



**HARYANA AUTHORITY FOR ADVANCE RULING,
GOODS AND SERVICES TAX,
HARYANA VANIYA BHAWAN, PLOT NO I-3, SECTOR 5, PANCHKULA-
134151 (HARYANA)**



**ADVANCE RULING NO.HAR/HAAR/R/2018-19/23
(In Application No.:23/2018-19, Dated 10.08.2018)**

Name & Address of the Applicant	: M/s Siemens Ltd. Plot No. 6A, Sector-18 Maruti Industrial Area, HUDA, Gurugram (North), Haryana.
GSTIN of the Applicant	: 06AAACS0764L1ZA
Date of Application	: 10.08.2018
Clause(s) of Section 97(2) of CGST/HGST Act, 2017, under which the question(s) raised.	: (I) Applicability of notification issued under the provisions of this act.
Date of Personal Hearing	: 01.10.2018 & 16.10.2018
Present for the Applicant	: Sh. Vikas Garg, Director (Taxation), Sh. Harish Balhara, Advocate

1. M/s Siemens Ltd. Plot No. 6A, Sector-18 Maruti Industrial Area, HUDA, Gurugram (North), Haryana[hereinafter referred to as the "Applicant"], is an associate of the Joint Venture of M/s Siemens AG, Germany (Lead Partner) and M/s Sumitomo Electric Industries Ltd., Japan (Other Partner) (hereinafter referred to as "the JV").

2. The JV has entered into a contract with Power Grid Corporation of India Ltd., for ± 320 kV, 2 X 1000MW VSC based HVDC based terminals and DC XLPE Cable system between Pugalur and North Trichur associated with HVDC Bipole link between Western Region (Raigarh) and Southern region (Pugalur, Tamilnadu- North Trichur, Kerala) through a NOA vide ref No. CC-CS/698-SR2/HVDC-3249/7/G10/R/NOA-V/7217 dated 22-03-2017. This involves supply of equipment and services both offshore and onshore basis.

3. The scope of the contract has been split up into 6 contracts covering specific and detailed nature of supply of various goods and services for supply of equipment and material (offshore and onshore) and 2 for supply of services.

The details of the scope of work of the 6 contracts is as under:

- Offshore Supply Contract (VSC part), Offshore Contract-1 (also referred to as "First Contract") awarded to M/s Siemens AG for all works to be performed in all countries outside including supply of all equipment and spares.
- Offshore Contract-II (referred to as Second Contract) awarded to M/s Sumitomo for design, engineering, manufacture and supply of ± 320 HVDC cable and Type testing to be conducted outside India.
- Onshore Supply Contract-I (referred to as Third Contract) awarded to the Applicant for supply of equipment and materials including mandatory spares except ± 320 HVDC cable from within India and its type testing.
- Onshore Supply Contract-II awarded to M/s Sumitomo (referred to as Fourth Contract) for supply of items including spare for ± 320 HVDC cable system from within India and its type testing.
- Onshore Services Contract-I (referred to as Fifth Contract) awarded to the Applicant for performance of all other activities interalia including port handling of plant and machinery, loading, inland transportation and insurance for delivery at site, insurance, unloading, storage and handling



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at site, installation including civil works, testing and commissioning in respect of all plant and equipment supplied under First and Third contracts.

- f. Onshore Services Contract-II (referred as the Sixth Contract) awarded to M/s Sumitomo, for performance of all other activities interalia including port handling of plant and machinery, loading, inland transportation and insurance for delivery at site, insurance, unloading, storage and handling at site, installation including civil works, testing and commissioning in respect of all plant and equipment supplied under Second and Fourth contracts.

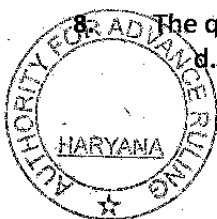
5. The query of the Applicant relates to the Services activities involved in their fifth contract. The scope of work under this contract as referred to in (f) above. It includes

- a. Local transportation, insurance and other incidental services.
- b. Installation charges
- c. Training charges

6. With respect to onshore supply of goods (Third Contract), the terms of contract provide for supply of goods on ex-works basis. While the supply of goods is on ex-works basis under the Third Contract, the Applicant through a separate Fifth Contract is entrusted with responsibility of delivery of goods at customer's site. For this the Applicant engages local transporters who issue consignment notes to the Applicant for such transportation of goods and issue their freight invoices on the Applicant. In turn the Applicant discharges the GST liabilities on such freight amount being paid by it to these transporters as provided under notification number 13/2017-Central Tax Rates dated 28-06-2017. **The Applicant charges the aforesaid local transportation from the PowerGrid Corp of India as per the terms of contract.** However, the consignment note has already been issued by the transporter engaged by the Applicant; no subsequent additional consignment note is issued by the Applicant.

7. With respect to these local transportation charges recovered by the Applicant from the Power Grid Corp of India, the Applicant seeks an advance ruling on the applicability of the tax exemption as provided under S No. 18 of the notification no. 12/2017-Central Tax Rates dated 28-06-2017, where in, services by the way of transportation of goods by road has been exempted except the services of a GTA.

8. The question of which advance ruling is required is:



- d. Whether the freight charges covered by the Applicant under the contract from Power Grid Corp India without issuance of consignment note will be eligible for exemption from GST as prescribed in S. No. 18 of notification No. 12/2017 Central Tax Rates dated 28-06-2017 and the corresponding S. No. 18 of Notification No. 43/ST2 dated 30-06-2017 issued by Haryana Govt.

DISUSSIONS AND FINDINGS:

9. Out of the six contracts, the Third Contract for supply of goods and the Fifth Contract for the services are onshore contracts assigned to the Applicant. The Applicant has sought ruling towards their transportation services being provided to the Power Grid Corp of India as Exempted Service since they are not issuing any consignment note. The transport services are infact being provided by a separate GTA engaged by them and they raise an invoice on the consignee, for recovery of transportation charges from them.

10. In this regard it is observed that the scope of work, which has been split into 6 contracts, basically cannot be considered as "individual", "separate", "independent" or "stand-alone" contracts. The activities of the applicant, under these six contracts are related to each other. If one contract is for supply of goods and other contract is for supply of services, the contract for supply of services is in relation to goods which are to be supplied under another contract. However, as the applicant has raised the question for advance ruling only for the facts and circumstances given the fifth contract, the issue is being examined with reference to the question raised by the applicant, i.e., with reference to the activities covered by the fifth contract/agreement.

11. As per the advance ruling application, the fifth contract covers in its ambit, activities such as port handling of plant and machinery, loading, inland transportation and insurance for delivery at site, insurance, unloading, storage and handling at site, installation including civil works, testing and commissioning in respect of all plant and equipment supplied under first and third contracts. Hence, it is not only transportation activities which are being provided under fifth contract, but other services also, such as port handling of plant and machinery, storage and handling at site, installation including civil works, testing and commissioning as well. All such activities are being carried out by the applicant, in connection with goods covered under first and third contract. Therefore, supply of these goods and services is required to be assessed as composite supply. Composite supply has been defined as under; vide Section 2(30) of the CGST/SGST Act, 2017.

(30) "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;

Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

In the light of above definition of "composite supply" and illustration given therein, activities being performed by the applicant under fifth contract also are naturally bundled and are being supplied in conjunction with each other, as all these set of activities, such as port handling of plant and machinery, loading, inland transportation and insurance for delivery at site, insurance, unloading, storage and handling at site, installation including civil works, testing and commissioning, are all to be performed in respect of in respect of all plant and equipmentsupplied under first and third contracts.

12. Now, as regards applicability of GST on composite supply, Section 8 of the CGST/SGST Act, 2017, provides that a composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as supply of such principal supply. Principal supply has been defined under section 2(90) of the CGST/SGST Act, 2017, as under:

(90) "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;

13. In view of the above, GST on the activities covered vide fifth contract is required to be levied by considering them as composite supply and is required to be charged at the GST rate which the principal supply, amongst such supplies, is chargeable and

exemption from GST, as being claimed by the applicant in respect of freight charges, as provided in Sr.No.18 of notification No. 12/2017 Central Tax Rates dated 28-06-2017 and the corresponding S. No. 18 of Notification No. 43/ST2 dated 30-06-2017 issued by Haryana Govt., is not applicable, because transportation is not a stand-alone activity under the said contract. Rather, even the fifth contract is also not a stand-alone contract from the other five contracts.

RULING:

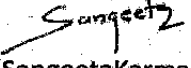
14. The Applicant is not eligible for exemption from CGST/SGST, as provided in S.No.18 of notification No. 12/2017 Central Tax Rates dated 28-06-2017 and the corresponding S. No. 18 of Notification No. 43/ST2 dated 30-06-2017 issued by Haryana Govt., as GST is applicable on the freight charges in terms of Section 8 of the CGST/SGST Act, 2017.

Ordered accordingly.

To be communicated.

Dated : 09.11.2018

Panchkula.


(Sangeeta Karmakar)
Member CGST


(Vijay Kumar Singh)
Member SGST

Regd. AD/Speed Post

M/s Siemens Ltd.

Plot No. 6A,

Sector-18 Maruti Industrial Area,

HUDA, Gurugram (North),

Haryana.

Certified true copy



Copy to:

- 1.) Commissioner, Central GST Commissionerate, Gurugram, Plot no. 36&37, Sec. 32, Gurugram.
- 2.) The Deputy Excise and Taxation Commissioner, Gurugram (North).
- 3.) Assistant/Deputy Commissioner, Central Tax Division Gurugram, Central GST Commissionerate, Gurugram, Plot no. 36&37, Sec. 32, Gurugram.