

AUTHORITY FOR ADVANCE RULING, TAMIL NADU
No.207, 2nd FLOOR, PAPJM BUILDING, No.1, GREAMS ROAD,
CHENNAI 600 006.

ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017 AND
UNDER SECTION 98(4) OF THE TNGST ACT, 2017

Members present:

Shri C. Thiyagarajan, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit I Commissionerate, Chennai - 600 101.	Shri B. Suseel Kumar, B.E., MBA., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 5/ARA/2026, dated 12.01.2026

1. *Any appeal against this Advance Ruling order shall lie before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-Section (1) of Section 100 of CGST Act 2017/TNGST Act 2017, within 30 days from the date on which the ruling sought to be appealed is communicated.*
2. *In terms of Section 103(1) of the Act, Advance Ruling pronounced by the 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) Section 97 for advance ruling.*
 - (b) *On the concerned officer or the Jurisdictional Officer in respect of the applicant.*
3. *In terms of Section 103(2) of the Act, this Advance Ruling shall be binding unless the law, facts or circumstances supporting the original advance ruling have changed.*
4. *Advance Ruling obtained by the applicant by fraud or suppression of material facts or misrepresentation of facts, shall render such ruling to be void ab initio in accordance with Section 104 of the Act.*
5. *The provisions of both the Central Goods and Services Tax Act and the Tamil Nadu Goods and Services Tax Act (herein referred to as the 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 Services Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Services Tax Act.*

GSTIN Number, if any/User id	33ABZF1210G1ZQ
Legal Name of Applicant	M/s. AFS Group
Trade Name of Applicant	M/s. AFS Group
Registered Address/ Address provided while obtaining User id	No. 68, Modern Park Street, Tambaram West, Chennai – 600 045
Details of Application	Application Form GST ARA-01 received from the applicant on 21.07.2025.
Jurisdictional Officer	Center – Chennai-Outer Commissionerate Tambaram Division Tambaram Range State – Tambaram Assessment Circle Tambaram Zone Chengalpattu Division
Nature of activity (s) (proposed/present) in respect of which advance ruling sought for A. Category B. Description (in brief)	Service Providers and others The applicant stated that their client is engaged in manufacture and supply of 100% Cotton Yarn (HSN 5205), taxable at 5% GST. Their input goods and services – such as packing materials, spares, lubricants and job work – are taxed at higher rates (12% to 18%), leading to accumulation of Input Tax Credit (ITC).
Issues on which advance ruling required	Applicability of a Notification issued under the provisions of this Act
Question(s) on which advance ruling is required	Whether the applicant is eligible to claim refund under Section 54(3)(ii) of the CGST Act, 2017 for the accumulated Input Tax Credit arising due to inverted Duty Structure in respect of manufacture and outward supply of 100% Cotton Yarn (HSN 5205), where input goods and input services attract higher rate of GST compared to output supplies?

M/s. AFS Group, No. 68, Modern Park Street, Tambaram West, Chennai – 600 045 (hereinafter called as the “Applicant”) are registered under the GST Act with GSTIN 33ABZFA1210G1ZQ. The applicant stated that their clients are engaged in manufacture and supply of 100% Cotton Yarn (HSN 5205), taxable at 5% GST. Their input goods and services – such as packing materials, spares, lubricants and job work – are taxed at higher rates (12% to 18%), leading to accumulation of Input Tax Credit (ITC).

2. The Applicant has made a payment of application fees of Rs.5,000/- each under sub rule (1) of Rule 104 of CGST Rules, 2017 and SGST Rules, 2017.

3. The applicant has sought advance ruling on the question as to whether their client is eligible to claim refund under Section 54(3)(ii) of the CGST Act, 2017 for the accumulated Input Tax Credit arising due to inverted Duty Structure in respect of manufacture and outward supply of 100% Cotton Yarn (HSN 5205), where input goods and input services attract higher rate of GST compared to output supplies.

Interpretation of Law by the Applicant based on the statement of facts:

3.1 On interpretation of law, the applicant has stated that as per Section 54(3)(ii) of the CGST Act, 2017, refund of unutilized Input Tax Credit (ITC) is allowed where the credit has accumulated due to the rate of tax on inputs being higher than the rate of tax on output supplies; that the term 'inputs', as defined in Section 2(59), includes all goods other than capital goods used in the course or furtherance of business and also includes input goods used indirectly, such as stores and spares, packing materials, and other support materials, if they are used for taxable supplies. The applicant has also noted that CBIC Circular No. 125/44/2019-GST, in Para 122 (Page 24 of 29), clearly clarifies that ITC of GST paid on inputs including inward supplies of stores and spares, packing materials, etc., shall be available as ITC as long as these inputs are used for the purpose of the business and/or for effecting taxable supplies, and the ITC is not restricted under Section 17(3); that the Circular also clarifies that stores and spares treated as revenue expenditure cannot be treated as capital goods merely on assumption. Further, the applicant also states that under Section 2(19), capital goods are those whose value is capitalized in the books and used in the business and that if the value of such stores/spares is not capitalized then the ITC on such items qualifies as Net ITC and is eligible for refund. The applicant relies on the Hon'ble Rajasthan High Court's judgment in M/s. Nahar Industrial Enterprises Ltd., which upheld refund eligibility where the aggregate input tax rate exceeds output tax, regardless of whether each input is directly or indirectly used.

4.1 The applicant is under the administrative control of Central Tax Authority. The concerned Authorities of the Centre and State were addressed to report the detailed remarks and no pendency report on the questions raised by the applicant in their ARA application.

4.2 Since, no remarks have been received from the Central or State GST jurisdictional Authorities, it is construed that there are no pending proceedings against the applicant on the questions raised by them in their advance ruling application.

Personal Hearing

5.1 The applicant was given an opportunity to be heard in person on 17.12.2025. Mr. Arul Pandiaraj, Managing Director, M/s. AFS Group appeared for the personal hearing as the authorized representative (AR) of M/s. AFS Group, Chennai. The AR reiterated the submissions made in their application for advance ruling.

5.2 The AR submitted copies of Board's Circulars regarding Refund related issues, copies of write-up on inverted duty structure and refund, copies of Hon'ble High Court Orders in respect of refund issues, copies of Refund Sanction Orders in respect of two registered persons, copies of Show Cause Notice, Order-in-Original and Order-in-Appeal in respect of M/s. Subburaaj Cotton Mill Pvt Ltd.

5.3 The Members asked the AR whether they are the manufacturers of Cotton Yarn to which the AR replied that they are not manufacturers; they are consultants to various cotton yarn manufacturers. The Members asked whether their clients are exporting the cotton yarn, the AR replied in negative. The AR also informed that the issue of refund is taken up by the Department and Orders were passed and that they have filed appeal against the said Order.

6) Discussions and Findings:

6.1 We have carefully considered the submissions made by the applicant in their application, copies of the relevant documents furnished by them, the submissions made during the personal hearing.

6.2 The provisions of Section 95(a) of the CGST Act, 2017 are reproduced below for reference:

(a) "advance ruling" means a decision provided by the Authority or the Appellate Authority or the National Appellate Authority to an applicant on matters or on questions specified in sub-section (2) of section 97 or sub-section (1) of section 100 or

of section 101C, in relation to the supply of goods or services or both being undertaken or proposed to be undertaken by the applicant:

(Emphasis supplied)

6.3 In the instant case, it is seen that the applicant has raised questions seeking an answer to his query whether the applicant is eligible to claim refund under Section 54(3)(ii) of the CGST Act, 2017 for the accumulated Input Tax Credit arising due to inverted Duty Structure in respect of manufacture and outward supply of 100% Cotton Yarn (HSN 5205). The applicant is a consultant and the question raised is on behalf of their client who are manufacturers and suppliers of 100% Cotton Yarn.

6.4 Even otherwise also, the query raised by the applicant pertains to refund of unutilised ITC, which does fit into any of the clauses at (a) to (g) of Section 97(2) of the CGST Act, 2017, as enumerated below:

- (a) classification of any goods or services or both;*
- (b) applicability of a notification issued under the provisions of this Act;*
- (c) determination of time and value of supply of goods or services or both;*
- (d) admissibility of input tax credit of tax paid or deemed to have been paid;*
- (e) determination of the liability to pay tax on any goods or services or both;*
- (f) whether applicant is required to be registered;*
- (g) whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.*

(Section 97(2) of the CGST Act, 2017)

6.5 Moreover, as per proviso to Section 98 (2) of the CGST Act, 2017,

Section 98. Procedure on receipt of application.-

(2) The Authority may, after examining the application and the records called for and after hearing the applicant or his authorised representative and the concerned officer or his authorised representative, by order, either admit or reject the application:

Provided that the Authority shall not admit the application where the question raised in the application is already pending or decided in any proceedings in the case of an applicant under any of the provisions of this Act:

Provided further that no application shall be rejected under this sub-section unless an opportunity of hearing has been given to the applicant:

Provided also that where the application is rejected, the reasons for such rejection shall be specified in the order.

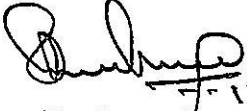
6.6 During the Personal Hearing held on 17.12.2025, to a specific query raised by the Members, it was stated by the applicant that the question raised by them in the present application is already decided in a proceeding. Therefore, the application for advance ruling filed by the applicant is liable to be rejected on the counts discussed in the preceding paras.

7. Based on the above discussion, we rule as under:


RULING

The application filed by the applicant is rejected in this case on the following grounds:

- i. the question put forth by the applicant is not in relation to the supply of goods or services or both being undertaken or proposed to be undertaken by the applicant
- ii. the question put forth by the applicant does not fall under the scope of Section 97(2) of the CGST/TNGST Acts, 2017


12/01/2026
(B. Suseel Kumar)
Member (SGST)




12/01/2026
(C. Thiyagarajan)
Member (CGST)

To
M/s. AFS Group
No. 68, Modern Park Street,
Tambaram West, Chennai – 600 045

(By Speed Post)

Copy submitted to:

1. The Principal Chief Commissioner of GST and Central Excise,
26/1, Uthathamar Mahatma Gandhi Road,
Nungambakkam, Chennai 600 034.
2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai 600 005.
3. The Commissioner of GST and Central Excise,
Chennai-Outer Commissionerate,
Newry Towers, 12th Main Rd, Anna Nagar West,
Chennai, Tamil Nadu 600 040.

Copy to:

1. The Assistant Commissioner (ST),
Tambaram Assessment Circle,
No.66, Pasumpon Muthuramalingam Salai,
1st Floor, Taluk Office Building, RA Puram,
Greenways Road, Chennai – 600 028.
2. Stock File – A1