



TELANGANA STATE AUTHORITY FOR ADVANCE RULING
CT Complex, M.J Road, Nampally, Hyderabad-500001.
(Constituted under Section 96(1) of TGST Act, 2017)

Present:

Sri B. Raghu Kiran, IRS, Additional Commissioner (Central Tax)

Sri S.V. Kasi Visweswara Rao, Additional Commissioner (State Tax)

A.R.Com/08/2021

Date:10 .05.2022

TSAAR Order No.24/2022

[ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS AND SERVICES TAX ACT, 2017 AND UNDER SECTION 98(4) OF THE TEALANGANA GOODS AND SERVICES TAX ACT, 2017.]

1. M/s. Vinair Systems & Services, 318-b, Manjeera Majestic Commercial, JNTU Hitech City Road, KPHB Colony Hyderabad, Medchal Malkajgiri, Telangana, 500072 (36AIIPK6710F1ZE) has filed an application in FORM GST ARA-01 under Section 97(1) of TGST Act, 2017 read with Rule 104 of CGST/TGST Rules.
2. At the outset, it is made clear that the provisions of both the CGST Act and the TGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to any dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provision under the TGST Act. Further, for the purposes of this Advance Ruling, the expression 'GST Act' would be a common reference to both CGST Act and TGST Act.
3. It is observed that the queries raised by the applicant fall within the ambit of Section 97 of the GST ACT. The Applicant enclosed copies of challans as proof of payment of Rs. 5,000/- for SGST and Rs. 5,000/- for CGST towards the fee for Advance Ruling. The concerned jurisdictional officer also raised no objection to the admission of the application. The application is therefore, admitted
4. **Brief facts of the case:**

The applicant M/s. Vinair Systems & Services are in the business of supplying, installing and commissioning HVAC clean room projects for pharmaceutical companies. They received purchase order but the components such as Air handling units, Ducting and Grills separately and an order for installation separately. They install these components by engaging other partners from the market. The applicant is desirous of ascertaining whether they can charge item wise tax on their customer in view of the contract being divisible. Hence the application.

5. **Questions raised:**

1. Can we do item wise billing for every product in the Air Handling units independently taking the benefit of lower rate of taxation instead of adopting the higher rate of taxation?
2. In case of procurement of higher rate items i.e. 28% from different company and rest of the system (less than 28%) from other company is agreeable? Or Section 8 of the Act is invoked and does department take a view of higher rate of taxation for the whole system?

6. **Personal Hearing:**

The Authorized representatives Sri. Ravi Teja Reddy, CA and Sri. Hari Babu, AR attended the personal hearing held on 24.03.2022. The authorized representatives reiterated their averments in the application submitted and averred as follows:

1. That they install clean room HVAC systems which involves supply of air handling units, ducting and grills/difusors to make pharma manufacturing units microbe free.
2. That they receive purchase order and erection contract separately for installing the system. That they supply the goods and also make installation simultaneously. That they are invoicing for both supplies separately and that there is no written agreement or contract.
3. They promised to provide copies of purchase order, erection order and invoices for both.

7. Discussion & Findings:

As per the application at box 12(b) the nature of the activity undertaken by the applicant involves supply, installation and commissioning of the clean room HVAC project.

As seen from the literature pertaining to Cleanrooms, they are specially constructed, environmentally controlled enclosed spaces where the concentration of airborne particles (contaminants) is kept within specified limits. In industry, cleanrooms are used in the manufacturing of electronic hardware such as integrated circuits (ICs) and hard drives. In biotechnology and medicine, cleanrooms are used when it is necessary to ensure an environment free of bacteria, viruses, or other pathogens.

Further, a cleanroom is defined by ISO14644-1 as a room in which the concentration of airborne particles is controlled, and which is constructed and used in a manner to minimize the introduction, generation, and retention of particles inside the room and in which other relevant parameters, e.g. temperature, humidity, and pressure, are controlled as necessary.

It is seen from the literature on the subject that the key elements of Cleanroom Design Four basic components define a controlled environment:

- 1) Cleanroom Architecture – Materials of construction and finishes are important in establishing cleanliness levels and are important in minimizing the internal generation of contaminants from the surfaces.
- 2) The HVAC System – The integrity of the cleanroom environment is created by the pressure differential compared with adjacent areas through heating, ventilation and air-conditioning system.

The HVAC system requirements include:

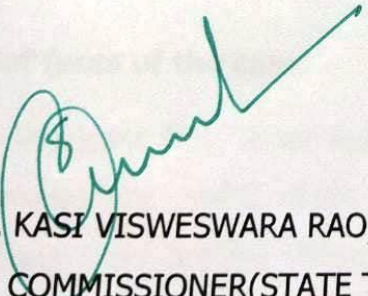

- Supplying airflow in sufficient volume and cleanliness to support the cleanliness rating of the room.
- Introducing air in a manner to prevent stagnant areas where particles could accumulate.
- Filtering the outside and re-circulated air across high efficiency particulate air (HEPA) filters.
- Conditioning the air to meet the cleanroom temperature and humidity requirements.
- Ensuring enough conditioned makeup air to maintain the specified positive pressurization.

Further it is the contention of the applicant that they are bifurcating the purchase order for the components and installation contract. The crux of the issue boils down to whether the contract for installation HVAC clean room system is divisible into one for supply of material and other for service or not. Further whether it is a composite supply or a mixed supply. And in case it is composite supply, then what is the principle supply. In order to answer these questions which

are related to the issues raised by the applicant they are requested to produce copies of purchase orders of material and orders for erection contracts.

However, they have not produced the copies of purchase order and erection order as promised during the personal hearing till date.

In the absence of the key elements to discern the nature of the contract as to whether it is a naturally bundled supply or not their application stands rejected.

 (S.V. KASI VISWESWARA RAO) ADDL. COMMISSIONER(STATE TAX)	 (B. RAGHU KIRAN) ADDL. COMMISSIONER(CENTRAL TAX)
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To
M/s. Vinair Systems & Services,
318-b, Manjeera Majestic Commercial,
JNTU Hitech City Road, KPHB Colony Hyderabad,
Medchal Malkajgiri, Telangana, 500072.

Copy submitted to :

1. The Commissioner (State Tax) for information.
2. The Commissioner (Central Tax), Medchal Commissionerate, 11-4-649/B, 1st, 2nd, 3rd and 4th Floors, Opp. Mehedi Function Palance, Lakdikapool, Hyderabad - 500 004.

Copy to

3. The Assistant Commissioner (ST) Balanagar Circle
//t.c.f.b.o//

Superintendent (Grade-I)