

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd 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:

Shri Balakrishna S, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit II Commissionerate, Chennai - 600 034.	Shri B.Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 07/AAR/2025, dated 18.03.2025

- 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 which 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) 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 Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the 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 Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	33AARCA9513E1ZO
Legal Name of Applicant	M/s. Hitachi Energy India Limited
Trade Name of Applicant	M/s. Hitachi Energy India Limited
Registered Address/ Address provided while obtaining User id	3rd Floor, Old No. 7, New No. 41, Jayant Tech Park, Mount Poonamallee Road, Manapakkam, Chennai – 600 089.
Details of Application	Application Form GST ARA-01 received from the applicant on 12.06.2023.
Jurisdictional Officer	State: Nandambakkam Assessment Circle Zone –IX, Chennai East Division, Centre : Range –V, Porur Division, Chennai South Commissionerate
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for A. Category B. Description (in brief)	Service provision The applicant is a company inter alia engaged in manufacture and supply of electrical equipment of various capacities depending on end use and application to specific industry. <u>Brief facts of the case:</u> M/s .Hitachi Energy India Ltd., (formerly part of M/s. ABB India Ltd.,) along with M/s. BHEL has entered into a contract with M/s. Power Grid Corporation of India Ltd., (PGCIL in short) for setting up of a 800KV, 6000MW HVDC Multi-Terminal System Package, involving complete project management, system design, engineering, type testing, manufacture, testing, supply, port handling, customs clearance for the imported goods, further handling, inland transportation and delivery at destination site, unloading, storage, handling at site, erection/installation including associated civil works, employer staff training, testing and commissioning including performance testing of equipment / materials and any other services' as required for complete execution of the package. The entire scope of work was split into five contracts, with the third and fifth contract involving the applicant directly.

Issues on which advance ruling required	<p>Applicability of a notification issued under the provisions of this Act.</p> <p>Determination of the liability to pay tax on any goods or services or both.</p> <p>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.</p>
Question(s) on which advance ruling is required	<p>1. Whether the supply of services made by the Applicant under Fifth Contract is composite supply with principal supply of goods under the Third Contract?</p> <p>2. Whether the supply of service of transportation, freight and insurance under the 'Fifth Contract' provided for the goods supplied by the Applicant is in the nature of Business Support Services and shall be chargeable to tax at specified rates?</p>

M/s. Hitachi Energy India Limited, 3rd Floor, Old No.7, New No.41, Jayant Tech Park, Mount Poonamallee Road, Manapakkam, Chennai – 600 089 (hereinafter called as the “Applicant”) is engaged in manufacture and supply of electrical equipment of various capacities depending on end use and application to specific industry. They are registered under GST with GSTIN 33AARCA9513E1ZO.

2. The Applicant has made a payment of application fees of Rs.5,000/- each under sub rule (1) of Rule 104 of CGST Rules, 2017 and SGST Rules, 2017. The Applicant has filed this application seeking Advance Ruling on the following questions, viz.,

1. Whether the supply of services made by the Applicant under Fifth Contract is composite supply with principal supply of goods under the Third Contract?
2. Whether the supply of service of transportation, freight and insurance under the 'Fifth Contract' provided for the goods supplied by the Applicant is in the nature of Business Support Services and shall be chargeable to tax at specified rates?

3.1. The Applicant is seeking a ruling on determination of tax liability on the supplies made vide one of the contracts entered into with Power Grid Corporation of India Ltd. (hereinafter referred to as 'PGCIL') for the supply of goods and services for setting up 800 KV, 6000 MW HVDC terminals at Raigarh and Pugalur.

3.2. The Applicant seeks a ruling as to the applicability of Sl. No.18 of Notification No. 12/2017-CT (Rate) dated 28.06.2017 on the services of transportation, freight

and insurance provided by the Applicant in terms of the Fifth Contract, viz., 'On Shore Services Contract Agreement (Reference No. CC-CS/651-SR2/HVDC-3063/7/G10/CA-V/5821)' to PGCIL. Alternatively, if the exemption under Notification is not applicable, the question as to whether the services are taxable for being in the nature of composite supply, with the principal supply being supply of goods is also to be examined.

3.3. The applicant submits that the present application is maintainable under Section 97 of the CGST / TNGST Act, 2017:

- a. The Applicant has filed the present application under Section 97(1) of the Central Goods & Services Act, 2017 / the Tamil Nadu State Goods & Services Act, 2017 (*hereinafter collectively referred to as the "GST Act"*) read with Rule 104(1) of the Central Goods & Service Tax Rules, 2017 and Tamil Nadu State Goods & Services Rules, 2017 (*hereinafter collectively referred to as the "GST Rules"*).
- b. Sections 97(2) of the GST Act provides that the question in respect of which Advance Ruling is sought shall *inter alia* be in respect of:
 - (i) applicability of a notification issued under the provisions of this Act;
 - (ii) determination of the liability to pay tax on any goods or services or both; or
 - (iii) 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.
- c. Based on the agreement entered into with PGCIL, the Applicant has *inter alia* provided the services of transportation, insurance and freight under the Fifth Contract for the supply of goods.
- d. Through the instant application, the Applicant seeks a ruling as to whether the services of transportation, insurance and freight are eligible for exemption under SI. No.18 of Notification No. 12/2017-CT (Rate) dated 28.06.2017
- e. Alternatively, whether the services of transportation, insurance and freight are in the nature of composite supplies with principal supply being that of goods?

4.1. As per the terms of the Contract, M/s. Power Grid Corporation of India Ltd., ('PGCIL' in short), desirous of setting up 800KV, 6000MW HVDC Multi-Terminal System Package, had invited bids for complete project management, system design, engineering, type testing, manufacture, testing, supply, port handling and customs clearance for the imported goods, further handling, inland transportation and delivery at destination site, unloading, storage, handling at site, erection / installation including associated civil works, employer staff training, testing and commissioning including performance testing of equipment / materials and any other services as required for complete execution of the package.

4.2. A Joint Venture of M/s. ABB AB, incorporated under the laws of Sweden (hereinafter referred to as ABBAB) and M/s. Bharat Heavy Electricals Limited (BHEL) had entered into a contract dated 25.01.2017 with PGCIL, with ABBAB being the lead partner and BHEL being the partner. The contract was for delivering a transmission link for transmitting electricity from Raigarh, Chattisgarh to Pugalur, Tamil Nadu. The applicant was to deliver a High Voltage Direct Current System (HVDC) from Raigarh to Pugalur covering 1800 km link. The capacity of the HVDC system is 6,000 megawatts. The JV has appointed the applicant as their associate for the purpose of executing the Third contract, i.e., on-shore supply of goods and the Fifth Contract, i.e., providing services including local transportation, insurance and other incidental services in respect of the goods supplied under First contract and Third contract and installing commissioning of equipment, civil works, etc., for the goods supplied under First Contract, Second Contract and the Third Contract.

4.3. It is pertinent to note that at the time of the execution of the Contracts, the Applicant was functioning under the name of M/s. ABB India Limited. However, with effect from 01.12.2019, the Power Grids business of ABB India Limited stands transferred to M/s. ABB Power Products and Systems Limited as a going concern. The Bengaluru bench of the Hon'ble National Company Law Tribunal ("NCLT") has sanctioned the said scheme vide its order dated November 27, 2019. Accordingly, all the contract(s)/statements of work/ purchase orders/ arrangements in relation to ABB India Limited's Power Grids business stands transferred to ABB Power Products and Systems Limited. The change had no effect on the contract or its scope thereof. A copy of the change order issued by PGCIL dated 25.02.2020 noting the change of the Applicant from M/s. ABB India Limited to M/s. ABB Power Products and Systems limited for the purpose of contract was enclosed as Annexure -1 to the application.

4.4. The name of the applicant company was changed, which was noted for the purpose of the contract vide the change order dated 21.12.2021. The said order captured that the name of the applicant company shall stand amended from M/s. ABB Power Products and Systems Limited to M/s. Hitachi Energy India Limited, as it stands today. A copy of the change order issued by PGCIL dated 21.12.2021 noting the change of name of the applicant from M/s. ABB Power Products and Systems Limited to M/s. Hitachi Entergy India Limited for the purpose of the contract has been enclosed as Annexure -2 to the application.

4.5. The entire scope of work was split into five Contracts covering specific and detailed nature of supply of various goods and services for supply of equipment and material offshore and onshore and for supply of services:

- (i) **'First Contract'** – Off-shore Contract (with ABBAB) – for CIF supply of equipment and material including mandatory / availability spares, type testing & training to be conducted outside India.
- (ii) **'Second Contract'** – On-shore Supply Contract (with BHEL) – ex-works supply of equipment and materials including mandatory / availability spares from within India, type testing under the scope of BHEL as per the division of work indicated in the JV agreement, required for the complete execution of the Project.

- (iii) **'Third Contract'** – On-shore Supply Contract (with Applicant) – ex-works supply of equipment and materials including mandatory / availability spares from within India, type testing under the scope of Applicant as per the division of work indicated in the JV agreement, required for the complete execution of the Project.
- (iv) **'Fourth Contract'** – On-shore Services Contract (with BHEL) – performance of all services *inter alia* local transportation, insurance and other incidental services (including post clearance, etc.) taking delivery of equipment / materials including supervision of the erection of the supplies made under Second Contract; under the scope of BHEL as per the division of work indicated in the JV Agreement.
- (v) **'Fifth Contract'** – On-shore Services Contract (with Applicant) – performance of all services *inter alia* local transportation, insurance and other incidental services, taking delivery of equipment / materials to be supplied under the 'First Contract' and 'Third Contract' under the scope of ABBAB and Applicant, respectively, and unloading, handling, storage, erection including civil works, testing and commissioning of various equipment / materials to be supplied under the 'First Contract', 'Second Contract' and 'Third Contract', under the scope of ABBAB, BHEL and Applicant as per the division of work under the JV agreement.

4.6. The Contract stipulated a separate Contract price for each of the five Contracts along with break-up of the costs relatable to each of the five Contracts. The contract price for each of the five Contracts is tabulated below as under:

Particulars		Amount
First Contract – Off Shore Contract with ABB AB		
1.	CIP / CIF Price Component	786,357,577 (SEK) 24,576,981 (EURO)
2.	Type Testing Charges	Included
3.	Training Charges	Included
Second Contract – On Shore Supply Contract with BHEL		
1.	Ex-works Price Component	9,073,692,740 (INR) 468,750,240 (SEK) 2,364,560 (EURO)
2.	Type Test Charges	Included
Third Contract – On Shore Supply Contract with Applicant		
1.	Ex-works Price Component	21,777,916,005 (INR) 343,265,688 (SEK)
2.	Type Test Charges	Included
Fourth Contract – On Shore Services Contract with BHEL		
1.	Local Transportation, Insurance and other Incidental Services	554,377,028 (INR)
Fifth Contract – On Shore Contract with Applicant		
1.	Local Transportation, Insurance and other Incidental Services applicable for supply of Plant and Equipment from and within India only	1,749,715,832 (INR)
2.	Local Transportation, Insurance and other Incidental Services applicable for supply of Plant and Equipment to be supplied from	438,121,107 (INR)

	abroad under scope of ABB AB	
3.	Installation Charges	9,231,059,834 (INR)

The above contract price has undergone several changes since the formulation of the contracts but broadly remains the same.

4.7. The provisions of the contracts require the successful execution of all five contracts for the implementation of the Project, meaning that the contracts are interlinked. As per the provisions of each of the contracts, the Applicant was liable to furnish Contract Performance Security for 10% of the value of the 'First Contract', 'Second Contract', 'Third Contract', 'Fourth Contract' and 'Fifth Contract' and the Applicant was to furnish Contract Performance Security for 10% of the Contract Value of the 'Third Contract' and 'Fifth Contract' to ensure due performance of the Contract.

4.8. As mentioned above, the price payable by PGCIL in respect of the supplies specific to each of the contracts and entities are separately stipulated and milestones have been identified for payment by PGCIL. The Contractor under each of the contracts, shall raise the invoice in respect of part deliveries as work proceeds. PGCIL shall make the payment promptly within thirty days of submission of the invoice by the Contractor, complete in all respects and supported by the requisite documents.

4.9. In terms of the Contract, any taxes and duties applicable as per the Indian Tax laws and payable as per the Contract, in respect of the transactions related to the Contract, shall be paid by PGCIL after each shipment. The payment towards taxes and duties shall be released by PGCIL directly to the Contractor.

4.10. The Fifth Contract, viz., 'On Shore Services Contract Agreement (Reference No. CC-CS/651-SR2/HVDC-3063/7/G10/CA-V/5821) dated 25.01.2017' has been entered into by the Applicant and PGCIL. The scope of work under this contract has been referred in the narration to the contract and includes local transportation, insurance and other incidental services applicable for supply of Plant & Equipment from within India and from abroad. A copy of the On Shore Services Contract Agreement (Reference No. CC-CS/651-SR2/HVDC-3063/7/G10/CA-V/5821) dated 25.01.2017 was enclosed as Annexure-3 to the application.

4.11. The present application seeking ruling relates to the above service activities involved in their Fifth Contract. The Applicant has been entrusted with the responsibility of delivery of goods at the site of installation. For this, the Applicant has reportedly engaged local transporters who issue consignment notes to the Applicant for such transportation of goods and issue their freight invoices on the Applicant, and that the Applicant discharged the GST liability under reverse charge mechanism on such freight amount being paid by it to these transporters.

4.12. As per the terms of the Contract, the Applicant is to raise invoices on PGCIL, who in turn is to reimburse the same. However, since the consignment note is already issued by the transporters engaged by the Applicant, no subsequent additional consignment note is issued by the Applicant. Sample copies of the consignment notes raised by the transporters were enclosed as Annexure-4 to the application.

4.13. The Applicant has been raising the invoices for providing services of transportation along with GST. However, the GST component of the said invoice has

not been reimbursed by PGCIL. A copy of the worksheet indicating the break-up of the GST paid by the Applicant on transportation, freight and insurance was enclosed as Annexure-5. Sample copies of the invoices raised by the Applicant on PGCIL was enclosed as Annexure-6.

4.14. The Applicant has borne the cost of the differential GST on their own account and duly deposited the same to the Government in a timely manner. The Applicant has also duly declared the details of the tax paid in their Form GSTR-3B as regularly filed during the relevant period. The invoice raised by the Applicant in terms of the Fifth Contract requesting PGCIL to make the payment of *inter alia* the Contract Value of transportation, freight and insurance along with GST and GST component has not been acknowledged and the payments have not been released, as reported by the applicant.

5.1. In the above factual matrix, the Applicant seeks advance ruling on the following questions:

- i. Whether the supply of services made by the Applicant under Fifth Contract is composite supply with principal supply of goods under the Third Contract?
- ii. Whether the supply of services of transportation, freight and insurance under the 'Fifth Contract' provided for the goods supplied by the Applicant is in the nature of Business Support Services and shall be chargeable to tax at specified rates?

5.2. We find that the queries raised by the applicant get covered under clauses (e) and (g) of the Section 97(2) of the CGST Act, 2017, and as such are liable to be admitted.

6.1. The applicant falls within the administrative jurisdiction of 'STATE. The Joint Commissioner (ST), Intelligence -I, Chennai, vide their letter dated 28.12.2023 stated that the questions raised by the applicant is not pending. The jurisdictional authority, Nandambakkam Assessment Circle vide their letter dated 22.05.2024 have stated that the questions raised by the applicant is not pending.

6.2. The Central jurisdictional authority also has not furnished any reply in this regard. Hence, it is construed that there are no proceedings pending on the issue raised by the applicant and it has not been decided in any proceedings in respect of the said applicant.

PERSONAL HEARING

7.1. The applicant was offered an opportunity for personal hearing to appear on 27.03.2024 which was sent through RPAD and the same was acknowledged by the applicant. Smt. Sahana Rajkumar, Advocate and Shri. K.V. Shankara Bhat, employee of Hitachi Energy India Limited, Authorised Representatives (AR) of the applicant appeared for the hearing on 27.03.2024, and reiterated the submissions made in their application. Further, the Authorised Representatives stressed the point that due to the cross-fall breach clause in the contract, the five contracts are inextricably linked to each other and cannot be executed independently. The Authorised Representatives also submitted additional written submissions in support of their contention.

7.2 In pursuant to the personal hearing offered to the applicant on 27.03.2024, reference letter was sent in to the applicant in RC No.286/2023 (ARA No.91/2023) dated 22.07.2024 and 12.11.2024 to furnish certain additional documents/clarifications. The applicant has furnished the requisite documents/clarification vide their letter dated 03.12.2024.

7.3 Accordingly, the applicant was offered another opportunity for personal hearing to appear on 28.01.2025 which was sent through RPAD and the same was acknowledged by the applicant. Smt. Sahana Rajkumar, Advocate, Authorised Representative (AR) of the applicant appeared for the hearing on 28.01.2025 and reiterated the submissions made in their application and written submission made during the hearing held earlier on 27.03.2024.

7.4. The Authorised Representative further stated that in response to the queries raised by the Authority for Advance Ruling, Tamil Nadu, through the reference RC No.286/2023, dated 22.07.2024, they have furnished the relevant details/documents as called for vide their letter dated 03.12.2024 and requested the same to be taken on record. She insisted on the cross-fall breach clause which is in-built in the contract, whereby all the five contracts are inter-linked to each other and that the failure in one contract results in the failure of the entire contract. She cited a few ruling pronounced by various authorities on the same issue in support of their contention and stated that the copies of the same have been filed already along with the written submissions.

DISCUSSION AND FINDINGS

8.1. We have carefully considered the submissions made by the applicant in the advance ruling application, the submissions made during the personal hearing and the documents furnished by the applicant thereafter. The questions which require an advance ruling in this case are:-

- i. Whether the supply of services made by the Applicant under Fifth Contract is composite supply with principal supply of goods under the Third Contract?
- ii. Whether the supply of services of transportation, freight and insurance under the 'Fifth Contract' provided for the goods supplied by the Applicant is in the nature of Business Support Services and shall be chargeable to tax at specified rates?

8.2. It is seen from documents furnished by the applicant that a Joint Venture (JV) of M/s. ABB AB, Sweden and M/s. Bharat Heavy Electricals Limited has been entered vide contract dated 25.01.2017 with M/s. Power Grid Corporation of India Limited for setting up and delivering a High Voltage Direct Current System (HVDC) for transmitting electricity from Raigarh, Chhattisgarh to Pugalur, Tamil Nadu. The entire scope of work is seen to have been split into five Contracts for supply of equipment and material offshore and onshore and for supply of services.

8.3. The Joint Venture has appointed the applicant as their associate for executing the Third Contract (for onshore supply of goods) and Fifth Contract (for providing services) inter alia including local transportation, insurance and other incidental services in respect of the goods supplied under First Contract and Third Contract.

8.4. As per the Fifth Contract, the applicant had been entrusted with the responsibility of delivery of goods at the site of installation. In connection with the same, the applicant had engaged transporters for undertaking transportation. The said transporters had issued consignment notes, on which the applicant discharged the GST under Reverse Charge. The applicant had also obtained necessary insurance for the said goods. Thereafter, in terms of the said contract, the applicant raised invoices on Power Grid Corporation of India Limited for freight and insurance along with applicable taxes under SAC code 996793 "Other goods transport services". However, the GST component of the said invoices was reportedly not reimbursed by Power Grid Corporation of India Limited, as they are of the view that the same is exempt in terms of Sl.No.18 of Notification No.12/2017-CT (Rate).

8.5. It is seen from Article 5 of the Fifth Contract, irrespective of the Five Contracts entered, the Joint Venture is responsible for the overall completion of the Project. Any breach by the Joint Venture or the Applicant under the First, Second, Third or Fourth Contract will be considered as a breach of the Fifth Contract as well and will give Power Grid Corporation India Limited the right to terminate (Annexure-3 Page 52-54). Thus, it is understood that the Five contracts entered by the Joint Venture and the applicant with Power Grid Corporation of India Limited are indivisible and interlinked to each other, covered by 'cross-fall breach clause', whereby the breach of one of the contracts will result in breach of the entire contract.

8.6. The exact terms of the 'Fifth Contract', assumes significance under the facts and circumstances of the instant case, and the same is as in page 4 of the Contract dated 25.01.2017 is reproduced for reference and analysis, viz.,

"Fifth Contract' for all services to be performed in India covering, inter alia, local transportation, insurance and other incidental services, taking delivery of equipment / materials to be supplied under the 'First Contract' and 'Third Contract' under the scope of ABB AB and INABB, respectively, and unloading, handling, storage, erection including civil works, testing and commissioning of various equipment / materials to be supplied under the First, Second, and Third Contracts, under the scope of ABB AB / BHEL / INABB, as per the division of work under the JV agreement, training in India and any other services specified in the Contract Documents [also referred to as 'On-Shore Services Contract-II (INABB Portion)'];"

Where ABB AB refers to the Sweden based company, which is the 'Lead Partner' of the JV, BHEL refers to M/s. Bharat Heavy Electricals Ltd., a 'Partner' of JV and INABB refers M/s. ABB India Ltd., (now M/s. Hitachi Entergy India Limited), which is the applicant in the instant case and an 'Associate' of the JV. Further, it could be seen from the above that under the Fifth Contract, the applicant is expected to provide the services of,

- (i) Local transportation, insurance and other incidental services.
- (ii) Taking delivery of equipment / materials to be supplied under the 'First Contract' and 'Third Contract' under the scope of ABB AB and INABB.
- (iii) Unloading, handling, storage, erection including civil works, testing and commissioning of various equipment / materials to be supplied under the First, Second, and Third Contracts.
- (iv) Training in India and any other services specified in the Contract Documents.

8.7 It therefore becomes clear that the services of transportation with the additional services of taking in-transit insurance are not being provided in isolation by the applicant in the instant case and that they are inextricably linked to the overall execution of the project that comprises of four other Contracts. Apart from the ex-works supply of goods under the First and Third Contract, it involves erection and commissioning including civil work of the various equipment and materials to be supplied for setting up the facility/system under the First, Second, and Third Contracts, and 'training in India and any other services' specified in the contract.

8.8. In this regard, we bring to note the provisions of Section 2(30) of the CGST Act, 2017, that defines a 'Composite supply', in the following manner, viz.,

*"(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."*

It becomes clear from the above, that a supply shall be treated as a 'composite supply' when two or more taxable supplies are provided, which are naturally bundled together in the ordinary course of business, one of which is a principal supply. Further, it is a normal industry practice that the goods to be supplied are delivered at site, and freight and insurance gets attached to the same and are paid as a natural consequence. Thus, the supplies are bundled together and the services so performed are ancillary and necessary for the supply of goods, being the principal supply. However, we note that in the instant case, the scope of work especially under the 'Fifth Contract' involving the applicant, does not get restricted to procurement of goods, transportation of goods and taking delivery of the same, but it extends to erection, testing and commissioning, i.e., installation of the facility/system including the training to be imparted in relation to the same. The nature and the scope of work that is involved in the instant case, gets reflected in simple terms as in Article 2 (Contract Price and terms of payment) of the Contract, i.e.,

Fifth Contract – On Shore Contract with Applicant		
1.	<u>Local Transportation, Insurance and other Incidental Services</u> applicable for supply of Plant and Equipment from and <u>within India only</u>	1,749,715,832 (INR)
2.	<u>Local Transportation, Insurance and other Incidental Services</u> applicable for supply of Plant and Equipment <u>to be supplied from abroad</u> under scope of ABB AB	438,121,107 (INR)
3.	Installation Charges	9,231,059,834 (INR)

8.9. Accordingly, we are of the opinion that this composite supply of goods and services as envisaged in the contract get covered as 'Works Contract', as defined under sub-section 119 of Section 2 of the CGST Act, 2017, as reproduced below :-

*“works contract” means a contract for building, construction, fabrication, completion, **erection, installation**, fitting out, improvement, modification, repair, maintenance, renovation, alteration or **commissioning of any immovable property** wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;”*

The fact is that the overall contract is for the execution of **“800KV, 6000MW HVDC terminals at Raigarh, Chhattisgarh and Pugalur, Tamil Nadu associated with HVDC Bipole link between Western region (Raigarh, Chhattisgarh) and Southern region (Pugalur, Tamil Nadu) – North Trichur (Kerala).”** Accordingly, it is clear that though the contract is divided into five segments so as to assign the roles and responsibilities to the different parties involved in the contract, the overall assignment is to install terminals at the respective places to provide Bipole link between the Western region and the Southern region. We are of the opinion that the commissioning of terminals and other such installations tantamount to commissioning of immovable property, wherein the property in goods stand transferred to the principal on completion of the respective segment of the project.

8.10. The comprehensive activity of ‘Works Contract’, is to be treated as a supply of ‘service’ as laid down under clause 6(a) of the Schedule II (Activities or transactions to be treated as supply of goods or supply of services) of the CGST Act, 2017, which reads as below :-

“6. Composite supply

The following composite supplies shall be treated as a supply of services, namely :—

*(a) **works contract** as defined in Sub-Section 119 of section 2; and*

(b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.”

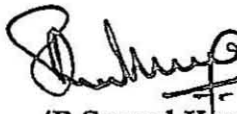
8.11. From a conjoined and harmonious reading of the various clauses of Third Contract and Fifth Contract awarded to the applicant, and their inter-dependency under the overall contract comprising of five contracts, we are of the considered opinion that the agreement for setting up the aforesaid project is nothing but a composite works contract as defined under Section 2(119) of the CGST/TNGST Acts, 2017, and that the same is classifiable under ‘Construction Services’, falling under SAC 9954, attracting GST @ 18% (CGST-9% + SGST-9%) as provided under entry Sl.No.3 (xii) of Notification No.11/2017 – Central Tax (Rate) dated 28.06.2017, as amended vide Notification No.1/2018 – Central Tax (Rate) dated 25.01.2018.

8.12. Accordingly, once it is held that the said activity qualifies as ‘Works Contract’ Service, the question of examining the applicability of exemption as provided under Sl.No.18 of the Notification No.12/2017 – Central Tax (Rate) dated 28.06.2017, as claimed by the applicant under para 3 of Annexure-A (Statement of relevant facts) enclosed to the application, does not arise. For the same reason, we are of the opinion that there exists no reason to identify the ‘principal supply’ in the instant transaction, as raised by the applicant under the first query. Accordingly, the alternate suggestion put forth by the applicant under the second query, that the same may fall under ‘Business Support Service’, is also liable to be set aside.

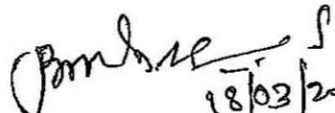
9. In view of the above, we rule as under :-

Ruling

1. The supply of services made by the Applicant under Fifth Contract is composite supply of service under 'Works Contract'.
2. The supply of service of transportation, freight and insurance under the 'Fifth Contract' provided for the goods supplied by the Applicant is in the nature of 'Works Contract' Service and shall be chargeable to taxes under GST at 18% (CGST-9% + SGST-9%).


(B. Suseel Kumar)
Member (SGST)




(Balakrishna S)
Member (CGST)

To

M/s. Hitachi Energy India Limited
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(By RPAD)

Copy submitted to

1. The Principal Chief Commissioner of GST and Central Excise,
26/1, Uthathamar Mahatma Gandhi Road,
Nungambakkam, Chennai 600 034.
2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai 600 005.
3. The Commissioner of GST and Central Excise,
Chennai South Commissionerate,
692, MHU Complex, Anna Salai,
Nandanam, Chennai 600 035.

Copy to

1. The Assistant Commissioner (ST),
Nandambakkam Assessment Circle,
Integrated Building for Commercial Taxes and Regn. Dept.,
Saidapet, Chennai.
2. Master File / Stock File – A1