

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

GSTIN Number, if any/ User-id		27AAACM0320LIZS
Legal Name of Applicant		M/s. MAN Energy Solutions India Private Limited (Formerly known as MAN Diesel & Turbo India Private Limited)
Registered Address/Address provided while obtaining user id		E-73, MIDC, Waluj, Aurangabad -431 136
Details of application		GST-ARA, Application No. 56 Dated 17.10.2019
Concerned officer		Aurangabad Division City-I, Commissionerate, Aurangabad.
Nature of activity(s) (proposed/present) in respect of which advance ruling sought		
A	Category	Factory / Manufacturing
B	Description (in brief)	MAN Energy Solutions India Private Limited (MAN ES or the Applicant") is a manufacturer of two-stroke and four-stroke engines and parts thereof. The Applicant <i>inter alia</i> manufactures/ supplies marine diesel engines and parts to customers of the shipping industry.
Issue/s on which advance ruling required		(ii) Applicability of a notification issued under the provisions of this Act
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" respectively] by MAN Energy Solutions India Private Limited (Formerly known as MAN Diesel & Turbo India Private Limited), the applicant, seeking an advance ruling in respect of the following question.

*"Whether the marine diesel engine, and parts thereof illustrated in Exhibit D, supplied by the Applicant exclusively to ship building companies / shipyards or Indian Navy for use and application in ships, vessels, boats, floating structures etc. are to be*

*classified under Sr. No. 252 of Notification No. 1/2017-Central Tax (Rate), dated 28-6-2017?"*

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. *MAN Energy Solutions India Private Limited, the Applicant, is engaged in design and manufacture of two-stroke and four-stroke engines. Applicant's range of products includes complete marine propulsion systems, turbo machinery units for the oil & gas as well as the process industries and turnkey power plants. Applicant is also engaged in manufacturing and supply of parts of engines, like piston, con rod, etc.*

2.2. *Applicant assembles and manufactures diesel engines by using various imported or locally procured parts and also trades in imported diesel engines. The supply of engines and parts of engine is made by importing or locally procuring the parts. These parts are not assembled by the Applicant in India.*

2.3. *Applicant supplies marine diesel engines and parts thereof (hereinafter referred to as 'said goods') to shipping companies or, shipyards such as Mazagaon Dock Limited, L&T shipbuilding Ltd etc. engaged in the manufacturing of ships, vessels, boats etc. that fall for classification under Chapter 89 of the Customs Tariff Act, 1975.*

2.4. *In respect of the supply of the said goods to the marine maritime sector, which are specific to and tailor-made for this sector's usage, the relevant documents and material are: (a) Purchase order raised by customer specifying the description of goods to be supplied. (b) Tender documents. (c) Sample copies of invoices packing lists of the goods supplied. (d) Standard process to showcase that either after assembly of marine engine, however prior to supply, the Applicant is supposed to affix proper specifications name/number plate on the face of the marine diesel engine to describe the engine number, net weight, rated speed max power and the date of manufacture of the said engine etc. (e) Chartered engineer's certificate which specifies that the marine diesel engines and parts thereof manufactured supplied by the Applicant are parts of ship. (f) Sample undertaking from customer which specifies*





that marine engines and parts thereof manufactured/ supplied by the Applicant are used as parts of ship and (g) Photographs of marine diesel engines to show that the said marine diesel engines installed on the vessels.

2.5 As per Relevant entries of the Customs Tariff Act, 1975 for classification of the subject goods adopted by GST laws, Compression-ignition internal combustion piston engines (diesel or semi diesel engines) are classified under Chap. Hdg. 8408 and Parts suitable for use solely or principally with the engines of heading 8407 or 8408 are classified under Chap. Hdg. 8409.

2.6 Notification No. 1/ 2017-C.T.-(R), and Notification No. 1/ 2017-I.T.-(R), both dated 28.06.2017, specifies CGST and IGST rates respectively, for classification of subject goods under different Schedules which are as under:

Schedule No.	Sr. No.	Chapter Heading	Description of goods	CGST/SGS Rate	IGST Rate
IV	115	8408	Compression-ignition combustion piston engines (diesel semi-diesel engines)	14%	28%
IV	116	8409	Parts suitable for use solely principally with the engines heading 8407 or 8408	14%	28%

2.7 Similarly, the said Notification No. 1/2017-C.T.-(R), and Notification No. 1/2017-I.T. (Rate), specifies CGST & IGST rates respectively, for classification of above mentioned goods under different Schedules. Schedule entries applicable to the ships, boats, etc. (goods manufactured by Applicant's customers) are as under:

Schedule No.	Sr. No.	Chapter Heading	Description of goods	CGST/SGST Rate	IGST Rate
I	246	8901	Cruise-ships, excursion boats, ferry-boats, cargo-ships, barges and similar vessels for the transport of persons or goods	2.5%	5%
I	247	8902	Fishing vessels; factory ships & other vessels for processing or preserving fishery products	2.5%	5%
I	248	8904	Tugs and pusher crafts	2.5%	5%
I	249	8905	Light-vessels, fire-floats, dredgers, floating cranes and other vessels the navigability of which is subsidiary to their main function; floating docks, floating or submersible drilling or production platforms	2.5%	5%

<b>I</b>	<b>250</b>	8906	Other vessels, including warships and lifeboats other than rowing boats	2.5%	5%
<b>I</b>	<b>251</b>	8907	Other floating structures (for example, rafts, tanks, coffer-dams, landing-stages, buoys and beacons)	2.5%	5%

2.8 The said goods supplied by the applicant are used as parts in manufacture of ships, boats, vessels, trawlers etc., classified under headings 8901 to 8907. Therefore, supply of said goods to marine/ maritime sector are supply of Parts of vessels, ships falling under hdgs 8901 to 8907.

2.9 Applicant refers to Sr. No. 252 of Schedule 1 of Notification No. 1/2017 – C.T (Rate), dated 28th June, 2017 which states as follows;

<b>Sr. No.</b>	<b>Chapter / Heading / Sub heading / Tariff item</b>	<b>Description of goods</b>	<b>CGST/SGS Rate</b>	<b>IGST Rate</b>
252	Any chapter	Parts of goods of headings 8901, 8902, 8904, 8905, 8906, 8907	2.5%	5%

2.10 From the above, it is clear that, Applicant can supply the said goods as Parts of headings of 8901, 8902, 8904, 8905, 8906, 8907 under Sr. No. 252 of Schedule 1 of Notification No. 1/2017-C.T.-(R), dated 28.06.2017. The said Goods manufactured/ supplied by the Applicant are classified under chapter heading 8408/8409. The said classification has been consistently used by the Applicant and also has been accepted by various authorities under excise, Customs and GST laws.

2.11 Entry at Sr. no. 252 of Notification 1/2017-C.T.-(R) dated 28-6-2017 covers goods classified under "any chapter" which are parts of goods of heading 8901, 8902, 8904, 8905, 8906, 8907". The operative provisions of the said Notification specify that the rate applicable, shall be primarily determined on the basis of description which falls under the Chap. Heading Sub-heading Tariff item specified against such description.

2.12 On a plain and literal reading of the entry Sr. No. 252, it can be inferred that where goods are used as parts of goods which fall under tariff headings 8901, 8902, 8904, 8905, 8906, 8907, then said goods, even while classified under any chapter of the GST tariff, get covered under entry at Sr. No. 252. Entry Sr. No. 252 means that, all goods supplied as parts of goods classified under Sr. Nos. 246 to 251 (Schedule 1) attract 5 IGST or 2.5% CGST - 2.5", SGST.

2.13 The subject goods are designed for and used exclusively for marine purposes and application i.e. in ships, boats. Vessels, trawlers etc. The Applicant has enclosed



various documents particularly Exhibit B to F which evidence undoubtedly the end use of goods supplied by the Applicant in ships and vessels i.e. goods falling under heading 8902, 8904, 8905, 8906, and 8907.

2.14 Applicant is of the view that the entry at Sr. No. 252 implies that for goods which merit classification under any specific Chapter heading (covered under another entry of the Notification), these will (in present case) merit the rate of 5%, so long as the goods answer to the description in Sr. no. 252. In support, Applicant refers to the decision in the case of **Mahindra & Mahindra Ltd. vs. Commr. Of Cen. Ex., Nagpur (2007 (210) E.L.T. 579 (Tribunal))** where the Hon'ble Tribunal evaluated availability of exemption to goods falling under "any Chapter", when used as parts of goods of Heading 8701. Similar view was taken by the Hon'ble Tribunal in the case of **High Energy Batteries (I) Ltd. vs. Commr. of Central Excise, Trichy (2002 (142) E.L.T. 266 (Tribunal))**, wherein it was held that parts of an aircraft or a helicopter, classified under other specific headings are entitled to benefit of an exemption notification, which covers parts of aircraft and helicopter under any Chapter heading.

2.15 As per these judgements, it is indisputable that marine diesel engines when supplied for marine purposes, in terms of Sr. No. 252, qualify for the lower rate of GST, whatever be the classification adopted i.e. under any chapter. The subject goods, are parts of goods of heading 8901 to 8907 covered under entry at Sr. No. 252, in terms of the law declared by the Hon'ble Supreme Court in case of **M.C.E. products Sales and Services Ltd. Vs. Commissioner of Central Excise (2002 (144) E.L.T. 457 (S.C.))**.

2.15.1 In the context of the Applicant's business and in the light of the judgment of the Hon'ble Supreme Court, a 'part' is an essential component which makes up the whole (equipment, machinery, chattel) and in the present case, applicant supplies subject goods for subsequent use in manufacture of ships, vessels.

2.16. Finally, the Applicant refers to the advance ruling decision in the case of **SHANDONG Heavy Industry India Pvt. Ltd. (2018 (17) G.S.T.L. 631 (A.A.R. - GST))** in support of their contention the subject goods are liable to be charged to 5% of IGST (or 2.5% CGST + 2.5% SGST) as per Schedule I Sr. No 252 of Notification No 01/2017.C.T. (Rate).

2.17 In view of the above, subject goods supplied by applicant, are parts of ships, boats and floating structures falling under tariff heading 8901, 8902, 8904, 8905, 8906,

8907. Accordingly, supply of such goods can be effected at the rate of 5% GST in terms of entry 252 of Schedule I of Notification No. 01/2017-Central Tax (Rate).

- 2.18 Applicant has submitted a of parts/components of marine diesel engines (Exhibit D), which too are supplied exclusively to ship building companies/shipyards to the Indian Navy for application and use in the ships, vessels, boats, floating structures etc.
- 2.19. In terms of decision of the Hon'ble Supreme Court in **Hemraj Gordhandas** [1978 (2) E.L.T. J 350 (S.C.)] and **Bansal Wire Industries Limited** [2011 (269) E.L.T. 145 (S.C.)], goods classified under any chapter of the tariff, used as parts of goods falling under tariff headings 8901, 8902, 8904, 8905, 8906, 8907 is covered by entry at Sr. no. 252.
- 2.20 Subject Goods are designed for and supplied to their customers and used exclusively for marine purposes and application in ships, vessels, boats, floating structures etc. Thus the Subject goods are parts of ships/vessels.
- 2.21 Applicant also relies upon the judgement of the Hon'ble Sup. Court in **Share Medical Care** (2007 (209) E.L.T. 321 (S.C.) and **Mangalam Alloys Ltd** [2014 (300) E.L.T. (S.C.)], which is to the effect that where two rates are available, the more beneficial to the taxpayer may be selected/chosen by the taxpayer. Applicant also refers to the Decision in the case of **Mahindra & Mahindra Limited Vs. CCE, Nagpur** [2007 (210) E.L.T. 579 (Tribunal)], **Circular No. 512/8/2000-CX**, dated 10-2-2000, issued by the CBEC, which clarified that goods falling under chapters other than 86, but being parts of goods falling under heading No. 86.01 to 86.06 will also be covered by these notifications and **Circular No. 839/16/2006-CX**, dated 16-11-2006, of the CBEC.
- 2.22 These judgements and Board Circulars amply reveal that the doubt as to availability of concessional rate and indeed classification of various parts useable for motor vehicles or aircrafts (as the case may be) was resolved in favour of the assessee-taxpayer and against the Revenue Department and deserve to be whole-heartedly followed.
- 2.23 The Applicant states that : The application is in respect of marine diesel engine and parts thereof (illustrated in Exhibit D) which are exclusively supplied to ship building companies/shipyards and is **not** intended to or meant to cover other supplies like 'training for diesel engines', 'services of engineers', etc. which form part of the overall supplies to ship building companies/shipyards or Indian Navy ; The application is also not in respect of items like consumables (such as paint, lubricants etc.) or other





commodities such as furniture etc. for marine application and the Applicant does not supply the Subject goods to traders or distributors.

**APPLICANT SUBMISSION VIA EMAIL DATED 14.07.2021:-**

*"In India, the Applicant-Company supplies the Subject goods exclusively to ship building companies/ shipyards such as Garden Reach Shipbuilders & Engineers Limited, Mazagaon Dock Limited, Indian Navy (Material Organisation) etc. for application in and use in various ships / vessels.*

*It is clarified that, in view of the query posed by the Hon'ble Authority, the marine engines manufactured and supplied by the Applicant-Company are **medium speed heavy duty engines with high power**. These types of engines are required for / suitable for propulsion of ocean-going merchant / naval ships and these engines are **not suitable for yachts or other vessels for pleasure or sports; rowing boats and canoes that fall for classification under Chapter Heading 8903** of the Customs tariff (First Schedule) and the GST tariff. It is to be appreciated that some of the watercrafts mentioned in heading 8903 do not have any engine whatsoever (for e.g. canoe). Moreover, the engines supplied by the Applicant are always oversized or misfit for and so incapable of use in yachts or other vessels for pleasure or sports; rowing boats and canoes that fall for classification under Chapter Heading 8903. It follows therefore that the marine diesel engines and parts supplied by the Applicant (for use in such engines), refer Exhibit D filed under letter dated 11th December, 2020 with the Hon'ble Authority on 16th December 2020, have no application or use in ships or vessels of Chapter Heading 8903. **The Applicant hereby declares and clarifies that it does not manufacture or supply engines or parts for vessels falling under Chapter Heading 8903.***

*Details of the different engine types supplied by the Applicant-Company are tabulated here and it is declared that these engines are designed and manufactured for ship / vessels falling under Chapter Heading 8901, 8902, 8904, 8905, 8906 and 8907 but not 8903.*

Engine type	No. Of cylinders	Application or end-use
21/31	6 to 9	Main / Auxiliary Propulsion Engine which includes Tugboats / Anchor handling ships/ Fishing trawlers / Offshore vessel etc. used for marine commercial and naval purposes.
27/38	6 to 9	Main / Auxiliary Propulsion Engine which includes Tugboats/ Anchor handling ships / Fishing trawlers / Offshore vessel/ Survey vessel etc. used for marine commercial and naval

		<i>application</i>
28/33	12 to 20	<i>Naval ships and Coast Guard Patrol vessels</i>

*We wish to clarify that these are the only types of marine engines manufactured and supplied by the Company.*

*We further place on record that factually, the Applicant has not supplied marine diesel engine and parts for engine for use in or for yachts or other vessels for pleasure or sports; rowing boats and canoes that fall for classification under Chapter Heading 8903".*

### 03. SUBMISSIONS OF THE CONCERNED OFFICER

- 3.1 It appears that the applicant is not registered under heading of 8902,8904,8905,8906 and 8907 for which they sought exemption.
- 3.2 Notification No. 01/2017- C.T. (Rate) and Notification No.01/2017 I.T. (Rate) specifies the CGST/IGST rates for the classification of above mentioned goods under different schedules. The schedule entries applicable to the applicant are as under:-

Schedule No.	Sr No	Chapter Heading	Description of goods	CGST/SGST Rate	IGST Rate
IV	115	8408	Compression-ignition inter combustion piston engines (diesel semi-diesel engines)	14%	28%
IV	116	8409	Parts suitable for use solely principally with the engines heading 8407 or 8408	14%	28%

As per above, GST applicable to 8408 and 8409 is 14% CGST + 14% SGST or 28% IGST, whereas GST on 8902, 8904, 8905, 8906, 8907 in terms of Sr. No. 252 of Notification No.1/2017- C.T.(Rate),dated 28.06.2017 is 5% IGST or 2.5% CGST+ 2.5% SGST.

- 3.4 In view of above, applicants request may be rejected since it will lessen the GST revenue.

### 04. HEARING

- 4.1 Preliminary hearing in the matter was held on 12.12.2019. Shri. Ranjeet Mahatani, Advocate appeared, and requested for admission of the application. Jurisdictional Officer was absent.
- 4.2 Final hearing was fixed on 26.11.2020, but applicant took adjournment. Further hearing was fixed and accordingly Final online e –hearing was held on 08.12.2020.



Authorized Representatives of applicant, Shri. Ranjeet Mahatani CA, Shri Ananta Ingale, Shri Raturaj Bhide and Shri Raveesh M K were present. Jurisdictional officer Shree Deepak Gangurde, Asstt. Commr., Central Tax, Aurangabad was also present.

4.3 The Authorized Representatives made oral and written submissions, explained facts of the case and stated that further additional information in this matter would be submitted by them at the earliest. Both sides were heard.

4.4 Further hearing was held on 13.07.2021, when the Authorized Representatives of applicant, Shri. Ranjeet Mahatani CA, Shri Ananta Ingale, Shri Raturaj Bhide and Shri Raveesh M K were present and made submissions. Jurisdictional officer Shree Deepak Gangurde, Asstt. Commr. Central Tax, Aurangabad was also present.

05. **DISCUSSIONS AND FINDINGS:**

5.1 We have perused the records on file, facts of the case and the submissions made by both, the applicant as well as the department. The matter is related to the rate of GST on the supply of goods by the applicant.

5.2 Applicant designs and manufactures two-stroke and four-stroke engines, and are engaged in trading of goods and also manufacture & supply parts of engines. Supply of diesel engines and parts thereof are of two types i.e. assembly and manufacture of diesel engines by using various imported or locally procured parts and trading of imported diesel engines.

5.3 Diesel engines are known as compression ignition internal combustion piston engines. Diesel Engines are classified under CTH 8408 and are mainly differentiated as Marine Propulsion Engines, Engines of a kind used for the propulsion of vehicles of Chapter 87 and as Other Engines. They can further be classified on the basis of operations viz. 2-stroke, 4-stroke, single acting, double acting and finally, on the basis of Cylinder arrangement namely, horizontal, vertical, radial, etc. Marine Diesel Engines (MDE) are those engines which are used in marine vehicles namely boats, ships, etc. Both 2-stroke as well as 4-stroke engines are used in the marine industry. MDEs are used for the main propulsion or turning the propellers of the normal ships and also for providing auxiliary power.

5.4 Applicant has stated that they supply the MDEs to various shipping companies/ shipyards for further application and use in manufacture of ships, vessels, boats etc. classifiable under Chapter 89 of the Customs Tariff Act, 1975. The supply of the subject goods in the subject case are specific to and tailor-made for this sector's usage.



Applicant feels that the subject goods, classified under heading 8408/8409 of the GST tariff, are parts of ships, boats, etc., hence, can be supplied in terms of Entry No. 252 of Schedule I of Notification No. 01/2017-C.T. (Rate).

5.5 Sr. No. 252 of Notification No. 01/2017 – C.T (Rate) dated 28.06.2017 is as under:-

Schedule No.	Sr. No.	Chapter / Heading / Sub-heading / Tariff item	Description of goods	CGST / SGST Rate	IGST Rate	
I	252	Any Chapter	Parts of goods of headings 8901, 8902, 8904, 8905, 8906, 8907	2.5%	5%	

5.5.1 From the above table it is very clear that parts of goods of headings 8901, 8902, 8904 to 8907 are chargeable to CGST/SGST @ of 2.5% each. We now reproduce the description of headings 8901, 8902, 8904, 8905, 8906 and 8907 as under:-

Chapter / Heading / Sub-heading / Tariff item	Description of goods
8901	Cruise-ships, excursion boats, ferry-boats, cargo-ships, barges and similar vessels for the transport of persons or goods
8902	Fishing vessels; factory ships and other vessels for processing or preserving fishery products
8904	Tugs and pusher crafts
8905	Light-vessels, fire-floats, dredgers, floating cranes and other vessels the navigability of which is subsidiary to their main function; floating docks; floating or submersible drilling or production platforms
8906	Other vessels, including warships and lifeboats other than rowing boats
8907	Other floating structures (for example, rafts, tanks, coffer-dams, landing-stages, buoys and beacons)

5.5.2 As per Sr.No. 252 of Notification No. 01/2017-C.T. (Rate) dated 28.06.2017, goods falling under any chapter of the GST Tariff, if used as parts of goods falling under headings 8901, 8902, 8904 to 8907, would attract CGST and SGST @ 2.5% each.

5.6 The only issue that is raised before us by the applicant is whether the said MDEs and parts thereof used on a ship/tugs/fishing vessels, etc are forming parts of the said





ship/tugs/fishing vessels, etc and therefore chargeable to reduced tax @ 5% under Sr.No.252 of Notification No.1/2017 Central Tax (Rate) dated 28.06.2017.

- 5.7 To deal with the limited issue before us i.e. to find out whether the goods/spares used by the applicant are parts of a ship first of all we need to examine as to what are "Parts". We find that the word, "Part/Parts" has not been defined under GST Laws. In view of this first we are required to understand the general meaning of the word 'Part/Parts' which is of relevance to us in the present case.

-----We find that as per Cambridge English Dictionary:

Part as a noun – *a separate piece of something or a piece that combines with other pieces to form the whole of something*

-----*One of the pieces that together form a machine or some type of equipment.*

It has other meanings also in other context which are not of relevance in present context like:

----*a single broadcast of a series of television or radio programme or Division of a story.*

----*one of two or more equal or almost equal measures of something etc.*

- 5.7.1 In view of the above meanings/definitions of parts, we are required to examine as to whether the subject goods/spares as mentioned by the applicant can be taken to be covered within the meaning of Parts of Goods of CTH 8901, 8902, 8904, 8905, 8906 and 8907 and for Sr. No. 252 of Notification No. 1/2017 Integrated Tax (Rate) dated 28.06.2017.

- 5.7.2 We find that MDEs are the very essential parts of a ship or vessel and are quite clearly parts of a vessel/ship. A ship or a vessel cannot be imagined to be in existence without MDEs because they are essential for the main propulsion or turning the propellers of the normal ships and also for providing auxiliary power. A ship/vessel, etc. cannot sail without the marine diesel engines. There may be additional equipments required on a ship like Walkie-talkie, Binoculars, Life Jackets, Lifeboats, furniture, fans, air-conditioners, etc. but such goods cannot be taken to be parts of a ship as per general understanding but are rather additional equipment on a ship and a ship can sail without these additions.

- 5.7.3 We find that MDEs are such essential components of a vessel/ship without which the ship would not be complete and would not exist. These are very integral for the functioning of the ship and can also be separated from the ship for



repair/replacement. When we refer to the definition of the word 'part' as discussed in detail above, we find that 'part' is a separate piece of something or a piece that combines with other pieces to form the whole of something. Similarly the second definition of part also defines 'part' as one of the pieces that together form a machine or some type of equipment.

- 5.7.4 While interpreting the issues like the one at hand, we may refer to the following judgement which throws light on the disputed issue.

**In case of Saraswati Sugar Mills Vs Commissioner of Central Excise Civil Appeal No.5295 of 2003 decided on 2<sup>nd</sup> Aug 2011 Hon. Supreme Court of India observed:**

*12. In order to determine whether a particular article is a component part of another article, the correct test would be to look both at the article which is said to be component part and the completed article and then come to a conclusion whether the first article is a component part of the whole or not. One must first look at the article itself and consider what its uses are and whether its only use or its primary or ordinary use is as the component part of another article. There cannot possibly be any serious dispute that in common parlance, components are items or parts which are used in the manufacture of the final product and without which, final product cannot be conceived of.*

*13. The meaning of the expression 'component' in common parlance is that component part of an article is an integral part necessary to the constitution of the whole article and without it, the article will not be complete'.*

- 5.7.5 In light of the above, we find that MDEs will be considered as parts of vessels falling under heading 8901, 8902, 8904 to 8907, only if they are used in manufacturing goods falling under Tariff Headings 8901, 8902, 8904 to 8907. We agree with the applicant's contention that the MDEs supplied by them for exclusive use in goods falling under heading 8901, 8902, 8904 to 8907 will be taxable @ 5% IGST (2.5% CGST and SGST each). However it is to reiterate that the benefit of reduced CGST and SGST for such MDEs are only available if the said engines are used as parts of goods falling under heading 8901, 8902, 8904 to 8907 of the GST Tariff. The benefit of reduced GST rates would not be available in respect of Engines supplied for use in goods other than goods of heading 8901, 8902, 8904 to 8907 of the GST Tariff."





5.8 In the present case applicant supplies subject goods and has listed many items in the Exhibit D submitted by them, and stated that the same are parts of MDEs supplied by them to the shipyards manufacturing ships and vessels. Applicant has not spelt out in detail as to how each and every item mentioned in Exhibit 'D' are to be considered as parts of Marine Diesel Engines. In absence of such details, we cannot spell out whether every product mentioned in Exhibit 'D' will be parts of MDEs. However we are of the opinion that MDEs and parts thereof falling under Chapter 8408/8409 of the GST Tariff would attract concessional rate of 5% GST as per Sr. No. 252 only if the said goods are supplied to/and used by companies manufacturing ships and other vessels falling under Chapter headings 8901, 8902, 8904, 8905, 8906 and 8907. Applicant has submitted relevant purchase orders and invoices on record, to show that the said goods were supplied to the ship building companies/Shipyards like M/s. Garden Reach Ship Builders and Engineers Limited, Mazgaon Docks Ltd, Indian Navy, etc. Applicant does not supply the subject goods to the traders or distributors.

5.9 We find that, MDEs and parts thereof are essential requirements in manufacture of ship, vessels, boats, floating structures etc. Such MDEs and part thereof are classified under heading 8408 and 8409, respectively, of GST Tariff and are parts of ships, boat, floating structures. Since subject goods are meant for ship manufacture and supplied for purpose of use or application in manufacture of goods that are classifiable under Tariff headings 8901, 8902, 8904, 8905, 8906, 8907, the said goods can be considered as parts of ship, boat, vessels etc. Entry at Sr. No. 252 covers goods which merit classification under "Any Chapter" of the GST Tariff wherein the description in Sr. No. 252, is "Parts of goods of headings 8901, 8902, 8904, 8905, 8906, 8907". Accordingly, in the present matter, the Subject Goods will be covered under Sr. No.252.

5.10 Applicant has also submitted that that the MDEs and parts thereof supplied by them are for end-use in the vessels, trawlers etc, classified under TSH 8901, 8902, 8904, 8905, 8906 and 8907 of the GST Tariff and therefore would attract 5% IGST (2.5% CGST and SGST each). We find that marine engines, which are claimed to be supplied by the applicant exclusively to shipping companies or shipyards for use in goods falling under heading 8901, 8902, 8904, 8905, 8906 and 8907 will be deemed to be Parts of vessels falling under heading 8901, 8902, 8904, 8905, 8906 and 8907, if they are used in goods covered under Tariff Headings 8901, 8902, 8904, 8905, 8906 and 8907 and are not diverted and used for other purposes somewhere else.



5.11 During the course of the hearing held on 13.07.2021, the applicant informed this Bench that, the MDEs and parts thereof were not being supplied by them for use in and manufacture of vessels falling under Heading 8903 of the GST Tariff. This was reiterated by them in their submissions made vide email dated 14.07.2021 wherein they also stated that *the marine engines manufactured and supplied by the Applicant-Company are medium speed heavy duty engines with high power which are required for / suitable for propulsion of ocean-going merchant / naval ships and these engines are not suitable for yachts or other vessels for pleasure or sports; rowing boats and canoes that fall for classification under Chapter Heading 8903 of the Customs tariff (First Schedule) and the GST tariff.*

5.12 In view of above, we conclude that, the supply of MDEs and parts thereof supplied by the Applicant exclusively and directly to ship building companies/shipyards or Indian Navy for use in manufacture of ships, vessels, boats, floating structures etc. will be classified under Sr. No. 252 of Notification No. 1/2017- C.T. (Rate), dated 28-6-2017. If the applicant supplies the impugned goods to parties other than ship building companies and for other purposes, it would not be covered in the said entry and is liable to be taxed at respective higher rates as per schedule entry.

06. In view of the above discussions, 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- 56/2019-20/B-

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Mumbai, dt. 30.07.2021

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

**Question.** Whether the marine diesel engine, and parts thereof illustrated in Exhibit D, supplied by the Applicant exclusively to ship building companies / shipyards or Indian Navy for use and application in ships, vessels, boats, floating structures etc. are to be classified under *Sr. No. 252 of Notification No. 1/2017-Central Tax (Rate), dated 28-6-2017?*

**Answer:-** Marine diesel engine, and parts thereof will be covered under Sr. No. 252 of Notification No. 1/2017-C.T.(Rate), dated 28-6-2017, only when used in the manufacture of goods falling under 8901, 8902, 8904, 8905, 8906, 8907 and supplied only to ship building companies/shipyards or Indian Navy. Items which do not conform to “parts of marine diesel engines” will not be covered



under the said Sr. No. 252 of Notification No. 1/2017-C.T.(Rate), dated 28-6-



  
**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, 15<sup>th</sup> floor, Air India Building, Nariman Point, Mumbai – 400021. Online facility is available on [gst.gov.in](http://gst.gov.in) for online appeal application against order passed by Advance Ruling Authority.