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

F.No.KAR.AAR/42/2026
Order No. KAR.ADRG/42/2026 **Dated 29.07.2026**

Present

1. **Shri. Kalyanam Rajesh Rama Rao**
Additional Commissioner of Customs & Indirect Taxes . . . Member (**Central**)
2. **Shri. Sivakumar S Itagi**
Additional Commissioner of Commercial Taxes . . . Member (**State**)

1	Name and address of the applicant	M/s S.K. Swamy and Company, #30/9, 9th A Main Road, RMV Extension, Bengaluru Urban, Karnataka, 560080
2	GSTIN or User ID	29AAPFS7533P1Z4
3	Date of filing of Form GST ARA-01	24.03.2025
4	Represented by	Shri. B.K. Srinivas, Advocate, Authorized Representative
5	Jurisdictional Authority – Centre	The Commissioner of Central Tax, Bengaluru North Commissionerate, Bengaluru.
6	Jurisdictional Authority – State	ACCT, LGSTO 130- Bangalore
7	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act,2017 & Rs.5,000/- under KGST Act,2017 through debit from Electronic Cash Ledger vide reference No. DC2903250373693 dated 24.03.2025

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

1. M/s S.K. Swamy and Company, (herein after referred to as **'the Applicant or M/s SKSAC**), #30/9, 9TH A Main Road, Rmv Extension, Bengaluru Urban, Karnataka, 560080, having GSTIN 29AAPFS7533P1Z4, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules, 2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. The Applicant is a partnership firm registered under the provisions of Central Goods and Service Tax Act, 2017 as well as Karnataka Goods and Services Tax Act, 2017(hereinafter referred to as the CGST Act, and KGST/SGST Act respectively). The applicant is engaged in executing works contract to Indian Railways such as construction of Rail under Bridge, construction of tunnels and supplying and stacking of ballast, earth work and also sub contracts of all the mentioned works.

3. In view of the above, the applicant has sought advance ruling in respect of the following questions:

i. What is the output GST rate for loading of ballast which is stacked adjacent to the railway tracks into the railway wagons which is stationed on the railway track by using JCB loader (Machinery)?

4. Admissibility of The Application: The applicant, under Column 13 of Form ARA-01, has selected category of issues, **"Determination of the liability to pay tax on the goods or services or both**. On examination of the nature of the question raised and the issue involved, it is found that the Applicant has correctly selected the said category of issue. Accordingly, the present application is held to be admissible in terms of Sections 97(2) (e) of the CGST Act, 2017.

5. Brief Facts of the Case: -. The applicant is engaged in executing works contract to Indian Railways such as construction of Rail under Bridge works, construction of tunnels and supplying and stacking of ballast, earth work and also sub contracts of all the mentioned works.

6. Applicant's Interpretation of Law: -

6.1 The Applicant submits that their works contracts with Indian railways for supply of ballast is more than 70%, they are of the opinion that loading charges charged for loading into Railway wagons will be also taxed at 5% under GST Act, 2017.

7. PERSONAL HEARING PROCEEDINGS HELD ON 20.05.2026

Shri B.K. Srinivas, Advocate and duly authorized representative of the applicant, appeared for the personal hearing held on 20.05.2026 before this Authorities. During the course of the hearing, he reiterated the facts of the case and the submissions made in the application. He explained the issues involved and advanced arguments in support of the applicant's contentions. He requested this Authority to pronounce an Advance Ruling on the questions raised in the application in terms of Section 98 of the CGST Act, 2017 and the corresponding provisions of the KGST Act, 2017.

FINDINGS & DISCUSSION:

8. *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters 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, 2017 would also mean reference to the corresponding similar provisions in the KGST Act, 2017.*

9. *We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.*

10. We have carefully examined the application made by the applicant (M/s SKSAC), the submissions provided therein, the arguments advanced during the personal hearing. The main issues for consideration are:-

1. ***Determination of the liability to pay tax on the goods or services or both.***

Applicant's Name- M/s SKSAC

Authority For Advance Ruling ★ Karnataka, Bengaluru ★

11. The applicant seeks advance ruling in respect of the question mentioned at para 3 supra. We proceed to answer the question.

12. The question raised by the applicant is:

i. What is the output GST rate for loading of ballast which is stacked adjacent to the railway tracks into the railway wagons which is stationed on the railway track by using JCB loader (Machinery)?

12.1 In this regard, the Applicant submits that their works contract with Indian Railways for supply of Ballast is more than 70% of their total works contract. Since the GST rate for supply of Ballast is 5%.

Accordingly, the Applicant is of the considered view that the loading charges charged for loading of ballast into Railway Wagons will also be taxes @ 5% under GST Act, 2017.

12.2 The issue for determination is whether the activity of loading ballast, stacked adjacent to the railway track, into railway wagons/hoppers placed on the track through deployment of a JCB loader (machinery), where the same contract also includes supply of ballast, is liable to be treated as an independent supply of service, or a composite supply with supply of ballast as the principal supply, or a works contract service under the provisions of the CGST Act, 2017.

13. Legal Provisions:-

13.1 Section 2 (119) of the CGST Act, 2017, defines "Work Contract Service" as follows:-

"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.*

13.2 Section 2(30) of the CGST Act, 2017 defines "composite supply" as follows:

"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.*

13.3 Further, Section 2(90) defines "principal supply" as the predominant element of a composite supply to which the other supplies are ancillary.

14 At the outset, it is pertinent to examine whether the **supply undertaken by the applicant is classifiable as a "works contract" as defined under Section 2(119) of the Central Goods and Services Tax Act, 2017**. The determination of this issue is fundamental to the present application, as the taxability, classification, and applicable rate of tax would depend upon the nature of the supply. Therefore, before proceeding to examine the other issues raised by the applicant, it is considered appropriate to analyze whether the activities undertaken by the applicant satisfy the statutory requirements of a works contract under the provisions of the CGST Act, 2017.

14.1 From the definition of "works contract" as discussed in para 12.3.1 above, the following essential ingredients must be satisfied for a supply to qualify as a works contract:

(i) There must be a contract for activities such as building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning;

Authority For Advance Ruling ★ Karnataka, Bengaluru ★

(ii) Such activities must be undertaken in relation to an immovable property; and

(iii) Transfer of property in goods (whether as goods or in some other form) must be involved in the execution of such contract.

14.2 In the instant case, as stated in the application, the scope of work primarily comprises the supply of ballast and the loading of such ballast into railway wagons stationed on the railway track through deployment of a JCB loader. It does not involve any activity in the nature of building, construction, fabrication, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning in relation to any immovable property.

14.3 Further, the activity of supplying ballast and loading the same into railway wagons is not undertaken in the course of execution of any work relating to an immovable property. Therefore, one of the essential conditions prescribed under Section 2(119) of the CGST Act, 2017 for classification as a works contract is not satisfied.

14.4 In view of the above, the activity under consideration cannot be classified as a "works contract" within the meaning of Section 2(119) of the CGST Act, 2017.

15 Accordingly, the issue requires examination from the ***perspective of whether the supply of ballast and the activity of loading the ballast into railway wagons constitute a composite supply in terms of Section 2(30) of the CGST Act, 2017, or whether they are to be treated as independent supplies liable to tax separately in accordance with their respective classifications.***

15.1 *For a transaction/ supply to qualify as a composite supply under Section 2(30) of the CGST Act, 2017, the following essential conditions must be satisfied:*

(i) There must be two or more taxable supplies;

(ii) Such supplies must be naturally bundled and supplied in conjunction with each other in the ordinary course of business; and

(iii) One of the supplies must constitute the principal supply.

15.2 In the present case, it is observed that the Letter of Acceptance (LoA) separately specifies the quantities and corresponding rates for each item of work to be executed by the applicant which is as follows:

(a) Supply of ballast at Railway depot or nominated location; and

(b) Loading of Railway's ballast collected at yard/depot into Railway wagons using Mechanical Loader or any other method with all lead and lifts, as directed by Engineer in Charge.

15.3 It is further observed that separate rates have been prescribed for each item of works i.e, the supply of ballast at railway depot or nominated location and for the loading of ballast into railway wagons using mechanical loader.

15.4 During, the personal hearing, the authorized representative of applicant stated that these activities are not executed continuously. The ballast is first supplied at the designated depot or location decided by Railway, upon which ownership and possession of the goods are transferred to the Railways and an invoice is raised for such supply. Thereafter, based on separate instructions and schedules issued by the Railways, the applicant undertakes loading of the ballast into Railway wagon using JCB loader and raises separate invoices for the said services. Thus, at the time of execution of the loading activity, the ballast already belongs to the Railways.

15.5 From the facts of the present case, it is evident that the supply of ballast and the activity of loading the ballast into railway wagons using a JCB loader are two separate and independently identifiable supplies.

It is observed that the applicant first supplies the ballast to the Railways at the designated location and raises a tax invoice for such supply. Upon delivery and unloading at the designated location, the ownership of the ballast is transferred to the Railways. Thereafter, the applicant is neither responsible for the custody of the ballast nor liable for any loss, damage, or theft thereof.

Subsequently, only upon the directions and schedule issued by the Engineer-in-Charge, the applicant undertakes the activity of loading the ballast into railway wagons using a JCB loader. This loading activity is carried out independently of the earlier supply of ballast.

Further, each activity is executed separately, is supported by separate consideration, and is invoiced independently. The supply of ballast is complete upon its delivery at the designated location and is not dependent upon the subsequent loading activity. Similarly, the loading of ballast into railway wagons does not alter the nature or character of the completed supply of goods. Therefore, both activities are distinct and independently identifiable supplies.

15.6 The expression "**naturally bundled and supplied in conjunction with each other in the ordinary course of business**" implies that the different elements of supply are so integrally connected that they are normally supplied together and one supply is ancillary to, or inseparable from, the other. In the instant case, the contractual arrangement itself treats the two activities as separate obligations by prescribing distinct rates and permitting independent execution of each activity. The supply of ballast stands completed upon delivery and transfer of ownership, whereas the loading activity is undertaken subsequently on goods already owned by the Railways.

The fact that separate invoices are raised at different points of time and that the consideration for each activity is separately ascertainable further demonstrates that the supplies are capable of being made independently and are not naturally bundled in the ordinary course of business. Merely because the loading activity pertains to the same ballast supplied earlier does not, by itself, establish the existence of a composite supply. The loading activity retains its independent character as a taxable service provided after completion of the supply of goods.

Therefore, the impugned transactions fail to satisfy the essential requirement of being "naturally bundled and supplied in conjunction with each other in the ordinary course of business" as envisaged under Section 2(30) of the CGST Act, 2017. Consequently, the question of identifying a principal supply under Section 2(90) of the Act does not arise.

16. In view of the foregoing discussion, we hold that:

(i) Supply of ballast at Railway depot or nominated location; and

(ii) Loading of Railway's ballast collected at yard/depot into Railway wagons using Mechanical Loader or any other method with all lead and lifts, as directed by Engineer in Charge,

Constitute separate and independent supplies and cannot be regarded as a composite supply merely because both activities emanate from the same tender/work order.

Accordingly, the GST liability in respect of the supply of ballast and the loading services shall be determined separately in accordance with their respective classification, nature of supply, and applicable rate of tax under the provisions of the CGST Act, 2017 and the corresponding State GST Act.

17. GST Rate:-

17.1 The activity under consideration is the loading of ballast lying adjacent to the railway track into Railway wagons stationed on the railway track by using JCBs Loaders. Since the activity is in the nature of a service and not a supply of goods, the classification is required to be determined under the

Scheme of Classification of Services based on the relevant Service Accounting Code (SAC).

17.2 The following facts are material for determining the appropriate classification of the said service:

(i) Ballast is already available at the railway siding/track and belongs to the Railways at the time of loading;

(ii) Railway wagons are stationed on the railway track for the purpose of loading;

(iii) The applicant deploys JCBs Loaders solely for lifting and loading ballast into the wagons;

(iv) No transportation of ballast is undertaken by the applicant;

(v) No shunting, towing, marshalling, movement or operation of railway wagons is carried out by the applicant; and

(vi) Consideration is linked to the quantity loaded, measured in cubic metres, and not to any transportation distance or wagon movement.

17.3 It is evident from the above facts that the essential character of the activity is the handling and loading of goods into Railway wagons for their onward transportation by Railways. *The activity does not involve transportation of goods or operation of railway rolling stock.* Therefore, the classification is required to be examined under ***Heading 9967 relating to "Supporting services in transport".***

The relevant classification is as under:

Heading	Group	SAC	Description
9967	99671	996719	Other cargo and baggage handling services

Authority For Advance Ruling ★ Karnataka, Bengaluru ★

17.4 The Explanatory Notes to the Scheme of Classification of Services in respect of Group 99671 – "Cargo handling services" provide that the group includes services consisting of loading, unloading and handling of freight and cargo, including cargo handling services incidental to freight transport. The explanatory notes further cover services involving loading and unloading of non-containerized freight and other cargo handling operations connected with transportation of goods.

Thus, the scope of Group 99671 encompasses activities whose primary objective is the loading, unloading or handling of goods intended for transportation, irrespective of whether such activities are performed manually or through mechanical equipment such as cranes, loaders or JCBs.

17.5 It is also observed that in various decisions rendered under the erstwhile service tax regime in respect of loading of coal and other bulk commodities into railway wagons through pay loaders and similar equipment, the activity has been recognized as cargo handling service. The principle emerging from such decisions is that where the dominant nature of the contract is loading of goods into railway wagons and there is no independent transportation service involved, the activity is classifiable as cargo handling service.

17.6 In the present case, the applicant undertakes only the activity of loading ballast lying adjacent to the railway track into Railway wagons stationed on the railway track. The consideration is prescribed on a per cubic metre basis for the quantity loaded. No transportation of ballast, movement of railway wagons, shunting, towing, marshalling or any other railway operational activity is undertaken by the applicant.

Accordingly, having regard to the nature of the activity, the scope of Heading 9967, and the Explanatory Notes to Group 99671 relating to cargo handling services, we hold that the activity of loading ballast into Railway wagons by using JCBs is appropriately classifiable under **SAC 996719 – "Other cargo**

and baggage handling services" falling under Heading 9967 – "Supporting services in transport".

17.7 Consequently, the said service is liable to GST at the rate of **18% (9% CGST + 9% SGST or 18% IGST)** in terms of Entry No. 11 of Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, as amended from time to time.

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

RULING

1. The activity undertaken by the applicant consists solely of loading ballast lying adjacent to the railway track into railway wagons stationed on the railway track by using JCB. No transportation of goods, movement of wagons, shunting, towing or railway operational service is involved. The dominant nature of the activity is handling and loading of goods into railway wagons. Accordingly, the activity is appropriately classifiable under SAC 996719 – 'Other cargo and baggage handling services' falling under Heading 9967 'Supporting services in transport' and is liable to GST at the applicable rate of 18%."

(Kalyanam Rajesh Rama Rao)
Member
MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

(Sivakumar S Itagi)
Member
MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

Place: Bengaluru
Date: 29.07.2026

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, Bengaluru North Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-130, Bangalore.
5. Office Folder.

Applicant's Name- M/s SKSAC

Authority For Advance Ruling ★ Karnataka, Bengaluru ★