

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:

Sri. Balakrishna S, I.R.S., Additional Commissioner/Member (CGST), Office of the Commissioner of GST and Central Excise, Audit II Commissionerate, Chennai - 600 034.	Smt. A.Valli, M.Sc., Joint Commissioner/Member (SGST), Authority for Advance Ruling, Tamil Nadu, Chennai - 600 006.
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Advance Ruling No. 24/AAR/2024, dated 05.11.2024

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 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) of 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 after 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		33FNOPS0299M1Z4
Legal Name of Applicant		M. Saisarvesh
Trade Name of Applicant(Optional)		M/s. Idya
Registered Address / Address provided while obtaining user id		No. 49, Canal Road, Kilpauk, Chennai – 600 010.
Details of Application		Form GST ARA – 01 Application Sl. No. 88/2023/ARA, dated 22.05.2023
Concerned Officer		State: Kilpauk Assessment Circle, Chennai (Central) Division Center: Chennai - North Commissionerate, Range III, Anna Nagar Division.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for		
A	Category	Factory/ Manufacturing
B	Description (in brief)	The Applicant are manufacturing NATURAL ANTIOXIDANT WATER with natural BETEL LEAF extract and natural AJWAIN extract. They are trained from CSIR - CENTRAL FOOD TECHNOLOGICAL RESEARCH INSTITUTE and are licenced to do Commercial Production from CSIR – CENTRAL FOOD TECHNOLOGICAL RESEARCH INSTITUTE.
Issue/s on which advance ruling Required		1) Classification of any goods or services or both 2) Determination of time and value of supply of goods or services or both.
Question(s) on which advance ruling is required		1) The Applicant are using HSN 2202 9920, to confirm which is correct or not correct. 2) The applicant are charging @ 12 % tax for the products manufactured from end, to confirm which is correct or not correct.

M/s. IDYA, No. 349, Canal Road, Kilpauk, Chennai – 600 010 (hereinafter referred to as 'the Applicant') is engaged in the manufacture of Natural Anti-Oxidant Water. They are registered under the GST Acts with GSTIN: 33FNOPS0299M1Z4.

2. They have filed an application seeking Advance Ruling with regard to the product manufactured by them viz ANTIOXIDANT WATER with natural BETEL LEAF extract and natural AJWAIN extract on the following:

- 1) "We are using HSN 2202 9920, please confirm which is correct or not correct?"
- 2) We are charging tax @ 12 % for the products manufactured from end, confirm which is correct or not correct?"

3. The Applicant furnished 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.

4. In their application for Advance Ruling, the Applicant has stated that –

They are manufacturing NATURAL ANTIOXIDANT WATER with natural BETEL LEAF extract and natural AJWAIN extract. They are trained from CSIR - CENTRAL FOOD TECHNOLOGICAL RESEARCH INSTITUTE and are licensed to do Commercial Production from CSIR – CENTRAL FOOD TECHNOLOGICAL RESEARCH INSTITUTE.

5. The applicant have attached the following documents along with advance ruling application filed by them.

- i) Copy of Invoice No. 0002, dated 14.03.2023, issued to SCT Traders for outward supply of Betel Leaf Water (500 ml) and Ajwain Water (500ml).
- ii) Copy of e-Way Bill dated 14.03.2023, for outward supply of Betel Leaf Water (50.00 CTN) and Ajwain Water (50.00 CTN).
- iii) Copy of Tax Invoice dated 24.02.2023, issued to Sundar Stores, for Kowshik traders for supply of Maaza.
- iv) Copy of Order acknowledgement dated 03.03.2023, issued to the Applicant from M/s. Synthite Industries Private Limited for inward supply of Menthol Crystals.
- v) Copy of Tax Invoice dated 05.01.2023 issued to the Applicant from M/s. Rasayan Trading Co., for Inward supply of 1,2-Propane-diol
- vi) Copy of Tax Invoice No. 390, dated 27.02.2023, issued from M/s. Vinayaga Agencies, for Inward supply Ajwain Seeds (5 Kg).
- vii) Copy of Tax Invoice No. 384, dated 25.02.2023, M/s. Vinayaga Agencies, for Inward supply Betel Leaves (10 Kg).
- viii) Copy of Certificate issued from the CSIR for "Paan flavored water"

6. As the Applicant sought for the classification of the Antioxidant water manufactured by them, which is squarely falls under the scope of Section 97(2)(a) of the CGST Act, 2017 and hence, the application for advance ruling is admitted.

7. The applicant is under the administrative control of State Tax Authorities. The concerned authorities of the Center and State were addressed to report if there are any pending proceedings under any of the provisions of the Act, against the

applicant on the issue raised by the applicant in the Advance Ruling application and for comments on the issues raised.

8. The State jurisdiction Officer viz. the Assistant Commissioner (ST), Kilpauk Assessment Circle reported that-

- HSN Code 22029920 is not correct as the HSN code 2202 itself specifies 'WATER INCLUDING MINERAL WATERS AND AERATED WATERS, CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED, AND OTHER NON-ALCOHOLIC BEVERAGES, **NOT INCLUDING FRUIT OR VEGETABLE JUICES OF HEADING 2009.**
- But the applicant has mentioned their product to be a natural anti-oxidant water with natural betel leaf extract and natural Ajwain extract. Here Ajwain is a fruit and betel leaf as a vegetable clearly does not come under the HSN Code 2202 9920.
- Anti-oxidants are found in certain foods and may prevent some of the damage caused by free radicals by neutralizing them. These include the nutrient antioxidants, Vitamin-A, C and E, and the minerals copper, zinc and selenium. Other dietary food compounds such as the phytochemicals in plants, are believed to have greater anti-oxidant effects than vitamins or minerals. These are called the non-nutrient antioxidants and include phytochemicals. Finally, stated that the antioxidants is synonymous with minerals and hence the natural antioxidant water is a mineral water.
- As the natural antioxidant water which comprises natural vegetable juices and minerals, it has to be classified as below:

HSN Code	Description	Rate (%)	Cess (%)	Effective Date	Rate Revision
22011010	Waters, including natural or artificial mineral waters and Aerated waters, not containing added sugar or other sweetening matter nor flavoured, ice and snow – Mineral waters and Aerated waters: Mineral Waters	18%		25-01-2018 01-07-2017	

- The natural anti-oxidant water which comprises natural vegetable juices and minerals comes under the HSN code 22011010 and it satisfies water including natural mineral water and not containing sugars or other sweetening matter and not flavoured.

The Joint Commissioner (ST), Intelligence-I has also furnished the report that there is no proceedings pending or decided on the issue raised in the application by the Applicant.

9. The Additional Commissioner, Office of the Principal Commissioner of GST & Central Excise, Chennai-North Commissionerate, No. 26/1, Mahatma Gandhi Road, Chennai - 600 034, Reference No. in F. No. GEXCOM/TECH/MISC/2518/2023-TECH Date: 01-02-2024, furnished details of pending proceedings/ Comments as detailed below:

" i) Details of pending proceedings, if any, on the issue raised in the Advance Ruling Application: NIL as per records available with this office.

ii) Comments on the issue raised in the Advance Ruling Application:

"Question on which Advance Ruling is required:

1. We are using HSN 2202 9920, please confirm which is correct or not correct.

2. We are charging @12% tax for the products manufactured from end, please confirm which is correct or not correct.

It is noticed from the Advance Ruling Application submitted by the Taxpayer that they intend to supply 'Natural antioxidant water with Natural Betel leaf extract and Natural Ajwain extract'. On verification of the description of goods of the HSN as mentioned above by the taxpayer, '22029920' belongs to "Fruit pulp or fruit juice based drinks [other than Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice]" as tabulated below.

Schedule	Sl. No.	Chapter /Heading Sub-heading / Tariff item	Description of Goods	CGST Rate (%)	SGST / UTGST Rate (%)	IGST Rate (%)	Compensation Cess
II	48	2202 99 20	Fruit pulp or fruit juice based drinks [other than Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice]	6%	6%	12%	

In view of the above, it is inferred that the classification of '**Natural antioxidant water with Natural Betel leaf extract and Natural Ajwain extract**' under HSN 22029920 found to be incorrect as the said item does not contain any Fruit Pulp or Fruit Juice.

Further, it is noticed that the said goods may fall under the category of flavoured water, which appears to be rightly classifiable under **HSN 2202 1090** "All goods [including aerated waters], containing added sugar or other sweetening matter or flavoured - Others" attracting GST rate of 28% and Compensation Cess of 12%."

10. Personal Hearing:

The Applicant, was given an opportunity to be heard in person on 19.08.2024. Shri. Sai Sarvesh, Proprietor of M/s. Idya, who is the Authorized Representative appeared for the hearing and he reiterated the submissions made in their application. He further elaborated the importance and benefits of the products supplied by them and explained the process of making Betel Leaf water which was enclosed by him.

The members enquired about the other product namely Ajwain water, the process of which was not enclosed by the applicant. The members further requested the applicant to furnish the detailed write-up of Betel Leaf water and Ajwain water. They were also requested to furnish the agreement entered with CSIR. The applicant undertook to furnish the same within a day or two.

11. In continuation of Personal hearing, the applicant furnished a brief description about the process details of betel leaf/Ajwain water vide mail dated 26/09/2024, as follows:

11.1. Process description

The tender preferable dark green betel leaves/Ajwain seeds 1000g are collected and washed in cold water to remove the adhering dirt and mud etc. The washed betel leaves/Ajwain seeds are subjected to size reduction/pasting using a laboratory grinder. Paste (900g) was added to RB flask subjected to Hydro-distillation to obtain 0.5 ml volatile oil. Volatile oil was collected in glass tube and sodium sulphate is added to remove excess water in the oil. Volatile oil (0.5 ml) dissolved in 5 ml of propylene glycol. Menthol (6g) crystals were ground in a pestle and mortar dissolved in 10 ml of propylene glycol. This menthol solution (10 ml) was used as stock solution.

11.2. Process Parameters

The process for preparation of 'Paan flavoured water' is as follows:

1. Extraction of betel oil/ Ajwain seeds through hydro distillation.
2. Preparation of essential oil stock.
3. Dispersing Menthol crystals in propylene glycol and preparing menthol stock.
4. Blending both essential oil and menthol stock
5. Adding the stock solutions to packaged drinking water and blending.
6. Packaging and storage of paan flavoured water.

11.3. Betel Leaf/Ajwain water process explanation:

Product :

Natural flavoured water promotes healthy lifestyle as the flavours propel people to consume more water, and the active ingredients in it prevent them from heat and intense exercise related disorders i.e dehydration, oxidative damage to cells, hypo-hydration etc. whereas some active ingredients helps to enhance the physiological

functioning which will make them healthy. Dehydration causes fatigue, cramping and reduces the ability to function physically.

Use :

Flavoured water makes zero calorie flavoured water by infusing organic flavoured extracts in pure water with no sugars, no sweeteners, no preservatives, and no additives of any kind. Many of the plant sources have excellent nutrient and non-nutrient properties which can be exploited to manage clinical conditions. Of all the herbs/spices used within Ayurveda, tulsi, mint, cinnamon, clove, cardamom is well-known, and confirming their beneficial effects.

Raw materials:

Raw materials used packaged drinking water, Ajwain seeds, and emulsifiers-propylene glycol.

12. DISCUSSION AND FINDINGS:

12.1. We have carefully considered the submissions made by the Applicant in their application, submissions made during the personal hearing conducted on 19/08/2024, further submissions made by the applicant vide mail dated 26/09/2024 and the comments furnished by the Central Tax and State Tax jurisdictional officers.

12.2. We find that the Applicant are manufacturer of ANTIOXIDANT WATER with natural BETEL LEAF extract or natural AJWAIN extract besides certain additives. On perusal of the process description for manufacturing the ANTIOXIDANT WATER, furnished by the applicant while filing the Advance Ruling Application and further submissions made during and after the personal hearing, it is noticed that the tender, preferable dark green betel leaves/ Ajwain seeds, after washing and grinding would be subjected to Hydro-distillation and the resultant condensate oil is treated with Sodium Sulphate to remove any water molecule present in the oil to obtain volatile oil. Then this volatile oil is dissolved in propylene glycol to get "Stock Solution A". By the side, prescribed quantity of Menthol crystals are dissolved in propylene glycol to get "Stock Solution B". Then the "Stock solution A" and "stock solution B" at certain proportions as approved by the Central Food Technological Research Institute (CFTRI), Mysuru, are mixed and blended with packaged drinking water as per the process know-how approved by the CFTRI. It is also observed from the certificate issued by the CFTRI that the said technical know-how for the manufacture of said ANTIOXIDANT WATER viz **"Paan Flavored water"** have been demonstrated to the applicant and the applicant was also been provided with adequate training in the unit-operations of the process and licensed to undertake commercial production of the product.

12.3. On the above factual matrix, the applicant is before this Authority seeking clarification on the following queries that:

1. "We are using HSN 2202 99 20, please confirm which is correct or not correct?"

2. We are charging @12% tax for the products manufactured from end, please confirm which is correct or not correct?"

12.4. The first query placed before this Authority for determination is 'Whether the classification of the above said ANTIOXIDANT WATER under HSN 2202 99 20 is correct?' In this regard, we observe from the comments offered by both Central and State jurisdictional authorities that both the authorities have stated categorically that the HSN classification 2202 9920 adopted by the applicant is wrong as the product does not comprise of any 'Fruit Juice and Fruit Pulp'.

12.5 However, to determine the classification of the above said ANTIOXIDANT WATER- as to whether it falls under HSN 2202 99 20, there is a need to examine the heading 2202 of chapter 22 of the Customs Tariff Act, 1975, which is extracted as follows for ease of reference:

Tariff Item	Description of goods	
(1)	(2)	
2202	WATERS, INCLUDING MINERAL WATERS AND AERATED WATERS, CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED, AND OTHER NON-ALCOHOLIC BEVERAGES, NOT INCLUDING FRUIT, NUT OR VEGETABLE JUICES OF HEADING 2009	
2202 10	- <i>Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured :</i>	
2202 10 10	--- Aerated waters	-
2202 10 20	--- Lemonade	-
2202 10 90	--- Other	-
	- <i>Other :</i>	
2202 91 00	-- Nonalcoholic beer	-
2202 99	-- Other:	
2202 99 10	--- Soya milk drinks, whether or not sweetened or flavoured	-
2202 99 20	---- Fruit pulp or fruit juice based drink	-
2202 99 30	--- Beverages containing milk	-
2202 99 90	--- Other	-

Hence, the description of goods falling under the Tariff item **2202 99 20** of the Customs Tariff Act, 1975 reveals that the said Tariff entry is relating to **Fruit pulp or fruit juice based drink**. Whereas the ANTIOXIDANT WATER manufactured by the applicant, does not contain any Fruit Pulp or Fruit Juice. The raw materials utilized in the manufacturing process are extracts of betel leaves/Ajwain seeds dissolved in propylene glycol and Menthol crystals. As observed from the process description furnished by the Applicant and on the facts and circumstances of the case, we are of the view that the classification "2202 99 20" adopted by the applicant is not correct.

13.0 The second question posted before this authority is "Whether the Rate of Tax @12% adopted by the applicant on the above said product is correct?"

13.1 It seems that the applicant has adopted the rate of tax at 12% on the premise that their products are falling under the classification 2202 99 20, and hence adopts the rate of 12%, vide Sl. No 48 of Schedule II of the Notification No 1/2017, Central Tax (Rate) dated 28.06.2017, which runs as follows:

Schedule	Sl. No.	Chapter /Heading Sub-heading/Tariff item	Description of Goods	CGST Rate (%)	SGST/UTGST Rate (%)
II	48	2202 99 20	Fruit pulp or fruit juice based drinks [other than Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice]	6%	6%

But, owing to the discussions made in the preceding paragraphs, as the product on hand is not classifiable under the Tariff Item 2202 99 20, and accordingly, the rate of tax adopted by the applicant is also not correct.

13.2. The State Jurisdictional Officer classified the product on question under the HSN 2201 1010. With regard to the classification of product by the State Jurisdictional Officer, under the HSN 2201 1010, it is seen that the description of goods pertaining to the said Tariff item 2201 of Customs Tariff Act, 1975, is as follows:

*"Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter **nor flavoured**, ice and snow".*

Whereas, the other jurisdictional authority (Central) has classified the product under the HSN 2202 1090. On perusal of the description of goods under the Tariff item 2202, it is seen that the said Tariff item is comprising of :

*“water, including mineral water and aerated water containing added sugar or other sweetening matter or **flavoured** and other Non-alcoholic beverages, not including fruit, Nut or vegetable juices of heading 2009”.*

13.3. With regard to the classification of the product on hand, on examination of submissions made by the applicant vide mail dated 26/09/2024, We find that in spite of specific request made by this Authority to furnish a copy of the agreement entered into with CSIR-CFTRI, the applicant has not furnished the same, but filed a brief procedure of manufacturing process only, owing to the confidentiality of technical know-how that they had developed with the support of CSIR-CFTRI. However, based on the available records, it is seen that the applicant has used “Betel leaves/Ajwain seeds, propylene glycol, Menthol Crystals dissolved in propylene glycol” as their raw materials in the preparation of stock solutions to be blended with the packaged drinking water. It is to be noted that one of the ingredients used in the preparation of the product is Menthol. In general, menthol is found naturally in oils of several plants of ‘Mint’ family such as corn mint and peppermint. However, chemically it is a crystalline cyclic alcoholic compound which possesses well-known cooling characteristics and a residual minty smell of the oil from which it was obtained. Because of these attributes it is known to be one of the most important flavouring additives besides vanilla and citrus.

13.4. The Propylene Glycol added during the preparation of ‘stock solution’ is used as an emulsifier and as a binding agent to keep all the ingredients intact. Hence, in addition to natural flavour contained in a betel leaf/ajwain seeds, menthol crystals are added to get a flavour and taste of ‘Menthos’ in addition to betel leaf/ajwain flavour. From the above, it can be concluded that the product prepared by the applicant is nothing but a ‘flavoured drink’.

13.5. In addition, as seen from the Certificate issued by the CSIR – Central Food Technological Research Institute, Mysuru, the nomenclature given by the Institute on the said ANTIOXIDANT WATER is “Paan **Flavored** water”. The contents of the **Certificate issued from CSIR – Central Food Technological Research Institute, Mysuru**, is extracted for ease of reference:

*“This is to certify that the CSIR-Central Food Technological Research Institute, Mysuru, has licensed this Institute’s Process Know-how on “Paan **flavored** water” to M/s. IDYA, No. 88, Canal Road, K.G. Colony, Chennai – 600 010 as per an agreement entered into between the parties, on 04th October, 2021”.*

Hence, it is clear that the ANTIOXIDANT WATER manufactured by the applicant is nothing but “Paan **flavored** water”, wherein Menthol crystals dissolved in propylene glycol is also added as a flavouring additive, for which the CSIR-CFTRI has licensed the applicant to undertake commercial production of the product. Hence, the view of the State Jurisdictional authority that the antioxidant water (i.e. **Paan Flavored water**) manufactured by the applicant is classifiable under HSN 2201 1010 is not correct, because of the exclusion clause of “**nor flavoured**” find place in the goods description under the tariff 2201 of the Customs Tariff Act 1975.

13.6. In view of the above discussions the Anti-Oxidant water, i.e., the 'Paan Flavored water', as certified by the CSIR-CFTRI is rightly classifiable under HSN 2202 1090 as - All goods [including aerated waters], containing added sugar or other sweetening matter or flavoured, and taxable @ 28%, vide Sl. No 12 to Schedule IV of the Notification No 1/2017, Central Tax (Rate) dated 28.06.2017, and compensation Cess at 12% vide Sl. No 4 of Notification No 1/2017, Compensation Cess (Rate) dated 28.06.2017 as follows:

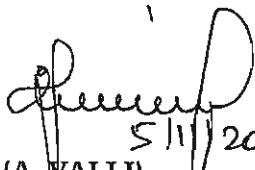
Schedule	Sl. No.	Chapter /Heading Sub-heading/ Tariff item	Description of Goods	CGST Rate (%)	SGST / UTGST Rate (%)	Compensation Cess Rate (%)
IV	12	2202 10	All goods [including aerated waters], containing added sugar or other sweetening matter or flavoured	14%	14%	12%

Based on the above discussions, we rule as under:

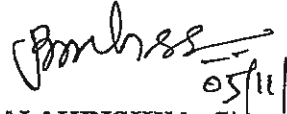
RULING

Query-1: The HSN code 2202 99 20 adopted by the applicant is not correct, as discussed in para-12.5.

Query-2: The rate of tax at 12% charged by the applicant is not correct, in view of the discussions at para No. 13.0 to 13.6.


(A. VALLI)
Member (SGST)




(BALAKRISHNA. S)
Member (CGST)

To

M/s. IDYA,
GSTIN: 33FNOPS0299M1Z4)
No. 49, Canal Road,
Kilpauk, Chennai - 600 010.

//by RPAD//

Copy submitted to:

1. The Principal Chief Commissioner of GST & Central Excise,
26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.
2. The Commissioner of Commercial Taxes,
2nd Floor, Ezhilagam, Chepauk, Chennai – 600 005.
3. The Commissioner of GST & Central Excise,
Chennai (North) Commissionerate,
No. 26/1 Mahatma Gandhi Road,
Nungambakkam, Chennai – 600 034.

Copy to:

1. The Assistant Commissioner (ST),
Kilpauk Assessment Circle,
No.1, PAPJM Annexure Building,
3rd Floor, Greams Road,
Chennai – 600 006.
2. Master File/ Spare – 2.