

**THE AUTHORITY ON ADVANCE RULINGS
IN KARNATAKA
GOODS AND SERVICE TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU - 560 009**

**Advance Ruling No. KAR ADRG 67/2019
Dated: 21st September, 2019**

Present:

1. Sri. Harish Dharnia,
Addl. Commissioner of Central Tax Member (Central Tax)
2. Dr. Ravi Prasad M.P.
Joint Commissioner of
Commercial Taxes Member (State Tax)

1.	Name and address of the applicant	M/s WEST COAST PAPER MILLS LTD. P.B. No.5, Bangur Nagar, Dandeli - 581 325 Uttara Kannada District, Karnataka State
2.	GSTIN or User ID	29AAACT4179N1ZO
3.	Date of filing of Form GST ARA-01	01.10.2018
4.	Represented by	Sri B.R.Jayatheertha, Advocate
5.	Jurisdictional Authority - Centre	Commissioner of Central Tax, Mangaluru
6.	Jurisdictional Authority - State	
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act vide CIN SBIN18092900356322 dated 29.09.2018 and Rs.5,000/- under the KGST Act vide CIN SBIN 18082900109929 dated 15.08.2018

ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS AND SERVICE TAX ACT, 2017 AND UNDER SECTION 98(4) OF THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017

1. M/s West Coast Paper Mills Ltd., (called as the 'applicant' hereinafter), having GSTIN number 29AAACT4179N1ZO, has filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules 2017, under Section 97 of the KGST Act, 2017 read with Rule 104 of KGST Rules 2017, in FORM GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The Applicant is a Proprietary concern and is registered under the Goods and Services Act, 2017. The applicant has sought advance ruling in respect of the following question:

What is the rate of GST applicable on following types of Wood meant for pulping?



- (i) Debarked Eucalyptus Wood
- (ii) Debarked Acacia Wood
- (iii) Casuarina Wood
- (iv) Subabul Wood

3. The applicant furnishes some facts relevant to the stated activity:

a. The applicant states that he is in the business of manufacture of paper and is purchasing wood for pulping in the process of manufacture of paper and paper boards.

b. The applicant states that the company is manufacturing paper and paper boards and wood meant for pulping is purchased from farmers. The wood purchased from farmers is being grown in their agricultural land. The species being purchased are Eucalyptus, Acacia, Casuarine and Subabul. The company is also growing wood for pulping under contract-farming and the company is not purchasing any timber. Pulp wood is an agricultural product, the same is transported by rails/ goods wagons and it is referred as timber waste.

c. The applicant states that they are procuring debarked pulpwood of various species, which are left over residue of the tree after conversion of timber, commercial poles, etc. for manufacture of paper within state of Karnataka as well as from outside the State i.e. from Maharashtra, Tamil Nadu and Andhra Pradesh.

d. The following species of pulpwood is procured at their mills for pulping. The details are as under: debarked Eucalyptus Wood, Debarked Acacia Wood, with bark Casuarina Wood, With Bark subabul woods.

e. After the rollout of GST while firewood or fuel wood is exempt from tax vide entry Sl.No.113 of Schedule I to Notification No.2/2017 – Central Tax (Rate) dated 28.06.2017, wood waste and scrap is subject to tax at the rate of 2.5%. vide entry serial number 198 of Schedule I of Notification No.1/2017 – Central tax (Rate) dated 28.06.2017.

f. The entry serial number 198 read as follows: "Wood in chips or particles; saw dust and wood waste and scrap; whether or not agglomerated in logs, briquettes, pellets or similar forms".

g. The applicant states that it is his understanding that debarked Eucalyptus wood, debarked acacia wood, casurina wood and subabul wood with bark purchased for pulping and use in the manufacture of paper and paperboards falls under the aforesaid entry serial number 198 and therefore would attract CGST at the rate of 2.5%. However, many vendors are charging SGST @ 9% and CGST @ 9% by referring to HSN Code 4403 by treating the commodity as "wood in the rough" which in the opinion of the applicant is illegal.

h. The applicant explains in detail description and nature of debarked eucalyptus wood, debarked acacia wood, casuarina wood, and subabul wood. The pulpwood procured by the paper industry is the residual or scrap left over of the tree, which cannot be used in the manufacture of wood wear, veneers, matchsticks, poles, ballics, timber, telephone or electricity pole. Thus the wood procured by the mill for pulping and thereafter use in the manufacture of paper and paper boards is nothing but wood waste and scrap. Therefore the same should be considered in HSN Code 4401 with applicable rate of SGST @ 2.5% only vide entry Serial No. 198 of Schedule I to the Notification (01/2017) FD 48 CSL 2017, Bengaluru dated 29.06.2017.

4. FINDINGS & DISCUSSION:

We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri BR Jayatheerata, Advocate and authorized representative, during personal hearing. We have also considered the issues involved, on which advance ruling is sought by the applicant, and relevant facts. At the outset, we would like to state that the provisions of both the CGST Act and the KGST 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 KGST Act.

4.1 The commodity in question is poles of wood of length 4 to 5 feet and may or may not contain bark and these are covered under Chapter 44 of the Customs Tariff.

4.2 Coming to the question whether they are covered under HSN 4401 or 4403, the two rival headings are as under:

4401 Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood

waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms

- Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms:

4401 11 -- Coniferous

4401 11 10 --- In logs

4401 11 90 --- Other

4401 12 -- Non-coniferous

4401 12 10 -- In logs

4401 12 90 -- Other

- Wood in chips or particles

4401 21 00 -- Coniferous

4401 22 00 -- Non-coniferous

- Sawdust and wood waste and scrap, agglomerated, in logs, briquettes, pellets or similar forms

4401 31 00 -- Wood pellets

44014000 - Sawdust and wood waste and scrap, not agglomerated

The commodity in question is not a fuel wood and is used in the pulp manufacturing and hence is not covered under 440111 to 440112. It is also not wood in chips or particles to be covered under 440121 and 440122 as the commodity is more than 4 feet in length. It is also not sawdust or wood waste. Hence the commodity in question is not covered under the HSN 4401.

HSN 4403 is examined and the entry is as under:

4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
	- Treated with paint, stains or other preservatives
4403 11 00	-- Coniferous
4403 12 00	-- Non-coniferous
	- Other, coniferous:
4403 21	-- Of pine (<i>Pinus spp.</i>), of which any cross sectional dimension is 15 cm or more
4403 21 10	--- Saw logs and veneer logs
4403 21 20	--- Poles, pilings and posts

4403 21 90	--- Other
4403 22	-- Of Pine (<i>Pins spp.</i>), other
4403 22 10	--- Saw logs and veneer logs
4403 22 20	--- Poles, pilings and posts
4403 22 90	--- Other
4403 23	-- of fir (<i>Abies spp.</i>) and spruce (<i>Picea spp.</i>), of which any cross sectional dimension is 15 cm or more
4403 23 10	--- Saw logs and veneer logs
4403 23 20	--- Poles, pilings and posts
4403 23 90	--- Other
4403 24	-- of fir (<i>Abies spp.</i>) and spruce (<i>Picea spp.</i>), other:
4403 24 10	--- Saw logs and veneer logs
4403 24 20	--- Poles, pilings and posts
4403 24 90	--- Other
4403 25	-- Other, of which any cross sectional dimension is 15 cm or more
4403 25 10	--- Saw logs and veneer logs
4403 25 20	--- Poles, pilings and posts
4403 25 90	--- Other
4403 26	-- Other
4403 26 10	--- Saw logs and veneer logs
4403 26 20	--- Poles, pilings and posts
4403 26 90	--- Other
	- Other, of tropical wood:
4403 41 00	-- Dark red meranti, light red meranti and meranti Bakau
4403 49	-- Other:
4403 49 10	--- Teak wood in rough
4403 49 90	--- Other
	- Other
4403 91 00	-- Of Oak (<i>Quercus spp.</i>)
4403 93 00	-- Of beech (<i>Fagus spp.</i>), of which any cross sectional dimension is 15 cm or more
4403 94 00	-- Of beech (<i>Fagus spp.</i>), other
4403 95 00	-- Of birch (<i>Betula spp.</i>), of which any cross-sectional dimension is 15 cm or more
4403 96 00	-- Of birch (<i>Betula spp.</i>), other
4403 97 00	-- Of poplar and aspen (<i>Populus spp.</i>)
4403 98 00	-- Of eucalyptus (<i>Eucalyptus spp.</i>)
4403 99	-- Other
	--- Andaman Padauk (<i>Pterocarpus dalbaergiodes</i>) Bonsum (<i>Phoebe goalparensis</i>) Gurgan (<i>Dipterocarpus alatus</i>), Khair (<i>Acacia catechu</i>), Lampati (<i>Duabanga grandiflora</i>), Laurel (<i>Terminalia alata</i>), Paliwood (<i>Palaquim ellipticum</i>), and Red Sanders (<i>Pterocarpus sautatinus</i>) and Rose Wood (<i>Dalbergia latifolia</i>)
4403 99 11	---- Andaman Padauk (<i>Pterocarpus dalbaergiodes</i>)
4403 99 12	---- Bonsum (<i>Phoebe goalparensis</i>)

4403 99 13	---- Gurgan (<i>Dipterocarpus alatus</i>)
4403 99 14	---- Khair (<i>Acacia catechu</i>)
4403 99 15	---- Lampati (<i>Duabanga grandiflora</i>)
4403 99 16	---- Laurel (<i>Terminalia alata</i>)
4403 99 17	---- Paliwood (<i>Palaquim ellipticum</i>)
4403 99 18	---- Red Sanders (<i>Pterocarpus sautatinus</i>)
4403 99 19	---- Rose Wood (<i>Dalbergia latifolia</i>)
	--- Sal (<i>Chorea robusta</i>), Sandal Wood (<i>Santalum albur</i>), Semul (<i>Bombax ceiba</i>), Walnut wood (<i>Juglans binata</i>), Anjam (<i>Hardwickia binata</i>), Birch (<i>Betula Spp.</i>), Sissoo (<i>Dalbergia sisso</i>), and White cedar (<i>Dysozylum</i>) and the like
4403 99 21	---- Sal (<i>Chorea robusta</i>)
4403 99 22	---- Sandal Wood (<i>Santalum albur</i>)
4403 99 23	---- Semul (<i>Bombax ceiba</i>)
4403 99 24	---- Walnut wood (<i>Juglans binata</i>)
4403 99 25	---- Anjam (<i>Hardwickia binata</i>)
4403 99 26	---- Birch (<i>Betula Spp.</i>)
4403 99 27	---- Sissoo (<i>Dalbergia sisso</i>)
4403 99 28	---- White cedar (<i>Dysozylum malabaricum</i>)
4403 99 29	---- Other

It is very clear from the above, the goods in question is a wood in the rough, whether or not stripped of bark and hence is covered under the Heading 4403. Since they are split they cannot be covered under Heading 4404.

5. In view of the above, the goods in question are covered by the heading 4403 and hence are covered under entry no.134 of Schedule III to the Notification No.01/2017 – Central Tax (Rate) dated 28.06.2017 and liable to tax at 9% under the CGST Act, 2017. Similarly, the same are covered under entry no.134 of Schedule III to Notification (01/2017) FD 48 CSL 2017 dated 29.06.2017 and liable to tax at 9% under the Karnataka Goods and Services Tax Act, 2017. The IGST Rate applicable on the inter-State supplies of these goods is 18% under entry no.134 of Notification No. 01/2017 – Integrated Tax (Rate) dated 28.06.2017.

6. In view of the foregoing, we rule as follows

RULING

The pulpwood supplied to the applicant is covered under the HSN 4403 and is liable to tax at

1. At 9% under the CGST Act as per entry no.134 of Schedule III to the Notification No.01/2017 - Central Tax (Rate) dated 28.06.2017.
2. At 9% under the KGST Act as per entry no.134 of Schedule III to the Notification (01/2017) FD 48 CSL 2017 dated 29.06.2017
3. At 18% under the IGST Act as per entry no.134 of Notification No. 01/2017 - Integrated Tax (Rate) dated 28.06.2017.



(Signature)
21.09.2019
(Harish Dharnia)
Member

(Signature)
(Dr. Ravi Prasad.M.P.)
Member

Place: Bengaluru,
Date: 21.09.2019

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Mangaluru.
4. The Asst. Commissioner, LGSTO-100, Bengaluru.
5. Office Folder.