

**GUJARAT AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
D/5, RAJYA KAR BHAVAN, ASHRAM ROAD,
AHMEDABAD – 380 009.**



ADVANCE RULING NO. GUJ/GAAR/R/40/2021
(IN APPLICATION NO. Advance Ruling/SGST&CGST/2020/AR/40)

Date: 11-08-2021

Name and address of the applicant	:	M/s. Petronet LNG Ltd. 7/A, GIDC, Industrial Estate, Dahej Taluka Vagra, Bharuch, Gujarat-392110
GSTIN/ User Id of the applicant	:	24AAACP8148D1ZM
Date of application	:	8-9-2020
Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.	:	a) Classification of any goods or services or both b) Applicability of a notification issued under the provisions of this Act.
Date of Personal Hearing	:	15-6-2021
Present for the applicant	:	Shri Onkar Sharma, Advocate

A. BRIEF FACTS

The applicant, M/s. Petronet LNG Ltd. (PLL), submitted that it provides re-gasification services to its customers on the LNG owned by the customers, referred to as 'Tolling'. In the 'Tolling Model', the Applicant receives the LNG belonging to the customers at its plant, stores it, re-gasifies it and supplies RLNG to the customers. The Appellant enters into Re-gasification Agreements (RAs) with the customers. As per the RAs, the term 'Re-gasification' means the following activities:

- i. reception by PLL of LNG Ships at the Unloading Port;
- ii. receipt by PLL of LNG delivered by LNG Ship at the Custody Transfer Point;
- iii. storage and re-gasification of such LNG at PLL's Facilities; and
- iv. transportation and delivery of RLNG by PLL to the Customer at the Custody Transport Point through pipelines which are connected through PLL's plant.

2. The Bill of Entry for home consumption is filed with the Customs Authorities directly by the Customer of the Applicant. For re-gasification, LNG stored in the tanks is passed through Shell & Tube Vaporisers ("STV") in tubes. STV contains heated glycol water which is at higher temperature than LNG and thus increases the temperature of the LNG in the tubes and converts the LNG into RLNG. During extreme winters, Submerged Combustion Vaporisers ("SCV") are also used for converting the LNG into RLNG, where the SCV has built in combustion system to maintain the temperature.

3. That the Notification No.11/2017 dated 28-06-2017 was amended vide Notification No.20/2019 dated 30.09.2019, and the following entry was inserted at serial number-26 namely "(id) Services by way of job work other than (i), (ia), (ib) and (ic) above", which is chargeable to CGST at the rate of 6%. The applicant has submitted that their activity of providing service of re-gasification of LNG to RLNG is classifiable under the aforementioned entry (id) and thereby the applicable rate of CGST and GGST ought to be 6% each making the cumulative rate (CGST+GGST) as 12%.

4. The Applicant has further submitted that interpretation of entry no. (iv) as mentioned above has been buttressed vide Circular No. 126/45/2019-GST dated 22.11.2019 which was issued to clarify the scope of the notification entry at item (id), related to job work, under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06- 2017, inserted vide Notification No.20/2019-Central Tax (Rate) dated 30.09.2019.

The relevant extract of the said Circular is as follows:

“It has been stated that the entry at item (id) under heading 9988 of Notification No. 11/2017- Central Tax (Rate) dated 28-06-2017 inserted with effect from 01-10-2019, prescribes 12% GST rate for all services by way of job work. This makes the entry at item (iv) which covers “manufacturing services on physical inputs owned by others” with GST rate of 18%, redundant”.

2. *The matter has been examined. The entries at items (id) and (iv) under heading 9988 read as under*

(3)	(4)	(5)
(id) Services by way of job work other than (i), (ia),(ib) and (ic) above;	6	
(iv) Manufacturing services on physical inputs (goods) owned by others, other than (i), (ia), (ib), (ic), (id),(H), (iia) and(Hi) above.	9	

3. *Job work has been defined in CGST Act as under.*

"Job work means any treatment or processing undertaken by a person on goods belonging to another registered person and the expression ‘job worker’ shall be construed accordingly.”

4. *In view of the above, it may be seen that there is a clear demarcation between scope of the entries at item (id) and item (iv) under heading 9988 of Notification No. 11/2017-Central Tax (Rate) dated 28-06-2017. Entry at item (id) covers only job work services as defined in section 2*

(68) of CGST Act, 2017, that is, services by way of treatment or processing undertaken by a person on goods belonging to another registered person. On the other hand, the entry at item

(iv) specifically excludes the services covered by entry at item (id), and therefore, covers only such services which are carried out on physical inputs (goods) which are owned by persons other than those registered under the CGST Act. ”

Question on which Advance Ruling sought

1. Whether the applicant’s activity of providing service of regasification of LNG owned by its customers to convert to RLNG, from its Plant at Dahej, Gujarat would amount to rendering of service by way of Job Work within the meaning of Section 2(68) of the CGST, 2017 and the GGST Act, 2017

2. If yes, then whether the said service of re-gasification by way of job work be classifiable under entry (id) of Heading No. 9988 at Sl. No. 26 of Notification No. 11/2017-CT (rate) dated 28.06.2017, as amended vide Notification No. 20/2019-CT (Rate) dated 30-09-2019 w.e.f. 01.12.2019 and be chargeable to CGST at the rate of 6%.

Personal Hearing

5. **Shri Onkar Sharma**, Advocate appeared for the hearing (Video conference) on 15-6-21 and reiterated the contents of the application. To specific question whether all

customers in subject matter were registered under GST, he submitted that they receive LNG from Registered Persons only for subject matter.

FINDINGS

6. We have carefully considered all the submissions made by the applicant.

7. Job-work, as per Section 2(68) of CGST Act, is defined as-

“Job works 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”.

8. We find the subject activity of conversion of LNG into RLNG is a process undertaken by Petronet on LNG belonging to another GST Registered persons, namely M/s. Bharat Petroleum Corporation Ltd., Dahej, Gujarat (GSTIN 24AAACB2902M1ZZ), M/s. Bharat Petroleum Corporation Ltd., Maharashtra (GSTIN 27AAACB2902M1ZT), Torrent Power Ltd., Surat, Gujarat (GSTIN 24AACCT0294J1C) and Torrent Power Ltd., Bharuch, Gujarat (GSTIN 24AACCT0294J2ZB) We note that LNG is goods classified at HSN 2711. Thereby, we hold that subject activity merits to be covered at entry ‘id’ of Heading 9988 at Sl. No. 26 of Notification No. 11/2017-CT (rate) dated 28.06.2017, as amended.

9. Further, we find that the Government Circular 126/45/2019-GST dated 22-11-19, mentioned at para 5 has clarified this issue crystal clear.

10. We, therefore, issue the Ruling:

RULING

Petronet’s activity of re-gasification of LNG owned by its GST registered customers amounts to rendering of service by way of Job Work and merits to be covered at entry ‘id’ of Heading 9988 at Sl. No. 26 of Notification No. 11/2017-CT (rate) dated 28.06.2017, as amended, liable to CGST at 6% .

(SANJAY SAXENA)

(ARUN RICHARD)

MEMBER (S)

(MEMBER (C)