सत्यमेव जयते

BEFORE THE APPELLATE AUTHORITY FOR ADVANCE RULING for the State of Andhra Pradesh (Goods and Service Tax)

(Office at O/o Chief Commissioner of State Tax, Govt. of A.P.,D.No.12-468-4, adjacent to NH-16, Service Road, Kunchanapalli, Guntur District, AP-522501)

Present:

Sri Sanjay Pant (Member) (Central Tax)

Sri M.Girija Shankar (Member) (State Tax)

The 26th day of April, 2024

Order /AAAR/AP/03 (GST)/2024

1	Name and address of the appellant	M/s. Saddles International Automotive & Aviation Interiors Private Limited Survey No. 151/2, Budili Village, Gorantla Mandal, Anantapur, AP-515241
2	GSTIN	37ABBCS7194N1ZK
3	Date of filing of Form GST ARA-02	07.02.2024
4	Hearing (Virtual)	13.03.2024
5	Authorized Representative	L. Satya Sai, Advocate
6	Jurisdictional Authority – Centre	Hindupur – II Range, Anantapur Division

(Under Section 101 of the Central Goods and Service Tax Act and the Andhra Pradesh Goods and Service Tax Act).

At the outset, we would like to make it clear that the provisions of both the CGST Act and the APGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the APGST Act.

The present appeal has been filed under Section 100 of the Central Goods and Services Tax Act, 2017 and the Andhra Pradesh Goods and Services Tax Act, 2017 [hereinafter referred to as "the CGST Act and APGST Act"] by M/s. Saddles International Automotive & Aviation Interiors Private Limited (herein after referred to as the "Appellant") against the Advance Ruling No. AAR

No.13/AP/GST/2023 dated 15.12.2023 issued by Authority for Advance Ruling, Andhra Pradesh.

1. **Background of the Case:**

- M/s. Saddles International Automotive & Aviation Interiors Private Limited (hereinafter referred to as "**the Appellant**") is engaged in the business of manufacture and supply of car seat covers, car accessories, engineer design services, graphic design services, etc. The Appellant has premises at Survey No. 151/2, Budili Village, Gorantla Mandal, Anantapur, Andhra Pradesh – 515241 and is registered under Goods and Services Tax (hereinafter referred to as "**GST**") with GSTIN No. 37ABBCS7194N1ZK covered by jurisdiction of Central Goods and Services Tax Commissionerate, Tirupati.
- In the course of its business, the Appellant manufactures and supplies car seat covers (hereinafter referred to as "**original seat covers**") made of fabric or Polyurethane (hereinafter referred to as "**PU**") which are designed to permanently fit over the raw foam seat installed in the car and becomes an integral part of the car seats. The original seat covers are supplied to the Original Equipment Manufacturers (hereinafter referred to as "**OEMs**") and seat manufacturers on contract basis who further supply the original seat covers to OEMs for permanent affixation over the raw foam seat which is ultimately sold with the motor vehicles.
- The manufacturing process of the original seat covers involves cutting and stitching of the fabric or PU as per the specifications and measurements of the automobile seats provided by the OEMs/seat manufacturers depending on the make and model of each vehicle. In certain cases, the Appellant is provided with molds or templates to ensure permanent and perfect affixation of the original seat covers on the raw foam seat. The seat covers are affixed by the OEMs on the metal welded frame and PU pads / foam with the help of rubber catches and metal c-rings (which is a type of fastener).
- The original seat covers serves as a primary layer of textile fabric of the car seat which is permanently affixed over the raw seat after the foam cushion pad, which is fastened or attached to the frame of seat assembly. Without mounting the original seat cover over the raw foam seat, the seat is

incomplete since the raw foam seat in itself does not last long, cannot be fixed as such without any damage etc. and thus, the same cannot be sold to the customers in the same manner.

- Further, the original seat covers manufactured by Appellant adheres to the safety standards and are designed keeping in mind the airbag compatibility. Therefore, the original seat covers being permanently fitted / installed to the seat in the vehicle at the time of sale, is an essential and integral part of the seat.
- The Appellant wanted to know whether the "original car seat covers" which are permanently attached to the raw foam seat of vehicles are classifiable under Chapter Heading 9401 as "Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof" and liable to GST at the rate of 18 % vide Sl.No. 435A under Schedule III of Notification No.1/2017- Central Tax (Rate) dated 28.06.2017 (hereinafter referred to as "**Rate Notification**") as amended by Notification No. 41/2017 – Central Tax (Rate) dated 14.11.2017 (hereinafter referred to as "**Amendment Notification**").

Question: Whether original car seat covers which are manufactured and designed to permanently fit over the raw foam seat of the vehicle by the OEMs as well as the seat manufactures who further sell to OEMs and are sold with me vehicle as an essential and integral of part of seat is classifiable under HSN 9401 as " Seats (other than those of heading 9402) whether or not convertible into beds, and parts thereof other than seats of kind used for aircraft" and is liable to GST @ 18 % vide Sl. No. 435Aunder Schedule III of Notification No.1/2017- Central tax (rate) dt.28.06.2017 as amended by Notification no.41/2017 Central Tax (rate) dt.14.11.2017

The Authority for Advance Ruling Andhra Pradesh in its orders in AAR No.13/AP/GST/2023 dated 15.12.2023 held:

Answer: No, original car seat covers which are manufactured and designed to permanently fit over the raw foam seat of the vehicles by the OEMs as well as the seat manufacturers who further sell to OEMs and are sold with the vehicle as an essential and integral part of seat is classifiable under HSN 8708 and is liable to pay @28%(CGST@14%+SGST@14%).

Aggrieved by the impugned order, the appellant has filed the present appeal on the following grounds.

2. Grounds of Appeal:

A. ORIGINAL SEAT COVER IS CLASSIFIABLE UNDER TARIFF ITEM 9401 9900 AND IS EXIGIBLE TO GST AT THE RATE OF 18% IN TERMS OF SL. NO. 435A OF SCHEDULE III OF THE RATE NOTIFICATION

A.1 The Appellant submits that the original seat cover is made of fabric or PU and serves as a primary layer/cover permanently fixed or fitted to the raw foam of a seat that is installed/ assembled inside the car/vehicle. The fabric or PU is cut and stitched as per the specifications and measurements of the automobile seats provided by the OEMs or seat manufacturers to whom the original seat covers are supplied depending on the market and model of each car. In certain cases, the OEMs or seat manufacturers provide molds or templates to ensure permanent and perfect affixation of the original seat cover on the raw foam seats. The OEMs affix the original seat cover on the metal welded frame and PU pads / foam with the help of rubber catches and metal c-rings (which is a type of fastener).

A.2 It is submitted that without mounting the original seat cover over the raw foam seat, the seat is incomplete since the raw foam seat in itself does not last long, cannot be fixed as such without any damage etc. and thus, the same cannot be sold to the customers in the same manner. Further, the original seat covers also adheres to the safety standards and is designed keeping in mind the airbag compatibility of the car to which the seat is to be installed/ assembles in.

A.3 According to the Appellant, the seat covers are classifiable under Chapter Heading 9401 and liable to GST at 18% in terms of Sl. No. 435A of Schedule III of the Rate Notification as amended by Notification No. 41/2017- Central tax (Rate) dated 14.11.2017 (hereinafter referred to as "**Amendment Notification**") which notifies that "*Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof [other than seats of a kind used for aircraft]*". However, the Ld. AAR held that the seat covers are classifiable under Chapter Heading 8708 and liable to GST at 28% as per the Rate Notification. The relevant portion of the corresponding entries of the Rate Notification as amended till date are extracted hereunder:

"Schedule III – 9%

S. No.	***Chapter/Heading/ Sub-heading/Tariff Item***	***Description of Goods***
435A	*9401 [other than 9401 10 00]*	*Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof [other than seats of a kind used for aircraft]]*

…

Schedule IV– 9%

S. No.	***Chapter/Heading/ Sub-heading/Tariff Item***	***Description of Goods***
170	*8708*	*Parts and accessories of the motor vehicles of headings 8701 to 8705 [other than specified parts of tractors]*

…"

A.4 Explanation (iii) to the Rate Notification provides that "Tariff Item," "Sub-heading" "Heading" and "Chapter" shall mean respectively a Tariff Item, Sub-heading, Heading and Chapter as specified in the First Schedule to the Customs

Tariff Act, 1975. Further, Explanation (iv) provides that the rules for the interpretation of the First Schedule, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this Notification.

A.5 Thus, the classification of the goods/final products of the taxpayers shall be determined as per the provisions of the Customs Tariff, the Explanatory Notes, etc. made thereunder.

A.6 However, the Appellant submits that the original seat cover merits classification under the Tariff Item 9401 9900 as per the provisions of the Customs Tariff, the Explanatory Notes, etc. which are discussed *infra* and is covered under Sl. No. 435A of Schedule III of the Rate Notification which notifies the applicable rate of GST for the same as 18%. The detailed submissions in this regard are made hereunder:

The original seat covers supplied by the Appellant are classifiable under Tariff Item 9401 9900:

A.7 Chapter 94 to Section XX of the First Schedule to the Customs Tariff Act, 1975 (hereinafter referred to as "**CT Act**") deals with the classification of "*Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; luminaires and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings."*

A.8 Heading 9401 deals with the classification of "*Seats (other than those of heading 9402), whether or not convertible into beds and parts thereof*." Further, Tariff Item 9401 2000 covers "*Seats of a kind used for motor vehicles*" and Tariff Item 9401 9900 is a residuary heading covering "*other*" parts of seats of Chapter Heading 9401.

A.9 It is submitted that on perusal of the above entries, it is clear that the seats of a kind used for motor vehicles merit classification under Tarif Item 9401 2000. Further, parts of seats of a kind used for motor vehicles would be covered under Tariff Item 9401 9900.

A.10 Therefore, on perusal of the above, the aforementioned tariff entries clearly and specifically cover the seats of motor vehicles and parts of such seats and both are classifiable under Chapter Heading 9401. The Ld. AAR has failed to appreciate the aforementioned submissions made in the Application for Advance Ruling and the personal hearing.

A.11 As submitted *supra*, the original seat covers are parts of the seats used in the motor vehicles since the said seat covers the raw foam seat and which out such coverage, the raw foam seat would be not considered as a complete seat for use in the motor vehicles.

A.12 Thus, the Appellant submits that the original seat covers being parts of the seats used for motor vehicles merit classification under Tariff Item 9401 9900. Accordingly, such original seat covers are covered under Sl. No. 435A of Schedule III of the Rate Notification as "*Parts and accessories of the motor vehicles of headings 8701 to 8705 [other than specified parts of tractors]*" and the same are liable to GST at the rate of 18%.

A.13 Further to substantiate the aforementioned submission that seats of a kind used for motor vehicles and the parts thereof i.e., including the seat cover are classifiable under Chapter Heading 9401, the Appellant hereunder refers to the Explanatory Notes under Harmonized System of Nomenclature (hereinafter referred to as "**HSN Explanatory Notes**").

A.14 Chapter Note 2 to Chapter 94 of the First Schedule of the CT Act and also under the HSN Explanatory Notes provides as under:

> *"2.- The articles (other than parts) referred to in headings 94.01 to 94.03 are to be classified in those headings only if they are designed for placing on the floor or ground.*
>
> *The following are, however, to be classified in the above-mentioned headings even if they are designed to be hung, to be fixed to the wall or to stand one on the other:*
>
> *(a) Cupboards, bookcases, other shelved furniture (including single shelves presented with supports for fixing them to the wall) and unit furniture;*
>
> *(b) Seats and beds.*
>
> *3.- (A) In headings 94.01 to 94.03 references to parts of goods do not include references to sheets or slabs (whether or not cut to shape but not combined with other parts) of glass (including mirrors), marble or other stone or of any other material referred to in Chapter 68 or 69.*
>
> *(B) Goods described in heading 94.04, presented separately, are not to be classified in heading 94.01, 94.02 or 94.03 as parts of goods."*

A.15 In view of the above, it can be said that a seat will be classifiable under Chapter Heading 9401 only if it satisfies the conditions specified under Chapter Note 2 discussed *supra*.

A.16 The General Explanatory Notes under Chapter 94 covers all furniture and parts thereof covered by Chapter Heading 9401 to 9403 subject to the exclusions listed in the HSN Explanatory Notes to Chapter 94. Here, it may be noted that Chapter Heading 9401 *inter-alia* covers seats, Chapter Heading 9402, *inter-alia,* covers medical, surgical, dental, or veterinary furniture, etc. and Chapter Heading 9403, *inter-alia,* covers other furniture. Further, the term "seats" has not been defined in the General Explanatory Notes, however, the term "furniture" is defined as follows:

> "*For the purpose of this Chapter, the term "furniture" means:*

> *(A)Any "movable" articles (not included under other more specific headings of the Nomenclature), which have the essential characteristic that they are construed for placing on the floor or ground, and which are used, mainly with a utilitarian purpose, to equip private dwellings, hotels, theatres, cinemas, offices, churches, schools, cafes, restaurants, laboratories, hospitals, dentists' surgeries, etc., or ships, aircrafts, railway coaches, motor vehicles, caravan-trailers or similar means of transport. (It should be noted that, for the purposes of this Chapter, articles are considered to be "movable" furniture even if they are designed for bolting, etc., to the floor, e.g., chairs for use on ships). Similar articles (seats, chairs, etc.) for use in gardens, squares, promenades, etc. are also included in this category."*
>
> *(Emphasis supplied)*

A.17 Further, Chapter Note 1 of Chapter 94 of the First Schedule of the CT Act and also under the HSN Explanatory Notes provides the list of goods not covered under said Chapter such as articles of Chapter Heading 8714, Dentists' chairs incorporating dental appliances of Chapter Heading 9018 or dentists' spittoons of Chapter Heading 9018, etc. It is pertinent to note that the said exclusion list does not cover any furniture covered by Chapter 94 including seats or parts thereof.

A.18 Further, the first paragraph under the HSN Explanatory Notes to Chapter Heading 9401 provides as follows:

> "*Subject to the exclusions mentioned below, this heading covers all seats (including those for vehicles, provided that* they *comply with the conditions in Note 2 to this Chapter), for example:*
>
> *Lounge chairs, arm-chairs, folding chairs, deck chairs, infants' high chairs and children's seats designed to be hung on the back of other seats (including vehicle seats), grandfather chairs, benches, couches (including those with electrical heating), settees, sofas, ottomans and the like, stools (such as piano stools, draughtsmen's stools, typists' stools, and dual purpose stool-steps), seats which incorporate a sound system and are suitable for use with video game consoles and machines, television or satellite receivers, as well as with DVD, music CD, MP3 or video cassette players.---."*
>
> *(Emphasis Supplied)*

A.19 On perusal of the aforementioned, it is clear that the furniture includes seats of the motor vehicles and the Chapter 94 covers all furniture and parts thereof, therefore, the seats of a kind used for motor vehicles and the parts thereof are covered only under Chapter 94.

A.20 Further, the first paragraph under the heading "*PARTS*" under the HSN Explanatory Notes to Chapter 94 states that the said Chapter only covers parts, whether or not in the rough, of the goods of the Chapter Headings 9401 to 9403 and 9405, when identifiable by their shape or other specific features as parts designed solely or principally for an article of those headings. They are classified in Chapter 94 when not more specifically covered elsewhere.

A.21 Furthermore, the HSN Explanatory Notes to Chapter Heading 9401 provides as follows:

> ***"PARTS***
>
> *<u>The heading also covers identifiable parts of chairs or other seats, such as</u> backs, bottoms and arm-rests (whether or not upholstered with straw or cane, stuffed, or sprung), <u>seat or backrest covers</u> <u>for permanent attachment to a seat,</u> and spiral springs assembled for seat upholstery.*
>
> *Separately presented cushions and mattresses, sprung, stuffed or internally fitted with any material or of cellular rubber or plastics whether or not covered, are excluded (heading 94.04) even if they are clearly specialised as parts of upholstered seats (e.g., settees, couches, sofas). When these articles are combined with other parts of seats, <u>however</u>, they remain classified in this heading. They also remain in this heading when pres with the seats of which they form part."*
>
> *(Emphasis Supplied)*

A.22 It is pertinent to note from the above explanatory notes that the Chapter Heading 9401 specifically covers identifiable parts of seats such as seat covers for permanent attachment to a seat. Thus, it clearly flows from the above that the seat covers of seats of a kind used for motor vehicles are covered under "parts" of such seats.

A.23 Here, reliance is placed on the decision of the Hon'ble Supreme Court in ***L.M.L, Limited vs. Commissioner of Customs*** reported at ***2010 (258) ELT 321 (SC),*** wherein it was held that in order to resolve a dispute on tariff classification, internationally accepted nomenclature emerging from HSN explanatory notes, is a safe guide for classification.

A.24 The above principle was also recognized in the following rulings of the Hon'ble Supreme Court in:

a. ***CCE v. Wood Craft Products Ltd.*** reported at ***1995 (75) ELT 23 (SC).***
b. ***Collector of Central Excise v. Bakelite Hylam*** reported at ***1997 (91) ELT 13 (SC).***
c. ***Collector of Customs v. Business Forms Ltd.*** reported at ***2002 (142) ELT 18 (SC).***

A.25 In light of the submissions made *supra,* it is submitted that since seats of a kind used for motor vehicles are specifically covered under Chapter Heading 9401, the parts of the said seats including the seat covers by virtue of their inherent characteristics and functions as being an identifiable and integral part of such seats are also specifically covered under Chapter Heading 9401.

A.26 In the instant case, as submitted *supra,* the original seat covers manufactured and supplied by the Appellant are mounted over the raw foam seats, thereby forming an integral part of the seats which are installed in the motor vehicles/ cars. Without mounting the original seat cover over the raw foam seat, the seat is incomplete since the raw foam seat in itself cannot serve the purpose of seating does not last long, cannot be fixed as such without any damage etc. Thus, it is submitted that the original seat covers, being an identifiable and integral part of the seat, are also specifically covered under Chapter Heading 9401 of the First Schedule of the CT Act.

A.27 Though original seat covers used for seats of motor vehicles can be said as parts of the seats in light of the specific inclusion under the Chapter Heading 9401 as discussed *supra*, the Appellant make further submissions as regards the original seat covers as part of the seats of the motor vehicles, which are covered under Chapter Heading 9401.

Meaning of "*Part(s)*"

A.28 It is submitted that the term "Part(s)" has neither been defined under the GST law. Thus, the terms "Part(s)" is to be understood through the meanings assigned in various dictionaries.

A.29 The Cambridge English Dictionary defines the term "part" as follows:

> *"Part as a noun – a separate piece of something or a piece that combines with other pieces to form the whole of something; One of the pieces that together form a machine or some type of equipment."*

A.30 As per the Black's Law Dictionary, "part" is defined as an integral portion, something essentially belonging to a larger whole, that which together with another with another.

A.31 Further, the Merriam Webster Dictionary defines the term "part" as a constituent member of a machine or other apparatus, an essential portion or integral element.

A.32 On perusal of the above definitions, it can be noted that term "part(s)" would refer to a thing or item which essentially belongs to a distinct larger whole, which is necessary for the constitution of the whole and without which the whole cannot be constituted.

A.33 In this regard, reference is made to the decision of the Hon'ble Supreme Court, in the case of ***Pragati Silicon Pvt. Ltd. vs. CCE, Delhi (2007 (211) ELT 534 (SC)),*** wherein it was held that for an item to qualify as a "part", it must be an essential component of a machine or a larger assembly without which the intended use of the finished product cannot be achieved. Such a "part" is not normally used independently and is not easily disassembled for maintenance purposes.

A.34 Further, the Hon'ble Supreme Court in ***CCE v. Insulation Electrical (P) Ltd., 2009 (224) ELT 512*** (SC) analyzed the term "part" and held that it is an essential component of the whole without which the whole cannot function.

A.35 The Hon'ble Tribunal in ***CC v. Hydranautics Membrane India Ltd., 1994 (71) ELT 711 (Tri. -Del)*** construed the meaning of "part" as *"something essentially belonging to a larger whole, an integral portion."*

A.36 It is submitted that on a cumulative analysis of the above judicial precedents, the point which crystallizes is that "part" *per se* means a portion of equipment or machinery which is essentially linked to the functioning of that particular equipment or machinery. In other words, "part" is an integral element of machinery or equipment without which the specific product cannot function. The "part" in question should be so inextricably linked to the product that the same cannot be brought into any form without the "part" in question.

A.37 As submitted *supra,* the Appellant is engaged in the manufacture and supply of original seat covers which is the primary layer permanently fitted as a first or original cover over the raw foam/ cushion that is attached to the car seat on the car floor, without which, the car seats are incomplete and the vehicle cannot be sold to the customers without such complete seats comprising of the original seat covers.

Meaning of "*Part of seat.*"

A.38 It is submitted that the crux of the instant case is to determine whether the original seat covers manufactured and supplied by the Appellant would be considered as "part of seat."

A.39 The original seat cover manufactured by the Appellant is an inseparable and essential part of car seats. They are identifiable parts of seats of a kind used for motor vehicles and would remain classifiable under Chapter Heading 9401. The HSN Explanatory Notes under Chapter 94 state that "parts" of goods of the Heading 9401 would remain under this heading, "when identifiable by their shape or other specific features as parts designed solely or principally for an article of those headings. They are classified in this Chapter when not specifically covered elsewhere." While these parts are identifiable with car seats, they are not more specifically covered elsewhere in other Chapters. Also, the General Explanatory Notes to Chapter Heading 9401 expanded the scope of "parts" to include seat covers for permanent attachment to a seat, thus, the original seat covers would remain classifiable under Chapter Heading 9401, as parts of the seat of a kind used for motor vehicles.

Judicial Precedents:

A.40 Here, reliance is placed on the decision of the Hon'ble Supreme Court in ***CCE, Kanpur v. Matador Foam reported in 2005 (179) E.L.T. 257 (S.C.)***, wherein while construing Chapter Note 2 of Chapter 94, it was held that the term 'floor or ground' would also include floor of the car or vehicle seats made for vehicles are placed on the floor of the car or vehicle. Therefore, Chapter Note 2 would not exclude seats of vehicles from Chapter 94. Significantly, it was also held by the Hon'ble Supreme Court in Matador Foam case held that foam used as cushion which is affixed to frame of the automobile seat during manufacture of seat assembly would fall under Chapter Heading 9401 as a part of the automobile seat. Therefore, in the present case, the original seat cover is the primary layer of fabric or PU attached to the raw foam before the car seat is mounted to the car floor.

A.41 Further, reliance is placed on the case of ***Shiroki Auto Components India Pvt. Ltd.*** reported at ***2020 (374) E.L.T. 433 (Tri. – Ahmd.)***, wherein the Hon'ble Tribunal held that the imported child parts were used by the assessee in the manufacture of another part i.e. Round Recliner which is an integral part of motor vehicle seat and thus would fall under Tariff Item 9401 90 00 of Customs Tariff Act, as part of seat of a motor vehicle, and not as parts of motor vehicle under Chapter Heading 8708 as the goods imported were not directly used in manufacture of motor vehicle parts. The relevant portion of the decision is extracted hereunder:

> *"5…The limited issue to be decided is whether the child parts imported by the appellant from Japan is classifiable under CTH 9401 90 00 as pads of vehicle seats as declared by the appellant or under CTH 8708 99 00 as parts and accessories of motor vehicles of heading 8701 to 8705 as assessed by the Customs.*
>
> *8… It is undisputed that <u>child parts used for making parts which are subsequently used in the complete assembly of vehicle seat and the</u>*

vehicle seat has been classified under (Heading) 9401 then how part of seat can be classified under (Heading) 8708 If Revenue's contention is accepted then the tariff entry i.e seats of a kind used for motor vehicles under (Tariff Item) 9401 20 00 will become redundant.

9. As regards judgments made by the Learned Counsel for the appellant. We find that in the case of JTEKT Sena Automotive India Limited (supra) the Principal Bench of this Tribunal. After analyzing legal provisions of customs tariff. HSN. Drawing a similar interpretation, decided that the assessee imported 'gear reduction blank' is correctly classifiable under 8483 40 00 as gear and gearing. Other than toothed wheel. Chain sprockets and other transmission elements presented separately as against Revenue's contention to classify under 8708 94 00. It is pertinent to mention that in the above case, the goods imported were directly used in the manufacture of motor vehicle parts whereas, in the present case child pads were admittedly used in the vehicle seat parts. Therefore, the appellant's case is on the better footing In identical issue, in the case of Uni Products India Limited (supra) the Hon'ble Supreme Court after considering various provisions of HSN and explanatory notes General Rules for interpretation held that car mating which is used in the motor vehicle is classifiable under Chapter 57 and not under Chapter 87. In this case, the assessee was manufacturing car mating which was directly used in the motor vehicle and despite this the Hon'ble Supreme Court held the classification under Chapter 57 whereas in the present case, child parts were not used in the motor vehicle but were used in the manufacture of another parts i.e. Round Recliner which is an integral part of motor vehicle seats. Therefore, Apex Court judgment is applicable in the facts of the present case.

10…As regards the judgment in the case of Insulation Electricals Pvt. Limited (supra) relied upon by the Revenue, we find that in the said judgment motor vehicle parts and accessories involved was rail assembly front seat adjuster/assembly slider seat and rear back seal lock assembly, all these items are not part of seat but accessories which is fitted in the motor vehicle. Whereas, as per facts in the present case child parts are used to make Round Recliner which is used for manufacturing Recliner Assembly and the Recliner Assembly is fitted inside the seat at the time of assembling of complete seat. Therefore, the child parts are integral pads of seat and not like accessories which is fitted in the motor vehicle. Hence. The facts of the case in Insulation Electricals Pvt Limited (supra) and in the present case are entirely different."

(Emphasis supplied)

A.42 The aforesaid decision was affirmed by the Hon'ble Supreme Court in ***Commissioner vs. Shiroki Auto Components India Pvt. Ltd. – 2021 (378) E.L.T. A145 (S.C.),*** wherein the appeal filed by department *(Civil Appeal No.* ***1623 of 2021)*** was dismissed and classification of child parts used in seat of vehicles under Tariff Item 9401 90 00 instead of Tariff Item 8708 99 00 was upheld.

A.43 In view of the above, it is humbly submitted that the original seat cover in question is the primary/original layer(cover) of fabric which is permanently attached over the raw foam/cushion and becomes an inseparable and integral part of the car seat. The seat assembly is thereafter mounted/installed on the floor of the car. Thus, without such layer of fabric or cover, the car seat will be incomplete and be in a functional/ marketable state or condition to a prospective customer of the car. Hence, it is submitted that the aforesaid decision of ***Shiroki Auto*** (*supra*) squarely applies to the present case.

A.44 Further, reference is made to the Advance Ruling passed by the Customs Authority for Advance Ruling, Mumbai in the case of ***Steel case Asia Pacific Holdings India Private Limited (2022 (380) ELT 103 (AAR-Cus.-Mum.)),*** wherein it was held that the components of swivel seats or chairs imported in disassembled form shall be classified under Tariff Item 9401 90 00 only.

International rulings/memorandums on classification of permanent seat covers.

A.45 Further, it is submitted that the Customs Rulings of US Customs and Border Protection (CROSS Rulings), relating to the classification of the subject permanent seat covers imported into USA based on the HSN Explanatory Notes, also have persuasive value in determining the classification of the goods.

A.46 In ***US Ruling NY 320628*** dated 26.07.2021, the permanent seat covers were held to be classifiable under Chapter Heading 9401. The relevant extract is reproduced below:

> *"Unlike a slipcover which is placed over a finished seat providing protection against wear and tear, the subject seat shell is a permanent component to a seat as a seat will not be complete without it. The seat base, the backrest, and the armrests comprising the seat shell are sewn together as a unified article and will take the shape of a sloth once filled with polyester fill.*
>
> *...*
>
> *Further, the Ens to Heading 9401 'Parts," state: "This heading also covers identifiable parts of chairs or other seats, such as backs. Bottoms, and armrests (whether or not upholstered with straw or cane, stuffed, or sprung). Seat or backrest covers for permanent attachment to a seat, and spiral springs assembled for seat upholstery."*
>
> *The unstuffed seat shell is a dedicated part of an incomplete child seat and is not more specifically provided for elsewhere in the tariff schedule.*
>
> *The applicable subheading for the subject merchandise will be 9401.90.5021, HTSUS. Which provides for "Seats (other than those of heading 9402). Whether or not convertible into beds, and parts thereof Pans: Other. Other. Other. Of textile material, cut to shape " The rate of duty will be free."*
>
> *...(Emphasis supplied)*

A.47 12 Further, the Canada Border Services Agency (CBSA) issued ***Memorandum D10-15-31*** providing guidelines on tariff classification of permanent car seat covers under the Customs Tariff The same is extracted for ease of reference.

"DEFINITIONS

Permanent car seat covers*: These are covers for the permanent attachment to the backs, bottoms and frames of seats of automobiles and other motor vehicles. Permanent car seat covers may be equipped with elements and cutouts for fixing and adapting them to seats and their frames. They can be made of different materials and can consist of more than one piece for assembly to constitute a complete seat cover. After the seats are installed in the vehicle, the covers cannot generally be removed without first removing the seat from the vehicle.*

For purposes of this administrative policy. It is understood that these covers are presented separately from the seats. And that "permanent attachment" means at least one of the following:

i. the covers are physically incorporated into the seats, for instance, by being attached by an adhesive, stitching or the like;

ii. the covers are so affixed to the seats that they become practically inseparable, for instance by being attached by staples, bolts, screws, or the like that would, at a minimum, require tools to remove the covers; or,

iii. the covers are so attached to seats that removal of the covers would cause substantial damage to the seats from which they are removed.

..."

(Emphasis supplied)

A.48 Perusal of the aforesaid Guidelines clearly reveal that the original seat cover is permanently affixed to the raw foam seat and becomes an inseparable and integral part of the car seat without which seat is incomplete and consequently, the vehicle cannot be sold to the buyer.

A.49 Thus, it is submitted that the original seat cover designed to permanently fit over the raw foam seat of the car manufactured and supplied by the Appellant would thus fall under the Chapter Heading 9401 as parts of seats and shall be classifiable under Tariff Item 9401 9900 and would be liable to GST at the rate of 18% in terms of Sl. No. 435A of Schedule III of the Rate Notification.

Explanatory Notes to Section XVII:

A.50 As submitted *infra,* the HSN Explanatory Notes to Chapter Heading 8708 provides that Heading 8708 covers parts and accessories of the motor vehicles of Heading 8701 to 8705 provided that they must not be excluded by the provisions of the Notes to Section XVII.

A.51 Under Part (III) of the General Explanatory Notes to Section XVII, it is stated that the parts and accessories, even if identifiable as for the articles under Section XVII are excluded if more specifically covered by another heading elsewhere in the Nomenclature such as vehicle seats classifiable under Heading 9401. The relevant extracts made *infra*.

A.52 Thus, on perusal of the General Explanatory Notes to Section XVII which covers Chapter 87, it is clear that the parts of seats classifiable under Chapter Heading 9401 are specifically excluded from classification under Chapter 87.

A.53 Therefore, in light of the above also, the original seat covers being parts of seats of a kind used for motor vehicles are classifiable only under the Chapter Heading 9401.

Without prejudice, specific description shall prevail over general description:

A.54 Rule 3(a) of the General Rules for Interpretation (hereinafter referred to as "**GRI**") provides as under:

> *"3. When by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:*

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods."

A.55 As per Rule 3(a) of GRI, if a product can be classified under two or more different headings, then the same must be classified under the heading which provides the most specific description as against the heading which provides a general description.

A.56 Thus, without prejudice to the other submissions, it is submitted that on this ground also, the original seat covers merits classification under Chapter Heading 9401 which is a specific entry and not under the general entry of sub-heading 8708 99 since by virtue of the above submissions and explanatory notes, it is very clear that the seats and parts thereof are covered under Chapter Heading 9401.

<u>Common Parlance Test:</u>

A.57 It is submitted that the 'common parlance test' is generally the most applied test, judicially, to determine the appropriate classification of any product. The 'common parlance test' is used to understand the ordinary and everyday meaning of words and phrases.

A.58 In this regard, reliance is placed on the decision of the Hon'ble Supreme Court in the case of ***Naturalle Health Products (P) Ltd. v. CCE*** reported in ***2003 (158) ELT 257 (S.C.)***, wherein it was observed that the articles enumerated in the tariff schedules must be construed as far as possible in their ordinary or popular sense, that is, how the common man and persons dealing with understand it.

A.59 Further, reliance is placed on decision of the Hon'ble High Court of Bombay in the case of ***Pharm Aromatic Chemicals v. Municipal Corporation of Greater Bombay*** reported at ***1997 (95) ELT 203 (Bom)*** wherein with respect to the applicability of 'common parlance test', it was observed that:

> *"10. The principles which govern the interpretation of items in the list of taxable goods are no more res integra. Various principles or tests have been evolved by the Supreme Court from time to time for interpretation of items of taxable goods. One of the well-known principles of interpretation is that words of everyday use must be construed not in the scientific or technical sense but as understood in common parlance. If a statute contains a language which is capable of being construed in a popular sense, such a statute should not be construed according to the strict or technical meaning of the language contained in it, but it should be construed in its "popular sense", meaning thereby the sense which people conversant with the subject matter with which the statute is dealing would attribute to it. …*
>
> *14. The principles that emerge from the above interpretation can be summed up thus: Where no definition is provided in the statute for ascertaining the correct meaning of a fiscal entry, the same should be construed as understood in common parlance or trade or commercial parlance. Such words must be understood in their popular sense. The strict or technical meaning or the dictionary meaning of the entry is not resorted to. The nomenclature given by the parties to the word or expression is not determinative or conclusive of the nature of the goods. The same will have to be determined by application of the well-settled rules or principles of interpretation which have been referred to as "common parlance rule," "trade or commercial parlance" rule, "commonsense rule of interpretation" and "user test"."*

A.60 It is submitted that the applicability of the "common parlance test" has been upheld and resorted to in various cases by the Supreme Court like ***Indo International Industries v. Commissioner of Sales Tax*** reported at ***1981 (8) ELT 325 (SC)*** and ***Commissioner of Sales Tax v. Macneill and Barry Ltd.*** reported at ***1986 (23) ELT 5 (SC).***

A.61 The Appellant sells the original seat covers as covers designed to permanently fit over the raw foam seats installed in the vehicles and are sold as an integral part of the car seats. The customers directly approach the Appellant for the said seat covers for use in making the seats used in the motor vehicles and perceive them as an integral part of the seat.

A.62 In view of the above, the Appellant submits that on applying common parlance test to the present factual scenario, it can be said that the original seat cover by its very nomenclature gives the impression that the same is to be treated as a "part" of a "seat" and not of a "motor vehicle."

A.63 Further, without prejudice it is also submitted that the original seat covers are manufactured in conjunction with 'seats' by the Appellant. Thus, it is submitted that by applying the "common parlance test" also, it is clear the original seat cover is a part of seat of a kind used for motor vehicles and not part of a motor vehicle by itself.

Inference from other HSN Explanatory Notes of Chapter Heading 9401:

A.64 Further, reference here is made to the HSN Explanatory Notes of Chapter Heading 9401 as extracted in Para A.21 *supra*, which provides that even if the cushions, mattresses etc. separately presented from the seats, they will be classifiable under this Chapter Heading 9401 only as parts of the seat when the same are presented with the seats of which they form part.

A.65 In the present case, as submitted *supra*, the original seat covers are always presented for use in the seats of motor vehicles and are perceived by the customers also as parts for use with the seats. Accordingly, the original seat covers are classifiable as parts of seats under Chapter Heading 9401 only.

A.66 In light of the submissions made *supra*, the Appellant humbly submits that the original seat cover, being the part of seats used for motor vehicles, is classifiable under Chapter Heading 9401. Further, the same is classifiable specifically under the Tariff Item 9401 9900 as other parts of seats.

A.67 Sl. No. 435A of Schedule III of the Rate Notification covers "*Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof [other than seats of a kind used for aircraft]* classifiable under Chapter Heading 9401. The original seat covers being parts of the seats are classifiable under Chapter Heading 9401 and is also covered by the description of Sl. No. 435A of Schedule III of the Rate Notification. Therefore, it is submitted that the original seat covers are exigible to GST at the rate of 18%.

B. ORIGINAL SEAT COVERS ARE NOT CLASSIFIABLE UNDER CHAPTER HEADING 8708 AS DECIDED BY THE LD. AAR:

B.1 The Ld. AAR vide the Advance Ruling held that the original seat covers merit classification under Chapter Heading 8708 and are liable to GST at the rate of 28% on the following grounds:

a. Permanent seats are explicitly designated for exclusive utilization within a specified motor vehicle, thereby serving a specialized function meticulously aligned with the precise design and manufacturing specifications of said particular vehicle. The nomenclature "permanent seat cover" is employed to underscore the highly specialized nature of these seating arrangements, exemplifying a bespoke creation characterized by an assiduous focus on detail, ensuring seamless integration with the intended motor vehicle.

b. It is imperative to underscore and reiterate that Permanent Seats are expressly proscribed for being employed or promoted for general purposes beyond the specific application intended for the correlated motor vehicle. The distinctive design and the bespoke manufacturing process undertaken for these seats render them an intrinsic and indispensable component of the comprehensive motor vehicle structure. Absent the presence of these highly specialized seating units, the motor vehicle in question would be rendered non-operational and ineligible for lawful sale.

c. In summation, it is paramount to recognize that Permanent Seats transcend mere functional contributions to the overall operation of the motor vehicle; they assume a pivotal role in guaranteeing that each seat is purposefully tailored for the precise vehicle with which it is affiliated. This meticulous alignment serves as a safeguard, preserving the structural integrity and performance parameters of the motor vehicle in its entirety.

d. Therefore, the original seat covers being sold with the vehicle as an essential and integral part of the seat is classifiable under Chapter Heading 8708.

B.2 In this regard, as submitted *supra* in detail, the seats of a kind used for motor vehicles would be classifiable under Chapter Heading 9401. This is so even though subsequently such seats may be sold by the OEMs along with the car since the said seats are specifically classified under Chapter Heading 9401. Accordingly, the original seat covers, being an essential, integral, and identifiable part of the said seat used for motor vehicles, also merit classification under

Chapter Heading 9401. Therefore, the observations by the Ld. AAR based on the sole reason that the seat covers ultimately being sold with the vehicle as part of the seat of such vehicle is incorrect.

B.3 Further submissions as regards the non-applicability of Chapter 87 for classification of the subject seat covers is made hereunder:

B.4 Chapter 87 of the CT Act covers "*Vehicles other than railway or tramway rolling stock, and parts and accessories thereof".* Further, Chapter Heading 8708 covers "*Parts and accessories of motor vehicles of heading 8701 to 8705*". Furthermore, sub-heading 8708 99 is a residuary entry covering "*Others*" under "*Other parts and accessories*".

B.5 It may be noted that the HSN Explanatory Notes to Chapter Heading 8708 provides that the same covers parts and accessories of motor vehicles of Headings 8701 to 8705, provided the parts and accessories fulfill both of the following conditions:

(i) They must be identifiable as being suitable for use solely or principally with the above-mentioned vehicles; and

(ii) They must not be excluded by the provisions of the Notes to Section XVII.

B.6 Section XVII covers "*Vehicles, Aircrafts, Vessels and Associated Transport Equipment*." Para III of the General Explanatory Notes to Section XVII deals with "*Parts and Accessories*" under the heading "General." The relevant portion of Part III reads as follows:

"***(III) PARTS AND ACCESSORIES***

It should be noted that Chapter 89 makes no provision for parts (other than hulls) or accessories of ships, boats, or floating structures. Such parts and accessories, even if identifiable as being for ships, etc., are therefore classified in other Chapters in their respective headings. The other Chapters of this Section each provide for the classification of parts and accessories of the vehicles, aircraft or equipment concerned.

It should, however, be noted that these heading apply only to those parts or accessories which comply with all three of the following conditions:

(a) They must not be excluded by the terms of Note 2 to this Section (see paragraph (A) below) and

(b) They must be suitable for use solely or principally with the articles of Chapters 86 to 88 (see paragraph (B) below) and

(c) They must not be more specifically included elsewhere in the Nomenclature (see paragraph (C) below).

…

(C) Parts and accessories covered more specifically elsewhere in the Nomenclature.

Parts and accessories, even if identifiable as for the articles of this Section; are excluded if they are covered more specifically by another heading elsewhere in the Nomenclature, e.g.

…

*(12) Vehicle seats of **heading 94.01**"*

(Emphasis supplied)

B.7 On perusal of the above, the Chapter Heading 8708 would be applicable for only those parts and accessories which satisfies the following cumulative conditions:

(a) They must not be excluded by the terms of Note 2 to this Section; and

(b) They must be suitable for use solely or principally with the articles of Chapters 86 to 88; and

(c) They must not be more specifically included elsewhere in the Nomenclature (see paragraph (C) extracted above).

B.8 On perusal of Paragraph C extracted in Para B.6 *supra*, it is clearly evident that the vehicle seats of Chapter Heading 9401 are specifically excluded by the

General Explanatory Notes to Section XVII. As discussed supra, vehicle seats and parts thereof including the seat covers are classifiable specifically under Chapter Heading 9401. Thus, condition (c) in para B.7 *supra* is not satisfied in this case.

B.9 Therefore, since the cumulative conditions supra are not satisfied in this case, the original seat covers do not merit classification as parts of Chapter 87 even though the usage of said seat covers can be attributed with the vehicles.

B.10 Further, on a co-joint reading of the General Explanatory Notes to Section XVII, HSN Explanatory Notes to Chapter 87 and Chapter 94, it can be said that the vehicle seats and the parts thereof including the seat covers are specifically covered under Chapter Heading 9401.

B.11 Thus, it is submitted that the original seat cover being part of the seats of a kind used for motor vehicles is classifiable under Chapter Heading 9401 and more specifically under Tariff Item 9401 9900 as "*other*" parts of seats of a kind used for motor vehicles.

B.12 Therefore, the Appellant submits that the original seat cover is not covered under Sl. No. 170 of the Schedule IV of the Rate Notification as "*Parts and accessories of the motor vehicles of headings 8701 to 8705 [other than specified parts of tractors]*" with GST at 28% but is covered by Sl. No. 435A of Schedule III of the Rate Notification with GST at 18%.

B.13 Thus, the classification decided by the Ld. AAR under Chapter Heading 8708 and applicable GST rate as 28% are grossly incorrect.

C. <u>THE ORIGINAL ADVANCE RULING IS NOT APPLICABLE TO THIS CASE:</u>

C.1. The Appellant submits that the Ld. AAR vide the Advance Ruling observed that the issue in respect of which the present Advance Ruling is sought was already covered under the earlier Advance Ruling bearing AAR no. 15/AP/GST/2021 dated 21.06.2021, which is enclosed as **Annexure-6**. The observations of the Ld. AAR are as follows:

a. In the earlier Advance Ruling itself, it has been held that the seat covers shall be treated as falling under Chapter Heading 8708 as parts and accessories of motor vehicles of heading 8701 to 8705 (other than specified parts of tractors), therefore, the "seats" supplied by the Appellant along with original car itself shall be held as part and accessories of the motor vehicle and shall be classified under the Chapter Heading 8705.

b. The original seat cover is an essential and integral part of the seat is classifiable under Chapter Heading 8708 and is liable to pay GST at the rate of 28%.

c. As per Section 103(2) of the CGST Act, the advance ruling referred to in sub-section (1) shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed. Thus, unless there is substantial change in the facts or circumstances, it does not warrant a new ruling and it will only result in multiple ruling on the same subject.

C.2. At the outset, it is submitted that the Ld. AAR has erred in appreciating the factual and legal position in the proper perspective with regard to the above.

C.3. The Appellant submits that in the earlier Advance Ruling, the facts and circumstances were such that the Appellant approached the Authority for Advance Ruling seeking clarification in respect of the classification of the car seat covers meant and used as additional / secondary covers over the original seat covers. The car seat covers referred to in the earlier Advance Ruling performed several functions such as protecting seats, helping the driver and co-passenger to get into the most comfortable seating inside the car as per their convenience, etc. and further, the said seat covers did not absorb heat which enabled to keep the car cool and the user comfortable. However, in the present case, the Appellant approached the Ld. AAR seeking clarification in respect of the classification of original seat covers that act as primary covers permanently affixed to raw foam seat. The original seat covers supplied by the Appellant to the OEMs are an integral part of the car seats installed/ assembled in the vehicles and are not supplied as additional covers to the original seat covers or as aftermarket product.

C.4. In the earlier advance ruling, the Authority for Advance Ruling considered the dictionary meanings of "parts" as well as "accessories" in juxtaposition and observed that "seat covers" cannot be considered as part of seats, as they were meant for mere protection of the seats and the functional value of "seat covers" is the comfort and convenience it extends to the driver and the passengers, therefore, "seat covers" are not essential parts of the seats but accessories that enhance their functional value. Further, it was also observed that, *"trade circles consider the automotive accessories as a category of articles relating to non-essential automotive parts which embellish the look and feel of an automobile or additional functionality. Seat covers" provide new look to the interior of the* car, *and also make it more comfortable for passengers.*

C.5. While concluding the classification under Chapter Heading 8708 in the earlier advance ruling, the Authority for Advance Ruling relied upon the decision of Hon'ble Tribunal in ***Guru Overseas Private Limited vs. Commissioner of Central Excise*** reported at ***2001 (132) E.L.T. 60 (Tri. - Del.)*** which had further relied on the decision passed in the Assessee's own case i.e., ***Guru Overseas Pvt. Ltd. vs. Collector of Central Excise, New Delhi,*** reported at ***2000 (120) E.L.T. 209 (Tribunal),*** wherein it was admittedly claimed by Assessee that the leather and textile car seat covers manufactured by them were not integral part of car seats but were sold separately as additional covers for seats of cars which are commonly known and traded in the market as accessories of cars used for comfort, convenience and sleek look of the seats, and therefore would not fall under Chapter Heading 9401. In this matrix, the Hon'ble Court held that such additional covers are not integral part of car seats but are in the nature of accessories and would be classifiable under Chapter Heading 8708 instead of 9401.

C.6. In the present case, as stated *supra,* the issue on which the Advance Ruling was sought is whether the original seat covers manufactured and supplied by the Appellant to the OEMs designed to permanently fit over the raw foam seat installed in the vehicle falls under Chapter Heading 9401 as *"Seats (other than those of hearing 9402) whether or not convertible into beds, and parts thereof [other than seats of* a *kind used for aircraft]"* and are liable to GST at the rate of 18% vide SI. No. 435A under Schedule III of the Rate Notification.

3. Personal Hearing:

The proceedings of hearing were conducted through video conference on 13.03.2024. The authorized representative Sri. L. Satya Sai, Advocate attended and reiterated the submissions already made.

4. Discussion and Findings

4.1 The seat covers fit to be mounted on the existing seat of the motor vehicles. These seat covers are meant for the protection of the seats and the functional value of seat cover is the comfort and convenience it extends to the driver and passengers. Thus the seat cover is nothing but an accessory, which is generally bought by the customer for protection and comfort. The features of the seat cover are distinct and clearly distinguishable from seat.

4.2 The heading 940120 covers 'seats for motor vehicles' whereas the appellant is not manufacturing 'seats' as such but only a seat cover which is fitted over the seat already factory manufactured. Thus the product manufactured by the appellant is not covered under 940120.

4.3 Even on the ground of specificity of applicability of 9401 against 8708. 9401 refers to seats and parts thereof which will be more general in nature, as compared to the heading 8708, which is more specific as it relates specifically to accessories (seat cover) of vehicles of various headings.

4.4 It is pertinent to mention here that seat covers were covered under 'accessories' in the pre-GST regime as well. In this regard, Circular No.541/37/2000-Central Excise dated 16.08.2000 issued by the Central Board of Excise & Customs (as the name then existed), on the issue relating to classification of Car Seat covers. The text of the said circular is reproduced as under

"The Tribunal vide Final Order No. 39/2000-D dated 4.1.2000 reported in 2000 (38) RLT 170 (CEGAT) in the case of Guru Overseas Pvt. Ltd. Vs. CCE, Delhi had decided that the car seat covers - whether of "Leather" or "Textile" are accessories and classifiable under Chapter sub-heading 8708.00. The CEGAT has followed ratio of the CEGAT judgement in the case of M/s. Kirloskar Pneumatic reported in 1991 (55) ELT -207 (Tribunal and Supreme Court in the case of M/s. Mehra Bros Vs. Joint Commercial Officer reported in 1991 (51) ELT-173(SC)".

4.5 The Board examined the said CEGAT Order and accepted the judgement of the CEGAT. The Board, however, observed that as the distinction between "parts" and accessories " is very thin proper care should be taken so that "parts" are not cleared as "accessories ". "

4.6 In continuation of the same into the GST period, the entry under HSN 8708 at Serial No. 170 under Schedule IV of Notification No. 1/2017-Central Tax (Rate) dated 28.06.2017 continues to be applicable for car seat covers attracting tax at the rate of 28% - IGST, or 14% - CGST plus 14% SGST. In the instant case also, the relevant entries at chapter heading 8711 and 8714, as it existed during the pre-GST regime, continue to remain the same without any changes in the GST period as well.

4.7 Heading 8708, on the other hand, provides for parts and accessories of motor vehicles of headings 8701 to 8705. "Accessory" is not defined in the HSN. Thus, we employ the common meaning of the term, as the courts did in the past. For example, the Oxford English Dictionary defines "accessory" as: "Of things: Coming as an accession; contributing in an additional and hence subordinate degree; additional, extra, adventitious." The instant seat covers are "extras" that act directly on seats of motor vehicles, adding to the style of the interior of the motor vehicle, protecting the seats from wear and tear, etc. Thus, they are fit to be defined as accessories.

4.8 In the case of M/s. Intel Design Systems (India) P Limited Vs Commissioner of Customs and Central Excise (CA No.4564 of 2002 dated 11.2.2008), Hon'ble Supreme Court held that parts falling under Chapter heading 87 should be classified under this heading, only if the following conditions are satisfied:-

- they should be used solely or principally for motor vehicles and
- they should not be excluded as per the Section notes mentioned.
- Note 3 under Section XVII of the Customs Tariff Act specifically excludes parts and accessories mentioned in Chapters 86 to 88, if they are not suitable for use solely or principally with the articles of those Chapters.

4.9 The tax payer submitted certain Invoices for perusal. On perusal of the same it was noticed that

Product	HSN mentioned
Cover G Assy FR Seat Cush LH	8708 9900
Cover G Assy FR Seat Cush	8708 9900
Cover G Assy FR Seat Back LH	8708 9900
Cover G Assy FR Seat Back RH	8708 9900
Cover G Assy RR Cush	8708 9900
Cover G Assy RR Back	8708 9900
Cover G Assy 2nd SCUSHLH PVC Split Child LWR Anchor	8708 9900
Cover G Assy 2nd SCUSHRH PVC Split 60 Child LWR Anchor 3PT BIS	8708 9900

4.10. It is pertinent to note in all the Invoices and for the referred products in the said Invoices the HSN Code was mentioned as 8708 9900 and accordingly charged CGST@14% and SGST@14%. Further he stated that the nature of the products mentioned in these Invoices and the products referred in for the Advance Ruling are one and the same.

4.11. In order for motor vehicle parts or accessories to be classifiable under heading 8708, they must satisfy all the three following conditions: They must be identifiable as being suitable for use solely or principally with motor vehicles of headings 8701-8705.

4.12 On the test of sole use / principal use also, the seat covers merit classification under 8708 as they are only usable and used for motor vehicles and not of general use.

In view of the above, we are in agreement with the Ruling of the Authority for Advance Ruling, Andhra Pradesh passed in Order **AAR No.13/AP/GST/2023 Dtd.15.12.2023** and the Ruling appears to be Legal and Proper. Hence, we pass the following order.

5.Decision:

The Ruling passed by AAR vide AAR No. 13/AP/GST/2023 Dtd.15.12.2023 is upheld.

Sd/- Sanjay Pant
Principal Chief Commissioner (Central Tax)
Member

Sd/-M. Girija Shankar
Chief Commissioner (State Tax)
Member

//t.c.f.b.o//

Deputy Commissioner (ST)

Registrar
Appellate Authority for Advance Ruling
O/o. Chief Commissioner (State Tax)
Andhra Pradesh, Vijayawada.

To

M/s Saddles International Automotive & Aviation Interiors Private Limited, Survey No. 151/2, Budili Village, Gorantla Mandal, Anatapur, A.P.,515241(**By Registered Post)**

Copy to

1. The Assistant Commissioner of State Tax, Hindupur Circle, Anatapur Division (**By Registered Post**)
2. The Superintendent, Central Tax, CGST Hindupur-II Range, Anatapur Division. **(By Registered Post)**

Copy submitted to

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Kunchanapalli, Guntur District, A.P.,522501.
2. The Chief Commissioner of Customs & Central Tax, O/o Chief Commissioner of Central Tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035.A.P. **(By Registered Post).**