

TAMILNADU STATE APPELLATE AUTHORITY FOR ADVANCE RULING
(Constituted under Section 99 of Tamil Nadu Goods and Services Tax Act, 2017)

A.R. Appeal No. 03 /2025/AAAR

Date : 27.06.2025.

BEFORE THE BENCH OF

Dr. Ram Niwas, I.R.S., Principal Chief Commissioner of GST & Central Excise, Member, Appellate Authority for Advance Ruling, Tamil Nadu	Dr. D. Jagannathan, I.A.S., Commissioner of Commercial Taxes, Member, Appellate Authority for Advance Ruling, Tamil Nadu
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Order-in-Appeal No. AAAR/4/2025 (AR)

(Passed by Tamil Nadu State Appellate Authority for Advance Ruling under
Section 101(1) of the Tamil Nadu Goods and Services Tax Act, 2017)

Preamble

1. In terms of Section 102 of the Central Goods & Services Tax Act 2017/Tamil Nadu Goods & Services Tax Act 2017 ("the Act", in Short), this Order may be amended by the Appellate authority so as to rectify any error apparent on the face of the record, if such error is noticed by the Appellate authority on its own accord, or is brought to its notice by the concerned officer, the jurisdictional officer or the appellant within a period of six months from the date of the Order. Provided that no rectification which has the effect of enhancing the tax liability or reducing the amount of admissible input tax credit shall be made, unless the Appellant has been given an opportunity of being heard.
2. Under Section 103(1) of the Act, this Advance ruling pronounced by the Appellate Authority under Chapter XVII of the Act shall be binding only
 - (a) on the applicant who had sought it in respect of any matter referred to in sub-section (2) of Section 97 for advance ruling;
 - (b) on the concerned officer or the jurisdictional officer in respect of the applicant.
3. Under Section 103 (2) of the Act, this advance ruling shall be binding unless the law, facts or circumstances supporting the said advance ruling have changed.
4. Under Section 104(1) of the Act, where the Appellate Authority finds that advance ruling pronounced by it under sub-section (1) of Section 101 has been obtained by the Appellant by fraud or suppression of material facts or misrepresentation of facts, it may, by order, declare such ruling to be void ab-initio and thereupon all the provisions of this Act or the rules made thereunder shall apply to the Appellant as if such advance ruling has never been made.

Name and Address of the Appellant	Tvl. V.S. Trading Company (Prop. P. Vasudevan) No. 7/122-A, Palaniappa Colony, Annathanapatty, Salem-636002.
GSTIN Number, if any / User id	33ACYPV6634M1ZK
Advance Ruling Order against which appeal is filed	AAR Order No. 25/AAR/2023 dated 20-06-2023 and Rectification Order dated 18-03-2025.
Date of filing Appeal	09-04-2025
Represented by	Shri. N. Murali, Advocate & Authorised Representative
Jurisdictional Authority – STATE	Annathanapatty Assessment Circle, Salem-I Zone, Salem Division
Other Authority – CENTER	Salem Commissionerate, Salem –I Division.
Whether payment of fees for filing appeal is discharged. If yes, the amount and challan details	DRC-03 Debit Entry No. DC3304250032421 dated 09-04-2025, Rs. 20,000/- (CGST-Rs. 10,000/- & SGST-Rs. 10,000/-)

Tvl. V.S. Trading Company (Prop. P. Vasudevan) at 7/122-A, Palaniappa Colony, Annathanapatty, Salem-636002 (hereinafter called as the "Appellant") is engaged in the business of Trading Tapioca Flour purchased from the registered dealers and effects sale within and outside the state of Tamilnadu. The appellant were supplied with Tapioca flour of 50Kgs Bags under Bill of Supply classifying the same under Tariff heading 1106 stating the product is exempted/NIL rated. They are registered under the GST Acts with GSTIN 33ACYPV6634M1ZK.

2. The Appellant had sought Advance Ruling on the following questions, viz,

1. Classification of goods, i.e Tapioca Flour obtained by crushing the dried root, and remnants of tapioca roots/tubers.
2. Applicability of Notification issued under the provisions of Act in respect of goods falling under entry No. 78 and tariff item 1106 of Part-A of exempted goods, and tariff item 1106 in Sl. No. 59 of Part-C of schedule I of the said Act.
3. Determination of the liability to pay tax in respect of the said goods, tariff No. 1106 as mentioned in Sl. No. 78 of Part-A of exempted goods, and Sl. No. 59 of Part-C of I schedule to the Act.
4. Whether such trader/dealer is required to be registered.

3. Authority for Advance Ruling (AAR) vide order No. 25/AAR/2023 dated 20-06-2023 had ruled that the product is classifiable under HSN 230310 as 'Residues of starch manufacture and similar residues' liable to tax @5%; that the above notification is not applicable to the applicant and the applicant is liable to be registered subject to the conditions prescribed under Section 22 of the Act.

4. The appellant sought rectification from the AAR for the reason the AAR have wrongly understood the process of preparation of Tapioca Flour and hence have classified wrongly under 230310 as 'Residues of Starch Manufacture' liable to tax @5% instead of classifying the same as 1106 which attracts NIL rate of tax. The AAR rejected the application for rectification in the order dated 18.03.2025.

5. Aggrieved by the above decision, the appellant preferred the present appeal to set aside/modify the impugned advance ruling passed by the Authority for Advance Ruling and pass any such further order(s) as may be deemed fit and proper in facts and circumstances of the case.

6. GROUNDS OF APPEAL

- The said product is manufactured from inferior tapioca tubers procured from farmers. Better quality tapioca tubers procured from farmers are used for manufacture of sago and starch. Normally, the inferior quality of tapioca tubers are dried in the yard and then crushed into flour and marketed. This tapioca flour is chiefly used for cattle feed and preparation of gums.
- The products are purchased by the appellant in 50Kgs/70 Kgs Jute/Gunny bags and the traders and manufacturers have not registered their brand name or trade name under the Trade Marks Act, 1999. The suppliers are not charging tax in the bill of supply as they are not using any brand name or trade name. The goods are not for human consumption. The appellant is claiming that 'tapioca flour' is exempted under Notification No. 02/2017-CT (Rate) dated 28-06-2017 and Notification No. 02/2017-IT(Rate) dated 28-06-2017.
- The appellant reproduced the relevant entry of the notification before and after its amendment and stated that with effect from 22-09-2017, the products classifiable under 1106 are chargeable to GST only if put up in unit containers and bearing a registered brand name or bearing a brand name on which actionable claim or enforceable right in a court of law is available.
- The appellant claimed that the entries in heading 0714 and 1106 includes flours of vegetable roots or tubers the sale of which without registered brand name is exempt by Notification No. 01/2017-CT(R) dated 28-06-2017. If unbranded, it attracts NIL GST as per Sl. No. 78 of Notification No. 02/2017-Central Tax(Rate) dated 28-06-2017 and if branded and packed, it attracts

5% GST as per Sl. No. 59 of Schedule-I of Notification No. 01/2017-Central Tax(Rate) dated 28-06-2017.

- The appellant referring to a clarification issued by CBIC in Circular 80/54/2016-GST dated 31-12-2018 on chhatua or sattu applied the analogy to classify their product under 1106. The circular clarified that chhatua or sattu is a mixture of flour of ground pulses and cereals and classified under 1106. If unbranded, it attracts NIL GST and if branded and packed attracts 5% GST.
- The appellant depicted a flow chart showing the manufacturing process from Tapioca roots to dried tapioca starch, sago varieties and Kappi(waste).
- The appellant further explained that he is primarily a dealer in purchase and sale of tapioca flour without any brand name, with no further process and blending, packed in 50 Kgs/70 Kgs gunny bags. Reproducing the relevant entries of 0714 and 1106, the appellant claimed that the product falls under the category of Nil rate of tax.
- The appellant submitted that tapioca starch is the main source of sago extracted from tubers and used for human consumption, the starch powder is used for manufacture/industrial purpose. Though both are obtained from tapioca roots, they differ in use. Citing the Hon'ble Madras High Court case of *Bakul Cashew Co (1993) 42 ECC65(Mad)* wherein it was held that **'merely because animals eat it, tapioca chips cannot be considered as animal feed, when it is used for industrial use it could not be termed as animal feed'**. Hence contended that taxability and rate of tax cannot be determined on the basis of user theory.
- Showing two flow charts for processing of tapioca flour the appellant claimed that the tapioca flour cannot be produced from the starch residues as held by AAR, but is produced from sago pith called thippi falling under 1106 and 0714. They further stated that AAR erred in classifying the product tapioca flour on par with residues of starch at entry 2303.10.
- Submitting the copies of bills of purchase and sale and photograph of sago pith otherwise known as 'thippi', the appellant contended that tapioca flour is a distinct and different commercial product from residues of starch mentioned in 2303.10.
- The appellant explaining the Chapters 23(2303), 7(0714) and 11(1106) has again contended that their product is distinguishable from the products falling under heading 2303.10. Hence, the appellant prayed that the original and rectification orders passed by AAR by misclassification is liable to be set aside and cancelled both on facts and law.
- Finally prayed before the appellate authorities to set aside and cancel the consequential Advance Ruling No. 25/AAR/2023 dated 20-06-2023, Rectification of Mistake dated 18-03-2025 and thus render justice.

7. PERSONAL HEARING

Personal hearing was held as granted on 11-06-2025 and Shri N. Murali, Advocate & Authorised Representative (AR) appeared for the personal hearing on behalf of the appellant. AR reiterated the submissions made in their appeal application filed with AAAR. AR with the help of chart and photograph explained the process of manufacture stage by stage from Tapioca raw roots to dried tapioca starch, sago varieties and tapioca flour and that the product supplied by them is manufactured from a by-product in the process of production of Sago/starch powder. The products received by them is as exempted goods and hence the appellant effects exempted supplies. AR claimed that the product being dealt is classifiable under chapter heading 1106 and hence eligible for exemption provided under Notification No. 02/2017-CT (Rate) dated 28-06-2017. AR contended that their product will not fall under 2303.10 as 'Residues and waste from food industries' which attracts 5% GST. AR explained and clarified that the product is manufactured from 'wet thippi' emanating from residue of starch manufacture and not from crushing of inferior tapioca tubers procured from farmers.

8. WRITTEN SUBMISSION FURNISHED DURING THE PERSONAL HEARING:

- The appellant depicted three tables in A,B&C namely 'Process of converting Tapioca roots into wet milk and sago pith, 'Process of converting the sago pith into tapioca flour processing' and 'process of converting the wet milk into dry starch and sago'.
- With the help of the tables, the appellant stated that the decision of AAR was wrong in classifying the product under 2303.10.
- The appellant, as already stated, submits that the product is manufactured not after starch is manufactured. It is removed from the manufacturing cycle of starch before processing wet milk into starch. Hence contended that the product cannot be classified as residue of starch.

9. ADDITIONAL SUBMISSION DATED 19-06-2025:

- Reiterating the submissions made at the time of personal hearing, the appellant clarified the question posed regarding the question of two different facts presented on how the product is manufactured.
- The appellant submitted that both from the inferior quality and superior quality of 'tapioca' the process of deriving wet milk and sago pith from crushing 'tapioca' remains the same as explained in Table-A of para 7 & 8 of the written submission.
- Therefore, the point to be decided is whether 'wet thippi' is prior to manufacturing of starch or after manufacturing of starch during the process of crushing either 'inferior quality or superior quality of tapioca.

- The appellant further submitted that In both the cases, it is the stage prior to manufacturing of starch and therefore the 'sago pith' or 'wet thippi' is not a residue of starch.

DISCUSSION AND FINDINGS

10. We have carefully considered the submissions made by the appellant in the appeal application, the submissions made during the personal hearing along the documents furnished by them and the additional submissions furnished by them thereafter.

11. The issue to be decided in this case is classification of the product, applicability of exemption notification, determination of tax liability and whether such traders are required to be registered or not.

12. The appellant is a trader of 'tapioca flour' within and across the States. The goods are purchased in 50 Kgs/70 Kgs gunny bags with bill of supply from the suppliers as exempted goods with classification under 1106. The appellant supplies the goods as such under a sale invoice as 'exempted/Nil rated goods' since no value is added on the goods purchased by them. The applicant required advance ruling on the queries above for their product.

13. The appellant sought to classify their product under 1106 whereas AAR both in the original order and in the rectification order has classified it under 230310 and ruled that appellant is not eligible for exemption and the product is chargeable to GST @ 5%. Aggrieved, the appellant preferred appeal before us and hence the present appeal.

14. Chapter 7 deals with "Edible vegetable and certain roots and tubers". While the root is a primary structure which anchor a plant that absorb water and nutrients, tubers are modified stems or roots that serves as a storage organ for carbohydrates and other nutrients. Chapter heading 0714 deals with

"**Manioc**, arrowroot, salep..... and similar roots and tubers with high starch or inulin content, fresh, in the form of pellets; **sago pith**".

Manioc, which is commonly called as cassava or yucca is a starchy tuberous edible root of the plant. In India, it is easily identified as 'Tapioca', particularly in the context of its processed forms like tapioca chips or flour, though the actual name of the tuber is Manioc. Hence, manioc as a tuber is rightly classifiable under 0714.

15.1 Chapter 11 deals with "**Products of milling industry; malt, starches; inulin; wheat gluten**". Milling industry produces a wide range of food and feed products derived from grains, including flour, starches and malt. Some of the

common milling industry products include cereal flours, cereal groats, starches, malt, wheat gluten, potato products, legume products etc. The milling industry also generates by-products including wheat bran, mill run & red dog (mill run and red dog differ in composition), screenings and germ meal, germ oil etc.

15.2 On close observation of the products contained in Chapter 11, it could be seen that most of them are useful in the food industry for further edible preparations and some for direct human consumption as flour, meal and powder. Further, all kinds of starches (usually in powdered form) are classified under 1108, where manioc(cassava) starch is classifiable under 11081400 and sago starch under 11081910 both attracting GST @ 12%.

15.3 Bran, sharps, and other residues arising from the milling industry are classified under 2302. This heading includes the products derived from the sifting, milling or other working of cereals or leguminous plants, whether or not in the form of pellets.

16. Chapter 23 deals with "Residues and waste from the food industries; prepared animal fodder". This chapter covers all the residues emanating from the food industries and also all prepared animal fodder. It is pertinent to mention here that most residue and waste from the food industries are normally used as animal feed or in the preparation of making animal fodder.

17. Before going to decide the issue, some of the terms being used in the industry, the appellant and in general, need to be understood.

'Manufacturing process': series of systematic steps, methods and operations used to transform raw materials and components into finished goods".

By-product: Something that is produced as a result of making something else or it is a secondary product derived from a production process, manufacturing process or chemical reaction

Pith: is usually a continuous central strand of spongy tissue in the stems of most vascular plants that probably functions chiefly in storage. 'Sago pith' refers to the spongy core or pith tissue of certain tropical palms, particularly Metroxylon sagu, from which sago starch is extracted.

Thippi or 'tapioca thippi': During manufacturing of sago/tapioca starch, the tapioca tubers after cleaned, de-skinned and soaked in water are fed into the crusher adding equal amount of water for extraction of milk. The milk is allowed

to pass through a sieve to remove the fibrous material. This fibrous material in pulp form is known as 'tapioca thippi' or '.thippi'.

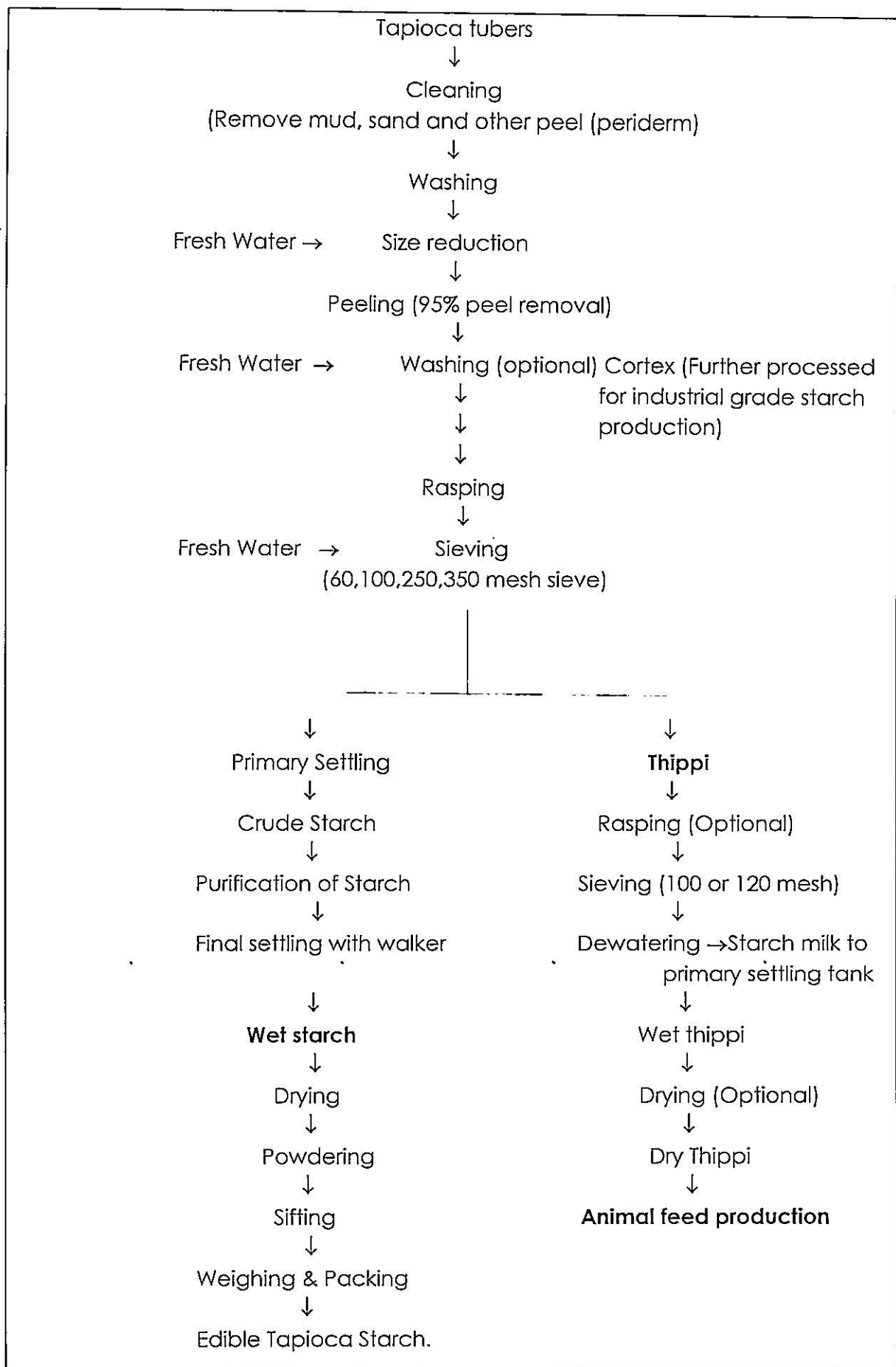
Tapioca starch: It is the starch extracted from the cassava root, a tuberous plant also known as Yuca or Manioc that grows underground like potato.

Tapioca Flour: It is a starch extracted from cassava root. It is fine white powder used in cooking and baking, particularly in gluten free recipes, as a thickener and to improve texture. Tapioca, tapioca flour and tapioca starch are one and the same.

Tapioca Starch manufacture: the Indian Council of Agricultural Research (ICAR) has narrated detailed manufacturing process of Tapioca starch/Sago. The short notes on the process of manufacture is as follows.

Manufacturing process of tapioca starch consists of washing, peeling, rasping (grating), sieving, primary settling, purification of starch, final settling, settling, powdering, sizing, roasting, drying and polishing. In this process, tapioca tubers are washed, and the outer skin and the inner rind are removed technically. The peeled tubers are then washed again and disintegrated in a rasper with serrated surface, adding enough water. The crushed starch milk containing fibre is sieved through 200 and 300 mesh sieves to separate the starch from fibre. The resultant suspension is then settled in a settling tank for overnight and then the settled starch is purified by removing the fine fibre and dirt. FSSAI permits processing aid such as calcium hypochlorite/sodium hypochlorite, phosphoric acid/sulphuric acid, hydrogen peroxide are added to bleach the crude starch collected from the settling tank for making into white colour. Then the purified/bleached starch is further dried to a safe moisture level of <14% and sold as tapioca starch.

For making sago, the purified/bleached starch is partially dried to bring the moisture content to 35 to 40% and then powdered. The powdered wet starch is converted into granules by using a power operated granulator. The granules are then roasted in pans and dried in the belt dryer for about 8 hours. The roasted and dried sago is passed through a polisher to break the lumps and obtain smooth polish surface to obtain the final product.



18.1 From the above, tapioca tubers is undergoing various process for finally getting edible tapioca starch, otherwise known as tapioca flour. Since the ultimate aim is to obtain edible tapioca starch as final product, the process which the tubers undergo is a 'starch manufacturing processes. During this manufacturing process, thippi is obtained as a by-product and residue of starch manufacture. This thippi obtained as residue after sieving is subjected rasping, sieving and drying to obtain products of different grade used in the animal feed production.

18.2 Intermittently, before the stage of getting edible tapioca starch, for producing sago (crystal form of tapioca starch) the purified bleached wet starch is dried to bring the moisture content to 30% to 40%, powdered and then converted to granules using granulator. Normally, sago is recognised as granulated tapioca starch among the people.

19. It could be seen from the above process, 'thippi' is the residue after extracting the crude starch by sieving. Practically, the nomenclature 'Tapioca Flour' used by the appellant for their product is not technically correct. Therefore, 'thippi' is the by-product of the main product, namely, edible tapioca starch. Thippi is obtained after the sieving process and obtained as a residue in the starch manufacturing process.

20. There is a misunderstanding with regard to 'sago', 'sago starch' or 'sago pith' which the appellant also has. Practically, 'sago' is one variety of palm tree which has a thick trunk from where edible starch is extracted from the pith. Hence sago pith refers to the spongy core of pith tissue from which sago starch is extracted. The nomenclature 'sago pith' stated by the appellant is a misnomer and it does not represent the actual thing intended to be mentioned by the appellant. In the above manufacturing process, no 'sago pith' was emanating at any stage. It could be seen from the process flow chart submitted by the appellant, there is no 'sago pith' generated from the starch manufacture.

21. It is very clear and there is no doubt that as per the ICAR narrative, the edible Starch is manufactured from raw manioc or cassava root falling under 0714. However, the claim that their product is rightly classifiable under 1106 as 'flour' has no merit for the above reasons.

22. The practice being followed in the trade (as per the purchase bill and sale bill submitted) that their product is 'tapioca flour' is wrong since the 'tapioca flour' and 'tapioca starch' are one and the same obtained from the wet starch after drying and powdering which is an edible preparation as well as for use in the food industry for further manufacture of food products.

23. The facts submitted by the appellant is not clear and he has submitted that the product is manufactured from 'wet thippi' emanating from the residues of starch manufacture at one instance and on the other instance, he submitted that the product is manufactured from crushing of the 'inferior tapioca tubers' procured from farmers which are dried in the yard, packed and marketed. During the personal hearing when the members enquired, the authorised representative explained and accepted that the appellant's product is manufactured from 'wet thippi' emanating from residues of starch manufacture and not from crushing of inferior tapioca tubers procured from the farmers.

24. However, while submitting the additional submission dated 19-06-2025, the appellant stated that as per the written submission dated 11-06-2025, it was explained in para 7 & 8 the process through which the tapioca 'wet milk' and 'sago pith' or 'thippi'. At this stage, the appellant contends that there is no manufacturing of starch and informed that the same is explained in Table-B. Therefore contended that the 'sago pith' or 'thippi' is not the residue of starch and that the findings are not correct. Further, in the next paragraph of the additional submission, the appellant has stated that both the process namely, 'crushing of inferior quality of tapioca' and 'crushing of superior quality of tapioca' is used in the process of deriving 'wet milk' and 'sago pith' as explained in Table-A of the written submission. In both the above processes, 'wet thippi' emanates and the appellant submits that the issue to be decided is whether 'wet thippi' is prior to or after manufacturing of starch.

25. From the above facts, it is noted that the appellant himself is not clear about how the product is manufactured and when the 'wet thippi' is emanating during the starch manufacture. The appellant being a trader of animal feed in 50/70 Kgs gunny bags have not submitted any proof or documentary evidences from the manufacturer of the product regarding the manufacturing process of their product. It is clear that the appellant is trying to present the facts *suo motu* and support the same without any evidences. As the classification of the product being traded by the appellant is to be done based on the exact process of manufacture, we are of the view that the issue needs to re-examined and decided afresh by the Authority of Advance Ruling.

26. The appellant while filing the application before AAR, with the help of a flow chart depicted that the 'tapioca flour' is being manufactured from the 'wet residue' after crushing the tapioca roots obtained from the farmers. The appellant has not informed the alternate method of making the product from inferior tapioca tubers to AAR. Hence, the same was not discussed in the ruling of AAR. While filing the rectification application, the appellant at (IV) of the submission has stated a **fresh** submission that the product is manufactured from inferior tapioca tuber procured from farmers, which is not submitted during the original

application. The appellant has not established the fresh ground raised before the AAR in the original application. The AAR has decided that there was no mistake **apparent on record**. As per Section 161 of the Act, any rectification application shall be filed if there is an error which is apparent on the fact of the record. The original authority has not given specific ruling on the issue of the product being manufactured from drying and grinding of inferior quality tubers as one of the two processes, now raised before the appellate authority. This has not been examined by Lower authority and no decision thereon is given by the lower authority. In the circumstances it is just and proper that the matter is remitted to the lower authority for fresh decision on the whole issue.

27. AAR had decided the issue based on the submissions made by the appellant in the form of flow chart and only on the facts submitted by the appellant. As the facts presented by the appellant now were different and requires examination based on the evidences, it is necessary to remand the matter to the AAR and direct the appellant to submit all relevant facts along with documentary evidences, certified process of manufacture from the manufacturers and any other documents required for clarification by the lower authority.

28. Therefore, we are of the considered opinion that the principles of natural justice need to be followed in the instant case as the appellant has not produced enough evidences in support of their claim and the Advance Ruling Authority has not considered the full facts in deciding the issue. Accordingly, we are of the view that justice will be met by restoring the application for advance ruling to its original position by way of remand to lower authority and to offer them opportunity to furnish evidence and opportunity of being heard in person before deciding the case as per the provisions of law. We further find that this authority is empowered vide Section 101(1) of the CGST/TNGST Act, 2017 to pass such order as deemed fit.

29. In view of the above, we order as under

ORDER

The Advance Ruling Order No. 25/AAR/2023 dated 20-06-2023 and subsequent rectification order dated 18-03-2025 in the case of the appellant are set aside. The matter is remanded to the Lower Authority for fresh consideration and passing of appropriate orders after following the principles of natural justice. The decision by the lower authority on merits of the case is kept open.


(Dr. RAM NIWAS)

Principal Chief Commissioner of GST
& Central Excise, Tamilnadu & Puducherry
Zone/Member AAAR


(Dr. D. JAGANNATHAN)

Commissioner of Commercial Taxes
Tamilnadu/Member AAAR

To
M/s. V.S. Trading Company
(Prop. P. Vasudevan)
GSTIN: 33ACYPV6634M1ZK
No. 7/122-A, Palaniappa Colony,
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//by RPAD//

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