

GIB/UP/PREMIER CAR/11.03.2019/AAR-454

Advance Ruling Category : Composite Supply

State : Uttar Pradesh

Order No.: GIB/UP/PREMIER CAR/11.03.2019/AAR-454

Name of Entry :
M/S PREMIER CAR SALES LTD

Date : 11-03-2019

Breif Issue :

FACT OF THE CASE:

In this case the applicant M/s Premier Car Sales Ltd. is engaged in the sale of motor vehicle parts and accessories. The Applicant has entered into a dealership agreement with Hyundai Motors India Limited for providing repair services to the customer on behalf of HMIL during warranty period. The Applicant receives consideration towards labour charges for providing repair services and also reimbursement of cost of parts replaced, if any, to the customer during the warranty period.

ISSUE OF THE CASE:

Whether repair services carried out by the Applicant under the dealership agreement with HMIL, to fulfill the warranty obligation of HMIL which also involves supply of parts should be classified as a composite supply of services under Section 2(30) of the CGST Act?

Whether the entire repair services including supply of spares can be classified under S. No 25 in Notification 11/2017-Central Tax (Rate) dated June 28, 2017 ("Services Rate Notification"), subjected to tax at the rate of 18%?

Decision of Advance Ruling Authority :

DECISION:

Noted that, Applicant is mainly providing 'Repair & Maintenance Services' to their customers under "Warranty Repair Service" by servicing of their vehicles under warranty period. In the event of defective parts/components, they replace such parts/components which appear to be just incidental or ancillary to the main activity of 'Repairing Services'.

Observed that, the supply of such parts/components in the warranty repair activity is integral to the "Warranty Repair Service" in as much as without replacing such parts/components the "Warranty Repair Service" could not be executed. Therefore, the supply of labour services

and parts/components together under “Warranty Repair Service” are naturally bundled and have been supplied in conjunction with each other in the ordinary course of business where the principal supply is of services.

Accordingly, such “Warranty Repair Service” with parts/components shall be subjected to tax in terms of S. No. 25 in Services Rate Notification (as amended).

Held that, the dealership agreement between HMIL and the Applicant, clarify that following ruling is applicable if repair service provided by the Applicant shall be covered under ‘composite supply’ if –

1. Primarily ‘Repair service’ is provided under warranty period,
2. Parts are replaced as incidental to repair service under warranty period in ordinary course of business, and
3. The Applicant is being reimbursed by HMIL for labour charge and parts under warranty period.