



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

**Advance Ruling No. KAR ADRG 15 / 2019**

**Date : 25<sup>th</sup> July 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 United Engineering Works, No. 235/1, 4 <sup>th</sup> Cross, 1 <sup>st</sup> Main, Begur Road, Begur Hobli, Bommanahalli, Bengaluru- 560068
2.	GSTIN or User ID	29AVEPS5994A1Z5
3.	Date of filing of Form GST ARA-01	07-11-2018
4.	Represented by	Sri Umapathi Desai, Chartered Accountant
5.	Jurisdictional Authority - Centre	Bengaluru South Commissionaate, C R Building, Queens Road, Bengaluru-560001
6.	Jurisdictional Authority - State	---
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of (i) Rs.5,000/- under CGST Act vide CIN MAHB 18112900034289 dated 07-11-2018. (ii) Rs.5,000/- under KGST Act vide CIN MAHB 18102900462262 dated 30-10-2018.

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

1. M/s United Engineering Works, (herein after called "applicant"), No. 235/1, 4<sup>th</sup> Cross, 1<sup>st</sup> Main, Begur Road, Begur Hobli, Bommanahalli, Bengaluru - 560068, having GSTIN number 29AVEPS5994A1Z5, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 and Section 97 of the KGST Act, 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 is a proprietary concern and is registered under the Goods and Services Act, 2017. The applicant seeks Advance Ruling on the following question:

*The applicable rate of GST for the manufacture and supply of submersible pump sets and accessories with installation, electrification and energisation under Ganga Kalyana scheme to Social Welfare departments of Government of Karnataka meant for various beneficiaries (farmers) as notified by the departments and they also provide guarantee and maintenance of installed submersible pump sets till 2 years which is used for irrigational purposes.*

3. The applicant furnishes some facts relevant to the stated activity:

a. The applicant is engaged in manufacturing and supply of submersible pump sets & accessories along with the installation, electrification and energisation of the said pump sets in the ready drilled bore wells.

b. The applicant has been awarded contract, under Ganga Kalyana Scheme by M/s. Dr. B.R. Ambedkar Development Corporation Limited, Schedule Tribes Welfare Department, M/s Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited, M/s D.Devaraj Urs Backward Classes Development Corporation Limited, M/s Karnataka Minorities Development Corporation Limited and other implementing agencies, under Social Welfare Department, Government of Karnataka, for supply of submersible pump sets & accessories along with installation, electrification and energisation of the same in the already drilled bore wells, for small and marginal land owners of Schedule Caste/Schedule tribe/Other Backward Class farmers of economic weaker sections for Agriculture purpose.

4. The Applicant submits that their supply, of submersible pump sets and the installation, electrification & energisation of the same, to the Government entities falls under "Works Contract" in terms of Section 2(119) of CGST Act 2017, classifiable under SAC 9954 and attracts GST of 12%, as their supply is in the nature of irrigation works.

**PERSONAL HEARING: / PROCEEDINGS HELD ON 31.12.2018.**

5. Sri. Umapathi Desai, Chartered Accountant, under the authorisation of the proprietor of the Applicant, appeared for personal hearing

proceedings on 31.12.2018, before this authority and reiterated the facts narrated in their application. The applicant was requested to submit documentary evidence in support of their claim that the firm / corporation to which they supply is a Government Entity.

**ADDITIONAL SUBMISSIONS FURNISHED BY THE APPLICANT :**

6. The applicant, after the personal hearing, furnished additional submissions vide their letter dated 29.03.2019, received in this office on 01-04-2019 inter alia stating that applicable GST rate on composite supply, of submersible pump sets and their installation, electrification, and energisation, to government departments is at 12 percent and places reliance on the advance ruling given by the Advance Ruling Authority, Jaipur, Rajasthan in the case of M/s Kailash Chandra, wherein the authority has confirmed 12 percent tax rate on composite contract as per section 2(119) of the CGST Act 2017 by the way of Supply, design, installation, commissioning and testing of solar energy based water pump systems to the government entities.

7. The applicant in support of their claim, that the receiver/s of their supplies i.e. M/s. Dr.B.R. Ambedkar Development Corporation Limited, Schedule Tribes Welfare Department, M/s Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited and M/s D.Devaraj Urs Backward Classes Development Corporation Limited and M/s Karnataka Minorities Development Corporation Limited are owned by Government of Karnataka, stated that the receiver/s are appearing in the Government of Karnataka portal and also submitted the copies of the Certificate of Incorporation and other documents to the effect that they are Government Entities.

8. The Applicant contends that they have been awarded contract works by the said government entities under Social Welfare Department, Government of Karnataka for providing the composite supply of service for irrigation purpose to small and marginal land owners of Schedule Caste/Schedule Tribe/Other backward class, farmers of economic weaker section, for Agriculture purpose.

9. In this regard it was stated that The Karnataka Schedules Castes and Tribes Development Corporation Limited had been incorporated under Companies Act 1956, vide number 2755 dated 20-03-1975. Later the name of the company was changed to Dr. B.R. Ambedkar Development Corporation Limited. Similarly, The Karnataka Scheduled Tribes Development Corporation Limited was incorporated under Companies Act 1956, on 26-07-2006 and D. Devaraj Urs Backward Classes Development

Corporation Limited was incorporated under Companies Act 1956, vide number 003237 dated 28-10-1977 and M/s Karnataka Minorities Development Corporation Limited was incorporated under Companies Act 1956, vide number 007460 dated 07-02-1986 with the main object to extend irrigation facility to the small and marginal farmers belonging to Scheduled Castes under individual and community irrigation schemes, lift irrigation schemes etc.

## 10. FINDINGS & DISCUSSION:

10.1 We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri. Umapathi Desai, Chartered Accountant and authorised representative of the applicant during the personal hearing. We have also considered the issue involved, on which advance ruling is sought by the applicant and relevant facts.

10.2 The applicant is of the view that their supply falls under "Works Contract" in terms of Section 2(119) of CGST Act 2017. Accordingly they have been charging GST @ 12% (CGST- 6% + SGST-6%) treating the same as a composite supply of works contract, supplied to a Government Entity by way of construction/ erection/ commissioning/ installation/ completion/ fitting out/ maintenance of **other irrigation works and** consequently liable to be taxed @ 6% CGST & 6% KGST in terms of Notification No.11/2017-Central Tax (Rate) dated 28.06.2017, as amended. Their view is based on a Ruling given by the Advance Ruling Authority, Jaipur, Rajasthan in the case of M/s Kailash Chandra. The said authority has confirmed 12 percent tax rate on composite works contract as per section 2(119) of the CGST/SGST Act 2017 by the way of supply, design, installation, commissioning, and testing of solar energy based water pump systems to the government entities.

10.3 The term "Government Entity" is defined under Notification No.11/2017- Central Tax (Rate) dated 28.06.2017 which is amended by Notification No. 31/2017 – Central Tax (Rate) dated 13-10-2017 reads, for the purposes of the Notification, as under:

*"Government Entity" means an authority or a board or any other body including a society, trust, corporation,*

- i) set up by an Act of Parliament or State Legislature; or*
- ii) established by any Government,*

*with 90 per cent. or more participation by way of equity or*

*control, to carry out a function entrusted by the Central Government, State Government, Union Territory or a local authority.”*

10.4 It is apparent that the corporations, M/s. Dr.B.R. Ambedkar Development Corporation Limited, Schedule Tribes Welfare Department, M/s Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited and M/s D. Devaraj Urs Backward Classes Development Corporation Limited and M/s Karnataka Minorities Development Corporation Limited were established by the Government of Karnataka with 100% share capital and control to carry out certain functions of the nature of public welfare envisaged by the State Government. Hence the aforesaid Corporations are covered under the definition of “Government Entity” as provided in Notification No.11/2017-Central Tax (Rate) dated 28.06.2017, as amended.

10.5 In the context of the aforesaid supply and the applicant’s views, the question before us to decide is whether the activity is a composite supply of works contract by way of construction/ erection/ commissioning/ installation/ completion/ fitting out/ maintenance of **other irrigation works.**

10.6 We proceed to examine whether the supply of the applicant amounts to “Composite Supply” or not. “Composite Supply” is defined under Section 2(30) of CGST Act 2017 which is appended below:

*“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.*

Further, the term “Principal Supply” as defined under Section 2(90) of CGST Act 2017 is as under:

*“principal supply” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.*

10.7 It is clearly evident from above that a supply must satisfy the following conditions to qualify as a “Composite Supply”

- (a) Supply must involve two or more taxable supplies of goods or services or both

- (b) The taxable supplies have to be naturally bundled
- (c) The taxable supplies need to be supplied in conjunction with each other
- (d) One of the taxable supplies is a Principal Supply

10.8 In the instant case, the Applicant's supply involves goods i.e. submersible pump sets and the installation etc, of the same as service. Therefore, the Applicant supplies goods as well as services which are taxable supplies. The contractual agreement between the applicant and the said Corporation requires the applicant to supply the pumps and also install and energise the same. The applicant is, therefore, engaged in two taxable supplies, that of goods and also the service of installation. The service of installation is possible only when the goods (submersible pump sets) are supplied and hence the pre-dominant supply is that of "Submersible Pump Sets" and hence the principal supply in this case is supply of goods i.e. Submersible Pump Sets. Therefore the instant supply squarely falls under the definition of "Composite Supply".

10.9 The next issue to be considered and examined is whether the supply of the applicant falls under the "Works Contract" or not. The term "Works Contract" is defined under Section 2(119) of the CGST Act 2017 & is as under:

*"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.*

The following two points emerge from the aforementioned definition of "Works Contract":

- i. The agreement/contract & the relevant supply must be for *building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property.*
- ii. *The supply must involve transfer of property in goods (whether as goods or in some other form) in the execution of the said contract.*

10.10 In order to examine the fulfillment of these requirements it is imperative to examine the contract / agreement under which the supplies are made. The applicant has stated that they had been awarded contract works by various government entities as mentioned in Para 7 above. They have submitted copy of one agreement/contract entered with M/s. Dr. B.R. Ambedkar Development Corporation Limited. Copies of other agreements/contracts have not been submitted. Therefore this Ruling is on the basis of the terms and conditions mentioned in the agreement/contract with Dr. B.R. Ambedkar Development Corporation Limited, Bellary. Therefore this Ruling shall not be valid for any agreements/contracts with other agencies in case the terms and conditions differ. The contract is for supply of submersible pump sets and accessories and also for installation, electrification and energisation of the same in the already drilled bore wells. The bore wells were meant for use in agriculture by small and marginal land owners of Schedule Caste/ Schedule Tribe/ Other Backward Class farmers belonging to economic weaker section. The beneficiaries are identified by the aforesaid Corporation.

10.11 The salient features of one such agreement signed by the applicant with Dr. B R Ambedkar Development Corporation Ltd., Bellary, Karnataka, are as follows:

- (a) The applicant undertakes the supply of submersible pump sets & accessories, erection & electrification of the same, for the bore wells drilled under Ganga Kalyana Scheme.
- (b) The applicant has accepted the rate, terms & conditions of the Corporation to supply submersible pump sets & accessories, erection & electrification of the same as per the specifications prescribed by the Corporation, in Annexure-01 of the agreement. The rates are inclusive of loading, packing, stocking, transit charges, transit insurance, unloading of the same to the point of bore wells drilled anywhere in Karnataka, in addition to the applicable GST.
- (c) The applicant also agrees to give **one year guarantee** for pump sets & accessories, supplied by them, to the beneficiaries, from the date of energisation.
- (d) The applicant has contractual obligation to provide guarantee for proper working of the pump sets and accessories for a period of one year from the date of energisation and to rectify/replace any defective part during the said guarantee period at their own cost and labour.

- (e) The cost sheet of the pump sets & accessories along with services charges of erection, installation etc., to be supplied by the applicant is annexed to the said agreement. The total cost per pump set is Rs.44,240/- out of which Rs.38,444/- is towards supply of goods and remaining Rs.5,796/- is towards the service charges. It is, thus, evident that the cost of goods is 86.90% and that of services of erection, installation etc. is 13.10% of the total cost.

10.12 The salient features of the agreement, as discussed above, indicate that the applicant is not involved in the activity of drilling bore wells. The recipient (Corporation) prepares the bore wells on their own account. The applicant is not concerned with the same. Bore well is a hole dug in the ground, which enables the underground water to be brought to the surface by means of a pump. The applicant has obligation to supply, install, electrify & energise the submersible pump sets and thereby makes the pump sets functional. The obligation on the applicant is in relation to the effective installation and functioning of the goods supplied by them. The contract governing their supplies does not relate to building, construction, fabrication etc of any immovable property, as envisaged in the definition of works contract. Their supplies (the submersible pumps) are in the nature of movable property. Hence the said activity is not related to the immovable property at any point of the time and hence the said activity does not qualify to be a "Works Contract".

10.13 Notification No.11/2017-Central Tax (Rate) dated 28-06-2017, as amended by Notification No.20/2017-Central Tax (Rate) dated 22.08.2017 and Notification No.31/2017-Central Tax (Rate) dated 13.10.2017, stipulates, at sl.no.3 & description (iii), that

*"(iii) Composite supply of works contract as defined in clause (119) of section 2 of the Central Goods and Services Tax Act, 2017, supplied to the Central Government, State Government, Union territory, a local authority, a Governmental Authority or a Government Entity by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, -*

- (a) -----  
(b) canal, dam or other irrigation works;  
(c) -----

is taxable at 6% under the CGST Act 2017, provided that where the services are supplied to a Government Entity, they should have been procured by the said entity in relation to a work entrusted to it by the



*Central Government, State Government, Union territory or local authority, as the case may be.*

10.14 It is clearly evident from above that the CGST rate of 6%, in terms of Notification No.11/2017 Central Tax (Rate) dated 28.06.2017, as amended, is subject to the condition that (i) the supply must be a composite supply of works contract and (ii) the recipient i.e. Government entity should have procured the supply in relation to the work entrusted to it by the State Government or local authority.

10.15 In the instant case though the supply is a composite one, it is not a works contract as the said supply is not related to the immovable property. This shows that the first requirement of the Notification is not satisfied. The supplies undertaken by the applicant do not qualify to be considered as works contract. As a result the provisions of the Notification No.11/2017-Central Tax (Rate) dated 28-06-2017, as amended, are not applicable. Since the first condition/requirement is not fulfilled compliance with the second condition/requirement becomes infructuous.

10.16 In their additional submissions, the applicant has placed reliance on an advance ruling issued by the Authority for Advance Ruling, Rajasthan in respect of Mr. Kailash Chandra and states that the question decided in the said ruling is identical to their question. The copy of the said ruling as submitted by the applicant has been examined. The question raised before the authority in Rajasthan was "*whether the activity of supply, design, installation, commissioning and testing of solar energy based water pumping systems supply of goods or supply of services and what shall be the rate of GST on it?*". The scope of work in this case covers design, supply, install, test and commission of solar energy based water pumping systems along with construction of housing structure for this plant and all necessary works for operation of such work and accordingly it was held by the said authority that activity undertaken was in the nature of works contract. This shows that in this case besides the supply of equipment the applicant was also engaged in the construction of immovable property. However in the instant case the applicant is not engaged in the supply of any activity amounting to construction of immovable property. Therefore the ratio of this ruling does not hold any evidentiary value in the instant application.

10.17 In the light of the above discussion, the supplies made by the applicant qualify to be treated as a composite supply. The tax liability on a composite supply is governed by Section 8 of the CGST Act 2017. Accordingly the *composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal*

supply and the applicable GST rate on the composite supply would be the rate of GST applicable to the principal supply.

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

**R U L I N G**

*The Applicant's supply does not qualify as "Works Contract". It is a composite supply wherein the principal supply is that of the supply of goods i.e submersible pumps. The applicable GST rate to the applicant's supply would be the rate applicable on the Principal supply i.e. submersible pump sets.*

  
**(Harish Dharnia)**  
**Member**

  
**(Dr. Ravi Prasad.M.P.)**  
**Member**

Place : Bengaluru,

Date : 25-07-2019

To,

The Applicant

Copy to :

The Principal Chief Commissioner of Central Tax, Bangalore Zone,  
Karnataka.

The Commissioner of Commercial Taxes, Karnataka, Bengaluru.

The Principal Commissioner of Central Tax, Bangalore South  
Commissionerate, CR Building, Queens Road, Bengaluru-  
560001(Jurisdictional Office)

The Asst. Commissioner, LGSTO-15A, Bengaluru

