



HARYANA AUTHORITY FOR ADVANCE RULING,  
GOODS AND SERVICES TAX,  
HARYANA VANIJYA BHAWAN, PLOT NO 1-3, SECTOR 5,  
PANCHKULA-134151 (HARYANA)



ADVANCE RULING NO.HAR/HAAR/R/2019-20/07  
(In Application No.: 07/2019-20,dated 20.06.2019)

Name & Address of the Applicant	:	M/s Sincere Marketing Services Pvt. Ltd., 39 KM Stone, N.H.-8, Narsinghpur Village, Gurgaon, Haryana.
GSTIN of the Applicant	:	06AAACS1430P1ZD
Date of Application	:	20.06.2019
Clause(s) of Section 97(2) of CGST/HGST Act, 2017, under which the question(s) raised.	:	Clause(g)- 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.
Date of Personal Hearing	:	06.09.2019
Present for the Applicant	:	Sh. Sivarajan Kalyanaraman

**Memo No.: 1047/AAR**  
**Dated: 28.08.2020**

**1. Brief facts:-**

1.1 The Applicant M/s Sincere Marketing Services Pvt. Ltd., 39 KM Stone, N.H.-8, Narsinghpur Village, Gurgaon, Haryana is registered under the GST laws vide registration no. 06AAACS1430P1ZD; and engaged in the business of trading of buses and chassis of bus. Additionally, in certain cases, also engaged in provision of services in respect of fabrication/mounting of bus body on chassis to its customer, wherein such services of fabrication/ mounting are being outsourced to a bus bodybuilder. In respect of the same, the applicant enters into a separate arrangement with body builder for mounting of bus body on chassis provided by the Applicant.

1.2 The Applicant has provided below a description of the transactions/ arrangements entered or proposed to be entered by the Applicant with its customer:

1.3 Type 1:- Contract for sale of chassis mounted with bus body

- Applicant enters into an arrangement with a chassis manufacturer for purchasing chassis for bus. Subsequently, the Applicant enters into an independent contract/arrangement with a bus body builder for mounting the bus body on the chassis.
- In this regard, the Applicant sends the chassis to the body builder under the cover of a challan.
- Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body are being removed by body builder





and sent to the Applicant. For carrying out such activity of mounting the bus body on the chassis, body builder recovers service charges from the Applicant.

- Pursuant to the above, the Applicant enters into a contract with a customer for supply of the said built up bus.

1.4 Type 2:- Separate contract for sale of chassis and provision of services in respect of activity of mounting/fabricating of bus body on the chassis

Type 2; Model A:

- The Applicant will enter into a contract with its customer for the sale of chassis. Pursuant to which, request is received from the customer for fabrication of the bus body on the chassis purchased by him.
- In this regard, a subsequent contract will be entered between the Applicant and the customer for the provision of services in respect of activity of mounting/fabricating of bus body on the chassis.
- In respect of the above, the Applicant will further enter into an arrangement with body builder for mounting the bus body (as per customer specifications).
- For executing supplies as per the above arrangement, the Applicant will send the chassis to the bus body builder under the cover of a challan.
- Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body will be removed by body builder and sent to the Applicant. For carrying out such activity of mounting the bus body on the chassis, body builder will recover service charges from the Applicant.
- Subsequently, the Applicant will raise another invoice on the customer for recovering its charges in respect the activity of mounting/fabricating of bus body on the chassis.
- In respect of the above transaction, separate consideration will be charged by the Applicant from the customer in respect of the supply of chassis and provision of services in respect of fabrication/mounting of bus body on chassis to its customer.



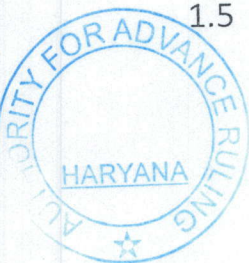
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Type 2; Model B:

- The Applicant will enter into a contract with its customer for the sale of chassis. Pursuant to which, request is received from the customer for fabrication of the bus body on the chassis purchased by him.
- In this regard, a subsequent contract will be entered between the Applicant and the Customer for the provision of services in respect of activity of mounting/fabricating of bus body on the chassis.
- In respect of the above, the Applicant will further enter into an arrangement with body builder for mounting the bus body (as per customer specifications).
- For executing supplies as per the above arrangement, the Applicant will supply the chassis to the customer under the "Bill to Ship to" arrangement, wherein the invoice for such chassis will be raised on the customer and the chassis will be shipped to body builder for mounting the bus body on the chassis.
- Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body will be removed by the bus body builder and sent to the customer directly. For carrying out such activity of mounting the bus body on the chassis, the body builder will recover service charges from the Applicant.
- Subsequently, the Applicant will raise another invoice on the customer for recovering its charges in respect the activity of mounting/fabricating of bus body on the chassis.
- In respect of the above transaction, separate consideration will be charged by the Applicant from the customer in respect of the supply of chassis and provision of services in respect of fabrication/mounting of bus body on chassis to its customer.

1.5 Type 3: Applicant enters into a contract for sale of chassis of bus to the customer and subsequently, enters into a separate arrangement with the said customer, wherein the Applicant is appointed as an agent by the customer for undertaking the activity of mounting of bus body on the chassis on behalf of the customer



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- The Applicant will enter into a contract with its customer for the sale of chassis. Pursuant to which, request is received from the customer for fabrication of the bus body on the chassis purchased by him.
- In this regard, a subsequent contract will be entered between the Applicant and the customer, wherein the Applicant is appointed as an agent of customer for undertaking the activity of mounting the bus body on the chassis sold to customer.
- In respect of the above, the Applicant will further enter into an arrangement with body builder for mounting the bus body (as per customer specifications).
- For executing supplies as per the above arrangement, the Applicant will send the chassis to the bus body builder under the cover of a challan.
- Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body will be removed by body builder and sent to the Applicant. For carrying out such activity of mounting the bus body on the chassis, body builder will recover service charges from the Applicant.
- Subsequently, the Applicant will recover the said charges from the customer.

## 2. Questions raised before the authority:-

2.1 Whether supply of chassis mounted with bus body, shall be treated as a supply of bus or separate supplies of the following:-

- Supply of chassis, taxable at the rate 28% as per the prescribed HSN; and
- Provision of services in respect of activity of mounting/fabricating of bus body on the chassis wherein the said activity of mounting/fabricating is outsourced by the Applicant to the body builder.

2.2 Whether the supply of chassis and the provision of services in respect of activity of mounting/ fabrication under two separate contracts to the same customer should be treated as supply of bus or as separate supplies of the following:

- Supply of chassis, taxable at the rate 28% as per the prescribed HSN; and



*Specs*

*[Signature]*



- Provision of services in respect of activity of mounting/fabricating of bus body on the chassis wherein the said activity of mounting/fabricating is outsourced by the Applicant to the body builder.

2.3 Whether the recovery of the bus body building charges incurred by the Applicant on behalf of customer in capacity of an agent, should be covered in the ambit of Schedule I of Central Goods and Services Tax Act, 2017 (CGST Act, 2017) and leviable to GST. If the answer to the said question is in adverse, whether the recovery of the bus body building charges incurred by the Applicant on behalf of the customer in capacity of an agent, will be leviable at the rate of 18% as supply of services.

### 3. Discussion and findings:-

3.1 Now, before the above questions are to be decided in the instant case, it is pertinent to know whether the activity of the bus body builder, in which fabrication/mounting of bus body on the chassis supplied by the applicant amounts to **supply of goods** or **supply of services**. In this regard, CBIC vide Circular No. 34/8/2018-GST, dated 1-3-2018, has clarified the matter. The relevant portion of the circular is as under:

S. N.	Issue	Clarification
1.	Whether activity of bus body building, is a supply of goods or services?	In the case of bus body building there is supply of goods and services. Thus, classification of this composite supply, as goods or service would depend on which supply is the principal supply which may be determined on the basis of facts and circumstances of each case.

3.2 In view of the aforesaid clarification issued by the CBIC, to find out the supply of goods and supply of services in the present case, on the basis of facts and circumstances of the present case, we need to observe the definition of composite supply and principal supply as defined under the CGST/HGST Act, 2017.

3.3 Composite supply has been defined under Section 2(30) of the CGST/SGST Act, 2017, as under:

**“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;*

3.3 From the above definition it is clear that in the present case there is a composite supply of goods i.e. chassis and supply of services i.e. fabrication/mounting of bus body on the chassis supplied by the applicant. Now, classification of this composite supply, as goods or service would depend on which supply is the principal supply which is to be determined on the basis of facts and circumstances of the present case.

3.3 Further, Principal supply has been defined under Section 2(90) of the CGST/SGST Act, 2017, as under :

*“principal supply” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;*

3.4 From the above definition of principal supply it is clear that in the present case there is a principal supply of goods or services which constitutes the predominant element of a composite supply. The predominant element of the composite supply is to be determined on the basis of facts and circumstances of the present case.

3.5 Now, classification of this composite supply, as goods or service would depend on which supply is the principal supply which is also to be determined on the basis of facts and circumstances of the present case.

3.6 Further, the tax liability on composite supply has been determined under Section 8 of the CGST/SGST Act, 2017, as under :

*The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—*

- (a) *a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and*
- (b) *a mixed supply comprising two or more supplies shall be treated as*



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*a supply of that particular supply which attracts the highest rate of tax.*

It means, in the present case, there is composite supply of goods and services. One of which is a principal supply. And the tax liability of such principal supply will be the tax liability of the composite supply.

3.7 Now, it is pertinent to identify the principal supply and tax liability thereon for all the three types of description of the transactions/ arrangements entered or proposed to be entered by the Applicant with its customer. All these types have been described in detail in brief facts.

3.8 Now, discuss Type 1:- Contract for sale of chassis mounted with bus body:

In this situation, the Applicant sends the chassis to the bus body builder under the cover of a delivery challan. Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body are being removed by body builder and sent to the Applicant.

3.9 In this regard, the Government vide **Circular No. 52/26/2018-GST dated 9th August, 2018**, has provided a clarification in respect of applicable GST rate on bus body building activity. The relevant extract of the same has been reproduced below:

*"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,*



*Specs*

*[Signature]*



*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."*

In view of the above, it is clear that the bus body builder is doing fabrication of body on chassis provided by the principal (the applicant is principal in this case; type 1), this amounts to job work and as mentioned at Para 12.2(b) & 12.3 above the supply would merit classification as service, and 18% GST as applicable will be charged accordingly.

Now, the applicant has a complete bus ready to supply to the customer. The supply of chassis mounted with bus body to the customer, shall be treated as a supply of bus; classifiable under chapter heading 8702; taxable at the rate 28%.

3.10 Now, discuss type 2; in which a separate contract for sale of chassis and provision of services in respect of activity of mounting/fabricating of bus body on the chassis is done.

3.11 In this situation, the Applicant will enter into a contract with its customer for the sale of chassis. Pursuant to which, request is received from the customer for fabrication of the bus body on the chassis purchased by him. In this regard, a subsequent contract will be entered between the Applicant and the customer for the provision of services in respect of activity of mounting/fabricating of bus body on the chassis. In respect of the above, the Applicant will further enter into an arrangement with body builder for mounting the bus body (as per customer specifications). For executing supplies as per the above arrangement, the Applicant sends the chassis to the bus body builder under the cover of a challan.

3.12 Accordingly, while issuing invoice on the customer for **sale of chassis will charge GST at the rate of 28% as prescribed under the HSN 8706**. Accordingly, it is submitted by the applicant that they can raise a deliver challan sending chassis to bus body builder for body building process. Once the body building activity gets completed, the built up bus i.e. chassis mounted with the bus body are being removed by body builder and sent to the Applicant.

3.13 Further, as mentioned above, activity of mounting of bus body on chassis (not owned by body builder) shall be classified as supply of services in terms of Circular No. 52/26/2018-GST dated 9th August, 2018, accordingly, it is





submitted that the body builder can raise invoice, charging tax at the rate of 18% as prescribed under the HSN 9988, on the Applicant for recovering its service charges in respect of the activity carried out for mounting the bus body on the chassis. After mounting the bus body on the chassis, the body builder will be sending the same to the customer directly.

3.14 The applicant further, contended that pursuant to the invoice being raised by body builder on them, they will raise an invoice, charging tax at the rate of 18% as prescribed under the HSN 9988, on the customer for recovering its service charges in respect of the activity of mounting of bus body. Alternatively, they also submitted that they can raise a **single invoice** to the customer for the supply of chassis and provision of services in respect of fabrication / mounting of bus body on chassis to its customer as per the HSN codes along with the GST rates to be mentioned on the invoice.

3.15 **Here, we differ from the applicant because in** the instant case, it is the chassis which is supplied by the applicant and in fact no treatment or process is undertaken by the bus body builder on the chassis itself, except fabrication/mounting of bus body on the same. At the same time, bus body building involves use of raw materials/inputs etc., for manufacture/fabrication/mounting of bus body and the cost of these inputs, etc., do form the part of value which is being charged by the bus body builder from the applicant or the customers.

3.16 Thus it emerges that the applicant whether a dealer **or an agent** is providing only chassis. All inputs/materials required for fabrication of bus body, has to be used by the bus body builder from its own account. Under such situation it is the bus-body which is being fabricated and also being mounted on the chassis provided by the applicant. Therefore, it is not merely job-work. Rather it is supply of bus body and the activity of fitting/fabrication/mounting of bus body on chassis is an ancillary activity to the principal activity of supply of bus-body. Hence, in terms of the clarification issued by the CBIC vide Circular No. 34/8/2018-GST, dated 1-3-2018; the impugned activity is a composite supply, with **principal supply** being **supply of bus-body**.

3.17 From the contents of the Tax Invoice No. 10461/1920 dated 20.05.2019 issued by the bus body builder i.e. M/s Audi Automobiles, Pithampur, District-Dhar (M.P.) to the applicant as supplied by the applicant, it is observed that the





description of supplies made/work done, is as under:

*"Bus body building on your chassis **with materials** (Motor Vehicle and Trailer Manufacturing Services) on 10.90 L School Bus BS IV Legacy (3\*2)".*

It is clear from the above invoice that the bus body builder is supplying bus body to the applicant as principal supply.

3.18 **The supply of chassis and the provision of services in respect of activity of mounting/ fabrication under two separate contracts to the same customer should be treated as supply of chassis and composite supply of goods i.e., bus-bodies, being principal supply (HSN Code 8707); classifiable under chapter heading 8707; taxable at the rate 28%.**

3.19 Type 3: The applicant gives third situation where the Applicant enters into a contract for sale of chassis of bus to the customer and subsequently, enters into a separate arrangement with the said customer, wherein the Applicant is appointed as an agent by the customer for undertaking the activity of mounting of bus body on the chassis on behalf of the customer.

The recovery of the bus body building charges incurred by the applicant on behalf of customer in capacity of an agent, should be covered in the ambit of Schedule I of Central Goods and Services Tax Act, 2017 and thus, leviable to GST taxable at the rate 28%.

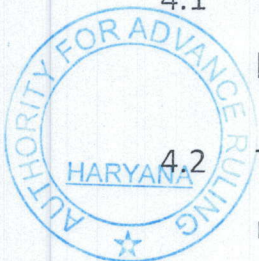
3.20 From the above discussion, it is evident that the activity of fabrication, fitting and mounting of bus bodies on the chassis supplied by the applicant is a composite supply with supply of goods i.e., bus-bodies, being principal supply (HSN Code 8707).

#### 4. **Ruling:-**

So, in light of the above discussion and findings, the Ruling of the Authority on the question raised in the application is as under:

4.1 The supply of chassis mounted with bus body, shall be treated as a supply of bus; classifiable under chapter heading 8702; taxable at the rate 28%.

4.2 The supply of chassis and the provision of services in respect of activity of mounting/ fabrication under two separate contracts to the same customer should be treated as supply of chassis and composite supply of goods i.e., bus-







bodies, being principal supply (HSN Code 8707); classifiable under chapter heading 8707; taxable at the rate 28%.

- 4.3 The recovery of the bus body building charges incurred by the applicant on behalf of customer in capacity of an agent, should be covered in the ambit of Schedule I of Central Goods and Services Tax Act, 2017 and thus, leviable to GST taxable at the rate 28%.

Ordered accordingly.  
To be communicated.

13.09.2019  
Panchkula.

  
(Sangeeta Karmakar)  
Member CGST

  
(Madhubala)  
Member SGST

**Regd. AD/Speed Post**

**Sincere Marketing Services Pvt. Ltd.,  
39 KM Stone, N.H.-8, Narsinghpur Village,  
Gurgaon, Haryana.**

Copy to:

1. Principal Commissioner of Central Goods & Service Tax, GST Bhawan, Plot No. 36-37, Sector-32, Gurugram, Haryana.
2. Deputy Excise and Taxation Commissioner, Gurugram (South).
3. Deputy/ Assistant Commissioner, GST Bhawan, Plot No. 36-37, Sector-32, Gurugram, Haryana.