

**AUTHORITY FOR ADVANCE RULING  
TAMILNADU ADVANCE RULING AUTHORITY  
PAPJM Buildings, II Floor, No.1, Greams Road, Chennai-600 006.**

**PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF  
THE  
GOODS AND SERVICES TAX ACT, 2017.**

**Members present are:**

1. Ms. Manasa Gangotri Kata, IRS Joint Commissioner/Member,  
Office of the Principal Chief Commissioner of GST & Central Excise,  
Chennai-34
2. Thiru S. Vijayakumar, M.Sc., Joint Commissioner (CT) / Member (FAC),  
Office of the Joint Commissioner(ST),Enforcement  
Inter-State Investigation Cell, Chennai-6.

**ORDER No. 17 /AAR/2018 DATED : 29.10.2018**

GSTIN Number, if any / User id	33AABCR8852R1ZO
Legal Name of Applicant	M/s. Borgwarner Morse Systems India Private Limited
Registered Address/Address provided while obtaining user id	No.79, SIDCO Industrial Estate, Kakkalur, Tiruvallur-602003
Details of Application	GST ARA-01 Application Sl. No.10 dated :23.03.2018
Concerned Officer	State: The Assistant Commissioner (ST) Thiruvallur Assessment Circle, No.174, J.N.Road, Thiruvallur – 602 001.  Centre: Chennai Outer Commissionerate- Poonamallee Division
Nature of activity(s) (proposed / present) in respect of which advance ruling sought	
A Category	Manufacturing
B Description (in Brief)	Manufacturing Automotive Chains
Issue/s on which advance ruling required	Classification of Automotive Chains
Question(s) on which advance ruling is required	Whether automotive chains (i.e., silent chains used in petrol engines and roller chains used in diesel engines) manufactured by the applicant are classifiable under HSN 8409 or 7315?

**Note : Any Appeal against the Advance Ruling order shall be filed before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.**

**At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.**

M/s. BorgWarner Morse Systems India Private Limited, Administrative office at No.79, SIDCO Industrial Estate, Kakkalur, Tiruvallur-602003 (hereinafter called the Applicant or the Company) are engaged in the manufacture and sale of Automotive Chains which are used as a major component in manufacture of motor engines for motor vehicles.

The Applicant has submitted the copy of application in Form GST ARA – 01 and also submitted the copy of Challan evidencing payment of application fees of Rs.5,000/-each under sub-rule (1) of Rule 104 of CGST rules 2017 and SGST Rules 2017. They are registered under GST with GSTIN 33AABCR8852R1ZO. They have preferred an application seeking Advance Ruling on

“Whether automotive chains (i.e., silent chains used in petrol engines and roller chains used in diesel engines) manufactured by the applicant are classifiable under HSN 8409 or 7315?”

2.1 The Applicant is engaged in manufacture and sale of following automotive chains which are used as a major component in manufacture of motor engines for motor vehicles (i.e., for both two wheelers and four wheelers).

Silent chains/ Inverted tooth chains (Used in Petrol engines)

Roller chains/ Bushing (Used in Diesel engines)

These automotive chains are 'part of internal combustion engines' that synchronizes the rotation of the crankshaft and the camshaft(s) so that the engine's valves could open and close at proper times. As the automotive chains manufactured by the Applicant are used in further manufacture of engines for motor vehicles, the Applicant had classified their product under following HSN code:

HSN	Description as per Central Excise tariff schedule
8409	Parts suitable for use solely or principally with the engines of heading 8407 or 8408
8409 9191	.....of petrol engines for motor vehicles
8409 9141	.....of diesel engines for motor vehicles

2.2. Even under the GST legislation, the Applicant continued to classify their products under HSN 8409. The relevant entry from the GST rate schedule is tabulated below:

HSN	Description as per Central Excise tariff schedule
8409	Parts suitable for use solely or principally with the engines of heading 8407 or 8408

Many of the customers of Applicant had insisted that they should categorize the automotive chains under HSN 7315 and charge GST @ 18% instead of 28%. The relevant entry from the GST rate schedule is tabulated below:

HSN	Description as per Central Excise tariff schedule
7315	Chain and parts thereof of iron or steel falling under 7375 20, 7315 81, 7315, 82, 7315 89, 7315 90

After various deliberations and suggestions received from the Industry, the Applicant re-classified the automotive chains under HSN7315 and were charging GST@18% w.e.f 20/12/2017.

2.3. They stated that Frequently Asked Questions (FAQ) issued by CBIC state that HS 7315 includes transmission chains for cycles, automobiles or machinery. As per Notes to Section XVI for Chapter 84 of Customs Tariff, this Section does not cover parts of general use. Notes to Section XV for chapter 73 clarifies that 'parts of general use' includes articles of heading

7315. Further, there is no specific reference to Roller or Silent Chains in Chapter 84. Though automotive chains are made as per the specifications of the engines, they would be classifiable under HSN 7315. Further, explanatory notes to HSN refers to Transmission chains for chains, automobiles or machinery under HSN 7315 and international classification mentions "Articulated Link chains and parts thereof". They have relied on the decision of Hon'ble CESTAT, WZB in the case of M/s. Impex Corporation Vs. Commissioner of Customs (1998 (103) E.L.T. 548 (Tribunal)), wherein the Tribunal has held that 'steel chains' used as parts of agricultural machinery are specifically covered under Tariff Heading 7315 and Voltas Ltd vs Commissioner of Customs, Mumbai (2003 (158) E.L.T (Tri-Mumbai) where it was held that Note 2 to Section XVI are subject to exclusions under Note 1 which includes parts of general use under Note 2 to Section XV. In view of the above, the Applicant had sought Advance Ruling to seek clarity on classification to be adopted for supply of automotive chains to their customers.

3.1 The Authorized Representative of the Applicant was heard in the matter. They had stated that their products are transmission chains of Iron & Steel and have uses mainly in automobile two wheeler and four wheeler engines and can also be used in Gensets. They had also stated that their products are articles of general use which are covered as per notes to Section XV under chapter 73 and also notes to Section XVI(Chapter 84) excludes articles of general use and hence not classifiable under 8409. They stated that internationally too they are classifying under 7315. They submitted sample invoices/contract for such purchase by client company, copy of documents relating to exports of 'Chains' by their group companies under HSN 7315. The Applicant further furnished a Technical write-up of the chains with samples, invoices, sample contracts, import documents.

3.2 The submissions of the Applicant were examined. In the case at hand from the technical write-up furnished by the Applicant, it is seen that the product in question are timing chains or Transmission Chains which are

used for chain drive mechanism i.e., way of transmitting mechanical power from one shaft to another and are made of steel. They are used for transmitting power between the driver and driving shafts in industrial and automotive applications. Roller chains or Roller bush chains are the most commonly used for transmission of mechanical power on many kinds of domestic, industrial and agricultural machinery including conveyors, cars, motorcycles etc. It consists of a series of short cylindrical rollers held together by side links and driven by a toothed wheel called sprocket. Silent chains or Inverted toothed chain are an articulated tension used for power transmission in automotive vehicle or industrial drive applications. They are made of blocks of plates which has a profile like sprocket teeth and the plate engages with sprocket creating gear to gear meshing. It is seen from the sample invoices that the items are being described as 'CHAIN' 'TIMING CHAIN' 'T/CHAIN', classifying as 73151100 and sold to automotive manufacturers. The import documents indicate the imports from related party as 'ENGINE CHAIN PARTS' with classification as 73151190.

4.1 The issue involved in this case is the classification of the product Automotive Chains manufactured by the Applicant. From the various submissions of the Applicant, it is evident that the items are transmission chains which are used in automotive engines and machinery for transmitting mechanical power from one shaft to another and are made of steel. They are articulated chains i.e. made of a series of links or plates which are driven by external sprockets and do not have any other assembly. The Applicant supplies these mainly to automotive industries where they are used in internal combustion engine, they synchronizes the rotation of the crankshaft and the camshaft(s) so that the engine's valves could open and close at proper time.

4.2 In terms of explanation (iii) and (iv) to Notification No. 1/2017 - Central Tax (Rate) dt. 28-06-2017, tariff heading, sub-heading, heading and chapter shall mean respectively a tariff item, sub-heading, heading and

chapter as specified in the First Schedule to the Customs Tariff Act, 1975 and the rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall be applied for the interpretation and classification of goods.

4.3. Chapter 7315 covers “Chain and parts thereof, of Iron and Steel” and ‘Articulated link chains and parts there of’ covers tariff headings from 73151100 to 73151900. Tariff Heading 73151100 covers ‘Roller chains’ and 73151290 covers others.

HSN Explanatory notes to heading 7315 is as under:

**73.15 - Chain and parts thereof, of iron or steel.**

- Articulated link chain and parts thereof :

7315.11 -- Roller chain

7315.12 -- Other chain

7315.19 -- Parts

7315.20 - Skid chain

- Other chain :

7315.81 -- Stud-link

7315.82 -- Other, welded link

7315.89 -- Other

7315.90 - Other parts

This heading covers chains of cast iron (usually malleable cast iron), wrought iron or steel, regardless of their dimensions, process of manufacture or, in general, their intended use.

It includes articulated link chain (e.g., roller chain, inverted tooth (“ silent ”) chain and Galle chain), non-articulated link chain including stud-link chain (whether forged, cast, welded, stamped from sheet or strip metal or made from wire, etc.), and ball chain.

The heading includes :

- (1) Transmission chains for cycles, automobiles or machinery.
- (2) Anchor or mooring chains; lifting, haulage or towing chains; automobile skid chains.
- (3) Mattress chains, chains for sink stoppers, lavatory cisterns, etc.

All these chains may be fitted with terminal parts or accessories (e.g., hooks, spring hooks, swivels, shackles, sockets, rings and split rings and tee pieces). They may or may not be cut to length, or obviously intended for particular uses.

Iron or steel parts of chains specialised as such e.g., side links, rollers, spindles, etc., for articulated chain, links and shackles for non-articulated chain, also fall in this heading.

The heading does not cover :

- (a) Chains having the character of imitation jewellery in the sense of heading 71.17 (e.g., watch chains and trinket chains).

It is seen that articulated link chains of steel such as roller chain, inverted tooth (silent) chains are included under 7315 irrespective of their intended use and whether they are cut to length or intended for particular use. In the instance case, the items are intended for internal combustion engines of automobiles, motorcycles etc.

4.4 Chapter 8407 and 8408 covers various kinds of internal combustion piston engines and chapter 8409 covers 'parts suitable for use solely or principally' with these engines.

HSN Explanatory Notes to chapter heading 8409 is as under:

**84.09 - Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.**

8409.10 - For aircraft engines

- Other :

8409.91 -- Suitable for use solely or principally with spark-ignition internal combustion piston engines

8409.99 -- Other

**Subject** to the general provisions regarding the classification of parts (see the General Explanatory Note to Section XVI), this heading covers parts of internal combustion piston engines of heading 84.07 or 84.08 (e.g., pistons, cylinders and cylinder blocks; cylinder heads; cylinder liners; inlet or exhaust valves; inlet or exhaust manifolds; piston rings; connecting-rods; carburettors; fuel nozzles).

However, the heading excludes :

(a) Injection pumps (**heading 84.13**).

(b) Engine crank shafts and cam shafts (**heading 84.83**); and gear-boxes (**heading 84.83**).

(c) Electrical ignition or starting equipment (including sparking plugs and glow plugs) (**heading 85.11**).

HSN Explanatory Note (1) (g) of Section XVI which covers chapter heading 84 states as under:

*1. This Section does not cover:*

*(a).....*

*(g) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of plastics (Chapter 39)*

Note 2 to Section XV defines 'parts of general use' as under:

*2. Throughout this Nomenclature, the expression "parts of general use" means:*

*(a) Articles of headings 7307, 7312, 7315, 7317 or 7318 and similar articles of other base metal;*

Further, the General Notes to Section XV also states:

(C) PARTS OF ARTICLES

In general, identifiable parts of articles are classified as such parts in their appropriate headings in the Nomenclature.

However, parts of general use (as defined in Note 2 to this Section) presented separately are **not** considered as parts of articles, but are classified in the headings of this Section appropriate to them. This would apply, for example, in the case of bolts specialised for central heating radiators or springs specialised for motor cars. The bolts would be classified in heading 73.18 (as bolts) and not in heading 73.22 (as parts of central heating radiators). The springs would be classified in heading 73.20 (as springs) and not in heading 87.08 (as parts of motor vehicles).

\*

From the above, it is evident that Heading 7315 includes articulated link chains such as roller chains or silent chains which are used as transmission chains for engines of automobiles or machinery. Though these form parts of engines under Chapter 8407 or 8408, they are covered under definition of 'parts of general use' which are specifically excluded from chapter heading 8409.

Therefore, articulated link chains ie. 'Roller chains' supplied by the applicant are classifiable under CTH 73151100 and 'Inverted tooth chains or silent chains' under CTH 73151290 of the Customs Tariff made applicable to GST.

5. In light of the above, we rule as under :

**RULING**

"Roller chains" supplied by the applicant are classifiable under CTH 73151100 and 'Inverted tooth chains or silent chains' under CTH 73151290 of the First Schedule to the Customs Tariff Act, 1975 as applicable to GST as per Explanation (iii) to Notification 1/2017-Central Tax (Rate) dt 28.06.2017 and G.O. Ms No. 59, Commercial Taxes and Registration (B1) dt 29th June 2017.

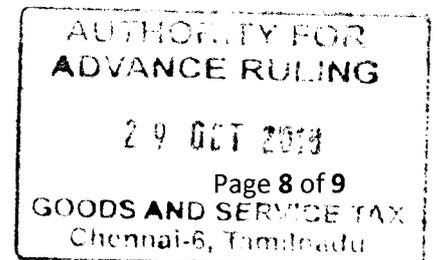
  
Ms. Manasa Gangotri Kata, IRS  
Member, CGST

  
Shri. S. Vijayakumar, M.Sc  
Member (FAC), TNGST.

To

M/s Borgwarner Morse Systems India Private Limited  
No.79, SIDCO Industrial Estate,  
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**/By SPAD/**



Copy Submitted to:

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Copy to:

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- 5.Master File/ Spare-2