



KERALA AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX DEPARTMENT
TAX TOWER, THIRUVANANTHAPURAM

BEFORE THE AUTHORITY OF : *Shri. B.G. Krishnan IRS &*
: *Shri. B.S. Thyagarajababu B.Sc, LL.M*

Legal Name of the applicant	M/s. Saraswathi Metal Works
GSTIN	32AALFS9829G1ZT
Address	18/2437, Palluruthy Road, Thoppumpady, Kochi, Ernakulam.
Advance Ruling sought for	i) The tax rate of Marine propellers, Rudder set, Stern tube set, Propellers shaft, MS shaft for couplings. ii) The parts of fishing /floating vessels come under the HSN Code 8902. It is requested to know whether all parts of fishing/ floating vessels comes under Sl.No.252 of 1 st Schedule, or Sl.No.371 Of 3 rd Schedule? iii) Whether replacement of parts during warranty period constitute supply under GST? iv) Whether eligible to avail 18% input tax credit on purchase of raw materials, as the manufactured products taxable @5% under 247/252 of 1 st Schedule.
Date of Personal Hearing	26.09.2018
Authorized Representative	Mr.V.P.Deepak, Partner.

ADVANCE RULING No. KER/ 25 /2018 Dt.20.10.2018

Applicant is a manufacturer of Marine propellers, Rudder set, Stern tube set, Propellers shaft, MS shaft for couplings used in fishing or floating vessels. Applicant requested advance ruling on the following:

- i) The tax rate of Marine propellers, Rudder set, Stern tube set, Propellers shaft, MS shaft for couplings.
- ii) The parts of fishing /floating vessels come under the HSN Code 8902. They requested to know whether all parts of fishing /floating vessels comes under Sl.No.252 of 1st Schedule, or Sl.No.371 of 3rd Schedule?

- iii) Whether replacement of parts during warranty period constitute supply under GST?
- iv) Whether eligible to avail 18% input tax credit on purchase of raw materials, as the manufactured products taxable @5% under 247/252 of 1st Schedule.

The partner of the firm was heard. It is informed as per order No.CT/5496/18-C3 Dt.29-05-2018 ruling issued that commodities such as Marine Propellers, rudder set, stern tube set, propeller shaft and MS shaft for couplings used as a part of fishing /floating vessels would come under entry 252 of 1st schedule and taxable @5% GST. However there is no clarity on the tax rate applicable to the parts shipping vessels as the raw materials attract 18% tax.

As per HSN 8902, fishing vessels, factory ships and other vessels for processing or preserving fishery products are taxable @5% GST. As per serial No.252 of 1st schedule, parts of goods of heading 8902 are also taxable @5% GST. As there is specific inclusion of parts of goods covered under HSN 8902, under 1st Schedule, the general tax rate applicable to machinery parts vide HSN 8487 has no applicability, if the vessels are used for fishing purpose.

The replacement of parts during warranty period is a free supply. Warranty is a written guarantee, issued to the purchaser of goods by its manufacturer, promising to repair or replace it if necessary within a specified period of time. If the goods are supplied with warranty, the consideration received as part of supply includes the consideration for "the promise to repair or replace". Since the parts are provided to a customer without consideration under warranty no GST is chargeable on such replacement. The value of supply made earlier includes the charges to be incurred during the warranty period. Therefore, the supplier who has undertaken the warranty replacement is not required to reverse the input tax credit on the parts / components replaced.

Even though the raw materials consumed are attracting higher tax rate than the finished products or parts, input tax paid is eligible to avail as input tax credit subject to a condition that such goods or services or both are used or intended to be used in the course or furtherance of his business.

As per Section 54 (3) of the GST Law, where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies, un-utilized input tax credit at the end of any tax period can be claimed as refund except input tax paid under IGST.

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

- i) The tax rate of Marine propellers, Rudder set, Stern tube set, Propellers shaft, MS shaft for couplings used as part of fishing vessels, factory ships and other vessels for processing or preserving fishery products are taxable @5% GST.
- ii) All parts of fishing / floating vessels come under the HSN Code 8902 are taxable @5% under Serial No.252 of 1st Schedule.

- iii) The supply of parts under warranty being without consideration, no GST is payable. The value of supply made earlier includes the charges to be incurred during the warranty period. Therefore, the applicant who undertakes the warranty replacement is not required to reverse the input tax credit on the parts / components replaced.
- iv) The supplier / manufacturer is eligible to avail the credit of higher input tax paid on purchase of raw materials, even though the manufactured products are taxable at lesser tax rate.



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. Saraswathi Metal Works

18/2437, Palluruthy Road, Thoppumpady, Kochi, Ernakulam.

