value of copper scrap at Rs.750/- per KG works out to Rs.4,425/-, whereby the differential cost work out to Rs.1,475/- (5900 minus 4425). Accordingly, while the cost difference on purchase of materials is Rs.1,475/-, the conversion cost works out to Rs.1,180/- only.
- Through this activity, they stated that the cost of the enamel wires purchased by the Farmers can be reduced, as the Dealer margin, Retailer Margin and the Middlemen charges are eliminated, which in turn reduces the cost of repairing of motors for the farmers as well. As the applicant proposes to have HUB at different places, the farmers can directly buy the enamel wires at such centres. The unnecessary cost and time consumption of the Farmers will be reduced through this proposed activity.
- They further reiterated that they are not repairing the same copper, but are replacing it with already converted copper Enameled Wire from Scraps. Further the scraps being received currently, will be converted again to Enameled Copper Wire for future exchange.
- Under GST, Supply is considered a taxable event for charging tax. The liability to pay tax arises at the 'time of supply of goods or services'. Thus, determining whether or not a transaction falls under the meaning of supply, is important to decide GST's applicability. It is for this purpose that they require a clarification on the GST applicability of the above said process.

4. The State jurisdiction Officer viz. the Assistant Commissioner (ST), Omalur Assessment Circle stated that-

- (i) In this connection, the applicant is dealing with both Goods and service, but the predominant supply is goods. It is seen from the description of the applicant that the nature of business is purely dealt

with goods viz., manufacture of winding wire with copper scraps. The usage of mobile app will not alter the nature of business dealt by the applicant. The nature of business is different from Swiggy, Zomoto and others where they will not handle any goods but providing service through app by way of transport.

(ii) But in this case the applicant is providing goods at the nearest centers (Hub) to the users through app. Therefore, the nature of business cannot be considered as pure service providers. Hence, the nature of supply is composite supply and the principal supply is Motors.

(iii) It was also stated that no proceedings are pending in their office for adjudication with reference to the question raised by the application under Advance Ruling.

5. The Joint Commissioner (ST), Intelligence, Salem, has also remarked that no proceedings are pending in their jurisdiction.

6. The jurisdictional Central authority has not furnished any reply in this regard, and it is construed that there are no proceedings pending on the issue raised by the applicant.

7.1 On interpretation of law, the applicant states that as per Section 7 of the GST Act, all forms of supply of goods of services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. In their view, the receipt of scraps received from the Motor Mechanics and replacing it with the winding wire is a 'service'. It gives a smooth and easy way of getting winding wires immediately to the Motor Mechanics who are not registered under GST.

7.2 Further, the reverse charge mechanism under the provisions of section 9(4) of CGST Act, 2017, in the case of purchases made from unregistered person (amount more than Rs. 5000/-) was operative upto 12.10.2017 only. As per notification No.38/2017 CT (Rate) dated 13.10.2017, all supplies from unregistered person are exempted without any threshold limit, and therefore in their view RCM is not applicable as per the above notification.

## **PERSONAL HEARING**

8. The Applicant, after consent, was given an opportunity to be heard in person on 03.11.2023. Shri Vikas Kanubhai Shah, Partner of M/s. K.K.Processors and Shri. Senthilkumar, Consultant who is the Authorized Representative of the Applicant appeared for the hearing and he reiterated the submissions made in their application.

They explained that they are embarking on a business model, whereby they propose to buy Copper Scrapes, melt, purify and to carry out enameling process over the drawn copper wire, and place them in their hub centres to replace the same with scrap that they would be procuring from the end-customers, i.e., the clients who may approach the hub-centres to get the worn-out copper (Scrap) replaced with fresh enameled copper with for their pumps, motors, generators etc.

The members enquired as to whether the same copper scrap received from the customers, are returned back to the customer concerned, for which they replied in negative, and explained that it is not viable to process scrap in small quantities, and as the processing time is around 10-15 days, the already processed scrap wire, converted into enameled wire which is available readily in the hub-centres and being replaced for the scrap received.

## **DISCUSSION AND FINDINGS:**

9.1 We have carefully considered the submissions made by the Applicant in their application, submissions made during the personal hearing and the comments furnished by the jurisdictional tax officers.

9.2 From the submissions made at the time of filing the application, it is seen that the applicant had sought an advance ruling, on the following aspects, viz.,

- 1) Whether the activity amounts to sale of goods or service
- 2) If it is Service, what is the Tax Structure
- 3) If it is sale of goods, what is the Tax Structure.
- 4) Does it come under composite supply.
- 5) If RCM is applicable on the purchase old Copper Scrapes from the Motor Mechanics,

then what is the Tax rate.

- 6) If RCM is applicable, can they take Input Tax Credit on the RCM paid.
- 7) Clarify the Tax Structure and the related procedures and documents to be followed for the movement of goods from Hub to Factory to Hub.
- 8) What is the HSN code / SAC code to be followed.

9.3 Prima facie, it is observed that the query at Sl.No.7 which seeks clarity on the documents/procedures to be followed for the movement of goods from Hub to Factory and back to Hub does not get covered under any of the clauses from (a) to (g) of Section 97(2) of the CGST Act, 2017, for which an advance ruling can be sought, and therefore the said query need not be answered. We observe that all the other queries relate to (i) Classification of any goods or services or both; (ii) Determination of time and value of supply of goods or services or both; (iii) Determination of the liability to pay tax on any goods or services or both; and, (iv) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term. Thereby, the queries under consideration except Sl.No.7, get covered under Section 97(2)(a), 97(2)(c), 97(2)(e) and 97(2)(g) of the CGST Act, 2017, and accordingly, the application is liable for admission.

10.1 We observe that the applicant has explained their proposed business model in their own terms as follows :- On receipt of Copper Scraps from the local Motor Mechanics, they propose to undertake conversion of such copper scraps into Winding Wire and then to enamel it, at the Factory. As this conversion process is bound to take some time, they plan to have Hub Centers at every 50 Km radius, which will hold Stock of finished goods processed already from the Old Scrap. They propose to replace the old scrap received from the customers with the already processed enameled Winding wire, then and there, at a fixed differential price. They further reiterated that they are not repairing the same copper, but are replacing it with already converted Enameled Winding Wire of copper from Scraps.

10.2 From the above, we come to understand that the transaction in the instant case, involves the following propositions, viz.,

- Receipt of copper scrap from the customers for a consideration.



- Consolidation of the same, taking it to a centrally located factory, manufacture of copper winding wire, processing further by way of enameling the copper wire.
- Providing the enameled copper wire to the customers, which was manufactured already.
- The purpose of the entire activity is to immediately replace the copper scrap received from the customers with the manufactured enameled copper wire kept ready at the HUB centres.

10.3 The applicant had further reiterated that they are not repairing the same copper, but are replacing it with already converted copper Enameled Wire from Scraps, whereby it becomes clear that the processing activity is not undertaken by the applicant on 'Job-work' basis by the applicant. 'Job Work' has been defined under Section 2(68) of the CGST Act, 2017, as below :-

*"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*

10.4 Therefore, it becomes clear that the proposed business model of the applicant does not fall within the category of 'job-work', owing to the following reasons:-

(i) the finished enameled copper wire that the customer receives is not made of the very same copper scrap given by the customer.

(ii) the applicant do not undertake the activity on a 'job-work' basis, as the title of the copper scrap does not vest with the customer, once the same is handed over to the applicant.

(iii) to be a job-worker, the applicant should carry out a treatment or process on the goods belonging to another registered person, whereas the customer in the instant case is neither a principal manufacturer, nor a registered person normally.

10.4 Therefore, in order to explore the possibilities of categorizing the said transaction as a supply of 'service', as claimed by the applicant, recourse is to be taken to para 3 of Schedule II to the CGST Act, 2017, which reads as below :-

**"3. Treatment or process**

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

Here again, it may be observed that in order to treat an activity as a supply of service, the said treatment or process is required to be applied to another person's goods. Thereby, the same condition as in the case of 'Job work', i.e., "the title of goods to be processed remains with the principal", is required to be fulfilled. Further, such treatment or process is not done on behalf of the customer, or on the request of the customer under an agreement or a contract. In the instant case, the scrap brought by the customer is not processed and given back to the customer, but the said scrap is taken possession of, by the applicant and used by them for further processing and for future supplies to other customers.

10.5 Therefore, in our opinion, the instant transaction of the applicant involving replacement of copper scrap, with the enameled copper winding wire cannot be considered as a supply of 'service', whatsoever, and that the same amounts to supply of goods. That is to say, the supply of enameled copper wire by the applicant to the customer is to be considered as an outward supply of goods by the applicant, and that the receipt of copper scrap from the customers is to be considered as an inward supply of goods to the applicant. Overall, it is clear that both the legs of this transaction (inward and outward) are independent of each other, and we hold that both relates to supply of 'goods'.

10.6 Having held that the supply of enameled copper wire by the applicant to the customer is an outward supply of goods by the applicant, the HSN code relating to the same is now required to be determined. From the submissions made by the applicant, we observe that it is not just the winding wire of copper which is being supplied to the customers, but enameled copper winding wire. While plain copper wire of different specifications merit classification under 7408, we observe that an enameled winding wire of copper serves a specific purpose of insulation, as the enamel coating forms an electrical insulation film in order to provide thermal and chemical resistant properties. Therefore, we are of the opinion that enameled winding wire of copper which operates as an insulated electric conductor merits classification under chapter sub-heading 8544 11 10 of the GST Tariff which attracts IGST at 18%, or CGST at 9% plus SGST at 9%, as the rate of tax.

10.7 The applicant under query No.4 had enquired whether the transaction in question comes under 'Composite Supply'? It is seen that 'Composite Supply' has been defined under Section 2(30) of the CGST Act, as follows :-

*“(30) —composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;*

*Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;”*

10.8 Composite supply, as the name denotes, involves two or more taxable supplies which are naturally bundled and supplied in conjunction with each other. Further, going by the definition as above, it involves a supply made by a taxable person to a recipient, and it involves multiple supplies, one of which is a principal supply. Whereas, in the instant case it is observed that the receipt of copper scrap is not an outward supply made by the applicant, but an inward supply made to the applicant. Secondly, the treatment or process carried out by the applicant to convert the copper scrap to copper winding wire, and then to make it a enameled copper winding wire, are not carried out at the behest of customers or other persons, but are admittedly carried out by the applicant themselves, which cannot be treated as a supply, as no customer or recipient is involved, and it is in the nature of self service. Finally, the supply of the fully finished manufactured product, viz., enameled copper winding wire to the customers is the one and only outward supply of goods made by the applicant. It can also be seen that the illustration attached to the definition of ‘composite supply’ explains the case in point. Therefore, as only one outward supply of goods is made by the applicant in the instant case, we hold that it does not get covered under the category of ‘composite supply’.

10.9 We observe that the other major query raised by the applicant relates to the liability under reverse charge mechanism (RCM) applicable on the purchase old Copper Scraps from the motor mechanics (customers), the tax rate to be adopted and whether input tax credit (ITC) can be availed on the same by the applicant. In this regard, the applicant themselves had stated that the reverse charge mechanism under the provisions of section 9(4) of CGST Act, 2017, in the case of purchases made from unregistered person (amount more than Rs. 5000/-) was operative upto 12.10.2017 only, and as per notification No.38/2017 CT (Rate) dated 13.10.2017, all

supplies from unregistered person are exempted without any threshold limit, and therefore in their view RCM is not applicable as per the above notification.

10.10 In this regard, we would like to bring to the notice of the appellant, that initially in terms of Section 9(4) of the CGST Act, 2017, a registered person was liable to pay tax on Reverse Charge Mechanism on the purchase of goods or service from unregistered person. However, exemption from such RCM liability was given if total value of such purchases (aggregate from all unregistered persons) in a day was Rs.5000 or less, vide Notification No.8/2017-Central Tax (Rate) dated 28.06.2017. Later from 13.10.2017 onwards, the exemption from RCM on purchase from unregistered persons was extended without the capping of Rs. 5000, vide Notification No.38/2017-Central Tax (Rate) dated 13.10.2017. Effective w.e.f. 01.02.2019, the provisions of Section 9(4) of CGST Act, 2017 was entirely reworded through CGST (Amendment) Act, 2018, as follows :-

*“(4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.”*

10.11 Accordingly, RCM provisions on purchases from unregistered persons was applicable only on the class of registered persons to be notified in future, and hence the temporary blanket exemption from RCM provisions on such purchases was made permanent through the said amendment. It is observed that only one notification since then have been notified to specify Promoters and Builders, as the category of registered persons liable to pay taxes under RCM under this section, vide Notification No.07/2019-Central Tax (Rate) dated 29.03.2019. As on date, except 'Promoters', no other registered person is liable to pay taxes under RCM in respect of the receipt of goods or services from an unregistered supplier, and therefore, we hold that the applicant is not liable to pay taxes under RCM on the purchase of copper scraps from Motor mechanics.


10.12 Once the issue relating to discharge of liability under RCM by the applicant stands settled, i.e., answered in negative, the other related queries as to the tax rate to be adopted for such RCM payments, and whether ITC can be availed on the taxes

under RCM paid by the applicant are rendered redundant and does not merit consideration.

11. Based on the above discussions, we rule as under:

### RULING

Sl. No.	Query raised by the applicant	Ruling
1	Is it sale of goods or service?	It is sale of goods.
2	If it is service, what is the tax structure?	Not answered as it is not applicable.
3	If it is sale of goods, what is the tax structure?	IGST at 18%, or, CGST at 9% plus SGST at 9%.
4	Does it come under Composite supply?	It does not come under 'Composite Supply'.
5	If RCM is applicable on the purchase of old copper scraps from the Motor Mechanics, then what is the tax rate?	RCM not applicable. So tax rate not required to be specified.
6	If RCM is applicable, can we take Input Tax Credit on the RCM paid?	Not answered as it is not applicable.
7	Also clarify the tax structure and related procedures and documents to be followed for the movement of goods from Hub to Factory to hub.	Not answered as the query does not get covered under Section 97(2) of the CGST/TNGST Act, 2017.
8	What is the HSN code / SAC code we should follow	HSN Code 8544 11 10 of the GST Tariff.

  
**(T.INDIRA)**  
**Member (SGST)**



  
**(D JAYAPRIYA)**  
**Member (CGST)**

To

M/s. KK Processors,  
No.9, SIDCO Womens Industrial Estate,  
Karuppur, Salem - 636 012.

//by RPAD//

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