
 सत्यमेव जयते	RAJASTHAN AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX NCR BUILDING, STATUE CIRCLE, C-SCHEME JAIPUR – 302005 (RAJASTHAN)	 राष्ट्र कर बाजार
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ADVANCE RULING NO.RAJ/AAR/2018-19/26

J P Meena Additional Commissioner	:	Member(Central Tax)
PANNA LAL Joint Commissioner	:	Member(State Tax)
Name and address of the applicant	:	M/s Blackstone Diesels, B-36, Industrial Area, New Power House Road, Jodhpur- 342001, Rajasthan.
GSTIN of the applicant	:	08AFOPB8919C1ZE
Clause(s) of Section 97(2) of CGST / SGST Act, 2017, under which the question(s) raised	:	a. classification of any goods or services or both;
Date of Personal Hearing	:	13.12.2018
Present for the applicant	:	Shri Mukesh Khandelwal, CA, (Authorised representative)
Date of Ruling	:	18.12.2018



Note: Under Section 100 of the CGST/RGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under section 99 of CGST/RGST Act 2017, within a period of 30 days from the date of service of this order.

The Issue raised by M/s Blackstone Diesels {hereinafter the applicant} is fit to pronounce advance ruling as it falls under ambit of the Section 97(2) (a) and it is given as under:

- a. classification of any goods or services or both;

Further, the applicant being a registered person, GSTIN is 08AFOPB8919C1ZE, as per the declaration given by him in Form ARA-01, the issue raised by the applicant is neither pending for proceedings nor proceedings were passed by any authority. Based on the above declarations, the application is '**admitted**' to pronounce advance ruling.



1. **SUBMISSION OF THE APPLICANT:**

- a. The applicant is a trader in Air dryer which is used by Railway in breaking system of locomotives. The applicant has received a purchase order number 69185017150035 dated 14.03.2018 from Western Railway for "Air Dryer complete with final filter for MEMU DMC" (02quantity).
- b. The applicant also submitted few additional documents during the personal hearing along with copy of invoice (wherein goods are received by the applicant from the supplier-manufacturer, M/s Trident Pneumatics Pvt. Ltd., Coimbatore,) dated 27.03.2018.
- c. The applicant is engaged in supply of various goods to the railways. Such Goods supplied to railways have different classification. Now there is an issue regarding the Air Dyer with filter supplied for use in breaking system of locomotive and Repair/Spare Kit supplied to railway.
- d. As per the system of classification of HSN Codes the items related to railway locomotives fall under chapter 86. The relevant section heading 8607 reads as follows:-

8607 PARTS OF RAILWAY OR TRAMWAY LOCOMOTIVES OR ROLLING-STOCK

Relevant classification entry under that section is as follows:- 86072100 :-
Air brakes and parts thereof

Thus, as per the use based classification as it is used for railways, the classification can be identified under this heading of chapter 86.

- e. However the vendor of the assessee from whom the applicant purchased the material classifies the same under chapter 84 under following heading :-

Filtering or purifying machinery and apparatus for gases 84213990. This classification is based on the assertion that the air dryer and filter is a mechanical appliance classifiable under above heading.

- f. It is important to note here that the item supplied by the applicant can be used only for the purpose of railway locomotives. Based on this the most appropriate entry for the classification seems to be 86072100.

- g. The Applicant's opinion:-

1. The most appropriate chapter heading for classification of the goods in question seems to be chapter 86 based on its use. Still if we go by the rules of interpretation for tariff classification, then the rule 3 applies. Rule 3 is reproduced as below:-

Rule 3: When by application of Rule 2 (b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be affected as follows:

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.

(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they



consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.

(c) When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

2. As per these rules in case if there is a situation where any commodity falls under two or more heading and where the most specific description also could not be identified then as per rule 3(c) of rules or interpretation as described above the heading which occurs later in the numerical order should be used for classification.

3. Thus by virtue of the classification based on the use of the material under chapter 86 sees to the most specific description and without prejudice to this as per rule 3(c) of Tariff Classification General Rules of Interpretation, chapter 86 seems for the purpose of classification.

4. Taxability

These items fall under Chapter 86 of the Customs Tariff Act, 1975 under heading 8607 which reads as follows:-

PARTS OF RAILWAY OR TRAMWAY LOCOMOTIVES OR ROLLING-STOCK

Further, item fall under subheading 860721000 which reads as under :

"Air brakes and parts thereof

The item mentioned as above is used in the Air Brakes of locomotives used by railway only.

5. For heading 8607 there is one entry of taxation in notification no. 01/2017 Central Tax (Rate) dated 28.06.2017, as amended from time to time; all of them are given below:-



Chapter/ Heading/ Sub- heading/ Tariff item	Description of Goods	CGST Rate (%)	SGST/ UTGST Rate (%)	IGST Rate (%)	Comp ensati on Cess
8607	Parts of railway or tramway locomotives or rolling-stock; such as Bogies, bissel-bogies, axles and wheels, and parts thereof	2.5	2.5	5	

6. Further, Vide circular No. 30/04/2018 dated 25.01.2018 Govt, has clarify that ... goods classified under Chapter 86, supplied to the railways attract 5% GST rate with no refund of unutilised input tax credit.
7. The Applicant purchases above mentioned goods form Manufacturer of such goods. They have supplied goods under HSN Code 84213990 (Centrifuges, Including Centrifugal Dryers; Filtering or Purifying Machinery and Apparatus, For Liquids or Gases) and charging GST @ 18%.
8. The item supplied by the applicant is part of the Air Breaking System of Locomotive used by Railway Only. They are not to be used independently anywhere.

2. **QUESTIONS ON WHICH THE ADVANCE RULING IS SOUGHT**

Applicant has sought ruling to be pronounced under section 97(2) (a) of the CGST Act 2017, on the following question:

Tax rate on "Air dryer complete with final filter for used in breaking system of locomotive supplied to Railway" as per order attached given by Western Railway.



3. **PERSONAL HEARING (PH)**

In the matter personal hearing was given to the applicant, Shri Mukesh Khandelwal, CA, (Authorised representative) of applicant appeared for personal hearing on 13.12.2018. During the PH they reiterated the submissions already made in the application for advance ruling along with few additional documents and requested that the case may be decided at the earliest.

4. **COMMENTS FROM THE JURISDICTIONAL OFFICER:**

The jurisdictional officer, Deputy Commissioner, Circle-D, Jodhpur, SGST Rajasthan has submitted that the rate of Tax on Air Dryer is 18% in HSN code 8421.

5. **FINDINGS, ANALYSIS & CONCLUSION:**

- a. We find that, the applicant has received a purchase order number 69185017150035 dated 14.03.2018 from Western Railway for "Air Dryer complete with final filter for MEMU DMC" (02quantity).
- b. The definition of Air dryer as per Wikipedia means:

A compressed air dryer is used for removing water vapour from compressed air. Compressed air dryers are commonly found in a wide range of industrial and commercial facilities.

The process of air compression concentrates atmospheric contaminants, including water vapour. This raises the dew point of the compressed air relative to free atmospheric air and leads to condensation within pipes and the compressed air cools downstream of the compressor.

Excessive water in compressed air, in either the liquid or vapour phase, can cause a variety of operational problems for users of compressed air. These include freezing of outdoor air lines, corrosion in piping and equipment, malfunctioning of pneumatic process control instruments, fouling of processes and products, and more.



There are various types of compressed air dryers. Their performance characteristics are typically defined by the dew point.

c. Usage of Air dryer as per Wikipedia are as:

- a. Drying air for use in commercial or industrial processes that demand dry air:*
- b. Telecomm industry (pressurizes its underground cables to repel moisture and avoid shorts)*
- c. Painting*
- d. Pneumatic tools*
- e. Textile manufacturing*
- f. Pneumatic control systems*
- g. Feed air for zeolite type oxygen and nitrogen generators*
- h. Dental office air*
- i. Truck and **train air brake systems.***
- j. Submarine ballast tank blow systems (implemented on American submarines after USS Thresher (SSN-593) disaster).*

Thus it is concluded that the air brake can be used in train braking systems.

d. Further, as per the description under the HSN code 8421 is reproduced below:-

(Centrifuges, Including Centrifugal Dryers; Filtering or Purifying Machinery and Apparatus, For Liquids or Gases)

-Centrifuges, including centrifugal dryers:

8421.11 -- Cream Separators

8421.12--Clothes-dryers

8421.19--Others

- Filtering pr purifying machinery and apparatus for liquids:

8421.21--for filtering or purifying water

8421.22--for filtering or purifying beverages other than water

8421.23--Oil or petrol-filters for internal combustion engines

8421.29--Other



-Filtering or purifying machinery and apparatus for gases:

8421.31--Intake air filters for internal combustion engines.

8421.39--other

-Parts:

8421.91--of Centrifuges, including centrifugal dryers

8421.99--others

This heading covers:

- (I) Machines which, by the use of centrifugal force, completely or partly separate substances according to their specific gravities **or which remove the moisture from wet substances.**
- (II) Filtering or purifying machinery and apparatus for liquids or gases, other than eg. Filter funnels, milk strainers, strainers for filtering paints(generally chapter 73)

On going through HSN code 8421, it is observed that the Air dryers, which is used for removing water vapour from compressed air or to remove the moisture from wet substances has been classified under 8421 ibid.

Further, M/s Trident Pneumatics Pvt. Ltd., Coimbatore is a manufacturer and supplier of "Air Dryer (LD2000132) Locomotive Dryer-II" as per the Invoice No. TPPL/3187/1718 dated 27.03.2018 invoiced to the applicant by classifying the said good under Chapter 8421 of the GST Tariff Act 2017 which attracts GST@18% (9%CGST + 9%SGST).

- e. The applicant itself has cited Circular No. 30/4/2018-GST Dated 25.01.2018 issued by Tax Research Unit, Department of Revenue has also emphasised on point No. 4 which is reproduced below:



"4. Accordingly, it is hereby clarified that;

• **only the goods classified under Chapter 86, supplied to the railways attract 5% GST rate with no refund of unutilised input tax credit and**

• other goods [falling in any other chapter], would attract the general applicable GST rates to such goods, under the aforesaid notifications, even if supplied to the railways."

Since, the Circular No. 30/4/2018-GST Dated 25.01.2018 issued by Tax Research Unit, Department of Revenue categorically states that if

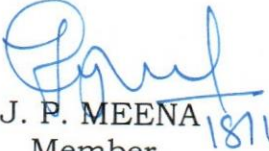
any good is supplied to railways under chapter 86 then it attracts GST @ 5% with no refund of unutilised input tax credit and in case of supply of goods falling under any other chapter, the same would attract applicable GST rate as leviable on such goods under the relevant notifications even if supplied to railways.

- f. Further, in the light of the fact classification of 'Air Dryer' (HSN 8421) has already been finalised at the supplier's end who also happens to be manufacturer of the goods in question i.e. M/s Trident Pneumatics Pvt. Ltd., Coimbatore, which is evident from the tax invoice, dated 27.03.2018. The same goods without any modification/processing are being further supplied to the Western Railways by the applicant. Hence it is clear that HSN of goods do not merits any change in classification merely due to the fact that the goods in question are being supplied to the Indian railways.


6. In view of the foregoing, we rule as under:-

RULING

The 'Air Dryer complete with final filter for used in breaking system of locomotive' has been rightly classified by the supplier under Chapter 8421 of GST Tariff Act 2017 which attracts GST @18% (CGST 9% + SGST 9%).


J. P. MEENA
Member
(Central Tax)




PANNA LAL
Member
(State Tax)

SPEED-POST

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B-36, Industrial Area,
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Jodhpur- 342001, Rajasthan.

F.No. IV (4)27/AAR/RAJ/2018-19/128-129

Dated:- 19/12/2018

Copy to:-

Assistant Commissioner, Circle-D, Commercial Taxes Dept., Kar- Bhawan,
Jodhpur, 342001, Rajasthan.


d/c
SGST
Superintendent