

**AUTHORITY FOR ADVANCE RULING
TAMILNADU ADVANCE RULING AUTHORITY
PAPJM Buildings, II Floor, No.1, Greams Road, Chennai-6**

**PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE
GOODS AND SERVICES TAX ACT, 2017.**

Members present are:

1. Ms. Manasa Gangotri Kata, IRS Joint Commissioner/Member,
Office of the Principal Chief Commissioner of GST & Central Excise, Chennai-34
2. Thiru S. Vijayakumar, M.Sc., Joint Commissioner (CT)/Member (FAC),
Enforcement / Inter-State Investigation Cell, Chennai-6.

ORDER No. 19/AAR/2018 DATED 28.11.2018

GSTIN Number, if any / User id	33CJOPS0399M1ZE
Legal Name of Applicant	Balu Ramamoorthy Sekar Proprietor of M/s.Savani Screens
Registered Address/Address provided while obtaining user id	19-B, Meenakshi Nagar, 3 rd Street, Villapuram, Madurai – 625 012.
Details of Application	GST ARA-01 Application Sl.No. 21, dated 11.05.2018
Concerned Officer	State: The Assistant Commissioner (ST), Thiruparnkundram Assessment Circle Centre :. Madurai Commissionerate, Madurai South Range
Nature of activity(s) (proposed / present) in respect of which advance ruling sought	
A Category	Manufacturing – Non-woven and Cotton Bags.
B Description (in Brief)	Manufacturing of Non-woven Bags and Cotton Bags
Issue/s on which advance ruling required	Classification of Nonwoven and Cotton Bags and the applicable rate of tax
Question(s) on which advance ruling is required	The applicable HSN Code and the Rate of Tax for Non-woven Bags and Cotton Bags.

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.

Balu Ramamoorthy Sekar, Secretary, The Madurai District Non-woven Bag and Cotton Bag Manufacturing Association having registered office at No. 19-B, Meenakshi Nagar, 3rd Street, Villapuram, Madurai – 625 012 (hereinafter called the Applicant) is Registered under the GST Act, 2017 with Trade name SAVANI SCREEN and GSTIN33CJOPS0399M1ZE. They have filed an Application Seeking Advance Ruling in form GST ARA-01.

“Classification of Nonwoven and Cotton bags and the Rate of tax to be charged under the GST Act.”

The Applicant has 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 manufactures Non-woven Bags and Cotton Bags. The basic raw material for Non-woven Bags is Non-woven Fabrics made up of “**Poly-propylene**”. They receive Poly-Propylene rolls of (size) 63” Width and also in customized sizes as per their requirements. The Non-woven fabric rolls are first cut into sheets of needed size, then the sheets are printed according to requirements of Customers such as designs, shop name and address, and finally stitched to finish goods. The price of the bags ranges between minimum Rs.5.50 per bag and maximum Rs.20 per bag. The size of the Non-woven Bags varies from 8”x10” (Minimum) and 21”x19” (Maximum). These bags are wholly and exclusively supplied to Textile show rooms/Textile dealers, Jewelry shops and used for packing of their products.

2.2 In respect of manufacturing of Cotton bags, the Applicant have stated that the basic raw material is “Cotton Cloth” (mainly GADA Cloth) received in bundles of standard size of 100 meters. They are cut, printed and stitched according to the requirements of the customers. The size of the Cotton Cloth Bags varies from (Minimum) 12”x15” to (Maximum) 16”x20”. These bags are wholly and exclusively supplied to Textile show rooms/Textile dealers, jewelry shops used for packing of their products.

2.3 They have further stated that their products, namely, Non-woven Bags and cotton bags are covered under various headings at different rates of tax as follows:-

Heading: 4202 – 18 % or 12 %

Heading: 5603 - 12 %

Heading: 6305 - 5 %

Hence, clarification was sought to applicable rate of tax out of these headings. The applicant's interpretation is that the end products are used only for packing and are to be classified under CTH 6305 and charged to 5% GST.

3. The Applicant was personally heard on the matter. They submitted samples of Non-woven fabric and Cotton bags. They stated that they purchase Non-woven fabric and Cotton fabric and print the name on the fabric as requested by the customer. The bags have handles made out of same materials or PVC sticks or Bamboo Sticks. The Non-woven fabrics in Poly-Propylene spun fabric and printing and stitching are done manually. These carry bags are sold to textile shops that put the textiles bought in the bags while selling the textiles. They also furnished copies of purchase and sales invoices relating to Pre-GST and Post—GST regime for perusal.

4. Contentions of the Applicant was examined with connected samples and sale and purchase invoices submitted. It is seen from samples that the raw materials are non-woven and cotton fabric and the finished products made of these raw materials are bags with various logos, names, addresses of textile and jewelry shops printed on them. The bags have handles made of either same material or PVC or bamboo sticks. They are carry bags which are given to customers of these shops. The purchase invoices indicate purchase of non woven fabrics and plain cotton cloth. IT is seen in the sale invoices that the applicant is variously describing them as "Bags", "Shopping Bags" etc. of various sizes.

5. The Classification of the bags and the applicability of the Actual Rate / Heading is the issue to be discussed and clarified. From the various submissions of the applicant, it is evident that the applicant purchases non-woven fabric roll and cotton fabric, cut to size and on printing, stitch into bags. The sheets are printed according to requirements of Customers such as designs, shop name and address. The bags have handles made out of same materials or PVC sticks or Bamboo Sticks which are used as carry bags in Textile show rooms/Textile dealers, jewelry shops. The Applicant has sought the classification and has stated that 4202, 5603, 6305 are the competing Chapter Headings.

5.1 In terms of explanation (iii) and (iv) to Notification No. 1/2017 - Central Tax (Rate) dt. 28-06-2017, "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 and the rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall be applied for the interpretation and classification of goods. Accordingly, the competing headings are examined as under:

5.2 The applicant's contention is that the products are to be classified under 6305.

Chapter 6305:

6305	SACKS AND BAGS, OF A KIND USED FOR THE PACKING OF GOODS			
6305 10	-	<i>Of jute or of other textile bast fibres of heading 5303 :</i>		
6305 10 10	---	Jute bagging for raw cotton	kg.	25% -
6305 10 20	---	Jute corn (grains) sacks	kg.	25% -
6305 10 30	---	Jute hessian bags	kg.	25% -
6305 10 40	---	Jute sacking bags	kg.	25% -
6305 10 50	---	Jute wool sacks	kg.	25% -
6305 10 60	---	Plastic coated or paper cum polythene lined jute bags and sacks	kg.	25% -
6305 10 70	---	Paper laminated hessian jute	kg.	25% -
6305 10 80	---	Jute soil savers	kg.	25% -
6305 10 90	---	Other	kg.	25% -
6305 20 00	-	Of cotton	kg.	25% -
	-	<i>Of man-made textile materials :</i>		
6305 32 00	--	Flexible intermediate bulk containers	kg.	25% -
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6305 33 00	--	Other, of polyethylene or polypropylene strip or the like	kg.	25% -
6305 39 00	--	Other	kg.	25% -
6305 90 00	-	Of other textile materials	kg.	25% -
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6306	TARPAULINS, AWNINGS AND SUNBLINDS; TENTS:			

HSN explanatory Notes to chapter 6305 states:

This heading covers textile sacks and bags of a kind normally used for the packing of goods for transport, storage or sale.

These articles, which vary in size and shape, include in particular flexible intermediate bulk containers, coal, grain, flour, potato, coffee or similar sacks, mail bags, and small bags of the kind used for sending samples of merchandise by post. The heading also includes such articles as tea sachets.

It is evident that bags which are used for packing of goods for transport, storage and sale are covered under 6305. In this case the bags of any materials are used for packing the goods which are then put up for sale, transport or storage. That is such goods because of their very nature, being loose, flowing or in bulk etc, cannot be sold without packing by such bags.

However, in the instant case, the Applicant has stated that the goods in question are carry bags. The bags have handles for carrying. Textiles or Jewellery etc. after they are purchased by the customers, are put in these bags and given to customers, to carry /take away from the shops. These bags are not used for packing but for ease of carrying being in the nature of shopping bags.

Chapter Heading 4202:

4202	TRUNKS, SUIT-CASES, VANITY-CASES, EXECUTIVE-CASES, BRIEF-CASES, SCHOOL SATCHELS, SPECTACLE CASES, BINOCULAR CASES, CAMERA CASES, MUSICAL INSTRUMENT CASES, GUN CASES, HOLSTERS AND SIMILAR CONTAINERS; TRAVELLING-BAGS, INSULATED FOOD OR BEVERAGES BAGS, TOILET BAGS, RUCKSACKS, HANDBAGS, SHOPPING-BAGS, WALLETS, PURSES, MAP-CASES, CIGARETTE-CASES, TOBACCO-POUCHES, TOOL BAGS, SPORTS BAGS, BOTTLE-CASES, JEWELLERY BOXES, POWDER-BOXES, CUTLERY CASES AND SIMILAR CONTAINERS, OF LEATHER OR OF COMPOSITION LEATHER, OF SHEETING OF PLASTICS, OF TEXTILE MATERIALS, OF VULCANISED FIBRE OR OF PAPERBOARD, OR WHOLLY OR MAINLY COVERED WITH SUCH MATERIALS OR WITH PAPER			
	- <i>Trunk's, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels and similar containers :</i>			
4202 11	--	<i>With outer surface of leather or of composition leather:</i>		
4202 11 10	---	Travel goods (trunks, suit-cases, sports bags and other similar items) of leather	u	10%
4202 11 20	---	Toilet-bags and cases, of leather	u	10%
4202 11 30	---	Satchels	u	10%
4202 11 40	---	Brief-cases	u	10%
.....				
4202 22	--	<i>With outer surface of sheeting of plastics or of textile materials :</i>		
4202 22 10	---	Hand-bags and shopping bags, of artificial plastic material	u	10%
4202 22 20	---	Hand-bags and shopping bags, of cotton	u	10%
4202 22 30	---	Hand-bags and shopping bags, of Jute	u	10%
4202 22 40	---	Vanity-bags	u	10%
4202 22 90	---	Other	u	10%
4202 29	--	<i>Other :</i>		
4202 29 10	---	Hand bags of other materials excluding wicker-work or basket work	u	10%
4202 29 90	---	Other	u	10%

From the above, it is seen carry bags or shopping bags are covered in the Customs Tariff under CCTH 420222 depending on the material they are made up

of. Shopping bags made of cotton are classified under CTH 42022220 and those made of non-woven fabrics are classifiable under CTH 42022210.

5.3 Having decided the classification, the next to be answered is the applicable rate of tax.

Non-woven and cotton carry bags supplied by the Applicant were taxable to 9% CGST and 9% SGST as per Sl no 126 and 127 of Schedule III of Notification No. 01/2017-CT (Rate) dated 28.06.2017 and G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017 as amended respectively.

The relevant entries are found in Schedule III attracting 9% tax as given under:

124.	4202	School satchels and bags other than of leather or composition leather
125.	4202 12 10	Toilet cases
126.	4202 22 10	Hand bags and shopping bags, of artificial plastic material
127.	4202 22 20	Hand bags and shopping bags, of cotton
128.	4202 22 30	Hand bags and shopping bags, of jute
129.	4202 22 40	Vanity bags
130.	4202 29 10	Handbags of other materials excluding wicker work or basket work

The said entries stands amended vide Notification No. 41/2017- C.T(Rate) dated 14.11.2017 effective from 15.11.2017. The Hand bags and Shopping bags made of cotton and jute were moved from schedule III to Schedule II attracting rate of tax of 6%-CGST.

(B) in Schedule II-6%, -

(xii) for S. Nos. 89, 90 and the entries relating thereto, the following shall be substituted, namely :-

“89	4202 22 20	Hand bags and shopping bags, of cotton
90	4202 22 30	Hand bags and shopping bags, of jute”;

and the entries at Schedule III from 124 to 130 were replaced as under:

(C) in Schedule III-9%, -

(xl) in S. No. 124, for the entry in column (3), the entry "Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper [other than handbags and shopping bags, of cotton or jute]" shall be substituted;

(xli) after S. No. 124 and the entries relating thereto, the following serial numbers and the entries shall be inserted, namely: -

"124A	4203	Articles of apparel and clothing accessories, of leather or of composition leather [other than gloves specially designed for use in sports]
124B	4205	Other articles of leather or of composition leather
124C	4206	Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons";

(xlii) S. No. 125, 126, 127, 128, 129 and 130 and the entries relating thereto shall be omitted;

From the above, it is evident that the carry bags/shopping bags made of cotton/jute are taxable at 6% CGST and at 6% SGST as per Sl no 89 of Schedule II while those carry bags made of non-woven fabrics are taxable to 9% CGST and 9% SGST as per Sl no 124 of Schedule III of Notification No. 01/2017-CT (Rate) dated 28.06.2017 and G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017 as amended respectively.

6. In view of the foregoing, we rule as under:

RULING

1. Non-Woven carry bags supplied by the Applicant are classifiable under CTH 4202 22 10 and cotton carry bags supplied by the Applicant are classifiable under CTH 4202 22 20.
2. Upto 14.11.2017, Non-woven and cotton carry bags supplied by the applicant were taxable at 9% CGST and at 9% SGST as per Sl no 126 and 127 of Schedule III of Notification No. 01/2017-CT (Rate) dated 28.06.2017 and G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017 as amended respectively.

From 15.11.2017 onwards, Cotton Carry Bags are taxable at 6% CGST and at 6% SGST as per Sl no 89 of Schedule II while Non-woven carry bags are taxable to 9% CGST and 9% SGST as per Sl. no 124 of Schedule III of Notification No. 01/2017-CT (Rate) dated 28.06.2017 and G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017 as amended respectively.


Ms. Manasa Gangotri Kata, IRS
Member


Shri. S. Vijayakumar, M.Sc.,
Member (FAC)

To
Shri. Balu Ramamoorthy Sekar
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/By SPAD/



Copy Submitted to:

1. Additional Chief Secretary/Commissioner of Commercial Taxes, II Floor, Ezhilagam, Chepauk, Chennai-5.
2. The Principal Chief Commissioner of GST & Central Excise, 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.

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