

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

**Advance Rulings No. KAR.ADRG 53/2019
Dated 19th September, 2019**

Present:

1. Sri. Harish Dharnia,
Additional Commissioner of Central Tax, Member (Central Tax)
2. Dr. Ravi Prasad. M. P.
Joint Commissioner of Commercial Taxes Member (State Tax)

1	Name and address of the applicant	M/s. V.S.T. TILLERS TRACTORS LIMITED, P.B. No.4801, Whitefield Road, Mahadevapura Post, Bengaluru -560048
2	GSTIN or Used ID	29AAACV5930H1Z6
3	Date of filing of Form GST ARA-01	30-05-2018
4	Represented by	Sri. Sowmithri, Consultant & Smt. Sowmya Prabhu, Finance Manager
5	Jurisdictional Authority- Centre	Pr. Commissioner of Central Tax, Bengaluru East Commte., Domlur, Bengaluru
6	Jurisdictional Authority- StaAte	LGSTO 035 A - 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 2017 vide CIN HDFC 19092900182584 dated 19.09.2019 and Rs. 5,000/- under KGST vide CIN HDFC 18052900209448 dated 21-5- 2018

**ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS AND
SERVICE TAX ACT, 2017 AND UNDER SECTION 98(4) OF THE
KARNATAKA GOODS AND SERVICES TAX ACT, 2017**

1. M/s. V.S.T Tillers Tractors Limited, (hereinafter called "applicant"), P.B.No.4801, Whitefield Road, Mahadevapura Post, Bengaluru- 560048, is a registered dealer bearing GSTIN number 29AAACV5930H1Z6 have filed an application in form GST ARA-01 on 30-05-2018 for advance ruling under Section 97 of the CGST Act, 2017 read with Rule 104 of CGST Rules 2017 and Section 97 of the KGST Act, 2017 read with Rule 104 of KGST Rules 2017.

2. The applicant has filed the application seeking advance ruling on the following question:

VST Tillers

Whether the applicant is right in classifying certain components, spares and accessories with HSNs under reference applicable to Tractors, Tillers and other farm equipments though such goods are sold to them under different HSNs attracting peak rate due to certain constraints.

3. The applicant is a registered dealer under the GST Act, 2017 engaged in the manufacture and marketing of Tractors and Tillers. These products exclusively used in the farm sectors for various agricultural activities.

3.1 Tractors and Tillers products predominantly fall under the below HSN codes which attract 12% consolidated GST (also referred to as "HSNs under reference"):

HSN 8701-	Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc);
HSN 8432-	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers; Parts (8432 90);
HSN 8433 -	Harvesting or threshing machinery, including straw or fodder balers; grass or hay movers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 8437; parts (8433 90 00);
HSN 8436 -	Other agricultural, horticultural, forestry, poultry-keeping or bee keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.

3.2 Some of the Tractor and tillers products attracts 18% consolidated GST notified vide Notification bearing No. 19/2017 dated 18th August 2017 (also referred to as 'HSNs under reference')

4011 70 00	Tyre for tractors
4013 90 10	Tube for tractor tyre
8408 20 20	Agricultural Diesel Engine of cylinder capacity exceeding 250 cc for Tractor
8413 81 90	Hydraulic Pumps for Tractors
8708 10 10	Bumpers and parts thereof for tractors
8708 30 00	Brakes assembly and its parts thereof for tractors
8708 40 00	Gear boxes and parts thereof for tractors
8708 50 00	Transaxles and its parts thereof for tractors
8708 70 00	Road wheels and parts and accessories thereof for tractors
870800	i) Radiator assembly for tractors and parts thereof ii) Cooling system for tractor engine and parts thereof
8708 92 00	Silencer assembly for tractors and parts thereof

8708 93 00	Clutch assembly and its parts thereof for tractors
8708 94 00	Steering wheels and its parts thereof for tractors
8708 99 00	Hydraulic and its parts thereof for tractors
8708 99 00	Fender, Hood, wrapper, Grill, Side Panel, Extension Plates, Fuel Tank and parts thereof for tractors

3.3 However, there are quite a few components, parts and accessories of Tractors and Tillers, which are commonly used by both farm sector as well as automobile sector attracting 28% of GST. The suppliers of such components, parts and accessories are charging GST @ 28% and they are not obliged to supply their products under the HSN under reference and collect corresponding mean rate of GST, as they also supply goods under the same nomenclature to automobile sector which attract GST @28% under the HSN code 8708 "Parts and accessories of the motor vehicles of headings 8701 to 8705 [other than specified parts of tractors]".

3.4 The applicant states that most of these components, parts and accessories are for exclusive use in Tractors and Tillers of their brand and are manufactured to their specific drawings and in most cases part numbers, identification marks are engraved on such goods.

3.5 The applicant states that they earnestly feel that due to this gap the Farm Sector is unduly taxed where the intent of the Law was not to burden this sector with higher tax but to levy only a mean rate of 12% and with exceptions 18%.

3.6 The applicant also states that as a convention Farm sector is taxed at lower or mean rate and the legislature in its wisdom has classified Tractors, Tillers and some of the parts and accessories under 12% GST bracket. The Government has vide Notification No.12/2017 made certain exceptions and brought 15 specific tractor parts under 18% GST bracket so as to be effective from 18th August, 2017. It is however noted that few high value components, parts and accessories of tractors and tillers, which are also used by automobile sector generally gets taxed at peak rate of 28%. Hence the applicant states that they are constrained to pass on the burden as such to the farmers to the extent these are sold as spare parts. Hence farmers being the end users and without any scope for passing on the tax burden suffer the higher taxation.

3.7 The applicant states that at the same time, they as manufacturers of tillers and tractors are helpless in convincing their suppliers to charge them lower rate of 12% GST, as they sell the same products to other general automobile sectors also. However, most of such high value items, though identified generically are exclusively manufactured for our brands and can



never be sold in open market for use other than in our tractors and tillers. This reiterates that such specific goods though clearly being used in the farm sector are taxed at higher rate due to its nature of common use.

3.8 Hence the applicant, in order to give effect to the intents of law and to stay put on the convention of taxing farm sector at lower rate, wants to get clarification as to whether:

- (a) they can collect lower rate of GST @ 12% (or 18% as the case may be) on sale of spare parts which are procured at peak rate of 28%, and
- (b) they can insist their suppliers to charge GST @ 12% or 18%, as the case may be, instead of 28%

PERSONAL HEARING / PROCEEDINGS

4. Sri. Sowmithri, GST Practitioner and duly authorised representative of the applicant appeared before the Authority for Advance Ruling and reiterated the points already mentioned.

4.1 Pursuant to the personal hearing the applicant has modified the question for Advance Ruling as under:

1. Tillers have been classified under HSN 8432 80 20 as Rotary Tillers and its parts under 8432 90. The applicant desires to know if the parts of tillers sold as spare parts can be classified under 8432 90 90.
2. What would be the appropriate HSN Code applicable to the below parts of tractors traded by them, between the Generic entry and the specific classification provided under Notification No.19/2017 - Central Tax (Rate)

SI No	HSN (General)	HSN/Chapter Description	HSN (As per Notification)	Description as per Notification
1	4011 70 00	(New pneumatic tyres, of rubber) of a kind used on agricultural or forestry vehicles and machines	4011 70 00	Tyre for tractors
2	4013 90 49	Inner tubes, of rubber Other	4013 90 49	Tube for tractor tyres
3	8408 20 20	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines) Engines of cylinder	8408 20 20	Agricultural Diesel Engine of cylinder capacity exceeding 250 cc for Tractor

		capacity exceeding 250cc		
4	8413 81 90	Pumps for liquids, whether or not fitted with a measuring device; liquid elevators - Others	8413 81 90	Hydraulic Pumps for Tractors
5	8708 10 10	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Bumpers and parts thereof	8708 10 10	Bumpers and parts thereof for tractor
6	8708 30 00	Parts and accessories of motor vehicles of hearing 8701 to 8705 Brakes and servo-brakes; parts thereof	8708 30 00	Brakes assembly and its parts thereof for tractors
7	8708 40 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Gear boxes and parts thereof	8708 40 00	Gear boxes and parts thereof for tractors
8	8708 50 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Drive-axles with differential, whether or not provided with other transmission components, non-driving axles; parts thereof	8708 50 00	Transaxles and its parts thereof for tractors
9	8708 70 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Road wheels and parts and accessories thereof	8708 70 00	Road wheels and parts and accessories thereof for tractors
10	8708 91 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Radiators and parts thereof	8708 91 00	(i) Radiator assembly for tractors and parts thereof (ii) Cooling system for tractor engine and parts thereof
11	8708 92 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Silencers (mufflers) and exhaust pipes; parts thereof	8708 92 00	Silencer assembly for tractors and parts thereof
12	8708 93 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Clutches and parts thereof	8708 93 00	Clutch assembly and its parts thereof for tractors
13	8708 94 00	Parts and accessories of	8708 94 00	Steering wheels and



		motor vehicles of hearings 8701 to 8705 - Steering wheels, steering columns and steering boxes; parts thereof		its parts thereof for tractor
14	8708 99 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Other	8708 99 00	Hydraulic and its parts thereof for tractors
15	8708 99 00	Parts and accessories of motor vehicles of hearings 8701 to 8705 - Other	8708 99 00	Fender, Hood, Wrapper, Grill, Side Panel, Extension Plates, Fuel Tank and parts thereof for tractors.

4.3 The applicant, subsequent to the personal hearing, has filed the application stating as under:

- (a) That they had filed the application for advance ruling seeking clarity on whether
 - a. Tiller parts sold as spares could be classified under HSN 8432 90 90 and
 - b. Tractor parts sold as spares covered under Notification 19/2017 – Central Tax (Rate) with specific reference to Tractor parts in its description holds over the generic description under corresponding HSN
- (b) That they had made submission that parts of tractors sold as spares merits deliberation due to conflicting description between the general HSN list as against the specific description ascribed to the same HSN Code under the Notification 19/2017.
- (c) That on the question that the tractor tyres could also be used in other automobile vehicles, the applicant submitted that inputs for their products are exclusively manufactured by their suppliers to their specific requirements and drawings. Therefore most of the parts cannot be used in general or used in any other general automobiles. More so, the tyres bear their brand “Shakti” embossed over it and their suppliers are contractually obligated not to sell such proprietary products to anyone other than the applicant.

4.4 The applicant has also given the undertaking stating as under:

“UNDERTAKING

Recitals: We, VST Tillers Tractors Limited (also referred to as VST hereinafter), are in the business of manufacturing and marketing of Tillers and Tractors for the past 50 years. Our

products have an immense brand value in the market due to the high degree of quality we deliver to our customers. Our quality policy is driven by sole consideration of optimizing customer satisfaction in terms of utility and economies. We therefore strive innovatively to cater to the dynamic customer expectations and requirements.

Such market expectations demand VST's product Development team to innovatively design our products and product engineering followed by stringent quality driven procurement policy.

It is hence most of the inputs are made to VST design and for exclusive use of VST. To ensure no compromise in this regard, our suppliers are contractually obligated not to sell products manufactured to our specific design to anyone other than VST. Most of such inputs are either embossed with our Brand name or Drawing number or exclusive Part number for the sake of identification and prevention of misuse.

It is therefore submitted that on the procurement front none of the exclusive parts manufactured could be generally bought and sold in the open market.

It is further incumbent upon us to ensure that we take onus of delivery of quality to our end customers, which could be achieved only by implementing a robust and fool proof delivery mechanism in place. We have therefore appointed Exclusive Dealers across the Country and by the terms of the Agreement, they are barred from not only dealing with any of our competing brands but they are also barred from dealing with any other automobiles or related products.

It is mandatory by such Agreement that such Exclusive Dealers also possess and offer servicing facilities to our end consumers. They are obligated to hire necessary human resource with adequate technical expertise to attend to the maintenance needs of our equipments sold to end consumers.

With such stringent Distribution policy in place and post-sale support, we maintain a one-on-one relationship with our consumers and vigil over the conditions and performance of our equipments sold.

These initiatives include our consumers to get any repairs and maintenance requirement done through our Exclusive Dealers ONLY. It goes without mention that any maintenance, replacement of parts



etc., would always be through our delivery channel and in most instances are directly fitted on to our equipments.

Further, as most of the parts are exclusively manufactured for our requirement and design and due to exclusivity of supply agreements, no usage alternatives would be available to our consumers.

It is hence submitted that the parts we sell as spares are genuine parts systematically procured through manufacturers who produce exclusively for VST and are made available to our end consumers through fool proof exclusive distribution network and hence there is no scope for such parts we sell as spares to be put to use other than for equipments manufactured by VST.

We therefore state and undertake that,

Our procurement policy is end-to-end encrypted and none of our inputs specifically manufactured could be generally bought and sold in the open market;

Due to our unique design of components and parts used in our equipments, such parts cannot be generally used for any other automotive application.

As we have implemented delivery mechanism which is tamper proof due to legal bindings and well defined and monitored after sales and maintenance programs, there is no scope for our custom-made parts being available in open markets for use other than in our equipments;

However, the above undertaking excludes general items like Bearings, Fasteners including Washers, Electrical Fittings. V-belts, Name Boards, Number Plates, Mirrors."

FINDINGS AND DISCUSSION:

5. We have considered the submissions made by the applicant in their application for advance ruling as well as the additional submissions made by Sri. Sowmithri, Consultant during the personal hearing. We also considered the issues involved on which advance ruling is sought by the applicant and relevant facts.

6. 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.

7. The main issue here is the rate of tax applicable on the parts used or sold by the applicant. The applicant is a manufacturer of tractors and tillers and he purchases the said components and parts to be used in the manufacture of the tractors and tillers and their suppliers, who are the manufacturers of such parts which are not specific to tractors and tillers, are charging them the rate applicable to the specific part and not as Tractor or tiller parts.

7.1 As per the Notification No.19/2017- Central Tax (Rate) dated 18th August 2017, the entries serial no. 452A to 452O have been inserted to the Schedule III appended to the said notification, prescribing the tax rate of 9% CGST on the supplies of the following goods.

452A	4011 70 00	Tyre for tractors
452B	4013 90 10	Tube for tractor tyre
452C	8408 20 20	Agricultural Diesel Engine of cylinder capacity exceeding 250 cc for Tractor
452D	8413 81 90	Hydraulic Pumps for Tractors
452E	8708 10 10	Bumpers and parts thereof for tractors
452F	8708 30 00	Brakes assembly and its parts thereof for tractors
452G	8708 40 00	Gear boxes and parts thereof for tractors
452H	8708 50 00	Transaxles and its parts thereof for tractors
452I	8708 70 00	Road wheels and parts and accessories thereof for tractors
452J	8708 91 00	(i) Radiator assembly for tractors and parts thereof (ii) Cooling system for tractor engine and parts thereof
452K	8708 92 00	Silencer assembly for tractors and parts thereof
452L	8708 93 00	Clutch assembly and its parts thereof for tractors
452M	8708 94 00	Steering wheels and its parts thereof for tractors
452N	8708 99 00	Hydraulic and its parts thereof for tractors
452O	8708 99 00	Fender, Hood, wrapper, Grill, Side Panel, Extension Plates, Fuel Tank and parts thereof for tractors

7.2 Hence it is clear that the above commodities, if they are for tractors, would be liable to tax at the rate of 18%, else would be liable to tax at the rate appropriate to the classification of the commodity as per the HSN in the Customs Tariff Act.

7.3 As the applicant himself agrees that some of these parts are not specific to the tractors and hence could be used as parts of other goods. But the applicant has given an undertaking that most of these products are made to their design and for exclusive use of the applicant as parts of tractors and their suppliers are contractually obligated not to sell the products manufactured to their design to anyone other than themselves, Further, the applicant has undertaken that most of such inputs are embossed with their brand name or drawing number or exclusive part

number for the sake of identification and prevention of misuse. Hence the applicant states that on the procurement front, none of the exclusive parts manufactured could be generally bought and sold in the open market. Further, the applicant also has undertaken that they have appointed exclusive dealers across the country and they are barred from dealing with any other brands of automobiles or related products other than their products. He has also undertaken that any maintenance or replacement of parts, etc. would always be through their delivery channels and in most instances, are directly fitted on to their equipments. As most of the parts are exclusively manufactured for their requirement and design and die to exclusivity of supply agreements, no usage alternatives would be available to their consumers.

7.4 The notification no. 19/2017 – Central Tax (Rate) dated 18th August 2017 clearly mentions the products, their HSN Codes and if for tractors are taxed at 9% (CGST) and if not then they are taxed at appropriate rates for the said HSN. The notification reduces the rate of tax based on the usage and it is incumbent upon the supplier of these products to prove that they are for tractors only to take advantage of the said notification.

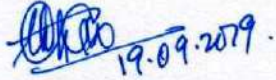
7.5 Regarding the first question relating to classification of parts of tillers, the applicant is classifying the same under HSN 8432 90 90. The Rotary tiller is covered under HSN 8432 80 20 and the parts of these tillers are generally covered under 8432 90 90. Section Note 2, to Section XVI, provides at (b) that parts which are suitable for use solely or principally with a particular kind of machine or with a number of machines of the same heading are to be classified with the machines of that kind or in heading 8409,8431,8448,8466,8473,8503,8522,8529, or 8538 as appropriate. Further (c) provides that all other parts are to be classified in heading 8409, 8431, 8448, 8466, 8473, 8503, 8522, 8529 or 8538 as appropriate or, failing that, in heading 8487 or 8548. The section Notes , are thus very clear that if the tiller parts are of specific use in tillers only then the classification would be 84329090. If the parts do not answer to this then they are liable to classified as Section Note 2(c). Since no specific parts are mentioned, specific ruling cannot be given for this question.

8. In view of the foregoing, we rule as follows

RULING

1. Parts of the tillers are classified under HSN Code 8432 90 90 if the same are not excluded by way of Section Notes, Chapter Notes, Heading Notes or Sub-heading Notes to the Custom Tariff Act or by any other exclusions as discussed in para 7.5.
2. The parts, components and accessories of tractors as listed in the question 2 of the application, which are either embossed with Brand name or Drawing number or exclusive Part number of the applicant

and which are exclusively manufactured for the usage as inputs in the manufacture of tractors are taxable under CGST Act at 9% in terms of notification No. 19/2017- Central tax dated 18-08-2017 **subject to the condition that the same are "for tractors"**. Similar notification to the effect is also issued under the Karnataka Goods and Services Tax Act, 2017 taxing the same under KGST Act at 9%. The same are liable to tax under the IGST Act at 18%.


19.09.2019.

(Harish Dharnia)
Member



(Dr. Ravi Prasad M.P.)
Member

Place : Bengaluru,

Date : 19.09.2019

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 Principal Commissioner of Central Tax, East Commissionerate, BMTC Bus Stand Building, Domlur, Bengaluru
4. The Asst. Commissioner, LGSTO 035 A – Bengaluru.

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