

**MAHARASHTRA AUTHORITY FOR ADVANCE RULING**

**GST Bhavan, 1st floor, B-Wing, Mazgaon, Mumbai – 400010.**

**(Constituted under Section 96 of the Maharashtra Goods and Services Tax Act, 2017)**

**BEFORE THE BENCH OF**

- (1) Smt. P. Vinitha Sekhar, Addl. Commissioner of Central Tax, (Member)  
(2) Shri. A. A. Chahure, Joint Commissioner of State Tax, (Member)

GSTIN Number, if any/ User-id		KZAHKPB6171CIZM
Legal Name of Applicant		RISHAB INDUSTRIES
Registered Address/Address provided while obtaining user id		Sector no 10, Plot no 57/7, PCNTDA. Bhosari, Pune, Maharashtra - 411026
Details of application		GST-ARA, Application No. 34 Dated 01.08.2019
Concerned officer		PUN-VAT-E-601, (L.T.U.)PUNE
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Factory / Manufacturing
B	Description (in brief)	Applicant are manufacturers of transformers, magnetic components and panels for various industries. Transformers are electro-mechanical devices which are fitted in stainless steel devices which are further fitted under the railway coaches.
Issue/s on which advance ruling required		(i) Classification of goods and/or services or both
Question(s) on which advance ruling is required		As reproduced in para 01 of the Proceedings below.

**PROCEEDINGS**

**(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)**

The present application has been filed under Section 97 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017 [hereinafter referred to as “the CGST Act and MGST Act”] by M/s. RISHAB INDUSTRIES, seeking an advance ruling in respect of the following question.

“Whether transformers supplied to Indian Railways can be classified as ‘Parts of railway or tramway locomotives or rolling stock’ under HSN ‘8607’ and thereby subjected to GST@ 5% or the transformers shall be categorized under HSN 8504 and subjected to GST@ 18%?”

At the outset, we would like to make it clear that the provisions of both the CGST Act and the MGST 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 MGST Act. Further to the earlier, henceforth for the purposes of this Advance Ruling, a reference to “GST Act” would mean CGST Act and MGST Act.

## 2. FACTS AND CONTENTION – AS PER THE APPLICANT

The submissions, made by the applicant is as under:-

- 2.1 Applicant is manufacturer of Transformers, Magnetic Components & Panels for various Industries. Applicant has developed Transformers, which have been approved by the Research Design and Standards Organisation (RDSO). These transformers are fitted underslung (suspended from an upper support) to the passenger coaches (commonly referred to as 'LHB' Coaches) that are manufactured by the various coach manufacturing factories in India. These Transformers are Electro-mechanical devices i.e. Transformer is fitted in a Stainless Steel Enclosure which is further fitted under the LHB Coaches/ Rolling Stock. These Transformers are the source of power to the Coach for Fans, AC, Lights and Charging Points within the coach. Inputs which are used to manufacture transformers are taxed @18%, namely, a) Super Enamelled Copper Strips and Wires, b) Electrical Steel Cold Rolled Grain Oriented Silicon Steel Lamination, c) Stainless Steel SS304 Fabricated Enclosure and d) Other Insulating Items.
- 2.2 According to applicant, Transformers fall under the HSN 8504 - 'Electrical **Transformers, Static Convertors (E.g.: Rectifiers) and Inductors**' which is taxed @ 18%. There is another HSN 8607 - **Parts of railway or tramway locomotives or rolling-stock; such as Bogies, bissel-bogies, axles and wheels, and parts thereof** which is taxed @ 5%.
- 2.3 Applicant has submitted that Maintenance Manual for LHB Coaches was issued by the Indian Railways Centre for Advanced Maintenance Technology (CAMTECH), Gwalior in April 2013. As per **Chapter 6 – Air Conditioning and Train Lighting** in the manual there is a mention of the End on Generation (EOG) system which states that '*EOG system envisages providing power car in front and rear end of a rake of coaches for power requirement between them. These coaches are equipped with 60kVA step down transformers for stepping down 750 V to lower power supply as per the requirements of power supply. The Power Cars at both ends take care of the entire load of the whole rake, which includes air conditioning, light and fan circuit, emergency battery charger circuit and pantry equipment.* A transformer is also equally important in the functioning of the **MONO-BLOCK PUMP** for ensuring water supply in the coach and typically, a 60 kVA transformer is required for the functioning of the water pump. Almost every power circuit diagram in the manual has a mention of the Transformer as an important link between





receiving power from the feeder/ primary source and then moving the power to the desired location within the coach for the critical electrical functions to be operated.

- 2.4 Applicant has also cited The Vocational Training report on the Rajdhani Express issued by the Eastern Railways in 2015 which states that: *The entire power required for AC. system, lighting system, Pantry Car power is delivered by the DG sets established in the Power Car. The DG. sets produce 750 V. 3 phase AC. power for low transmission loss. The 750 V. AC. power then dropped down to 415 V. 3 phase AC. power by two 60 kVA transformers for two DG sets. This 415 V. AC. power is moved to the metering and control section. According to original German designing the generated 750 V. AC. power goes to two 60 KVA. transformers by two feeders from two DG sets. The transformed power is supplied for various functions some as critical as the operation of the 'Anti-Skid Device'. Typically, the axles/ wheels of the coaches are moved forward by the pull of the locomotive (engine). However, when the same need to be brought to an urgent halting position, brakes need to applied to all the wheels in an emergency situation. Anti-Skid Devices act as a pulling device to avoid the wheels of the coach to skid away/ de-rail in the event of an urgent braking situation making it one of the most important protection devices/ systems of the railways.*

- 2.5 **Further, applicant has cited the Introductory Handbook on Train -18** issued by the Indian Railways Centre for Advanced Maintenance Technology, Gwalior issued in November 2018 which quotes that *Trailing coach has the pantograph for current collection, vacuum circuit breaker and HV isolator mounted on the roof. For operation of the 16 car, two pantographs will be used. It also consists of auxiliary converter unit and power transformer mounted under-slung. Power to Line and Traction Converter units (LTC) of both motor coaches is distributed from the same power transformer. Auxiliary converter feeds the total load of four coaches. It also consists of passenger saloon area, pantry, RMPU, mono block pump controller, electrical cabinet and various end wall panels. It is an air-conditioned coach.*

- 2.6 The primary function of a transformer is to transform the electric current in a form to make it fit the requirements of a circuit and/ or its end use of power. The primary objective of a transformer in relation to railways is to transform the high voltage power pulled by the Pantograph (*overhead units that connect to the power lines*) to the low voltage as required by the coaches either to move the wheels or for other purposes like running the air conditioner units etc. Without a transformer, electricity supply cannot be controlled thereby making it a very critical 'Part' in the Electrical Circuit of a coach/ bogie. Applicant

also refers to the Specifications that are shared by the Research Designs and Standards Organisation (RDSO) in so far as the requirements for a Transformer are concerned, wherein the **Scope** covers the design, manufacturing, test, supply requirements of the Transformers. The transformers also need to meet the Service Conditions that are very typical to railways like ; Temperatures ranging from -5° to 55° C; Train Speed upto 200 km/h ; Rainfall from 1750 mm to 6250 mm ;Relative Humidity upto 95%

2.7 Applicant has also submitted that transformers that are manufactured for railways have a very specific use and are also very integral to the electrical system of the coach/ bogies. Thus Transformers merits its classification under the Heading (HSN) – 8607 – as '**Parts of railway or tramway locomotives or rolling-stock**' despite a separate classification heading available for Transformers.

2.8 They have referred to Circular No 30/4/2018-GST dated 25 January 2018 issued by the Department of Research (Tax Research Unit) wherein it was categorically clarified as under:

- Only the goods classified under Chapter 86, supplied to the railways attract 5% GST rate with no refund of unutilized input 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.



### **03. CONTENTION – AS PER THE JURISDICTIONAL OFFICER:-**

The submission, of the jurisdictional officer is as under:-

3.1 Sr.No. 375 of Notification No. 1/2017-C.T.(Rate) dt. 28.06.2017 is as under:

Sr. No	Chap/Hdg /Sub Hdg/ Tariff item	Description of Goods	SCHE DULE	Rate of Tax under CGST	Rate of Tax under SGST
375	8504	Electrical transformers; static converters (for example, rectifiers) and inductors [other than charger or charging station for Electrically operated vehicles]	III	9%	9%

3.2 Electrical transformers, which are manufactured by the dealer are covered under the aforesaid schedule entry No. 375 under Schedule III and taxable under CGST @ 9% and SGST @.9%, or IGST @ 18%. HSN of the product is 8504- Electrical Transformers, static Convertors (e.g.: Rectifiers) and Inductors.



- 3.3 Schedule entry No. 205 G has been provided under Schedule II in the aforesaid Notification no. 1/2017-Central Tax (Rate) dt. 28th June 2017 under taxable under CGST @ 6% and SGST @ 6%, or IGST @ 12%. The said entry has been reproduced here for ready reference:

Sr. No	Chapter/Heading /Sub heading/ Tariff item	Description of Goods	SCHE DULE	Rate of Tax under CGST	Rate of Tax under SGST
205G	8607	<i>Parts of railway or tramway locomotives. or rolling-stock, such as Bogies, bissel-bogies, axles and wheels, and parts thereof</i>	II	6%	6%

- 3.4 The impugned product, is covered under both entries i.e Under Entry No 375 of Schedule III of the Notification no. 1/2017-Central Tax (Rate) dt. 28th June 2017 under HSN-8504, and secondly, due to supply to railways, it covered another Entry no 205 G of Schedule II of Notification no. 1/2017-Central Tax (Rate) dt. 28th June 2017, HSN 8607.

- 3.5 As per the provisions of Notification No 1/2017-Central Tax (Rate) dt. 28th June 2017 and Customs Tariff Act, 1975 51 of 1975), the heading which provides the most specific description shall be preferred to a heading providing a general description as per Rule 3 (a) of the Rule of Interpretation, of Schedule 1.

- 3.6 In the instant case, there is a specific HSN i.e. 8504 for transformers in the said Customs Tariff and under the HSN 8607 (parts of railway or tramway locomotive or rolling stock), the impugned product is not covered. Reliance placed on the advance ruling as follows:

1. Satlaj coach products Pvt. Ltd. AAR/GST/PB/09 dt. 29-08-2019.

- 3.7 Therefore the impugned goods, are covered under the HSN-code 8504 as an Electrical Transformer and liable to tax @ 9% under CSGT and 9% under SGST or 18% under IGST.

#### 04. HEARING

Preliminary hearing in the matter was held on 20.11.2019. Sh. Nikhil Inani, C.A. and Sh. Jagmohan Singh, proprietor appeared and requested for admission of application as per details in their application. Jurisdictional Officer Sh. P.V. Ranpise, Dy. Commissioner of State Tax (E-607), L T U -1 Pune also appeared and made written submissions.

The application was admitted as per the provisions of law and applicant was called for final hearing on 10.12.2019. Sh. Nikhil Inani, C.A. and Sh. Jagmohan Singh, appeared and made their submissions. Jurisdictional Officer Sh. P.V. Ranpise, Dy. Commissioner

of State Tax (E-607), L T U -I Pune appeared and made written submissions in this matter. We have heard both the sides.

**05. OBSERVATIONS AND FINDINGS:**

We have gone through the facts of the case, written contention made by applicant and jurisdictional officer. The issue raised before us is in respect of classification of manufactured product i.e. Transformer, supplied to railways and rate of tax thereon, which would be on the lines thus –

- 5.1 Applicant, registered under the GST Act and engaged in manufacture of Transformers, Magnetic Components & Panels for various Industries has developed Transformers for railways as per the design specifications provided by them and approved by the Research Design and Standards Organisation (RDSO). These Transformers are Electro-mechanical devices i.e. Transformer is fitted in a Stainless Steel Enclosure which is further fitted under the LHB Coaches/ Rolling Stock, and are solely and principally fitted underslung (suspended from an upper support) to the passenger coaches (commonly referred to as 'LHB' Coaches) and are the source of power to the Coach for Fans, AC, Lights and Charging Points within the coach.

5.2 Applicant has received the purchase order from Controller of Stores, Rail factory, Tilak Bridge, New Delhi 110002, on 22.8.2019 for the supply of “9 KV 750V/415V/190V AC, 3 Phase, Star-Star, Dry Type, Air Cooled Power Distribution Transformer for LHB type Coaches”.

5.3 According to the Customs Tariff Act, 1975 (51 of 1975), we find that Transformers are classified under **HSN 8504**, within the description of goods - 'Electrical Transformers, Static Convertors (e.g.: Rectifiers) and Inductors' and it is covered under entry Sr.no. 375 of Schedule III of the Notification 1/2017 C.T. (Rate) dt. 28.06.2017 and taxable under GST Act @ 18% w.e.f. 1.7.2017.

- 5.4 There is another entry heading **HSN 8607**, with the description – “Parts of railway or tramway locomotives or rolling-stock; such as Bogies, bissel-bogies, axles and wheels, and parts thereof” and it is covered under Sr. no. 241 of Schedule I of Notification 1/2017 C.T. (Rate) dt. 28.06.2017, taxable @ 5% w.e.f 1.07.2017. This schedule entry was amended vide Sr. No. 205 G of Notification 14/2019 dt. 30.09.2019 and now the tax is leviable @ 12% under GST ACT. Applicant has submitted that the impugned product is covered under both the above said entries.

- 5.5 Under the GST Law, classification of goods is done in accordance with the Harmonized System of Nomenclature (HSN). Hence it is of utmost importance to analyze various provisions regarding classification of goods under GST Laws. The two HSNs, under



which classification of 'Electrical Transformer' for supply to Railways are being considered by the applicant, falls under two different Sections of the GST Tariff Act. Section XVI (Chapter 84 and 85), which covers "*Machinery and mechanical appliances; electrical equipments; Parts thereof; Sound Recorders and Reproducers, television Image and Sound Recorders and Reproducers; And Parts and accessories of such articles*", is relevant to items classified under Chapters 84 and 85, whereas Section XVII of the GST Tariff, 2017 (Chapter 86 to 89), which covers "*Vehicles, Aircraft, Vessels and Associated Transport Equipment*", is relevant to items classified under Chapters 86. For the purpose of details contained in these Chapters, we have further gone through the description of goods under sub-heading of 8504 and 8607. We find that, 'electrical transformers' are covered under chapter Heading 8504. For the sake of information, the chapter heading '8504' is reproduced below:

**85.04 - Electrical transformers, static converters (for example, rectifiers) and inductors.**

8504.10 - Ballasts for discharge lamps or tubes

- Liquid dielectric transformers:

8504.21 - - Having a power handling capacity not exceeding 650 kVA

8504.22 - - Having a power handling capacity exceeding 650 kVA but not exceeding 10,000 kVA

8504.23 - - Having a power handling capacity exceeding 10,000 kVA

- Other transformers:

8504.31 - - Having a power handling capacity not exceeding 1 kVA

8504.32 - - Having a power handling capacity exceeding 1 kVA but not exceeding 16 kVA

8504.33 - - Having a power handling capacity exceeding 16 kVA but not exceeding 500 kVA

8504.34 - - Having a power handling capacity exceeding 500 kVA

8504.40 - Static converters

8504.50 - Other inductors

8504.90 - Parts.

Chapter Heading 8607 covers the "parts of railways or tramway locomotives or rolling-stock". For the sake of information, the chapter heading '8607' is reproduced below:

**86.07 - Parts of railway or tramway locomotives or rolling-stock.**

- Bogies, bissel-bogies, axles and wheels, and parts thereof:

8607.11 - - Driving bogies and bissel-bogies

8607.12 - - Other bogies and bissel-bogies

8607.19 - - Other, including parts

- Brakes and parts thereof:

8607.21 - - Air brakes and parts thereof

8607.29 - - Other

8607.30 - Hooks and other coupling devices, buffers, and parts thereof

- Other:

8607.91 - - Of locomotives

8607.99 - - Other.

5.6 We find from the above that, the classification of goods under Chapter Heading 8607 does not include 'Electrical transformer'. It only refers to parts of railway such as bogies, bissel-bogies, axels, wheels, brakes, hooks and parts thereof, in a general way; whereas, Chapter Heading 8504 clearly includes '**Electrical transformers, static converters (for example, rectifiers) and inductors**'. Note 2 (f) to Section XVII mentions that the expressions "parts" and "parts and accessories" do not apply to electrical machinery or equipment (Chapter 85), whether or not they are identifiable as goods of this Section. Further, Note 2 to Chapter 86 mentions that "Heading 8607 applies, inter alia, to : (a) axles, wheels (running gear), metal tyres, hoops, and hubs and other parts of wheels; (b) frames, under frames, bogies and bissel-bogies; (c) axle boxes, brake gear; (d) buffers for rolling stock; hooks and other coupling gear and corridor connections; and (e) coachwork. Thus from a reading of Note 2 (f) to Section XVII of the GST Tariff and Note 2 to Chapter 86 of the GST Tariff, the applicant's product, 'transformers' are classifiable under HSN 8504.

5.7 Further, we find that Circular No. 30/4/2018-GST on January 25, 2018 by the Government of India, Ministry of Finance, Department of Revenue (Tax and Research Unit), New Delhi has issued clarification on classification of supplies made to the Indian Railways classifiable under any chapter, other than Chapter 86. As per the said Circular, only 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**. Therefore, it is very clear that, any product other than those covered under Chapter 86, supplied to the railways would not qualify for the HSN 8607 and are not to be considered as a parts of railway coaches, even if supplied to the railways. Entry 8607 is very restrictive entry for the purposes of consideration of goods to be classifiable as parts of railway bogies to avail the benefit of reduced rate of taxes.

5.8 In view of the discussions made above, subject Transformers, though used in Railway coaches, cannot be called as parts of railway bogies under Chapter Headings 8607 of the Tariff, due to the specific HSN available for transformer and therefore, the Entry no.241 of Schedule I of Notification No. 1/2017 C.T. (Rate) dt. 28.06.2017 does not applies to subject Transformers.

5.9 We agree with the submissions made by the jurisdictional officer that applicant's goods are to be classifiable under Heading 8504.

5.10 Hence in view of the above discussions, we find that the subject Transformers, manufactured and supplied for use in railway, locomotives are classifiable under HSN



8504 and not under HSN 8607. Hence, rate of tax thereon is applicable as per the Sr. no. 375 of Schedule III of the Notification 1/2017 C.T. (Rate) dt. 28.06.2017 @ 18% under GST ACT w.e.f 01.7.2017.

06. In view of the extensive deliberations as held hereinabove, we pass an order as follows:

**ORDER**

**(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)**

NO.GST-ARA- 34/2019-20/B-

04

Mumbai, dt. 15/01/2020

For reasons as discussed in the body of the order, the questions are answered thus –

Question: - Whether transformers that are supplied to Indian Railways are classified as 'Parts of railway or tramway locomotives or rolling stock - HSN 8607' and therefore subjected to GST@5% or Transformers shall be categorized under HSN 8504 and therefore subjected to GST@18%?

Answer: - "Transformers' supplied to Indian Railways, by the applicant, are covered under HSN '8504' and Sr. No. 375 of Schedule III of the Notification 1/2017 Central Tax (Rate) dated 28.06.2017 and therefore subjected to GST@ 18%.



—sd—  
P VINITHA SEKHAR  
(MEMBER)

—sd—  
A. A. CHAHURE  
(MEMBER)

**CERTIFIED TRUE COPY**

**Copy to:-**

1. The applicant
2. The concerned Central / State officer
3. The Commissioner of State Tax, Maharashtra State, Mumbai
4. The Chief Commissioner of Central Tax, Churchgate, Mumbai
5. Joint Commissioner of State Tax, Mahavikas for Website.

  
**MEMBER**  
**ADVANCE RULING AUTHORITY**  
**MAHARASHTRA STATE, MUMBAI**

**Note :-** An Appeal against this advance ruling order shall be made before The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15<sup>th</sup> floor, Air India building, Nariman Point, Mumbai – 400021.