

**THE AUTHORITY FOR ADVANCE RULINGS
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU - 560 009**

Advance Ruling No. KAR ADRG 06 / 2021

Date : 08-02-2021

Present:

1. Dr. Ravi Prasad M.P.
Additional Commissioner of Commercial Taxes Member (State Tax)
2. Sri. Mashhood Ur Rehman Farooqui,
Joint Commissioner of Central Tax, Member (Central Tax)

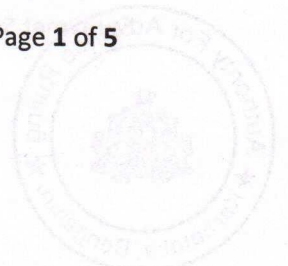
1.	Name and address of the applicant	M/s Spraymet Surface Technologies (Pvt.) Ltd., # A-413, 9 th Main, II Stage, PIA, Bengaluru-560 058
2.	GSTIN or User ID	29AAACB6051D1Z0
3.	Date of filing of Form GST ARA-01	03.09.2020 / 14.10.2020
4.	Represented by	Sri M Raghavendra Maiya, C A & Authorised Representative
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, Bangalore North West Commissionerate.
6.	Jurisdictional Authority - State	LGSTO-075, Koramangala, Bengaluru
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act vide CIN SBIN20092900022235 dated 03.09.2020

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

1. M/s Spraymet Surface Technologies (Pvt.) Ltd., # A-413, 9th Main, II Stage, PIA, Bengaluru-560 058 (called as the 'Applicant' hereinafter), having GSTIN number 29AAACB6051D1Z0, have filed an application for Advance Ruling under Section 97 of the CGST Act, 2017 & KGST Act, 2017 read with Rule 104 of CGST Rules 2017 & KGST Rules 2017, in FORM GST ARA-01, discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.
2. The applicant submitted that they are into the business of different types of thermal spray or metal coating using metal powders, carbide powders, wires rods for various engineering applications. They also offer coatings of pure metal alloys which

Spraymet Surface Tech

Page 1 of 5



include plasma spray, HVOF spray, powder flame spray, wire flame spray. The stages involved in the said process are (i) receipt of the material from the client with proper Delivery Challan along with the PO/Work Order with the required job specification. (ii) Performance of the required job on the material received from the client and (iii) Despatch of the material back to the client.

The applicant uses / applies various consumables for the coating process which substantially contributes (nearly half of the value) to the cost of the invoice raised by them. Thus the applicant has sought advance ruling in respect of the following question:

Whether the activity of the applicant is in the nature of Job work, as defined under Section 2 (68) of CGST Act, 2017 and whether Notification No. 20/2019-Central Tax (Rate) dated 30.09.2019 is applicable on them?

3. **Admissibility of the application** : The applicant, filed the instant application, in relation to classification of their service. Further the applicant has sought advance ruling in respect of the question on the issues covered under Section 97(2)(a) of the CGST Act 2017 and hence the application is admitted.

4. **Applicant's interpretation of law** : The Applicant submits their interpretation of law as under:

4.1 The applicant provides the services of thermal spray / metal coating, to their clients, on the material (various engineering items) received from the said clients. The nature of various types of coatings have been submitted in a separate brochure.

4.2 The applicant receives the material from the clients, do the process of thermal spray / metal coating and returns back the said material. Thus the applicant believes that their service qualifies to be in the nature of job work as defined under Section 2(68) of the CGST Act 2017.

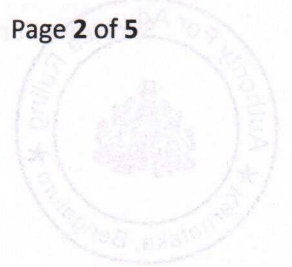
4.3 The rate of GST applicable to their service is 12%, in terms of Notification No.29/2019-Central Tax (Rate) dated 30.09.2019, effective from 01.10.2019, as their service is in the nature of jobwork.

PERSONAL HEARING: / PROCEEDINGS HELD ON 15.12.2020.

5. Sri. M Raghavendra Maiya, Chartered Accountant & duly authorised representative of the applicant appeared for personal hearing proceedings held on 15.12.2020 & reiterated the facts narrated in their application.

6. Discussion and Findings:

6.1 We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri. Lokesh Reddy, C.A. and



authorised representative of the applicant during the personal hearing. We have also considered the issues involved, on which advance ruling is sought by the applicant, and relevant facts.

6.2 At the outset, we would like to state that the provisions of both the CGST Act and the KGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the KGST Act.

6.3 The Applicant sought advance ruling in respect of the question, mentioned at para 2 supra, with regard to the classification of their service.

6.4 The applicant submitted that they are into the business of different types of thermal spray or metal coating on materials supplied by the Principal using metal powders, carbide powders, wires rods for various engineering applications. They also offer coatings of pure metal alloys like ferrous and non ferrous, molybdenum and its alloys such as SS, NI, Mo, Ai, Cu, Bronze, Babbit etc, nickel and cobalt base alloys, ceramic coatings, carbides and hard facing alloys. These processes include plasma spray, HVOF spray, powder flame spray, wire flame spray.

6.5 The applicant further submits that they receive the material from their client i.e Principal with proper delivery challan and work order specifying the nature of the work to be performed on the material. The process requires the application of various consumables for the said purpose, whose cost is substantial and is nearly half of the value of their service. The applicant, after performing the job, returns back the material to the Principal with the service invoice.

6.6 They contend that they only do "job work" on the material supplied by their client i.e. Principal. The applicant further contends that they provide engineering services and hence the GST rate of 12% is applicable to them in terms of Notification No. 20/2019-Central Tax (Rate) dated 30.09.2019. The contentions of the applicant and the nature of their service have been examined and the same are discussed in the subsequent paras.

6.7 Section 2 (68) of CGST Act, 2017 defines job work as, "**any treatment or process undertaken by a person on goods belonging to another registered person**". Further Schedule II, in relation to Section 7 of the CGST Act 2017, prescribes the activities or transactions to be treated as supply of goods or supply of services. Clause 3 of the said Schedule II prescribes that "**any treatment or process which is applied to another person's goods is a supply of services**". In the instant case the applicant undertakes thermal spray / metal or metal alloy coating on the goods / material belonging to another person i.e. the principal. Therefore the work undertaken by the applicant amounts to job work and is a supply of services.



6.8 Now we proceed to examine the classification of the job work being provided by the applicant. It is an admitted fact that the job-work being provided by the applicant is nothing but metal coating of the goods belonging to other persons in different methods i.e. thermal spray, plasma spray, HVOF spray, Powder flame spray & wore flame spray. The Explanatory Notes to the Scheme of Classification of Services specifies that **SAC 9988** covers **Manufacturing services on physical inputs owned by others** and **SAC 998873** covers **Other fabricated metal product manufacturing and metal treatment services** which includes metal treatment and coating services, general machining services, cutlery, hand tool and general hardware manufacturing services and other fabricated metal product manufacturing services not elsewhere covered. In the instant case the applicant's services are indubitable metal treatment/coating services and hence merit classification under SAC 998873.

6.9 The Notification No. 20/2019-Central Tax (Rate) dated 30.09.2019 specifies the rate for job work in relation to diamonds, bus body building and all other rest of the items.

6.10 Now we invite reference to the Circular No.126/45/2019-GST dated 22.11.2019 wherein a clarification, on scope of the notification entry at item (id), related to job work, under heading 9988 of Notification No.1/2017-Central Tax (Rate) dated 28.06.2017, at para 4 has been issued, which stipulates that entry at item (iv) covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST. The applicant, in the instant case has not furnished required information so as to decide whether the goods received by them for job work belong to an unregistered person or not. Thus the job work undertaken by the applicant gets covered under item (id) of SL.No.26 of Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 in case the owner of the goods (Principal) is registered under CGST and attract GST @ 12% and if the principal is unregistered the impugned job work gets covered under item (iv) of SL.No.26 of Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 and attracts GST @ 18%.

7. In view of the foregoing, we pass the following

RULING

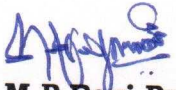
The activity of the applicant is in the nature of job work covered under SAC 998873 and Notification No. 20/2019-Central Tax (Rate) dated 30.09.2019 is applicable to the applicant.

The applicable rate of tax depends on the aspect whether the principal (owner of the goods on which job work is done) is registered under CGST/KGST Act 2017 or not.


If Principal is registered the impugned job work attracts 12% GST in terms of item (id) of SL.No.26 of Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 and if



the principal is not registered the impugned job work attracts 18% GST item (iv) of SL.No.26 of Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 read with Circular No.126/45/2019-GST dated 22.11.2019


(Dr.M.P.Ravi Prasad)
Member

Place: Bengaluru,
Date: 08-02-2021
Karnataka Advance Ruling Authority
Bengaluru - 560 009


(Mashhood Ur Rehman Farooqui)
Member

MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bangalore North West Commissionerate, Bengaluru.(Range CNWD2)
4. The Asst. Commissioner, LGSTO-75, Koramangala, Bengaluru.
5. Office Folder.



Spraymet Surface Tech