

AUTHORITY FOR ADVANCE RULING, TAMILNADU
INTEGRATED COMMERCIAL TAXES OFFICE COMPLEX, DOOR NO.32,
5TH FLOOR, ROOM NO. 503, ELEPHANT GATE BRIDGE ROAD,
CHENNAI – 600 003.

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, I.R.S., Additional Commissioner/Member,
Office of the Commissioner of GST & Central Excise, Chennai -34
2. Thiru Kurinji Selvaan V.S., M.Sc., (Agri.), M.B.A.,
Joint Commissioner (ST) / Member,
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-3.

ORDER No.06 /AAR/2020 DATED: 31.01.2020

GSTIN Number, if any / User id		33AABFE5239N1ZC
Legal Name of Applicant		Electroplating And Metal Finishers
Registered Address/Address provided while obtaining user id		K32, Ambattur Industrial Estate, Chennai – 600 053.
Details of Application		GST ARA- 01 Application SI.No.42/2019 ARA dated 22.10.2019
Concerned Officer		State: The Assistant Commissioner (ST), Ambattur Industrial Estate Assessment Circle, No. 127, Yadhava Street, 1 st Floor, Chennai 600 050. Centre : Chennai North Commissionerate
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Service Provision
B	Description (in Brief)	Request to confirm the Rate of Tax on GST for the nature of job (plating done on customer material as per customer specification) done by us.
Issue/s on which advance ruling required		Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or bot, within the meaning of that term?
Question(s) on which advance ruling is required		1. Rate of Tax on GST for Plating. 2. SAC Number for Plating.

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. Electroplating And Metal Finishers K32, Ambattur Industrial Estate, Chennai – 600 053 Tamil Nadu is a partnership firm and are registered under GST with GSTIN 33AABFE5239N1ZC (hereinafter called the Applicant). They are one of the electroplaters in Chennai and doing Zinc Plating for their customers in Automobile, General Engineering and Electrical & Electronic Industries. The applicant has sought Advance Ruling on:

1. Rate of Tax on GST for Plating; 2.SAC Number for Plating.

The Applicant has submitted the copy of application in Form GST ARA - 01 and also submitted a 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. The applicants have elaborated their nature of work as below:

2. The applicant has stated that they receive the job from their customers against the delivery challan. On receipt of the job they do acid cleaning on the same and as per the customer specification they are doing the plating on the job, on completion of plating the job will be checked by their quality department and returned to the customer against their invoice. With respect to their plating process, they are using 'Zinc Anode/Hydrochloric Acid/Zinc Brighter/Zinc Additive/Caustic Soda

- 3.1 The applicant was extended an opportunity to be heard in person and was heard on 06.11.2019. The partners of the applicant firm S/Shri B.Sundar and R. Ravichandran appeared for the hearing. They stated that they are doing job work of electroplating. They submitted a copy of manufacturing process and stated that goods are received by delivery challan and they raise invoice on the services rendered. They added that that they will submit input invoices, delivery

challen (inward) e-way bill(inward), outward invoices, outward (e-way bill), detailed manufacturing process, specifications, order copy given by the principal. They stated that they are seeking clarification on the eligibility of Notification 20/2019 which availed Sl. No. 26 of 11/2017. They undertook to submit all documents within one week and stated that another Personal Hearing is not required.

3.2 The applicant submitted the following documents on 09.11.2019:

- 1) Copies of the Invoices for purchase of raw materials ... 8 nos.
- 2) Delivery Challan and E way bill of the customers who send their goods for electroplating – 3 sets
- 3) Purchase order of the Customers- 3 sets.
- 4) Specifications of the customers – 1 No.
- 5) Copies of the Invoice with E Way Bill – 3 sets
- 6) Chart showing the manufacturing process – Process Flow Sheet and Photograph – 8 Sheets
- 7) Copies of the Notifications Nos.11/2017

On perusal of the documents, it is seen that the customer of the applicant sends the goods vide delivery challan and the Purpose of Transport is mentioned as 'Labour work/Processing and in the e-way it is mentioned as 'Outward-Job-work'. The applicant after working has raised invoice on their customer with the description 'Zinc Plating' and HSN/SAC Code-998898 and in the related e-way bill has mentioned as 'Outward Supply'. On the manufacturing process undertaken, it is stated as follows:

- i. Electroplating is a process of protecting the metals from being oxidized, which may cause corrosion.
- ii. It is achieved by coating one metal over another metal along with/without passivation's to ensure higher anti-corrosion properties on that specific element.
- iii. The process involves passing the electric current on the parts placed in a bath containing electrolytic solution along with the coating metal.
- iv. The metal to be coated acts as a cathode, and coating metal acts as an anode.
- v. The process parameters may vary depending upon the part profile and customer requirements.

The applicant has also elaborated their process of Zinc Plating as bellow:

ZINC PLATING PROCESS

STEP 1: INCOMING INSPECTION - The process helps to verify the incoming parts from the customer to avoid pre abnormalities before electroplating.

STEP 2: DEGREASING - To remove oil contents from the parts.

STEP 3: WATER RINSE - To ensure the removal of previous processes chemical traces. The more the water rinse, better will be the effectiveness.

STEP 4: ACID PICKLING - To initiate the plating process by removing impurities on the parts and to improve the plating adhesiveness.

STEP 5: WATER RINSE - To ensure the removal of previous processes chemical traces. The more the water rinse, better will be the effectiveness.

STEP 6: PRE DIP - It is an another activation process which stimulates the plating and acts as a catalyst too.

STEP 7: ZINC PLATING - Zinc electroplating is done in this process

STEP 8: INPROCESS INSPECTION - Process of checking and ensuring whether the plating is done properly or not.

STEP 9: WATER RINSE - To ensure the removal of previous processes chemical traces. The more the water rinse, better will be the effectiveness

STEP 10: NEUTRALISATION - This process helps in neutralizing the pH range in the surface of the parts from base pH range.

STEP 11: D M WATER - To ensure the removal of previous processes chemical traces. The more the water rinse, better will be the effectiveness.

STEP 12: TRIVALENT YELLOW PASSIVATION - To coat some extra protection over the plated parts, which prevents oxidation.

STEP 13: D M WATER - To ensure the removal of previous processes chemical traces. The more the water rinse, better will be the effectiveness.

STEP 14: DRYING - To remove the liquid traces and moisture from the surface of the parts.

STEP 15: FINAL INSPECTION - To finally ensure whether all the process are done properly and also to produce an inspection report.

STEP 16: PACKING - To make the parts safe during the transit

4. The applicant is under the administrative jurisdiction of Central Tax and it is reported by the Deputy Commissioner, Ambattur Division that there is no proceedings in respect of the applicant. The Central Tax Authorities has not

furnished any comments on the questions raised by the applicant. The State Tax authorities have not furnished any comments.

5. We have carefully examined the contents raised by the application, submissions in personal hearing and additional documents submitted after personal hearing. Further, it is reported by the Central Tax authorities that there is no proceedings in respect of the applicant and the State Tax Authorities has not responded. It is construed that there are no proceedings pending in the case of the applicant on the question raised by them and the application is taken up for decision. The applicant has stated that they do not have clarity on the SAC and Rate of Tax and has sought the applicable classification and rate for the nature of job done by them

6.1 The applicants are undertaking the work of electroplating the components of automobiles, etc., provided by the customers as per their specifications made in the diagram. For doing the electroplating, they purchase metals such as Zinc Ingot, Silver Bullion, Nickel, Copper, Chemicals., Hydrochloric and Nitric Acid, SC casting. The customers send the components under Delivery challan with the reason for Transport as 'Outward-Job-work' in the E-Way bill to the applicant. After doing Electroplating as per the specifications of the customer, the applicant raises invoice charging applicable GST and return the components stating 'outward supply' in the E-way bills. The components are owned by the applicants' customers and are sent to the applicant for electroplating and return back. The final product is also owned by the applicants' supplier.

6.2 Para 3 of the Schedule II of the CGST Act, specifies certain activities to be treated as supply of goods or supply of services, in accordance to which

"Any treatment or process which is applied to another person's goods is a supply of services".

Therefore, the supply of the applicant is that of 'Supply of Service'.

6.3 Having decided that the supply is one of service the relevant Service code is ascertained as under. SAC 9988 as per the Explanatory notes is given under:

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.

From the above, it is clear that this heading covers those services characterized as outsourced portions of a manufacturing process. In the case at hand, the electroplating job done by the applicant is a portion of manufacturing process of the customer of the applicant and therefore, the activity of the applicant is covered under SAC 9988.

6.4 Job-work is defined under Section 2(68) as below:

Section 2(68) of CGST Act defines “ 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.

Thus the activity of undertaking manufacturing services by a registered person on the physical inputs owned by another registered person is a ‘job work’. In the case at hand, the applicant is a registered person and when he undertakes electroplating activities on the goods belonging to another registered person, then the nature of work of the applicant is ‘Job work’.

7.1 The applicable rate of service tax is given vide Notification No. 11/2017-C.T.(Rate) dated 28.06.2017, the relevant portion of which is extracted below:

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). <i>Explanation</i> - “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	2.5	-
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		<p>this process [for example, poly(vinyl alcohol) prepared by the hydrolysis of poly(vinyl acetate)]; or</p> <p>(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.</p>		
		(ii) Manufacturing services on physical inputs (goods) owned by others, other than (i) above.	9	-

7.2 The above Notification is amended vide 20/2017-C.T.(Rate) dated 22.08.2017 as under:

(vi) against serial number 26,-

(a) in column (3), in item (i),-

(A) for sub-item (b), the following sub-item shall be substituted, namely:-

“(b) Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);”;

(B) the *Explanation* shall be omitted;

(b) for item (ii) in column (3) and the entries relating thereto in columns (3), (4) and (5), the following shall be substituted, namely:-

(3)	(4)	(5)
“(ii) Services by way of any treatment or process on goods belonging to another person, in relation to-		
(a) printing of newspapers;	2.5	-
(b) printing of books (including Braille books), journals and periodicals.		
(iii) Manufacturing services on physical inputs (goods) owned by others, other than (i) and (ii) above.	9	-”;

7.3 Notification No. 31/2017-C.T.(Rate) dated 13.10.2017 amended entry at Sl.No. 26 of Notification No. 11/2017-C.T.(Rate) as under:

(h) against serial number 26, in column (3), -

(i) in item (i), for sub-item (c), the following sub-item shall be substituted, namely: -
“(c) all products falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);”;

(ii) in item (i), after sub-item (d), the following sub-item shall be inserted, namely: -
“(da) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. or Nil;”

(iii) in item (i), after sub-item (e), the following sub-items shall be inserted, namely: -

“(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);

(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;

(h) manufacture of clay bricks falling under tariff item 69010010 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);”;

(iv) after item (i), in columns (3), (4) and (5) and the entries relating thereto, the following shall be inserted, namely: -

(3)	(4)	(5)
“(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	-”;

(v) in item (ii), after sub-item (b), the following sub-item shall be inserted, namely: -

“(c) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5 per cent. or Nil.”;

(vi) after item (ii), in columns (3), (4) and (5) in column (3) and the entries relating thereto, the following shall be inserted, namely: -

(3)	(4)	(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	-”;

(vii) in item (iii), for the word, brackets and figures “and (ii)” the figures, brackets, letters and word “, (ia), (ii) and (iia)” shall be substituted;

7.4 Notification No. 01/2018-C.T.(Rate) dated 25.01.2018 amended the entry further as under:

(j) against serial number 26, in column (3),-

(A) in item (i), after sub-item (e), the following sub-item shall be inserted, namely: -

“(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;”;

(B) for item (iii) and the entries relating thereto in columns (3), (4) and (5), the following shall be substituted, namely: -

(3)	(4)	(5)
“(iii) Tailoring services.	2.5	-
(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ii), (iia) and (iii) above.	9	-”;

7.5 Notification No. 20/2019 –C.T.(Rate) dated 30.09.2019 amended the said entry further as under:

(m) against serial number 26, in column (3), in item (i), in clause (c), after the words "products", the figures and words " other than diamonds," shall be inserted;

(n) against serial number 26, in column (3), after item (ia) and the entries relating thereto in columns (3), (4) and (5), the following shall be inserted, namely: -

(3)	(4)	(5)
"(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	-";

(o) against serial number 26, in column (3), in item (iv), after the brackets, words and figures "(ia)", the brackets, words and figures "(ib), (ic), (id)," shall be inserted;

The said notification is issued on the recommendation of the GST council which accepted the recommendations of Fitment Committee. The relevant recommendation of the fitment committee is as under:

2	<p>i. Reduce GST rate for engineering job work from 18% to 5%</p> <p>Reference Vellore District Small & Tiny Industries Association</p> <p>ii. All kind of job work may be charged at uniform rate of 5%</p> <p>Reference Laghu Udyog Bharti</p>	<p>i. To bring engineering job work at par with leather & textile job work.</p> <p>ii. Most job workers belong to small and medium scale sector and varying rates create problem in compliance and managing challans. Further, in job work credit flows from principal and job workers. It is revenue neutral exercise</p>	<p>Recommendation:</p> <p>The rate of GST on all job work services, which are not currently eligible for the 5% rate may be reduced to 12%.</p> <p>Analysis:</p> <p>The rate of job work services has been reduced to 5% mainly where the final product attracts GST @ 5% or lower, such as textile sector, processing of hides, skin, leather and footwear, printing of books and newspapers, diamond cutting and polishing, manufacture of handcraft goods, tailoring services etc.</p> <p>The GST applicable on job work services in other major sectors such as manufacturing of industrial goods, automobiles, chemicals, pharmaceuticals, heavy engineering goods, machines and instruments, steel and other metals is 18%.</p> <p>Job workers in the engineering and automobile sector have substantial ITC. The inputs and input services used by job workers in these sectors attract GST @ 18%. Out of the total tax payable on job work services, 71% was paid through ITC. Reducing the rate on job work services in this sector from 18% to 5% will result in inversion at the level of Job worker.</p> <p>Placing the job work services under RCM will also result in blocking of ITC of the job worker and increasing of the costs of the job worker and the principal.</p> <p>The rate reduction to 5% would lead to demand of refund at the hand of job-worker. Therefore, instead of reducing the rate on job work services in the engineering and automobile sector from 18% to 5%, the same may be reduced to 12%.</p>
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			<p>The rate of GST on all job work services, which are not currently eligible for the 5% rate may be reduced to 12%. However, the rate of GST applicable on Bus Body Building shall remain at 18% as inputs used for bus body building are at higher rate of 28%/18%.</p> <p>Revenue Implication of the proposal is Rs. 1100 Crores approximately. This amount shall shift as liability from job-worker to the principal and is therefore not a loss of revenue.</p>
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Thus, the applicable rate of tax from 30.09.2019, is given vide entry 26(id) of Notification No. 11/2017-C.T.(Rate) as amended by Notification No. 20/2019-C.T.(Rate) dated 30.09.2019, which is @ 6% CGST in cases when the goods are owned by another Registered person as in such cases the applicant supply engineering services as job-work and the applicable rate of tax in cases when the goods are owned by unregistered persons continues @9% CGST as per Sl.No. 26(iv) of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended.

7.6 To sum up, the CGST rate applicable as per Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 and the corresponding Rate of SGST as per Notification No. II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended relevant to the proceedings at hand are tabulated as below for ease of reference:

Sl.No.	Effective from	Effective upto	Description	Rate	Supplied to Registered Person or unregistered
26(ii)	01.07.2017	21.08.2017	Manufacturing Services on Physical inputs(goods) owned by others...	9%	Registered and unregistered
26(iii)	22.08.2017	12.10.2017	Manufacturing Services on Physical inputs(goods) owned by others...	9%	Registered and unregistered
26(iii)	13.10.2017	24.01.2018	Manufacturing Services on Physical inputs(goods) owned by others...	9%	Registered and unregistered
26(iv)	25.01.2018	30.09.2019	Manufacturing Services on Physical inputs(goods) owned by others...	9%	Registered and unregistered
26(id)	01.10.2019		Services by way of jobwork other than (i), (ia),(ib) and (ic) of Sl.No. 26	6%	Registered
26(iv)	01.10.2019		Manufacturing Services on Physical inputs(goods) owned by others...	9%	Unregistered

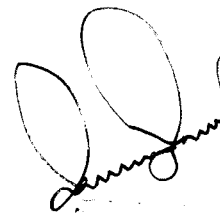
8. In view of the above, We rule as under:

RULING

1. The activity of electroplating undertaken by the applicant is 'Supply of service' and is classifiable under Heading '9988- Manufacturing services on Physical Inputs owned by others'.
2. The applicable rate of tax is 9% CGST vide Sl. No. 26 of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended and 9% SGST vide entry Sl.No. 26 of Notification No. II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended for the period upto 30.09.2019 irrespective of whether the goods are owned by Registered or Unregistered persons as given in the Table above.
3. For the period from 01.10.2019, in case
 - a. The goods are belonging to another Registered person, the applicable rate of tax, is 6% CGST vide entry Sl.No. 26(id) of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended and 6% SGST vide Sl.No. 26(id) of Notification No. II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended.
 - b. The goods are owned by unregistered persons, the applicable rate of tax is 9% CGST vide Sl.No. 26(iv) of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended and 9% SGST vide Sl.No. 26(iv) of Notification No. II(2)/CTR/532(d-14)/2017 vide G.O. (Ms) No. 72 dated 29.06.2017 as amended.



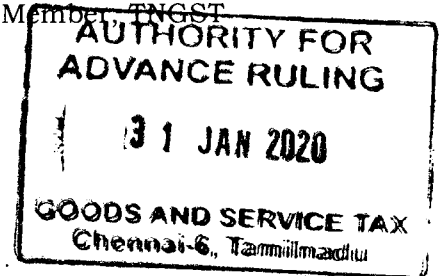
Ms. Manasa Gangotri Kata,
Member, CGST

 31.01.2020

Shri Kurinji Selvaan V.S.
Member, TNGST

To
M/s. Electroplating and Metal Finishers
K32, Ambattur Industrial Estate,
Chennai – 600 053.
Tamil Nadu.

// BY SPAD //



Copy Submitted to:

1. The Principal Chief Commissioner of GST & Central Excise,
26/1, Mahatma Gandhi Road, Nungambakkam,
Chennai-600034.
2. The Additional Chief Secretary/Commissioner of Commercial Taxes,
IInd Floor, Ezhilagam, Chepauk, Chennai – 600 005.

Copy to:

3. The Commissioner of GST & Central Excise, 26/1, Mahatma Gandhi road,
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4. The Assistant Commissioner (ST),
Ambattur Industrial Estate Assessment Circle,
1st Floor, No. 127, Yadhava Street,
Chennai 600 050.
5. Master File/ Spare – 2.