

**AUTHORITY FOR ADVANCE RULING, TAMIL NADU
NO.207, 2ND FLOOR, PAPJM BUILDING, NO.1, GREAMS ROAD,
CHENNAI -600 006.**

**RULING UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND
UNDER SECTION 98(4) OF THE TNGST ACT, 2017.**

Members present:

Sri. Balakrishna S, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit II Commissionerate, Chennai - 600 034.	Smt. A. Valli, M.Sc., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 27/ARA/2024 Dated: 05.12.2024

1. Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai as under Sub-Section (1) of Section 100 of CGST Act / TNGST Act 2017, within 30 days from the date on 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) of 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.

GSTIN Number, if any / User id		33AAACM4509P1ZC
Legal Name of Applicant		M/s. MADRAS ENGINEERING INDUSTRIES PRIVATE LIMITED
Registered Address / Address provided while obtaining user id		C-6, Ambattur Industrial Estate, Tiruvallur, Chennai – 600 058.
Details of Application		GST ARA – 01 Application Sl. No. 02/2024/ARA, dated 22-01-2024.
Jurisdictional Officer		Division: Kancheepuram Zone : Ambattur. Assessment Circle : Ambattur Industrial Estate
Concerned Officer		Center: Chennai North Commissionerate Division: Ambattur Range : III
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for		
A	Category	Factory/ Manufacturing
B	Description (in brief)	<p>M/s Madras Engineering Industries Private Limited ('the Applicant') is a leading manufacturer of 'Slack Adjusters' and principal OEM supplier for all Truck, Bus and Trailer axle manufacturers in India. These slack adjusters are also supplied to the replacement market through their vast and well spread distribution arrangement.</p> <p>Slack Adjusters falling under HSN 87089900 used for all trucks & bus applications chargeable @ 28% is supplied to both OE fitment and in the aftermarket. Slack Adjusters developed exclusively for trailer axle fitments classified under HSN 87169010 are supplied both to OE fitment and for aftermarket requirements.</p> <p>Tabulated the technical details showing the key difference between the slack adjusters used in trucks & buses and in Trailers, the applicant is seeking clarification on the following.</p> <p>(i) What is HSN code to be followed and what is the GST rate applicable for slack adjusters used in Truck and Trailer application. Presently, the applicant is following 87089900 for truck and bus applications and 87169010 for trailer axle applications. This is followed as per the purchase orders received from the respective groups of OEM customers.</p>

	(ii) Whether the supply of slack adjusters used predominantly in the truck and bus applications could be classified under HSN 87169010 (18%) applicable for trailers and used in the aftermarket. This is in view of the information from the trade that other manufacturers of slack adjusters are classifying the Truck and Bus application slack adjusters under HSN 87169010 and charging 18% GST in their respective aftermarket sales.
Issue/s on which advance ruling required	Classification of goods and/or services or both
Question(s) on which advance ruling required	<p>Query 1: What is HSN code to be followed and what is the GST rate applicable for slack adjusters used in Truck and Trailer application.</p> <p>Query-2: Whether the supply of slack adjusters used predominantly in the truck and bus applications could be classified under HSN 87169010 (18%) applicable for trailers and used in the aftermarket.</p>

1.0 At the outset, we would like to make it clear that the provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act are in *parimateria* and have the same provisions in like matters and differ from each other only on few specific provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Services Tax Act, 2017 would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act, 2017.

2.0 M/s Madras Engineering Industries Private Limited (hereinafter '**the Applicant**') submitted a copy of challan SBIN24013300321069 dated 19-01-2024 evidencing 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 application form for advance ruling dated 20-01-2024 was physically received on 22-01-2024 as mandated under Rule 107A.

3.0 STATEMENT OF RELVANT FACTS AS NARRATED BY THE APPLICANT:

- M/s. Madras Engineering Industries Private Limited (hereinafter '**the Applicant**') is leading manufacturer of 'Slack Adjusters' and are principal OEM supplier for all Truck, Bus and Trailer axle manufacturers in India. They supply these slack adjusters for the replacement market through their vast and well spread distribution arrangement.
- Slack Adjusters under HSN code 87089900 charged at 28% is used for all Trucks & Bus applications for both OE fitment and in the aftermarket. Slack Adjusters developed exclusively for trailer axle fitments are classified under HSN Code 87169010 charged at 18% for both OE fitment and for aftermarket requirements.

- The applicant enclosed copy of the purchase orders received from the OEM customers of Trucks & Buses and Trailer axle manufacturers evidencing the HSN code with applicable GST. The same HSN code and the same GST rate is being used while supplying the above product to aftermarket.
- The applicant also provided the technical details showing key differences between the slack adjusters used in trucks & buses and in the trailers as below

Sl. No.	Features/Technical specifications	Truck & Bus applications	Trailer Axle applications
1	Number of holes in the tail on the slack adjusters	Only one hole is provided	Multi holes are provided to suit mounting requirements
2.	Mounting bracket on Axle	Has only one set of holes and does not have return spring (has quick release valve to aid faster release of brakes)	Has multiple holes and used additional return spring for faster return of brakes.

- With the above background, the applicant is asking whether the HSN code followed and the GST rate applicable for stack adjusters used in the truck and trailer applications is proper. Presently they are adopting 87089900 for Truck and Bus applications and 87169010 for Trailer axle applications, as per the purchase orders received by them from the respective groups of OEM customers.
- Whether the supply of 'slack adjusters' used predominantly in the truck and the bus applications can be classified under HSN 87169010 (GST-18%) applicable to Trailers and sold in the aftermarket. The applicant is seeking in view of the information from the trade that other manufacturers of slack adjusters are classifying the Truck and Bus application slack adjusters under HSN code 87169010 and charging 18% GST in their respective aftermarket sales.

4. Comments offered by AC, Ambattur Industrial Estate Assessment Circle

- Citing the technical details provided by the applicant to differentiate the slack adjusters used in buses & trucks and in trailers, have stated that both the slack adjusters differ in their area of application, and hence stated that the Slack Adjusters for Truck & Bus applications are taxable @ 28% and Slack Adjusters for Trailer applications are taxable @ 18%.
- Further submitted that there are no adjudication proceedings pending or decided against the taxpayer relating to the questions raised in the application for advance ruling.

5. Comments offered by Joint Commissioner, Chennai North ommissionerate

Joint Commissioner, Chennai North Commissionerate have submitted that there are no proceedings pending against M/s. Madras Engineering Industries Private Limited.

- Further, it is observed from the technical specification/details provided by the applicant that the slack adjusters supplied to the trucks and buses is distinct when compared to the one supplied to trailers so as to suit the end customers' requirements.
- Citing the classification provided in the HSN, the slack adjusters used for bus & truck applications are classified as '*Parts and accessories of Motor Vehicle of heading 8701 to 8705-Other Parts and Accessories-Other*' under 87089900 at the rate of 28% and slack adjusters used trailers applications are classified as '*Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof parts: Parts and Accessories of Trailers*' under 87169010 at the rate of 18%.
- It was further informed that the applicant may be advised to continue the current classification based on distinct technical characteristics and end use of the slack adjusters and also advised to maintain documentary evidence such as purchase orders and product specifications.

6. PERSONAL HEARING

Personal hearing was held on 26-09-2024. Shri. R. Balasubramanian, Senior DGM-Finance and Authorised Representative (AR) attended the hearing. He brought the two different types of 'Slack adjusters', one used in trucks & buses and the other in Trailers. AR stated that the slack adjusters used for trucks and buses have only one hole. After, 2007, the applicant started to manufacture 'Automatic slack adjusters'. The applicant is still manufacturing the manual slack adjuster for aftermarket sales. These slack adjusters are charged at 28%. Another type is used exclusively in trailers axle installation which has three holes and used additional return spring for faster return of brakes. These types of slack adjusters are charged at 18%. AR requested AAR to clarify and uniformity in the classification of 'slack adjusters' used in trucks & buses and trailers.

7. DISCUSSION AND FINDINGS

7.1. The applicant is in the business of manufacturing and supplying 'Slack Adjusters' used in the braking system of Buses, Trucks and Trailers. Slack Adjuster is a part of a vehicle braking system and hence is an essential safety critical part of the vehicle. Slack adjusters are connected to the brake chamber push rod and S-cam Shaft to convert lateral movement of brake chamber pushrod to rotational movement and rotate the S-cam shaft while brakes are applied. This is used to release and bring back the S-cam shaft to its original position when the brakes are applied. These slack adjusters are normally used in heavy vehicles namely, buses and trucks. It is also used in the trailers where the load carried is substantial. The specification of the slack adjusters used in 'Buses & Trucks' and in 'Trailers' are distinguishable as explained by the applicant.

7.2. The applicant is classifying the slack adjusters supplied for use in all bus and truck applications for both OE fitment and the aftermarket under HSN 87089900 as 'Parts and accessories of Motor Vehicles of heading 8701 to 8705'

under 'Other' and charging GST at the rate of 28%. In respect of Slack adjusters developed exclusively for trailer axle fitment supplied to both OE and aftermarket requirement are classified under HSN 87169010 as 'Trailers and semi-trailers; other vehicles, not mechanically operated; parts thereof [other under ---Parts and accessories of trailers]' and charging at the rate of 18%. The applicant requires the correct classification with regard to the rate of tax for both categories of slack adjusters namely Truck & Bus applications and Trailer applications.

7.3. There is no confusion in the applicant's stand regarding the classification of varying types of 'Slack adjusters' for various purposes (OEM and aftermarket Sales) and for different vehicles (Buses & Trucks and Trailers). However, applicant is seeking advance ruling for clarity and uniformity in the classification with regard to rate of tax in each case.

7.4. In order to arrive at an appropriate classification of the item used in the motor vehicle, it is important to refer to the tariff classification as issued by the CBIC read with its schedules, guided by interpretative rules, Section notes, Chapter Notes supported by the Explanatory Notes to the HSN. The basic principle provided in Rule 1 is that the classification shall be determined according to the terms of the heading, Section and Chapter Notes. Further, Rule 3(a) of these rules provides that heading which gives **most specific description shall be preferred to headings providing a general description.** Chapter 87 is covered by Section XVII and as per 2(b) of the Section Notes, '[Parts of general use' are to be excluded from this Section. Further note 3 of this Section provides that parts of Chapter 86 to 88 do not merit classification under these chapters, if the said parts are not suitable for use solely or principally with the articles of those chapters.

7.5. In the instant case, Slack adjuster is an essential part of a Air-braking system in Buses, Trucks or Trailers and shall not be treated as 'parts of general use'. Accordingly, it has to be classified as 'Parts and accessories of Motor Vehicles' under HSN 8708 and can be sub-classified under 87089900 as 'Others' chargeable @ 28%.

7.6. For correct classification of the slack adjusters for trailer applications, understanding the definition, function and usage of a trailer is necessary.

'Trailer' refers to a wheeled vehicle that is towed by another powered vehicle, primarily used to transport large quantities of goods or cargo essentially acting as an unpowered container pulled behind a truck. Its function is to facilitate the movement of heavy items and its purpose is to provide additional carrying capacity. Braking system is generally considered necessary especially if a trailer has a significant weight. It can improve the safety and prevent potential accident and ensure better control while driving.

7.7. As per the above definition, a trailer is a wheeled vehicle attached to another powered vehicle for movement of goods and cargo. HSN 8716 exclusively deals with Trailers, Semi-trailers and other vehicles not mechanically propelled. As the HSN provides for a separate classification for trailers, semi-trailers and other such

vehicles, the slack adjusters used exclusively in the braking system of trailers are rightly classified as 'Parts and accessories of trailers' under 87169010.

7.8. The applicant have informed that at present they are classifying the slack adjusters as per the Purchase order from the respective groups of OEM customers and raised concern that they have received information that the trade and other manufacturers of slack adjusters are classifying the product used in Truck and bus application under HSN 87169010 and charging 18% GST in their respective aftermarket sales.

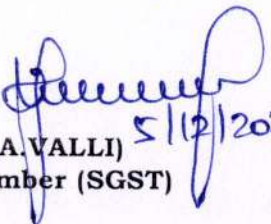
7.9. The slack adjusters used in the braking system of Buses and Trucks supplied to both OEMs and aftermarket Sales are classifiable as 'Parts and accessories of motor vehicles of heading 8701 to 8705, ---Others' under HSN 87089900 and attracts GST at the rate of 28%. The slack adjusters used in the braking system of a Trailer supplied to OEMs and aftermarket Sales are classifiable as 'Parts and accessories of trailers' under 87169010 and attracts GST at the rate of 18%.

8. Irrespective of nature of customers namely, OEMs or aftersales, and the HSN classification in the purchase orders received, the applicant should ensure to adopt correct classification of the product as the slack adjusters supplied are different for both 'buses & trucks' application and 'trailer' application.

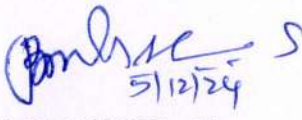
9. Based on the above discussion, we rule as under.

RULING

Based on the facts, records and evidences submitted along with the application, the slack adjusters used in the braking system of 'Buses and Trucks' are classifiable as '*Parts and accessories of motor vehicles of heading 8701 to 8705 - --Others*' under HSN 87089900 and attracts GST at the rate of 28%. The slack adjusters used in the braking system of 'Trailers' are classifiable as '*Parts and accessories of trailers*' under 87169010 and attracts GST at the rate of 18%.


(A. VALLI)
Member (SGST)
5/12/2024




(BALAKRISHNA. S)
Member (CGST)
5/12/24

To

M/s. MADRAS ENGINEERING INDUSTRIES PRIVATE LIMITED,
GSTIN: 33AAACM4509P1ZC
C-6, Ambattur Industrial Estate,
Ambattur, Chennai-600 058.

//by RPAD//

Copy submitted to:

1. The Principal Chief Commissioner of GST & Central Excise,
26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.
2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai – 600 005.
3. The Commissioner of GST & Central Excise,
Chennai North Commissionerate.

Copy to:

1. The Assistant Commissioner (ST),
Ambattur Industrial Estate Assessment Circle,
Integrated Building for Registration and Commercial Taxes,
Nandanam, Chennai 600 035.
2. Master File/ Spare – 2.

