

GIB/AP/Halliburton (LIH)/13.05.2020/AAR-381

Advance Ruling Category : Classification and Rate

State : Andhra Pradesh

Order No.: GIB/AP/Halliburton (LIH)/13.05.2020/AAR-381

Name of Entry :

M/S. HALLIBURTON OFFSHORE SERVICES INC. (LIH)

Date : 13-05-2020

Breif Issue :

Facts & Issue Of The Case :

The applicant Halliburton Offshore Services Inc. is a global service provider, engaged in providing various oilfield services to Exploration and Production companies across the globe. Presently, the Applicant has contracted for supply of bundled oilfield services to support the various oil and gas related operations in KG Offshore, East Coast of Indian Offshore waters.

The applicant, seeking an advance ruling in respect of :

1. Determination of liability and consequent classification to pay Goods and Services Tax ('GST') on reimbursement received towards Lost in Hole / Damages beyond Repair equipment (collectively referred as 'LIH equipment') by the Applicant under the Contract with the Customer i.e., whether reimbursement received towards LIH equipment can be considered as a supply as per Section 7 of the CGST Act, 2017 and hence, liable to GST?
2. If reimbursement received towards LIH equipment can be considered as supply and liable to GST, what would be the classification and the rate of GST applicable on such supply? Whether the same would be treated as "agreeing to tolerate an act" as per clause 5(e) of Schedule II of the CGST Act, 2017 and subject to GST at the rate of 18% or the same would be treated as a composite supply of works contract service (as a part of main service under the Contract) and thus, GST can be charged at the rate of 12% equivalent to the GST rate applicable for supply of composite works contract services?

In the case of the Appellant, as mentioned in the background, LIH does not form part of the scope of work as provided under the Contract for works contract of bundled services, but is a separate clause, contemplating a potential event that may or may not

occur during the tenure of the Contract. Thus, LIH is not agreed upon as a routine or even inevitable part of the scope of supply to be made by HOSI under the Agreement, and in fact, it is entirely possible that no such accident may take place at all in the course of executing the scope of work under the Agreement. Accordingly, in our view, LIH qualifies as ‘agreeing to tolerate ... a situation’ as per Entry 5(e) of Schedule II to the CGST Act, and taxed to GST at 18% under HSN Code 999794. In view of above factual and legal analysis, the Applicant submits the following:

- a. Reimbursement received towards LIH equipment can be considered as a supply as per Section 7 of the CGST Act, 2017.
- b. Reimbursement received towards LIH equipment can be treated as “agreeing to tolerate an act” as per clause 5(e) of Schedule II of the CGST Act, 2017 and subject to GST at the rate of 18%.

Decision of Advance Ruling Authority :

Decision :

The reimbursement received towards LIH equipment is classifiable as ‘Supply of Goods’ in terms of Section-7 of the CGST Act, 2017. Depending upon the nature of actual goods involved in the subject activity, their classification is as per HSN notified for the goods and the Classification Rules made in this regard. Accordingly, the provisions relating to chargeability and levy of GST under the CGST Act and the Rules made there under as applicable to the supply of goods will apply.