

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)

ARN No.	AD271119017619U
GSTIN Number, if any/ User-id	27AACFF1483E1ZO
Legal Name of Applicant	M/s. FINE ELECTRO COATING
Registered Address/Address provided while obtaining user id	GAT NO 54, PUNE NASHIK HIGHWAY, A/P KURULI, Maharashtra PUNE 410501
Details of application	GST-ARA, Application No. 81 Dated 20.12.2019
Concerned officer	PUN-VAT-E-807, Pune Division-003, Pune
Nature of activity(s) (proposed/present) in respect of which advance ruling sought	
A	Category
B	Description (in brief)
	Factory / Manufacturing, Service Provision
	Fine Electro Coating offers quality CED Coating, Ed Coating, E Coat, Cathodic Electro Deposition, Powder Coating services, Firm also offers coating services for providing metal finishing to various products.
Issue/s on which advance ruling required	
(i) Classification of goods and/or services or both (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.	

NO.GST-ARA- 81/2019-20/B- 70

Mumbai, dt. 11.10.2021

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. FINE ELECTRO COATING, the applicant, seeking an advance ruling in respect of the following questions.

- 1) *Whether the process followed will be treated as a Service as per Schedule II – Point No. 3 and the activity to be treated as Job Work.*
- 2) *Whether Notification No.20/2019 Central Tax (Rate) New Delhi, 30th September, 2019 – where GST Rate on Job work is reduced to 6% from 9% is applicable to the firm.*

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

The submissions made by M/s Fine Electro Coating, the applicant, are as under:-

- 2.1 *The applicant is engaged in rendering premium CED Coating and Powder Coating services. The firm also undertakes metal finishing coating services for various products and further offers (a) CED Coating for Metallic Components & auto parts (b) Coating on General Industrial equipments etc.*

Process followed by the company for CED Coating and Powder coating:

CED Coating (Cathodic Electro Deposition):

- 2.2 *Firm receives products (e.g. vehicle part, machine part, compressor part etc) from its customers through Delivery challan only; with the help & use of Machines, all the parts goes through Phospheting Treatment (PT Line- which helps mainly to clean the part and then it goes through Cathodic Electro Deposition (CED Line) for final coating – CED coating is a process which is done in order to increase the life span of auto components parts, here basic raw materials used is various types of Paints and use of consumables.*

Powder Coating:

- 2.3 *Firm receives products (e. g. Auto Parts) from its customers through Delivery challan only, here as per requirements of the customer the parts go through the Phospheting Treatment (PT Line) first and then for coating with the use of Powder coating gun Machine (Here main raw material consist of Powder which is type of paint only)*
- 2.4 *Taxable event in GST is the event which on its occurrence creates or attracts the liability to tax. The taxable event under GST shall be the supply of goods or services or both made for consideration in the course or furtherance of business. The taxable events under the existing indirect tax laws such as manufacture, sale, or provision of services shall stand subsumed in the taxable event known as 'supply.'*
- 2.5 *Job Work as per Section 2(68) means any treatment or process undertaken by a person on goods belonging to another registered person and the expression 'Job worker" shall be constructed accordingly.*
- 2.6 *'Supply' should involve delivery of goods/services to another person, supply transaction requires something in return which may be in money/monetary terms or in any other form (except the activities specified in Schedule I which are deemed to be supply even if made without*

consideration). Here, the firm is getting consideration against activity of CED/Powder coating and hence treated as supply.

2.7 Though the treatment and processing is commonly understood as services, there is no implication that job work is purely services or that goods would not be used for such treatment or processing. However, Schedule II – Point No. 3 of the CGST Act, 2017 specified activities to be treated as supply of goods or services inter alia provides that any treatment or process which is applied to another person's goods is supply of services. Such a deeming fiction in respect of job work is given effect to, further law requires that treatment or process undertaken by the job worker is given effect to, further law requires that treatment or process undertaken by the job worker must be on goods belonging to another registered person.–

- It may be safely be understood that, if one unit of the company supplies goods for further processing to another unit of the same company, having different registration from that of the supplying unit, the unit undertaking the processing activity can be treated as a job worker.
- Here the firm is involved in the processing or treatment such as CED/Powder coating on goods belong to others classifiable as job worker.

2.8 Hence Service of job worker is classifiable under Chapter Heading 9988 (Manufacturing services on physical inputs (goods) owned by others-Original SAC Code used by the firm is – 998898.

2.9 Further as per Recent Notification issued by the Ministry of Finance – Notification No.20/2019 along with Press release, GST rate on job work services has been reduced to 12% from 18% such as supply of Machine job work in engineering industry except supply of job work in relation to bus body building which would remain at 18%.

04. HEARING

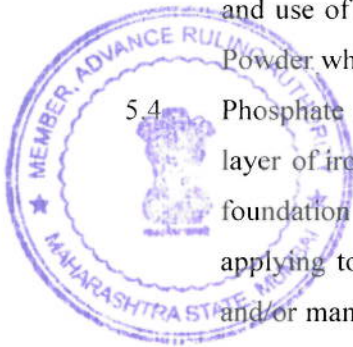
4.1 Preliminary hearing was held on 25.02.2020. The authorized representative of the applicant made submissions in respect of admission of their application. The jurisdictional officer was also present and had no objections to admission of the application.

4.2 The application was admitted and Final Online hearing was held on 21.09.2021. The Authorized representatives of the applicant, Shri. Hemant Dagale, CA and Shri. Ram Sharma (Finance Head) were present. The concerned jurisdictional officer Shri Sunil Chavan (Deputy Commissioner E-807 Pune Division) was also present. The Authorized representatives made oral and written submissions in this matter. The jurisdictional Officer also made written submission.

4.3 We heard both sides.

05. DISCUSSIONS 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 the provisions of Notification No. 20/2019 – C.T. (Rate) dated 30/09/2019 applicable in this case.
- 5.3 The applicant's activity is rendering of premium CED Coating, Powder Coating and metal finishing coating services for various products belonging to its clients. Applicant also offers (a) CED Coating for Metallic Components & auto parts (b) Coating on General Industrial equipments etc. The applicant has submitted that all products received by it, whether for CED Coating or for Powder Coating are received through Delivery challan only and goes through Phosphating Treatment, which helps mainly clean the part and then it goes through either Cathodic Electro Deposition (CED Line) for final coating or Powder coating gun Machine. In Cathodic Electro Deposition (CED Line) the basic raw materials used is various types of Paints and use of consumables and for Powder coating gun Machine, the main raw material consist of Powder which is type of paint.
- 5.4 Phosphate treatment is a chemical treatment applied to steel parts that creates a thin adhering layer of iron, zinc, or manganese phosphates, to achieve corrosion resistance, lubrication, or as a foundation for subsequent coatings or painting. A phosphate coating is usually obtained by applying to the steel part a dilute solution of phosphoric acid, possibly with soluble iron, zinc, and/or manganese salts. The solution may be applied by sponging, spraying, or immersion. Thus, we observe that, Phosphating treatment does not result in any new products, rather it helps achieve corrosion resistance, or as a foundation for subsequent coating and painting which is actually happening in the subject case as per the submissions made by the applicant.
- 5.5 According to the applicant's oral submissions also, during the course of the online hearing, the process undertaken by them only increases the life span of auto components parts, etc. We have perused the process undertaken by the applicant as submitted, and have been shown a demo during the course of online hearing which was conducted on 21.09.2021. We find that no new products emerges 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.
- 5.6 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'.

5.7 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"

5.8 The product that comes into emergence after the coating process is undertaken is not the different product but the process undertaken by them only increases the life span of the said products. No new products emerges after the subject process has been carried out. Further, the goods are 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.

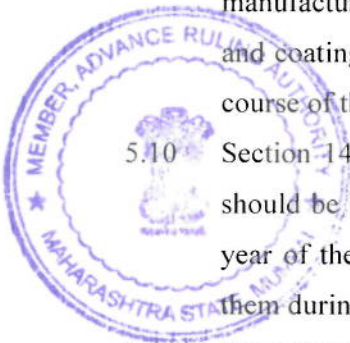
5.9 From the submissions made by the applicant we find that, after they have undertaken process on the goods supplied by their GST registered principal, the new product that emerges does not have a distinct name, character and use and therefore the applicant cannot be considered as a manufacturer of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

5.10 Section 143 (1) (a) of the CGST Act, 2017 specifies that the material sent out for Job Work should be brought back by the principal, after completion of job work or otherwise, within one year of the goods being sent out. This condition is also satisfied by the applicant as stated by them during the conduct of online hearings.

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. The goods after processing are returned back within one year.
- V. No new product emerges after the process is carried out by the applicant on the goods which belong to GPL.
- VI. The applicant receives only job charges from GPL for the services rendered.

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 it existed prior to 01.10.2019 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) Textile yarns (other than of man-made fibres) and textile fabrics; (c) Cut and polished diamonds; precious and semi-precious stones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975); (d) Printing of books (including Braille books), journals and periodicals; (e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975). Explanation.- "man made fibres" means staple fibres and filaments of organic polymers produced by manufacturing processes either,- (a) by polymerisation of organic monomers to produce polymers such as polyamides, polyesters, polyolefins or polyurethanes, or by chemical modification of polymers produced by this process [for example, poly(vinyl alcohol) prepared by the hydrolysis of poly(vinyl acetate)]; or (b) by dissolution or chemical treatment of natural organic polymers (for example, cellulose) to produce polymers such as cuprammonium rayon (cupro) or viscose rayon, or by chemical modification of natural organic polymers (for example, cellulose, casein and other proteins, or alginic acid), to produce polymers such as cellulose acetate or alginates.	2.5	
		(ii) Manufacturing services on physical inputs (goods) owned by others, other than (i) above	9	

- 5.14 Entry at item (id) under heading 9988 of Notification No.11/2017-Central Tax Rate dated 28.06.2017 was inserted with effect from 01.10.2019, by per Notification No. 20/2019- Central

Tax (Rate) dt. 30.09.2019 and subsequent to the same the relevant entry at Sr. No. with all amendments made till 01.10.2019, 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)	<p>(i) Services by way of job work in relation to-</p> <p>(a) Printing of newspapers;</p> <p>(b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);";</p> <p>(c) all products other than diamonds, falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);";</p> <p>(d) Printing of books (including Braille books), journals and periodicals;</p> <p>"(da) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. or Nil;"</p> <p>(e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the 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> <p>Explanation. - The expression "handicraft goods" shall have the same meaning as assigned to it in the notification No. 32/2017 - Central Tax, dated the 15th September, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 1158 (E), dated the 15th September, 2017 as amended from time to time.'</p>	2.5	
		<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</p>	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 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.*

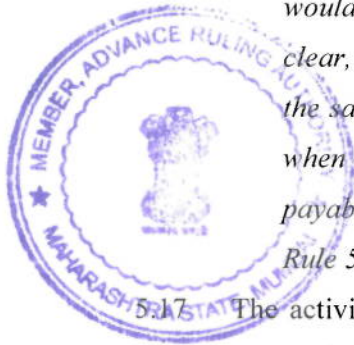
5.16 Further, Hon'ble Supreme court in the case of Maruti Suzuki Limited Vs. CCE, New Delhi, 2015 (318) E.L.T 353 (S.C) (Attachment -2) has also held that there is a distinction between processing and manufacture and that Electro Deposition (ED) Coating of anti-rust treatment to increase shell life of various component is merely a processing activity and not a complete manufacturing activity. The Honorable Supreme court has held as under

"9. We have heard learned counsel for the parties. In our view, on the true construction of Rule 57F(1), it would be clear that the "input" that is removed from the factory for home consumption is bumpers, grills, etc., being spare parts of motor vehicles procured by the appellant before us. According to us, E.D. Coating which would increase the shelf life of the spare parts and provide anti-rust treatment to the same would not convert these bumpers,

etc., into a new commodity known to the market as such merely on account of value addition.

10. In one of the very first important judgments on the Central Excises and Salt Act, 1944, namely *Union of India v. Delhi Cloth and General Mills Co. Ltd.* (1977 (1) E.L.T. 199), an important distinction was made between manufacture and processing. It was held that processing and manufacture are distinct concepts in law and only such processing as results in a transformation, namely, that a new and different article emerges having a distinct name, character or use, that Excise duty, which is only on manufacture, can be levied....

21. On the facts of the present case, we have first, therefore, to arrive at whether there is "manufacture" at all and only subsequently does the question arise as to if this is so, what is the valuation of the processed goods and whether duty is payable upon them. We have found on facts that for the purposes of the proviso to Rule 57F (2), the inputs that were not ultimately used in the final product but were removed from the factory for home consumption remain the same despite ED coating and consequent value addition. We follow the law laid down in *S.R. Tissues Pvt. Ltd.'s* case and state that on account of mere value addition without more it would be hazardous to say that manufacture has taken place, when in fact, it has not. It is clear, therefore, that the inputs procured by the appellants in the present case, continue to be the same inputs even after ED coating and that Rule 57F (2) proviso would therefore apply when such inputs are removed from the factory for home consumption, the duty of excise payable being the amount of credit that has been availed in respect of such inputs under Rule 57A."



- 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.
- 5.19 The second question raised by the applicant is whether Notification No.20/2019 Central Tax (Rate) New Delhi, 30th September, 2019 – where GST Rate on Job work is reduced to 6% from 9% is applicable to the firm.
- 5.20 We have already held above that the service supplied by the applicant is in the form of jobwork service and is covered by Entry at item (id) under heading 9988 of Notification No. 20/2019-Central Tax (Rate) dt. 30.09.2019. Hence the subject notification is applicable to their case.
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)

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


Question 1:- Whether the process followed will be treated as a Service as per Schedule II – Point No. 3 and the activity to be treated as Job Work.


Answer: - Answered in the affirmative

Question 2:- Notification No. 20/2019 Central Tax (Rate) New Delhi, 30th September, 2019 – where GST Rate on Job work is reduced to 6% from 9% is applicable to the firm.

Answer: - Answered in the affirmative.




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