

MAHARASHTRA AUTHORITY FOR ADVANCE RULING

GST Bhavan, Room No.107, 1st floor, B-Wing, Old Building, Mazgaon, Mumbai – 400010.
(Constituted under Section 96 of the Maharashtra Goods and Services Tax Act, 2017)

BEFORE THE BENCH OF

(1) Shri. Rajiv Magoo, Additional Commissioner of Central Tax, (Member)

(2) Shri. T. R. Ramnani, Joint Commissioner of State Tax, (Member)

GSTIN Number, if any/ User-id	27AABCI3600A1ZD
Legal Name of Applicant	M/s. Ionbond Coatings Pvt. Ltd.
Registered Address/Address provided while obtaining user id	F-II Block, Plot No. 48, MIDC, Pimpri, Maharashtra, Pune 411018
Details of application	GST-ARA, Application No. 41 Dated 13.10.2020
Concerned officer	Division-II Pimpri, Commissionerate-Pune-I
Nature of activity(s) (proposed/present) in respect of which advance ruling sought	
A	Category
B	Description (in brief)
Service Provision	
Whether 12% of 18% GST is applicable on the activities carried out in view of the Sr. No. 26 (id) and (iv) of the Notification No. 11/2017, as amended.	
Issue/s on which advance ruling required	
<ul style="list-style-type: none">• Classification of any goods or services or both• Applicability of a notification issued under the provisions of the Act• Determination of the liability to pay tax on any goods or services or both	
Question(s) on which advance ruling is required	
As reproduced in para 01 of the Proceedings below	

NO.GST-ARA- 41/2020-21/B- 28

Mumbai, dt. 08.03.2022

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" respectively] by M/s. Ionbond Coatings Pvt. Ltd. the applicant, seeking an advance ruling in respect of the following questions.

1. Whether the activities carried out by the applicant qualifies for job work in view of the section 2(68) of the CGST Act, 2017?
2. If yes whether GST rate of 12% or 18% would be applicable in view of Sr. No. 26 (id) and (iv) of the Notification No. 11/2017 CT-Rate dated 28 June 2017 as amended vide Notification No. 20/2019 CT- Rate dated 30 Sep 2019?
3. If No, what would be classification of services and rate of tax thereof?

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, the expression 'GST Act' would mean CGST Act and MGST Act.

2. FACTS AND CONTENTION – AS PER THE APPLICANT

- 2.1 The present application has been filed under Section 97 of the CGST Act, 2017 and the MGST Act, 2017 by Ionbond Coatings Pvt. Ltd., the applicant situated in Pune & Chennai.
- 2.2 The applicant is mainly engaged in to coating activities, which is mainly applied on goods belonged to customer and provides high performance Physical Vapor Deposition (PVD) and Plasma Assisted Chemical Vapor Deposition (PACVD) wear corrosion protection and decorative coatings. The applicant company provides high quality standard coating portfolios for the cutting, moulding and forming tool market and precision engineering & decorative components and to offer customized solutions for original equipment manufacturer (OEM) and end user customers.
- 2.3 PVD coatings such as TiN, TiCN, AlTiCrN (Ultra), CrN, Maximizer, Crosscut, Hardcut, HLC, Concept, Ultra-Cast, and most advanced "Plus" Coatings, enhance performance of Cutting Tools, Stamping Tools, PDC Molds, Automobile Components and Industrial Products by increasing Oxidation Resistance, Wear Resistance, Improved Surface Roughness and much more.
- 2.4 These coatings are applied on Gear Cutting Tools, HSS Tools, SC Tools, Piercing Punches, Press Tools, Cold Rolls, Dies & Molds, PDC Dies, Hot Forging Tools, Cold Forging Tools, Extrusion Tools, Plastic Injection Molding Tools, Valves, Tappets, Piston Rings, Tableting Punches, Gears and All wear & tear parts, so and so forth.
- 2.5 Typically, such coatings are applied on new as well used tools, dies, moulds, components etc which are received by applicant on delivery challans. Applicant processes these tooling by applying high performance coatings and sends those back to customer with invoice for job work charges.

B. STATEMENT CONTAINING APPLICANT'S INTERPRETATION OF LAW AND/OR FACTS

- 2.6 The applicant refers to clause (68) of the Section (2) of the CGST Tax, 2017, wherein the term "job work" has been defined as, any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly.
- 2.7 Since the applicant is providing coating on goods belonging to customers, the process would come within ambit of job work.
- 2.8 Sr. No. 26 of Notification No. 11/2017 CT-Rate dated 28 June 2017, Notification No. 20/2019-Central Tax (Rate) dated 30 September 2019, tries to bifurcate the activities in two parts, namely services in relation to manufacture and services in relation to job work and this fact is evident from the below entries:

Item No.	Description of Service	GST Rate (IGST) %
(i)	Services by way of job work in relation to - Printing of newspapers, Textile yarns, printing of books, manufacture of leather goods, all food and food products, manufacture of handicraft goods etc.	5
(ia)	Services by way of job work in relation to- (a) manufacture of umbrella; (b) printing of all goods falling under specified chapters	12
(ib)	Services by way of job work in relation to diamonds	1.5
(ic)	Services by way of job work in relation to bus body building	18
(id)	Services by way of job work other than (i), (ia), (ib) and (ic) above	12
(ii)	Services by way of any treatment or process on goods belonging to another person, in relation to - printing of specified books which attracts CGST @ 2.5%	5
(iia)	Services by way of any treatment or process on goods belonging to another person, in relation to - printing of specified books which attracts CGST @ 6%	12
(iii)	Tailoring services	5
(iv)	Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above	18

2.9 Section note to SAC 9988 Manufacturing services on physical inputs owned by others: The services included under Heading 9988 are performed on physical inputs owned by units other than the units providing the service. As such, they are characterized as outsourced portions of a manufacturing process or a complete outsourced manufacturing process. Since this Heading covers manufacturing services, the output is not owned by the unit providing this service. Therefore, the value of the services in this Heading is based on the service fee paid, not the value of the goods manufactured.

2.10 Hence, SAC Code 9988 also includes part of the process from entire manufacturing process. It is not relevant whether the job worker process amounts to manufacturer or not.

2.11 GST Council in the 37th meeting held on 20th September, 2019 at Goa has considered to reduce tax rate on Job work services. Further, the Government has issued Notification No. 20/2019-Central Tax (Rate) dated 30 September 2019 wherein the following entry has been added:

(id) : Services by way of job work other than (i), (ia), (ib) and (ic) above

2.12 Pursuant to the same clarification on scope of the notification entry at item (id), related to job work, under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017- Circular No. 126/45/2019-GST dated 22nd November 2019 has been issued which states that, the entry at item (id) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06- 2017 inserted with effect from 01-10-2019, prescribes 12% GST rate for all services by way of job work. This makes the entry at item (iv) which covers "manufacturing services on physical inputs owned by others" with GST rate of 18%, redundant. The entries at items (id) and (iv) under heading 9988 read as under:

(3)	(4)	(5)
(id) Services by way of job work other than (i), (ia), (ib) and (ic) above;	6	-
(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above.	9	

2.13 In view of the above, it may be seen that there is a clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No. 11/2017- Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in section 2 (68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another registered person. On the other hand, the entry at item (iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act

2.14 Based on the above circular, in case of processing/ treatment on goods belong to other (principal) following position emerges

Principal Manufacturer/person sending goods for process	Rate
Registered person	12%
Unregistered person	18%

2.15 In view of the above, services provided by the applicant would qualify as job work services under Section 2(68) of the CGST Act. Further, the subsequent amendment to the Notification No. 11/2017 and circular issued to that effect makes it clear that the services rendered to registered person would attract 12% GST and 18 % in case of services rendered to unregistered person.

03. CONTENTION – AS PER THE CONCERNED OFFICER:

Officer Submission dated 11.02.2022:

3.1 M/s. Ionbond Coatings Pvt. Ltd., Pimpri, Pune – 411018, the applicant are engaged in the business of coating activities, which is mainly applied on goods belonging to customer. They provide high performance Physical Vapor Deposition and Plasma assisted chemical vapor deposition wear corrosion protection and decorative coatings, the components/ raw material/ goods are supplied by their customer to them for specific coating on the product. Most of their customers are OE Customers. Thus their main activity is coating on the goods supplied by the customers. After processing/ coatings the material received from their customers are returned. Since the goods are supplied by their customers, they charge servicing charges/ coating charges to their customers. The purchase orders, invoices raised indicate that they receive goods for coating.

3.2 Since the goods are received from the customers for coating processing, prima facie it can be said that the applicant did job work on the goods supplied. The definition of job work as per Section 2(68) of CGST Act, 2017 is as under:

"Job work" means any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly.

3.3 The definition of "manufacture" as per Section 2(72) of CGST Act, 2017 is as under:

"Manufacture" means processing of raw material or inputs in any manner that results in emergence of new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly.

The applicant does only coatings on the product supplied, after coating no new product having a distinct name, character emerges, therefore the activity carried out by the applicant does not appear to fall under the definition of Section 2(72) of CGST Act, 2017.

3.4 Notification No. 11/2017 CT-Rate dtd. 28.6.2017 as amended prescribes rate of GST and as per Sr.No. 26 of the said notification different rate of GST was fixed for different services and GST rate was fixed for four categories of services. These four categories are (i) job work (ii) Services of printing of books (iii) Tailoring Services and (iv) Manufacturing services on goods owned by other.

3.5 It is seen from the above that the word 'job work' mentioned in at Sr.No.26 (ia) to (id) and the word "manufacturing services on goods owned by others" mentioned for Sr.No. 26 (iv) of the Notification 11/2017 have same meaning and therefore the applicant asked question whether their activity qualifies for "job work" or otherwise. It is a fact on record that the applicant is processing the goods received from their customer, after processing/coating the goods are returned to the customer by charging coating charges fixed. Generally, in job work activity, all the materials are supplied by the customers and the job worker will charge labour charges only. In applicant's case, the customers are sending their material on which coating is required to be done. It appears that for doing coating, the applicant uses some raw material/ chemicals etc which are not supplied by their customers and the same are under their scope. Coating on the job as mentioned by the applicant in their application appears to be a type of manufacturing service and the coating activity is one type of manufacturing service and therefore it appears that their activity can be held as "manufacturing services on the goods owned by others, therefore it appears to fall under Sr. No.26 (iv) of the Notification No. 11/2017 CT-Rate dated 28.6.2017 as amended.

3.6 Further Section note to SAC 9988 defines "The services included under heading 9988 are performed on physical inputs owned by units other than the units providing the service. As such, they are characterized as outsourced portions of a manufacturing process or a complete outsourced manufacturing process. Since this heading covers manufacturing service, the output is not owned by the unit providing this service. Therefore, the value of the services in this heading is based on the service fee paid, not the value of the goods manufactured. In their case, the applicant charges coating charges to their customers and not the cost of entire product. This section note was referred by the applicant in the application. It appears from this Section note that the same was issued for charging value of the service.

3.7 In view of the above legal position it appears that the activity carried out by the applicant falls under Sr.No.26 (iv) of Notification No. 11/2017 CT-Rate dated 28.6.2017 as amended as "Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) attract GST @ 18%.

04. HEARING

4.1 Preliminary hearing in the matter was held on 20.08.2021. Authorized representatives of the Applicant, Shri. Amar Pawar, AGM, Finance & Accounts and Shri. Mahesh Bandre, CA were present. The Concerned Jurisdictional officer was absent. The Authorized representatives made oral submission with respect to admission of their application.

- 4.2 The application was admitted and called for final hearing on 18.01.2022. The Authorized representatives of the applicant, Shri. Mahesh Bandre & Shri Nilesh Saboo CA were present. The Jurisdictional officer was absent. The authorized representatives stated that applicant wants ruling only about job work carried out on goods received from registered tax payers/OEMs and do not want ruling for job work relied to other unregistered tax payers.

05. OBSERVATIONS AND FINDINGS:

- 5.1 We have gone through the facts of the case, written and oral contentions made by both, the applicant and jurisdictional officer at the time of preliminary as well as the final hearings.
- 5.2 The basic issue before this authority is whether the activity/process carried out by the applicant on goods received from its clients amounts to jobwork and if yes, whether GST rate of 12% or 18% would be applicable in view of Sr. No. 26 (id) and (iv) of the Notification No. 11/2017 CT- Rate dated 28 June 2017 as amended vide Notification NO. 20/2019 CT- Rate dated 30 Sep 2019 and if no, what would be classification of services and rate of tax thereof.
- 5.3 The applicant is mainly engaged in to coating activities, which is mainly applied on goods belonging to customer and provides high performance Physical Vapor Deposition (PVD) and Plasma Assisted Chemical Vapor Deposition (PACVD) wear corrosion protection and decorative coatings. The applicant provides standard coating portfolios for the cutting, moulding and forming tool market and precision engineering & decorative components and to offer customized solutions for original equipment manufacturer (OEM) and end user customers. However in the subject case, the applicant, during the course of the final hearing has submitted that the questions raised in this application pertains only to new tooling received from original equipment manufacturer (OEM).
- 5.4 According to the applicant, these coatings are applied on products like Gear Cutting Tools, HSS Tools, SC Tools, Piercing Punches, Press Tools, Cold Rolls, Dies & Molds, PDC Dies, Hot Forging Tools, Cold Forging Tools, Extrusion Tools, Plastic Injection Molding Tools, Valves, Tappets, Piston Rings, Tableting Punches, Gears and All wear & tear parts, etc (hereinafter referred to as tooling) and these coatings enhances performance of the said mentioned tooling by increasing Oxidation Resistance, Wear Resistance, Improved Surface Roughness, etc.
- 5.5 The applicant has submitted that the tooling are received by it through Delivery challan only and the applicant, after carrying out the impugned processes sends the said tooling back to customers with invoices for job work charges.
- 5.6 According to the applicant's submissions no new products emerge after the subject process been carried out by the applicant. The basic characteristics of the product have not been lost. Thus, in view of the contention of the applicant that they are a jobworker, we now discuss the specific issue hereon.
- 5.7 Job work is just a process undertaken by a job worker on goods belonging to a principal. Job work may or may not amount to manufacture. Further, a job worker may or may not use some portion of his material. Job work has been defined under section 2(68) of the **CGST Act, 2017** to mean '*any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly*'.

5.8 Whereas the term 'manufacture' has been defined under section 2(72) of the GST Act, 2017 to mean "processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly"

5.9 The product that comes into emergence after the coating process is not the different product but the process undertaken by them only enhances the performance of the said products. No new products emerge after the subject coating process has been carried out.

5.10 From the submissions made by the applicant we find that, after they have undertaken process on the goods supplied by their GST registered principal, the new product that emerges does not have a distinct name, character and use and therefore the applicant cannot be considered as a manufacturer of the impugned products. Further, the title to the goods on which the impugned coating treatments are effected, are with the principals and received by the applicant under the cover of a challan issued by the principal and the goods after process are sent back to the principal, as stated by the applicant during the course of the online hearing.

5.11 From the submissions made by the applicant we find that :-

- I. The process is undertaken by a person i.e., the applicant;
- II. The process is undertaken on goods belonging to another person who is registered under the GST Act;
- III. Only job charges in the form of processing charges, are received by the applicant.
- IV. No new product emerges after the process is carried out by the applicant on the goods which belong to the customers (OEMs).

5.12 Since no new product comes into existence after the process conducted by the applicant on the goods supplied by its principals, therefore the process undertaken will come under the purview of jobwork as defined under Section 2 (68) of the GST Act, 2017. Thus, in view of the above we find that, the applicant is only a job worker and as a job worker, carries out processes on goods supplied by its principals.

5.13 The relevant provisions of Notification No.11/2017-Central Tax Rate dated 28.06.2017, as amended, by Notification No. 20/2019- Central Tax (Rate) dt. 30.09.2019 , is as under :-

Sr. No.	Chapter, Section or Heading	Description of Service	Rate (per cent.)	Condition
26	Heading 9988 (Manufacturing services on physical inputs (goods) owned by others)	(i) Services by way of job work in relation to- (a) Printing of newspapers; (b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975);"; (c) all products other than diamonds, falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51of 1975);"; (d) Printing of books (including Braille books), journals and periodicals; "(da) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5per cent. or Nil;" (e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the	2.5	

	<p>Customs Tariff Act, 1975 (51 of 1975).</p> <p>“(ea) manufacture of leather goods or foot wear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) respectively;”;</p> <p>“(f) all food and food products falling under Chapters 1 to 22 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);</p> <p>(g) all products falling under Chapter 23 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), except dog and cat food put up for retail sale falling under tariff item 23091000 of the said Chapter;</p> <p>(h) manufacture of clay bricks falling under tariff item 69010010 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);”;</p> <p>“(i) manufacture of handicraft goods.</p>		
	“(ia) Services by way of job work in relation to- (a) manufacture of umbrella; (b) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent	6	
	“(ib) Services by way of job work in relation to diamonds falling under chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);	0.75	
	(ic) Services by way of job work in relation to bus body building;	9	
	(id) Services by way of job work other than (i), (ia), (ib) and (ic) above	6	
	“(ii) Services by way of any treatment or process on goods belonging to another person, in relation to- (a) printing of newspapers; (b) printing of books (including Braille books), journals and periodicals. “(c) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. or Nil.”;	2.5	
	“(iia) Services by way of any treatment or process on goods belonging to another person, in relation to printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent.	6	
	“(iii) Tailoring services	2.5	
	(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id), (ii), (iia) and (iii) above.	9	

5.15 From the discussions made above, we find that, the services provided by the applicant does not fall under (i), (ia), (ib), (ic) of the above mentioned notification. We have already found that the impugned services supplied by the applicant are in the nature of jobwork. We further find that the said services do not fall under entries at items (i), (ia), (ib) and (ic) above. Therefore we find

that the subject supply of services will be covered by the residuary entry at item (id) of the said notification, namely, *Services by way of job work other than (i), (ia), (ib) and (ic) above.*

- 5.16 Further, Hon'ble Supreme court in the case of Maruti Suzuki Limited Vs. CCE, New Delhi, 2015 (318) E.L.T 353 (S.C) has also held that there is a distinction between processing and manufacture and that Electro Deposition (ED) Coating of anti-rust treatment to increase shell life of various component is merely a processing activity and not a complete manufacturing activity.
- 5.17 The activity of the Applicant fits the definition of Job work under the present law. Further, in terms of the Apex court's ruling also, activity of coating is only a process undertaken on goods. Therefore, the activity undertaken by the applicant is covered under the definition of Job work'
- 5.18 In view of the above, we hold that the impugned services supplied by the applicant are in the nature of job work services, covered under Entry at item (id) under heading 9988 of Notification No.11/2017-Central Tax Rate dated 28.06.2017 as amended by Notification No. 20/2019- Central Tax (Rate) dt. 30.09.2019 attracting 12% GST. This would answer the applicant's second question.
- 5.20 In view of the answer to the second question, the third question is not answered.
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- 41/2020-21/B-

Mumbai, dt.

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

Question 1: - Whether the activities carried out by the applicant qualifies for job work in view of the section 2(68) of the CGST Act, 2017.

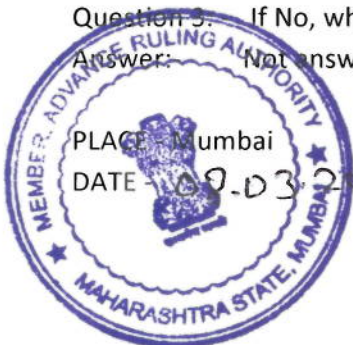
Answer:- Answered in the affirmative.

Question 2: - If yes, whether GST rate of 12% or 18% would be applicable in view of Sr. NO. 26 (id) and (iv) of the Notification No. 11/2017 CT-Rate dated 28 June 2017 as amended vide Notification No. 20/2019 CT- Rate dated 30 Sep 2019?

Answer:- In view of the above discussions, GST rate of 12% would be applicable under Sr. No. 26 (id) of Notification No. 11/2017 CT-Rate dated 28 June 2017 as amended vide Notification No. 20/2019 CT- Rate dated 30 Sep 2019.

Question 3: - If No, what would be classification of services and rate of tax thereof?

Answer:- Not answered in view of answer to question no. 2 above.




RAJIV MAGOO
(MEMBER)


T. R. RAMNANI
(MEMBER)

Copy to:-

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

Note:-An Appeal against this advance ruling order shall be made before, The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15th floor, Air India Building, Nariman Point, Mumbai – 400021. Online facility is available on **gst.gov.in** for online appeal application against order passed by Advance Ruling Authority.

