

MAHARASHTRA AUTHORITY FOR ADVANCE RULING
GST Bhavan, Old Building, 1st floor, B-Wing, Room No.107, Mazgaon, Mumbai – 400010.
(Constituted under Section 96 of the Maharashtra Goods and Services Tax Act, 2017)
BEFORE THE BENCH OF

- (1) Shri. D. P. Gojamgunde, Joint Commissioner of State Tax, (Member)
(2) Ms. Priya Jadhav, Joint Commissioner of Central Tax, (Member)

ARA No.	NA
GSTIN Number, if any/ User-id	27ABAFK8967H1ZU
Legal Name of Applicant	M/s. KR INNOVATION
Registered Address/Address provided while obtaining user id	Gate No. 441, Moh Village, Sinner, Mohu, Nashik, Maharashtra
Details of application	GST-ARA, Application No. 46 Dated 21.11.2024
Concerned officer	State Tax Officer C-701 of SGST
Nature of activity(s) (proposed/present) in respect of which advance ruling sought	
A Category	Factory / Manufacturing
B Description (in brief)	The applicant is in business of manufacturing and selling of 'fruit protection bags' under the name and style of K R Innovation. Currently the taxpayer has used the classification of its product based on HSN Code 4805 (Coated Paper, Synthetic Adhesive, Galvanized GI Wire) thus charging 18% GST on the taxable value.
Issue/s on which advance ruling required	➤ Classification of any goods or services or both
Question(s) on which advance ruling is required	As per reproduced in para no. 01 of the proceedings.

PROCEEDINGS

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

The present application has been filed under Section 97 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017 [hereinafter referred to as "the CGST Act and MGST Act" respectively] by M/s. K R INNOVATION, the applicant, seeking an advance ruling in respect of the following questions.

1. What shall be the classification of the product based on its HSN?
2. What shall be the tax rate to be levied on the product?

01. FACTS AND CONTENTIONS - AS PER THE APPLICANT

1.1. The taxpayer is a partnership firm engaged in business of manufacturing and selling of 'Fruit Protection Bags' under the name and style of 'KR Innovation'. The taxpayer is registered under Goods & Services Tax and is regularly assessed to tax.

1.2 Fruit Protection Bag ("The Product") is a bag made out of kraft paper, white or colour MG poster paper and is used primarily as a covering /packing material for fruits before harvest. These are bags made out of coated paper, glued using synthetic adhesive. Further, a galvanized MS wire is attached which is used to fasten the bag.

1.3. The Product is of primary use to farmers and agriculturalist to protect the fruit from excessive sunlight before harvest, thereby maintaining the quality of fruits. It also protects the fruit from rains, bird bites, fruit flies etc. Overall, it helps in better fruit produce with uniform colour, shape and size making them more attractive in market. For the purpose of better understanding, brochure of The Product is attached as Annexure A.

1.4. Given the uses of the Product, the clientele is farmers, cultivators and agriculturalists. Agricultural produce being exempt as per Schedule III, the farmers are not allowed the input tax credit upon purchase of The Product.

1.5. The firm is currently using HSN Code 4805 "Other Uncoated Paper And Paperboard, In Rolls Or Sheets, Not Further Worked Or Processed Than As Specified In Note 3 To This Chapter - Fluting Paper" and thus charging GST at the rate 18% on The Product. Sample tax invoice is attached as Annexure.

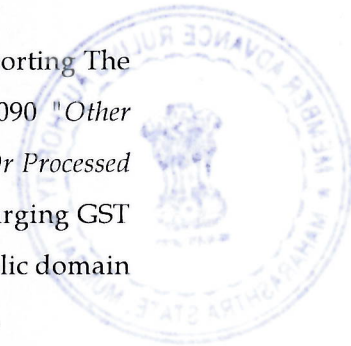
1.6. However, some peers in same line of business that are engaged in importing The Product from China and selling in Indian markets use HSN 48195090 "Other Uncoated Paper And Paperboard, In Rolls Or Sheets, Not Further Worked Or Processed Than As Specified In Note 3 To This Chapter - Fluting Paper" and thus charging GST at the rate 12% on The Product. A sample Bill of lading available in public domain for data on import using the aforesaid HSN is attached as Annexure C.

1.7. Considering the facts above with respect to the nature of clientele, the firm is placed at disadvantage compared to its peers since charging GST at higher rates caused increase in total cost for the customer who is not eligible to claim ITC.

Basis, the above facts, the taxpayer seeks advanced ruling with respect to classification of its goods basis HSN i.e 4805 or 48195090. Sample of The Product shall also be produced before the Proper Officer, if required.

02. STATEMENT CONTAINING APPLICANT'S INTERPRETATION OF LAW

The two HSN Codes being similar causes a dilemma as regards classification of the fruit bags.



However, charging a lower GST rate by the competitors put the taxpayer in a position of disadvantage over others.

Given the fact that the competitor's products being imported from China, Custom Rules and Regulation also apply in addition to Goods & Services Tax. It appears to the taxpayer that HSN code 48195090 is being accepted by the customs as well.

Therefore the taxpayer is of the view that HSN code 48195090 shall be applicable on fruit bags and resultantly GST at the rate 12% shall be charged.

03. CONTENTION – AS PER THE CONCERNED OFFICER:

The jurisdictional officer has submitted the written submission. According to him, RTP is engaged in manufacturing and selling of fruit protection bags. RTP has explained the whole process of manufacturing of fruit protection paper bags from start to end. The firm is currently using HSN code 4805 and charging GST rate of 18% (But the actual tax rate for HSN 4805 is 12%, As per Updated schedule II of CGST rates on goods, as on 15.07.2024). Chapter 48 of HS Nomenclature 2022 edition (World Custom Organization) defines Paper and paperboard; articles of paper pulp, of paper or of paperboard

Heading	HS code	Description
48.5		Other uncoated paper and paperboard, in rolls or sheets, not further worked or processed than as specified in Note 3 to this Chapter.

NOTE 03: Subject to the provisions of Note 7, headings 48.01 to 48.05 include paper and paperboard which have been subjected to calendaring, super-calendaring, glazing or similar finishing, false water-marking or surface sizing, and also paper, paperboard, cellulose wadding and webs of cellulose fibres, coloured or marbled throughout the mass by any method. Except where heading 48.03 otherwise requires, these headings do not apply to paper, paperboard, cellulose wadding or webs of cellulose fibres which have been otherwise processed.

Technical description of HSN code 4805 describes it as other uncoated paper. But RTP is using process of coating of Chemical made by himself, which add special properties to paper such as anti-bacterial, anti-fungus, fly resistance, insect resistance, Protection of sun burn etc. So current HSN Code 4805 is not appropriate for manufacturing of fruit protection Paper bag.

04. HEARING

Preliminary e-hearing in the matter held on 24.01.2025. Mr. Gunesh Sanjay Sancheti consultant, appeared and requested for admission of the application. Jurisdictional Officer Ravindra H Khurkute, Officer of the SGST is available.



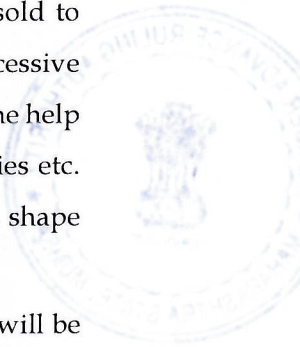
The application was admitted and called for final e-hearing on 03.04.2025. Mr. Rahul Kabra, Partner appeared made oral and written submissions. Jurisdictional Officer Mr. Ravindra Khurkute, State Tax Officer of SGST appeared. We heard both the sides.

05. OBSERVATIONS AND FINDINGS:

5.1. We have gone through the records of the case and the submissions made by the applicant. We have also gone through the submissions made by the jurisdictional officer vide letter dated 25.2.2025. We find that the applicant is engaged in the manufacture of fruit protection bags. The applicant is classifying the said product under Tariff Code 4805. The applicant submits that his peers in the same line of business classify the said product under Tariff Code 48195090. The applicant is seeking a ruling on the correct classification of the said goods. Ongoing through the submissions made by the applicant and the jurisdictional officer, we find that the product i.e. 'fruit protection bag' is a bag made out of craft paper and used primarily as a covering/packing material for fruits. These bags are made out of coated paper and three sides of the said bags are sealed using synthetic adhesive. One side is left open and a galvanized wire is attached which is used to fasten the said bags. We find that the applicant has submitted that the product is sold to farmers and agriculturists who use them to protect the fruit from excessive sunlight, by covering the fruits with the said bag and fastening them with the help of the galvanized wire. It protects the fruits from rains, bird bites, fruit flies etc. Overall, it purportedly helps in better fruit produce with uniform colour, shape and size, enhancing its marketability.

5.2. In order to determine the classification and tax liability on said goods, we will be required to refer to the Notification No.01/2017-Central Tax (Rate) dated 28.06.2017 containing the headings, sub-headings as well as the rates of Central Tax GST applicable to various goods which are covered under 6 schedules are as under:

- (i) 2.5 per cent. in respect of goods specified in Schedule I,
- (ii) 6 per cent. in respect of goods specified in Schedule II,
- (iii) 9 per cent. in respect of goods specified in Schedule III,
- (iv) 14 per cent. in respect of goods specified in Schedule IV,
- (v) 1.5 per cent. in respect of goods specified in Schedule V, and
- (vi) 0.125 per cent. in respect of goods specified in Schedule VI



Further, Explanation (iii) and (iv) of the said Notification reads, as under:

(iii) "Tariff items", "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 (51 of 1975).

iv) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), 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. We will therefore, be required to refer to the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) in order to find out the correct classification of the said products.

5.3. In order to ascertain the correct classification of the product, it is necessary to examine the two-tariff heading i.e. 4805 and 4819 in detail. Chapter 48 falls under Section X of the Customs Tariff and the Tariff Heading 4805 covers other uncoated paper and paper board, in rolls or sheets, not further worked or processed than as specified in Note 3 to this Chapter. It includes fluting paper, Testliner (recycled liner board), Sulphite wrapping paper, filter paper and paper board, felt paper and paper board and others uncoated paper and paper board. On the other hand, we find that Chapter heading 4819 covers cartons, boxes, cases, bags and other packing containers of paper, paper board, cellulose wadding or webs of cellulose fibres, box files, letter trays and similar articles, of paper or paper board of a kind used in offices, shops or the like. The various tariff items under the said Tariff heading is as under:-

48110: - Cartons, boxes and cases of corrugated paper or paper board:

48191010 -- Boxes

48191090 --- Other

481920 - Folding cartons, boxes and cases, of non-corrugated paper and paper board:

48192010 --- Cartons, boxes, cases intended for packing of match sticks

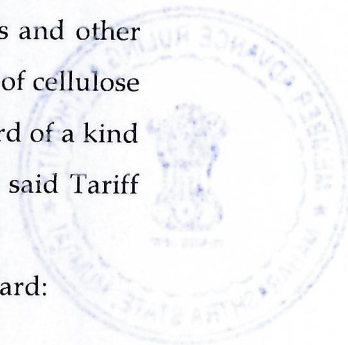
48192020 --- Boxes

48192090 --- Others

48193000 - Sacks and bags, having a base of a width of 40 cm or more.

48194000 - Other sacks and bags, including cones

481950 - Other packing containers, including record sleeves:



48195010 --- made of corrugated paper or paper board

48195090 --- Other

48196000 - Box files, letter tray, storage boxes and similar articles, of a kind used in offices, shops or the like.

5.4. We find that the present product, in question before us, is a fruit bag manufactured out of kraft paper coated with a chemical which adds special properties to paper such as anti-bacterial, anti -fungal, fly resistance, insect resistance and sun burn protection. It is sealed on three sides with an adhesive. The fourth side is left open so that the fruit, while hanging on the trees, can be inserted into the bag. The bag can then be tied to the fruit / tree, thereby enclosing the entire fruit, protecting the fruit from pests, rain water, birds etc. Since the product is manufactured out of coated paper, it goes out of the Tariff heading 4805 which covers uncoated paper. Further, since the said product is sealed on three sides, it takes the character of a bag i.e. is a product manufactured out of paper and will not remain merely paper and paper board, covered under 4805. Therefore, we find that the said product is not classifiable under Tariff Heading 4805.

5.5. On verifying the sample of the product attached with the application, we find that the product is manufactured out of coated kraft paper, sealed on three sides and provided with a tag/galvanized wire to seal the fourth side after the fruit is inserted into the bag. We find that a bag is a product which covers the entire goods, completely enclosing them. On the other hand, sleeves are pouches designed to slip over the fruit or fruit clusters, providing a protective layer without completely enclosing them. In the instant case, the product before us is a bag which can completely cover the fruits. It is sealed on three sides with an adhesive and the fourth side can be sealed with the help of the galvanized wire, thereby enclosing the entire fruit. Therefore, from the product design, it appears that the product in question is a bag and not a sleeve, which is made out of kraft paper coated with chemicals to impart anti bacteria, anti-fungal and other properties. Therefore, we find that the said product would be rightly classifiable under Tariff Heading 48194000 i.e. Other sacks and bags, including cones.

5.6. We find that in terms of Notification No.1/2017 CT (Rate) dated 28.6.2017, as amended, goods falling under Chapter 4819 falls under the Schedule II of the said notification at Sr.No.122, attracting tax at the rate of 6% CGST and 6% SGST i.e. total 12%.



06. In view of the extensive deliberations as held hereinabove, we pass an order as follows:

ORDER

(Under Section 98 of the Central Goods and Services Tax Act, 2017 and the Maharashtra Goods and Services Tax Act, 2017)

NO.GST-ARA-46 /2024-25/B- 204 Mumbai, dt. 28.04.2025

For reasons as discussed in the body of the order, the questions are answered thus –

Question 1: What would be the classification of the product i.e. Fruit Protection bags, made out of kraft paper?

Answer: - The said product would be classifiable under 48194000

Question 2: What shall be the tax rate to be levied on the product?

Answer: - 18% (9% CGST + 9% SGST)



D.P. Gojamunde
D.P. GOJAMGUNDE
(MEMBER)

Priya Jadhav
PRIYA JADHAV
(MEMBER)

Copy to: -

1. The applicant
2. The concerned Central / State officer
3. The Commissioner of State Tax, Maharashtra State, Mumbai
4. The Pr. Chief Commissioner of Central Tax, Churchgate, Mumbai
5. The Joint commissioner of State Tax, Mahavikas for Website.

Note: -An Appeal against this advance ruling order shall be made before The Maharashtra Appellate Authority for Advance Ruling for Goods and Services Tax, 15th floor, Air India Building, Nariman Point, Mumbai – 400021. Online facility is available on gst.gov.in for online appeal application against order passed by Advance Ruling Authority.

