



**BEFORE THE AUTHORITY FOR ADVANCE RULING - ANDHRA PRADESH**

**Goods and Service Tax**

D. No. 5-56, Block-B, R.K. Spring Valley Apartments, Eedupugallu, Vijayawada-521151

**Present**

1. Sri. D. Ramesh, Commissioner of State Tax (Member)
2. Sri. A. Syam Sundar, Additional Commissioner of Central Tax (Member)

**AAR No. 15/AP/GST/2021      dated: 21.06.2021**

1	Name and address of the applicant	M/s. Saddles International Automotive & Aviation Interiors Private Limited, Survey No 151/2, Budili Village, Gorantla Mandal, Anantapur-515241, Andhra Pradesh.
2	GSTIN	37ABBCS7194N1ZK
3	Date of filing of Form GST ARA-01	29.01.2021
4	Hearing (Virtual)	12.02.2021
5	Represented by	CA Dayananda K.
6	Jurisdictional Authority - Centre	Superintendent, Hindupur-2 Range CGST Anantapur Division.
7	Clause(s) of section 97(2) of CGST/SGST Act, 2017 under which the question(s) raised	b) applicability of a notification issued under the provisions of this Act.

**ORDER**

**(Under sub-section (4) of Section 98 of Central Goods and Services Tax Act, 2017 and sub-section (4) of Section 98 of Andhra Pradesh Goods and Services Tax Act, 2017)**

1. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and SGST Act, 2017 are in pari materia and have the same provisions in like matter 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 APGST Act.



2. The present application has been filed u/s 97 of the Central Goods & Services Tax Act, 2017 and AP Goods & Services Tax Act, 2017 (hereinafter referred to CGST Act and APGST Act respectively) by M/s. Saddles International Automotive & Aviation Interiors Private Limited (hereinafter referred to as applicant), registered under the AP Goods & Services Tax Act, 2017.

**3. Brief Facts of the case:**

- 3.1** M/s. Saddles International Automotive & Aviation Interiors Private Limited are mainly engaged in the business of production and manufacture of car seat covers, and other allied accessories necessary for seats. They sell the manufactured seat covers to Car seat makers who affix the seat covers into the seats and thereafter the seat is affixed to the motor vehicle. The applicant approached the Authority for Advance Ruling on the classification issue of the specific product i.e., 'car seat' covers' which is manufactured by the applicant.
- 3.2** The applicant submitted that they had so far classified 'seat covers' under the HSN 8708 at Serial No.170 under Schedule IV of Notification No.01/2017-Central Tax (Rate) dated 28.06.2017 with the applicable rate of CGST+SGST (14%+14%) amounting to 28%.
- 3.3** The applicant approached this authority seeking clarification regarding the competing entry at Serial No.211 of Notification 1/2017-Central Tax (Rate) dt:28.06.2017 under HSN 9401-Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof chargeable to GST at 28% upto 13.11.2017. However, the tax rate of said entry underwent a change vide Notification No.41/2017-Central Tax (Rate) dated 14.11.2017 reducing the tax rate to 18%.
- 3.4** The applicant claims that as the tax has been paid so far under HSN 8708, the benefit of reduction in rate of CGST/SGST will be applicable to the applicant if the correct classification is adopted.

**4. Questions raised before the authority:**

1. Whether the product namely 'Car Seat Covers' merits classification under HSN 9401? If not, what is the correct classification applicable to 'Car Seat Covers'?
2. Is Sl.No.435A of Schedule IV of the Notification No 1/2017-Central Tax (Rate) dt: 28.06.2017 applicable to 'Car Seat Covers'? If not, what is the applicable entry under the said Notification?





On Verification of basic information of the applicant, it is observed that the applicant falls under Central jurisdiction, i.e. Superintendent of Central Tax (CT), Hindupur-2 Range, Anantapur Division. Accordingly, the application has been forwarded to the jurisdictional officer and a copy marked to the State Tax authorities to offer their remarks as per Sec. 98(1) of CGST /APGST Act 2017.

In response, remarks were received from Central Tax officers concerned stating that no proceedings were lying pending or passed relating to the applicant on the issue, for which the Advance Ruling was sought by the applicant.

## 5. Applicant's Interpretation of Law:

**5.1.** The product 'car seat covers' attracted a net rate of 28% (CGST+SGST) under both the competing entries (8708 and 9401) under Notification No.1/2017 – Central Tax (Rate) dt: 28.06.2017 before amendment. The relevant entries and their respective tax rates before amendment are tabulated herein below:

Sl.No	Chapter /Heading/sub-heading/Tariff Item	Description of Goods	Rate
170	8708	Parts and accessories of the motor vehicles of headings 8701 to 8705 (other than specified parts of tractors)	14
211	9401	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof	14

**5.2** The applicant submits that Notification No.1/2017–Central Tax (Rate) dt: 28.06.2017 was amended vide Notification No. 41/2017- Central Tax (Rate) Dated 14.11.2017 which reduced the rate of CGST with respect to Serial No.211 from 28% to 18%. Serial No.211 was omitted and a new Serial No.435A was inserted. The relevant portion of Notification No.41 reads as below:

"(C) in Schedule III -18%, -

(cxviii) after S.No.435 and the entries relating thereto, the following serial number and the entries shall be inserted namely:-

435A	9401 (other than 9401 10 00)	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof (other than seats of a kind used for aircraft);
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**5.3.** The applicant submits that 'seat covers' are rightly classifiable under Serial No. 435A (HSN 9401) as the 'seat covers' is an essential and integral 'part of 'seats' without which 'seat' can be rendered dysfunctional; that it is imperative to first understand the roles and the functions which are performed by 'seat covers'. The key functions are summarized as below:

- Seat covers help the driver and co-passenger to get into the most comfortable seating inside the car as per their convenience, which does not absorb heat;
- Car seat covers are required for the protection of seats.
- Covers do not absorb heat and hence, keep the car cool and user comfortable.

**5.4** The applicant submits that keeping in mind the above functions, the product must be classified under Serial No.434A of Notification No. 1/2017 Central Tax (Rate) dt: 28.06.2017. The necessary concomitant which follows is that if 'seat covers' is classified under Serial No. 435A under Chapter 94, the applicable net rate would be 18%.

**5.5.** The applicant states that for any product to classify under Chapter 9401 90 00, the same has to be in the nature of 'part' of 'seats'. Hence, the connotation of the word 'part' has to be analysed. Reference in this regard is placed in the case of **Pragati Silicons Pvt Ltd v Comm. Of Central Excise, Delhi[2007 (211) ELT 534 (SC)]** wherein while determining as to whether 'name plates' form 'part' of a motor vehicle or not, it was observed that:

*"part is an element of a sub- assembly, not normally useful by itself and not amenable to further disassembly for maintenance purpose. In common parlance parts are used in the manufacture of the final product and without which the final product cannot be conceived of."*

**5.6** Reliance is also placed on the case of **Collector of Customs v Hydranautics Membrane India Ltd [1994(71) ELT 711 (Tri-Del)]** wherein the meaning of part was held to be:

*"part as something essentially belonging to a larger whole, an integral portion".*

**5.7** The applicant also places reliance on the Advance Ruling in the case of **Mazagaon Dock Shipbuilders Limited[2019 (020) GSTL 0475 (AAR)]** wherein while referring to Cambridge Dictionary, the AAR observed that:





*"part as a noun – a separate piece of something or a piece that combines with other pieces to form the whole of something. One of the pieces that together form a machine or some type of equipment."*

**5.8** On a cumulative analysis of the afore stated judicial precedents, the point which crystallizes is that 'part' per se means a portion of an equipment or a machinery which is essentially linked to the functioning of that particular equipment or machinery. In other words, 'part' is an integral element of machinery or equipment without which the specific product cannot function. The 'part' in question should be so inextricably be linked to the product that the same cannot be brought into any form without the 'part' in question. The 'seat covers' also help to assemble and complete the structure of 'seats'. Even though at first glance, 'seat covers' per se might not seem to be 'essential' to the completion of 'seats', but the functions it performs are indispensable for the 'seats'. 'Seat covers' allow the 'seat' to be complete in shape and perform.

**5.9** Further, it is also important to analyse the meaning of the word 'accessory' to determine the appropriate classification since chapter 87 takes within its fold 'part' and 'accessory' of motor vehicle. The Hon'ble Karnataka High Court in the case of **Supreme Motors v State of Karnataka [1987 (27) ELT 409 (Kar)]** while analysing the meaning of the word 'accessory' observed that:

*"accessory is the supplementary or secondary to something of greater or primary importance" 'additional', 'any of several mechanical devices that assist in operating or controlling the tone resources of an organ'. 'Accessories' are not necessarily confined to particular machines for which they may serve as aids. The same item may be an accessory of more than one kind of instrument."*

**5.10.** Based on the above case laws and the actual nature of the product, it can be summarized that 'accessory' per se is something which is complimentary to the main product. But at the same time, it is something which can be used in various equipments or machines or commodities. However, the 'car seat covers' in question can only be used with 'seats' and nothing else. They are manufactured keeping in mind the requirement of the protection of car seats and are designed in a way so that they can be affixed only with 'seats'. Hence, they cannot be termed as mere 'accessory'. As a corollary, if the 'seat covers' in question do not qualify as



'accessory', the same has to be classified as 'part' at Serial no. 435A under Chapter 94 of Notification No.1/2017 Central Tax (Rate) dt:28.06.2017 as amended by Notification No. 41/2017- Central Tax (Rate) Dated 14.11.2017. The applicant submits that without 'seat cover', 'seat' per se would be incomplete and therefore, the same needs to be treated as an essential 'part' of the 'seat' thereby classifiable under HSN 9401.

**5.11.** The applicant further submits that, on basis of the 'functional test' as well, 'car seat covers' ought to be classified at serial no. 435A under HSN 9401 and that as per the functional test, goods are classified in terms of the functions for which they are put to use and even though 'functional test' has a limited application, it becomes imperative in the current factual situation. The Hon'ble Madras High Court in the case of **Sanmar Electronics Corporation Limited v UOI [2010 (252) ELT 332 (Mad)]** held that

*"the goods must also be classified according to their popular meaning and also the commercial sense as well. The court has to select the meaning which is relevant to the context, in which it has to interpret the word. The functional test is also a relevant factor."*

**5.12.** In the case of Haran D Manufacturing Company v State of Gujarat [1993 (91) STC 130 (Guj)] wherein classification of 'detergent soap' was in question, applying the 'functional test', the Hon'ble Court held that,

*"In the instant case, the term "Soap" is not defined in the act. The product sold by the applicant-dealer was known as "soap" in the particular trade, and it was also used by the consumers as soap for washing the clothes. The true meaning of this term in the popular parlance would be flowing from its predominant use. We, therefore, hold that in interpreting the term "soap" the real test would be functional test or the test of predominant user, and there is no reason to exclude "detergent soap" from the meaning of the term soap".*

**5.13.** The applicant, in light of the aforementioned precedents, submits that 'seat covers' should be judged on the basis of the functions they perform. 'Seat covers' enable the seats to give a comfortable position to the drivers and the passengers.



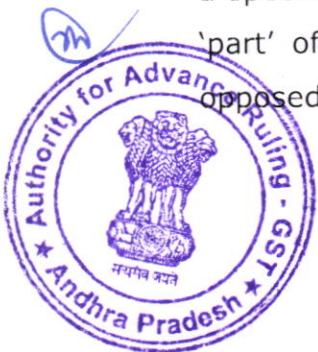


Further, they are equipped with cushion and give stability to the 'seats'. Hence, the applicant submits that 'seats' per se would be incomplete without the 'seat covers' in question in as much as it forms an integral part of the 'seats' and hence, merit classification under HSN 9401. It is stated that 'seats' are not to be judged only on the basis of their affixing to a motor vehicle. It has to be seen as a whole and a 'seat' would be complete only when the products in question are affixed to a 'seat'.

**5.14.** Further, Explanatory Notes to Chapter 94 states that "The heading also covers identifiable parts of chairs or other seats, such as backs, bottoms and arm-rests (whether or not upholstered with straw or cane, stuffed or sprung) and spiral springs assembled for seat upholstery." Further, Explanatory Note to Chapter sub-heading 9401.80 states that "This sub heading also covers safety seats suitable for the carriage of infants and toddlers in motor vehicles or other means of transport. They are removable and are attached to the vehicle's seats by means of the seat belt and a tether strap."

**5.15.** The applicant has submitted that 'seat covers' form 'part' of the seat. The explanatory notes specifically mentions that arm-rests, bottoms and backs attached to 'seats' are to be classified under this heading. Much like bottoms, arm-rests and backs, the 'seat covers' in question also complete the 'seats' and give them a proper structure before being affixed to a vehicle.

**5.16.** In contrary to the above, reference to explanatory notes to chapter 87 also needs to be analysed. An explanatory note to chapter 87 covers various equipments which are affixed to a motor vehicle and it gives an exhaustive list as to what would be covered under the said chapter. Heading 8708.21 covers safety seat belts and Heading 8708.95 covers safety airbags which are affixed to the motor vehicle directly. The applicant submits that none of the entries therein relate to 'seats' or its 'parts'. All the equipment mentioned therein are directly affixed to the vehicle and in that sense they are termed as 'parts' or 'accessories' to motor vehicles classifiable under chapter 87. On the other hand, 'seat covers' in question are affixed to 'seats' in particular which are then affixed to a motor vehicle. Since, a specific entry exists in the statute book relating to 'seats' under chapter 94, any 'part' of the same has to be necessarily classified under the same Heading as opposed to the general heading of chapter 87.



**5.17.** The applicant submits that on an analysis of the explanatory notes it becomes clear that chapter 94 is a specific entry with respect to 'seats' and its 'parts'. Classifying an essential 'part' of the 'seat' under chapter 87 would render chapter 94 otiose and redundant. As explained herein above. Explanatory notes to chapter 94 covers various aspects of 'seat' and 'seat covers' in question and by virtue of their function form an essential 'part' of the 'seats'. On the other hand, explanatory Notes of Chapter 87 covers 'parts' of motor vehicles and there is no specific entry per se which covers any part of the 'seats' under chapter 87. Hence, as a corollary, the same ought to be appropriately classified under chapter 94 since a specific entry prevails over a general entry.

**5.18.** The 'common parlance test' is generally the most applied test, judicially, to determine the appropriate classification of any product. The applicability of the common parlance test has been upheld and resorted to in various cases by the Supreme Court like **Indo International Industries v Commissioner of Sales Tax [1981 (8) ELT 325 (SC)]** and **Commissioner of Sales Tax vs Macneill & Barry Ltd [1986 (23) ELT 5(SC)]**. Applying common parlance test to the present factual scenario, it is to be analysed as to how the products in question are treated in the market. It can be said that the products in question by their very nomenclature give the impression that the same are treated as 'part' of 'seats'. Even otherwise, the products in question are manufactured in conjunction with 'seats' by the applicant.

**5.19.** The applicant further submits that the last test which can be applied for classification is the usage test, i.e., the products in question has to be classified as per their specific use in the market. Reference in this regard is placed in the case of **MSRTC's Central Workshop v Commissioner of Central Excise, Aurangabad [2012 (282) ELT 101 (Tri-Mum)]** wherein the classification of components of bus bodies were in question. Relying on the fact that the specific components could only be used in bus bodies, the Hon'ble Tribunal held that:

"We find that in the present case before us, the components of bus bodies are meant for specific use in buses made by the appellant for repair and maintenance purposes. These components cannot be used in other buses made by other bus body builders."





*There is no evidence from the Revenue to show that the components are bought and sold in the market as commodity. The commissioner's finding that merely because goods are not bought and sold in the market does not make them non-marketable cannot be sustained in absence of any evidence from Revenue."*

Accordingly, the 'car seat covers' are to be classified under Chapter 94 considering the specific use of the same.

**5.20** The applicant submits that 'car seat covers' are used only in conjunction to the 'seats'. The same cannot be used otherwise in a vehicle apart from being affixed to 'seats' which are in turn affixed to a motor vehicle. Considering the specific use of the same in assembling of 'seats', it is submitted that the same ought to be classified under Serial No. 435A under Chapter 94.

**5.21.** The applicant reiterates that 'car seat covers' rightly merit classification under Chapter 9401 at serial No. 435A to Notification No.1/2017-Central Tax (Rate) dt:28.06.2017 as amended by Notification No. 41/2017- Central Tax (Rate) Dated 14.11.2017. Therefore, the said product ought to be taxable at 9% CGST and 9% SGST.

## **6. Virtual Hearing:**

The proceedings of Hearing were conducted through video conference on 12<sup>th</sup> February, 2021, for which the authorized representative, CA Dayananda K. attended and reiterated the submissions already made.

## **7. Discussion and Findings:**

We have examined the issues raised in the application. The taxability of the goods supplied as governed under the provisions of respective GST Acts are examined to decide the question involved in the present Ruling.

The applicant approached this authority on the issue of classification wherein the product in question i.e., 'seat covers' would fall under HSN 9401 or not. It is followed by the query whether Sl.No.435A of Schedule IV of the Notification No 1/2017-Central Tax (Rate) dt: 28.06.2017 applicable to 'Car Seat Covers' or not.

The applicant being the manufacturer of seat covers and other allied accessories, sell the manufactured 'seat covers' to car seat makers who in turn affix the seat



covers to the seats and there after the seat is fixed to the motor vehicle. If we look into the said entry as claimed by the applicant, **i.e., "HSN 9401 Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof,"** it is mentioned as 'seats and parts thereof'. The term 'part' carries much significance in this case.

The meaning of 'part' as per Cambridge dictionary,

- *a separate piece of something, or a piece that combines with other pieces to form the whole of something:*
- *one of the pieces that together form a machine or some type of equipment:*

As mentioned above, 'parts' combine to form a whole and they are integral to the completion of any article or equipment.

On the contrary if we examine the definition of 'accessories',

As per Merriam-Webster, Definition of 'accessory',

- *an object or device that is not essential in itself but adds to the beauty, convenience, or effectiveness of something else.*  
*eg: auto accessories and clothing accessories*
- *a thing of secondary or lesser importance : ADJUNCT*

After a clear examination of both the above terms i.e., 'parts' and 'accessories', 'seat covers' cannot be a part of seats by any means, in the instance case. They are meant for the protection of the seats and the functional value of 'seat covers' is the comfort and convenience it extends to the driver and the passengers. Thus, the 'seat covers' are not essential parts of the seats but accessories that enhance their functional value.

Even in general trade parlance or in terms of their specific usage, the 'seat covers' are considered as accessories and customized as per the preferences of the clients. Trade circles consider the automotive accessories as a category of articles relating to non-essential automotive parts which embellish the look and feel of an automobile or add functionality. 'Seat covers' provide new look to the interior of the car, and also make it more comfortable for passengers.

It is pertinent to mention in this context that seat covers were covered under 'accessories' in pre-GST regime too. Car seat covers were classified under heading 87.08 as accessories of car seats vide **Guru Overseas Private Limited Vs. Commissioner of Central Excise**. The relevant excerpt is presented as under,





"4.

.....The Tribunal accepted their contention and classified the car seat covers under Heading 87.08 as accessories of car. The Commissioner (Appeals) cannot be faulted in following the decision of the Tribunal. Accordingly the impugned goods are classifiable under Heading 87.08 of CETA."

It was further strengthened by a clarificatory circular issued by CBEC vide circular no.541/37/2000-CX dt:16.08.2000, in which it was clearly mentioned that car seat covers were classified under heading 87.08 as accessories of car seats.

In continuation of the same into the GST period, the entry under HSN 8708 at Serial No.170 under Schedule IV of Notification No.01/2017-Central Tax (Rate) dated 28.06.2017 continues to be applicable for seat covers attracting tax rate of CGST+SGST (14%+14%) @ 28%.

### RULING

**(Under Section 98 of Central Goods and Services Tax Act, 2017 and the Andhra Pradesh Goods and Services Tax Act, 2017)**

**Question:** Whether the product namely 'Car Seat Covers' merits classification under HSN 9401? If not, what is the correct classification applicable to 'Car Seat Covers'?

**Answer:** Car seat covers fall under the entry at Serial No.170 under HSN 8708 Schedule IV of Notification No.01/2017-Central Tax (Rate) dated 28.06.2017 attracting tax rate of CGST+SGST (14%+14%) @ 28%.

**Question:** Is Sl.No.435A of Schedule IV of the Notification No 1/2017-Central Tax (Rate) applicable to 'Car Seat Covers'? If not, what is the applicable entry under the said Notification?

**Answer:** Not applicable

**Sd/-D. Ramesh**  
Member

**Sd/-A. Syam Sundar**  
Member

//t.c.f.b.o//



*[Signature]*  
**Deputy Commissioner (ST)**  
**DEPUTY COMMISSIONER (ST)**  
O. o. Chief Commissioner of State Tax,  
Government of A.P., Vijayawada

**To**

1. M/s. Saddles International Automotive & Aviation Interiors Private Limited, Survey No 151/2, Budili Village, Gorantla Mandal, Anantapur-515241, Andhra Pradesh **(By Registered Post)**

**Copy to**

1. The Assistant Commissioner of State Tax, Hindupur Circle, Anantapur Division.  
**(By Registered Post)**
2. The Superintendent, Central Tax, CGST Hindupur-2 Range, Anantapur Division.  
**(By Registered Post)**

**Copy submitted to**

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Eedupugallu, Vijayawada, (A.P).
2. The Principal Chief Commissioner of Customs & Central Tax, O/o Principal Chief Commissioner of Central Tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035. A.P. **(By Registered Post)**

**Note:** Under Section 100 of the APGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under section 99 of APGST Act, 2017, with in a period of 30 days from the date of service of this order.



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