

**AUTHORITY FOR ADVANCE RULING, TAMILNADU**  
**INTEGRATED COMMERCIAL TAXES OFFICE COMPLEX, DOOR NO.32,**  
**5<sup>TH</sup> 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. Shri T.G.Venkatesh, I.R.S., Additional Commissioner/Member,  
Office of the Principal Chief Commissioner of GST & Central Excise, Chennai -34

2. Tmt K.Latha., M.Sc., (Agri), Joint Commissioner (ST)/ Member,  
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-3.

**ORDER No.11/AAR/2022 DATED: 31.03.2022**

GSTIN Number, if any / User id		33AABCD3577F1ZZ
Legal Name of Applicant		DEVENDRAN COAL INTERNATIONAL PRIVATE LIMITED
Registered Address/Address provided while obtaining user id		4-4A, Periyasamy Road East, RS Puram, Coimbatore-641002
Details of Application		GST ARA- 01 Application Sl. No. 33/2021/ARA dated: 15.09.2021
Concerned Officer		Centre: Coimbatore State: Assistant Commissioner (ST) RS Puram (East) Assessment Circle.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Service provision
B	Description (in Brief)	The applicant is engaged in business of trading of coal in India. They undertake purchase of coal from domestic markets and also import from overseas.
Issue/s on which advance ruling required		Determination of liability to pay tax on any goods or services

Question(s) on which advance ruling is required	<p>1. Whether we are liable to discharge tax liability at 18% on coal handling and Distribution charges collected in respect of supply of coal handling and distribution services rendered as per a work order issued by the customer subsequent to his coal (only) order</p> <p>Or</p> <p>Can we club the aforementioned coal handling and distribution service ordered by customer separately and subsequently with 'supply of coal' to understand that as a composite supply of coal and pay GST at 5%?</p>
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**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.

DEVENDRAN COAL INTERNATIONAL PRIVATE LIMITED, 4-4A, Periyasamy Road East, RS Puram, Coimbatore-641002 (hereinafter called the Applicant) are registered under GST with GSTIN 33AABCD3577F1ZZ. The applicant has sought Advance Ruling on the following questions:

1. Whether we are liable to discharge tax liability at 18% on coal handling and Distribution charges collected in respect of supply of coal handling and distribution services rendered as per a work order issued by the customer subsequent to his coal (only) order

Or

Can we club the aforementioned coal handling and distribution service ordered by customer separately and subsequently with 'supply of coal' to understand that as a composite supply of coal and pay GST at 5%?

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.

2.1 The applicant has stated that on purchase of coal, the GST is paid at 5% (on intra-State and inter-State supply as the case may be) and on import of coal from overseas market, IGST is paid @ 5%. After coal is imported, the coal is stockpiled at port itself at the designated place for subsequent sale to customers. Various services are availed by them at the port during process of procurement of coal and for fulfilling obligations towards supply of coal. The services so utilized by them includes the following but not limited to-

- (a) Stevedoring services
- (b) Unloading and Loading of coal
- (c) Insurance
- (c) Renting of the premises

Appropriate rate of GST is charged by respective service providers on above services so provided. Further, they have stated that the above services are utilized by them at the following stages-

- (a) Procurement and keeping of coal at the port
- (b) Services provided to customer at port towards handling the coal on behalf of/for the customer.

2.2 The applicant has stated that the Customers from all over India including traders and manufacturers place order(s) to them which can be broadly classified as:

- (a) Supply of coal simpliciter - Where the customer does not wish to avail any of the coal handling and distribution services and intends to purchase coal.
- (b) Supply of coal and availment of coal handling and distribution -Where the customer not only wishes to purchase coal, but also intends to avail services of coal handling and distribution during the period of supply of coal.
- (c) Supply of coal handling and distribution services -Where the customer only intends to avail coal handling and distribution services and not coal.

The Coal handling and distribution charges (per MT) includes a bouquet of services provided to customer towards handling the desired quantity of order placed by customer including but not limited to:

- (a) Loading, unloading of material at site
- (b) Storage charges of the quantity ordered
- (c) Coal safety and security
- (d) Adequate water sprinkling
- (e) Commitment charges towards fulfilling supply
- (f) Custom clearing services
- (g) Insurance

They have stated that separate purchase order/intent is to be placed to them by the customers for:

- i. Purchase of coal only
- ii. Coal handling and distribution services

-This is decided by the customer on case to case basis — well after ordering for coal.

In a case where the customer does not want Coal Handling and Distribution Services from the applicant he shall consciously skip it too. In most of the cases the customer decides to take up their Coal Handling and Distribution Service, subsequent to ordering for 'Only Coal' — mostly in the last hour too, since dynamic search for lower quote for such service in Port carried out by the customers. Further, as per the terms agreed with customer, on placing the order for desired quantity of coal, separate invoices to be raised by the Applicant on a customer for-

- (a) Price of supply of coal
- (b) (In the applicable cases, when separate and subsequent order received from customer) Coal handling and distribution charges

The applicant has stated that they intend to raise invoice on the customer(s) for the following-

- (a) Supply of 'coal only' with GST at 5%
- (b) Composite Supply of Coal and Coal handling and distribution with GST at 5%
- (c) (i) Supply of standalone service 'Coal handling and distribution service only' with GST at 18%
- (ii) supply of coal handling and distribution service as per customer's work order therefor *subsequent to* his coal order with GST at 18%

2.3 On interpretation of law, the Applicant has stated that supply of coal undertaken by them first in response to a purchase order, then in response to a subsequent and separate work order they render coal handling and distribution services. In their understanding, the supply of coal and aforementioned services do not form a composite supply since there is noteworthy gap in different contracts. The applicant is of the view that coal handling and distribution services (SAC 996719) shall attract GST at 18% while the supply of coal (HSN 2701 19 90) shall attract GST at 5%. The applicant has referred to the decision of AAR, Madhya Pradesh in Re: Agarwal Coal Corporation Pvt Ltd 2020 (40) G.S.T.L. 74 (Aar-GST- M.P) which has dealt with the same question involved in the applicant's case.

3.1 Due to the prevailing PANDEMIC situation and in order not to delay the proceedings, the applicant was addressed through the Email Address mentioned in the application to seek their willingness to participate in a virtual Personal Hearing in Digital media. The applicant consented and the hearing was held on 21.12.2021. The Authorised Representative CA. Prasanna Krishnan appeared for the hearing and reiterated the submissions. The Member asked the AR to clarify what are all the activities done in 'Handling' process. The AR replied that it encompasses unloading at port, transporting and unloading at customers premises. The Member asked about the practice followed in the pre-GST regime to which the AR replied that they were receiving single orders either for supply of goods or service. Due to the pandemic situation, applicant is getting order for goods followed by services as explained in their statement of facts. The Member enquired whether they import and purchase in local market also for which the AR replied that the local purchases are almost NIL.

The AR was asked to furnish the following documents

- i. write up on the situation wherein different types of supply a/b/c are preferred/undertaken by the customer/applicant along with the copies of quotation, purchase order and invoice for each supply mentioning the time line.
- ii. Write up on the purchase and sale of coal. (Modus) i.e, whether coal is bought and stored from Indian markets/import, after which sale is made in the case of supply of coal simpliciter or is there any other modus of supply without actual possession.
- iii. If sale happens without possession what are all the types of contract entered into
- iv. write up on practice followed in pre-GST and post GST era until now.

3.2 The applicant vide their letter (received on 12.01.2022) submitted the following documents/facts.

- Write Up on different type of Supply undertaken and reference to related purchase orders

The customers prefer following types of supplies from them nowadays, as evidenced by their Orders—

a. Supply of Coal only (no Transportation or other Service is required from applicant)

b. Supply of Coal Handling and Transportation Service only (Coal is theirs; they do not want applicant to supply any goods)

c. Supply of Coal as well as Coal Handling and Transportation Service

i. When single and comprehensive order for 'Principal Supply of (Coal) Goods' as well as 'Ancillary Supply of Coal Handling and Transportation Service', we do Composite 'Supply of Coal'; *there is no query*

ii. But, this application refers to the following situation faced by applicant in recent time —

"First the Purchase Order for Supply of Coal only (no service is required from applicant then — just supply & delivery at the Port is the requirement) issued to applicant by the customer and subsequently separate Work Order for Handling and Transportation Service related to the aforementioned coal issued to us by our customer"

iii. Thus, the applicant has sought Advance Ruling on the questions raised in para supra.

- Specific information on time lines –

i. Purchase Order from customer - Requiring Supply of Coal only - Day 1 (say, 03.05.2021) #

ii. Separate Work Order for Handling and Distribution Service - Requiring the handling service of above mentioned Coal - Day 8 - 15 (say, 11.05.2021)

iii. Their Invoice for Sale of Coal - on Day 2 or Day 3 (rarely they raise invoice finally - say, on Day 8 -15)

iv. their Invoice for Handling and Distribution Service - Day 8 - 15 (rarely they raise invoice finally - say, on Day 18 or Day 19)



- Common Note: The applicant cannot raise single invoice in this situation on the customer who has given two different - independent orders of different time. First 'invoice for goods' raised on him. Separately and subsequently (as mentioned above, after a gap of 3-5 days 'invoice for service' raised on the same customer.
- Write Up on Purchase and Sale of coal — whether coal is bought and stored from Indian Markets / import after which sale is made in the case of supply of coal simpliciter or is there any other modus operandi without actual possession

The applicant purchases the coal from Domestic as well as foreign market. In the recent 2 years they predominantly do import the coal from foreign market only. They do purchase as mentioned above, on outright basis. The applicant becomes proper owner of the goods since the (domestic foreign) supplier raises proper invoice on them in all cases. They never have a case of selling without having actual possession or title — since the same is literally impossible in their business.

➤ Imported Coal —Modus Operandi

The coal purchased by applicant, often in bulk quantity — with reasonable anticipation of demands from buyers. On importing the goods duly paying the customs duty and unloading on the Port Jetty, They are the owners of the coal. Such goods can be sold on the spot as such — leaving option to buyer to take care of Handling and Transportation too. If they do so, it is purely Sale of Coal (goods) only. But several customers ask them to do Door Delivery at their factory gate too In such case, the applicant charges overall unit rate factoring the transportation charges and did composite Supply of Coal (with Handling and Transportation) till factory gate of the buyer — as required in their single comprehensive order).

➤ Domestic Coal purchased by applicant—Modus Operandi

In case of domestic purchase, the coal is purchased in bulk and stored in applicant's own stockyard. When they receive order from the customer for supply of coal, they do. As already mentioned, all these days they used to get order to deliver the coal at the factory gate of the buyer by a single comprehensive order. We did such composite supply of coal (with Handling and Transportation till factory gate of the buyer — as required in their single comprehensive order).

During the recent pandemic, considering the price trend of coal the buyers (of imported coal as well as domestic coal) have started to try their level best to reduce their cost by selecting the low cost Handling and Transportation (price of quality coal is not in their control; hence no query in buying at a right price the coal). Hence, some of the buyers have started to place first a Purchase Order ONLY FOR COAL on the applicant. For Handling and transporting the goods they arrange on their own the service providers. In some cases when they are not able to find out suitable service provider quoting low cost than that of the applicant, they (subsequent to Coal Purchase Order date) come back to applicant with a separate order for Handling and Transportation Service. Even few thousand rupees influence such decisions. Supply of coal undertaken by applicant first in response to a (Material) Purchase Order. Then in response to a subsequent and separate Work Order they render Coal Handling and Distribution Services.

- If sale happens without possession the types of contracts entered into: As already submitted, never any sale of coal happens from/by them without possession or title of coal in their name. In scenario (b) when a buyer has already bought the goods and the same is lying at Port for outward transportation and related Handling activities, they do such service only -this kind of 'service only' transactions shall be 3 to 5 per annum).
- Write up on practice followed in Pre GST and Post GST era until now :  
Pre-GST Era — Single and comprehensive Purchase Order for 'Principal Supply of (Coal) Goods' as well as 'Ancillary Supply of Coal Handling and Transportation Service' shall be received from their customers. The applicant's price shall factor cost of material as well as Transportation to ensure proper profit to them. On importing/ buying the coal, they shall arrange to transport the coal to the door step of the buyer with proper State VAT invoice. The applicant paid the State VAT as a seller. There ended the entire business transaction for tax purpose.

In post GST era the practice followed has been detailed in para supra.

4. The Centre Jurisdictional authority who has administrative control over the applicant has stated that there are no pending proceedings on the issue raised by



the applicant in the Advance Ruling application and has submitted the following comments on the issue raised in the application.

- It was reported by the range officer, after verification of the returns filed by the applicant, that the applicant is paying tax only on goods i.e coal and also on the services under RCM. However, from the returns it is not clear as to why the supply part of handling and distribution service has been merged in to the coal value and making it consolidated.
- The handling and distribution services attract 18% GST and not 5% wherever supply of such services only is intended to be expressly made to a customer.

5. The State Jurisdictional authority has stated that there are no pending proceedings in the applicant's case.

6. We have considered the application filed by the applicant and various submissions made by them as well as the comments of the Central Tax officers. Applicant is engaged in the business of trading of coal in India, procured by them in the domestic market as well as imported from overseas. They purchase coal by paying 5% GST and import coal by paying 5% IGST. They stock pile the coal at the port at the designated place and subsequently sell it to their customers. Further they render coal handling and distribution services to customers who wish to purchase coal and wish to avail services of loading, unloading of material at site, storage, adequate water sprinkling, custom clearing services, Insurance etc together denoted as coal handling and distribution services. They have come up for ruling in a situation wherein the customer of the applicant first places purchase order for procurement of coal and later intend the applicant to provide the coal handling and distribution service as well. In such a scenario, the first contract is entered into for supply of coal and the second contract for rendering coal handling and distribution is entered into later. Now the applicant has filed the instant application for a ruling on the following question:

1. Whether we are liable to discharge tax liability at 18% on coal handling and Distribution charges collected in respect of supply of coal handling and distribution services rendered as per a work order issued by the customer subsequent to his coal (only) order

Or

Can we club the aforementioned coal handling and distribution service ordered by customer separately and subsequently with 'supply of coal' to understand that as a composite supply of coal and pay GST at 5%?

The issue raised before us is determination of liability to pay tax on any goods or services or both and therefore, admissible before this authority for consideration on merits under Section 97(2)(e). Accordingly, the application is taken up for consideration on merits.

7.1 The only question of the applicant is whether they are liable to discharge tax liability @18% on Coal Handling and Distribution charges collected in respect of supply of coal handling and distribution service rendered as per work order wherein the customer issues the work order for such service subsequent to purchase of coal. That is the purchase order for supply of coal is issued to them by their customer at first and subsequently a separate work order for Handling and Transportation service related to the coal is issued. They have stated that a single invoice cannot be raised in this situation as the customer gives two different orders on two different times. The time line of the order for purchase of coal has been submitted as follows:-

➤ Specific information on time lines –

- i. Purchase Order from customer - Requiring Supply of Coal only - Day 1 (say, 03.05.2021) #
- ii. Separate Work Order for Handling and Distribution Service - Requiring the handling service of above mentioned Coal - Day 8 - 15 (say, 11.05.2021)
- iii. Their Invoice for Sale of Coal - on Day 2 or Day 3 (rarely they raise invoice finally - say, on Day 8 - 15)
- iv. Their Invoice for Handling and Distribution Service - Day 8 - 15 (rarely they raise invoice finally - say, on Day 18 or Day 19)

Thus it is seen that the orders are raised as independent purchase/work orders at different times. They have mentioned that they used to receive orders to deliver the coal at the factory gate of the buyer as single order; that in the pandemic time, considering the price trend of coal, the buyers, of both the imported as well as domestic coal, have started to try their level best to reduce the cost by selecting the low cost Handling and Transportation; that when the buyers are unable to find suitable service provider quoting low cost of transportation, they come back to the applicant with a separate order for handling and transportation service. The applicant themselves have stated that such supply of coal and Handling and Transportation service rendered through independent contracts do not form part of a composite supply since there is a noteworthy gap in different contracts. They have

further stated that they believe that the Coal Handling and Distribution services (SAC-9967 19) shall attract GST at 18%, while the supply of coal (HSN-2701 19 90) shall attract GST at 5%. Hence the issue boils down to deciding whether such independent supply of coal as well as the Handling and transportation services to the same customer will be considered as composite supply or they are independent supplies taxable at applicable rates individually.

7.2 To understand the issue clearly, the legal provisions are examined as under:-

Section 2(30) of the GST Act, 2017 defines Composite supply as follows:

*(30) "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;"*

Thus the supply to be composite supply,

- It should be made by a taxable person;
- Consisting of two or more taxable supplies;
- Which are naturally bundled; Supplied in conjunction with each other in the ordinary course of business; and
- One of which is the principal supply

When the supply of coal is undertaken until the buyer's doorstep in a single Purchase order, the activity of sale of coal and supply of Handling and Transportation service until the doorstep can be held to be supplied in conjunction with each other as a composite supply, wherein the principal supply being the supply of coal. In the instant scenario, the whole supply of coal and the Handling and transportation services are two supplies rendered at different times. Applicant has stated that normally, the purchase order for sale of coal is issued first and after the coal is sold, invoice for such sale is raised in 2-3 days. Then the work order for Coal handling and Transportation charges is entered into and the service thereafter is rendered around 8-15<sup>th</sup> day. Sale of coal takes place first and the ownership of the coal vests with the buyer. Later the work order for supply of service of Coal Handling and Transportation is entered into. Thus the coal becomes the property of the buyer and handling and transportation service is rendered by the applicant

subsequently based on an independent work order. In this case the services are rendered in respect of the buyer's goods and therefore the supply of such service is not made in conjunction with the sale already made and not a composite supply.

8. Applicant had produced copies of Purchase orders issued by M/s. MPM Pvt Ltd., Nagpur vide Ref: MPM/PUR/NGP\_J-14/DCIPL/001 dated 03.05.2021 for purchase of coal @5%GST from the applicant, wherein it has been mentioned that the transportation and freight will be arranged by the buyer and that they will plan placement of vehicles to lift the ordered material. Subsequently, a work order ref: MPM/PUR/NGP\_J-14/DCIPL/WO: 001 dated 11.05.2021 has been issued by M/s. MPM Pvt Ltd for provision of Coal Handling & Distribution at the rate of 18%GST. When applicant was required by us to furnish copies of invoices pertaining to these purchase orders, applicant vide letter dated .25.03.22 have stated that they have not raised any invoice till date in respect of the two purchase orders received by them. Hence from the documents furnished, it is observed that the supply of goods and subsequent service of Handling and Transportation have been two individual supplies and cannot be considered to have been supplied in conjunction with each other in the ordinary course of business.

9. From the submissions of the applicant, it is seen that the sale of coal and Coal Handling and Transportation are two separate supplies rendered ordinarily by them to their customers. They have stated three scenarios of supplies which are (i) Sale of coal alone-coal simpliciter; (ii) Supply of Handling and Transportation service alone and (iii) Sale of coal first and subsequent supply of Handling and Transportation service. Hence these supplies can be rendered separately also and they are not naturally bundled in the ordinary course of business.


10. To sum up, the supply of coal done through a separate purchase order and the supply of Coal Handling and Distribution of coal done through a subsequent work order are two individual supplies which are not rendered in conjunction with each other and have to be treated as independent and separate supplies only. Hence the supply of coal is liable for 5%GST and the supply of service of handling and distribution is liable for 18%.

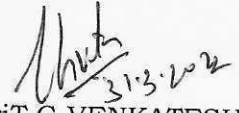


11. In view of the above, we rule as under:

**RULING**

'Sale of coal' by the applicant and subsequent supply of coal handling and distribution service ordered by a customer separately is not a composite supply. Applicant is liable to discharge GST on Coal Handling and distribution charges collected at the applicable rates (at present 18%) for such independent supply.

  
Smt. K. LATHA  
Member (SGST)

  
Shri T. G. VENKATESH  
(Member CGST)



To,  
M/s. DEVENDRAN COAL INTERNATIONAL PRIVATE LIMITED,  
4-4A, Periyasamy Road East,  
RS Puram, Coimbatore-641002

**// BY SPEED POST WITH ACK.DUE //**

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/Member,  
IInd Floor, Ezhilagam, Chepauk, Chennai – 600 005.

Copy to:

3. The Commissioner of GST & Central Excise, Coimbatore Commissionerate,  
6/7, A.T.D Street, Race Course, Coimbatore- 641018.
4. Assistant Commissioner (ST) RS Puram (East) Assessment Circle,  
Commercial Taxes Buildings, 4<sup>th</sup> floor, Dr. Balasundaram Road,  
Coimbatore-641018.
5. Master File/ Spare – 2.



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