

**THE AUTHORITY ON ADVANCE RULINGS
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU - 560009**

Advance Ruling No. KAR ADRG 36/2019

Date : 16-09-2019

Present:

1. Sri. Harish Dharnia,
Additional Commissioner of Central Tax, Member (Central Tax)
2. Dr. Ravi Prasad M.P.
Joint Commissioner of Commercial Taxes Member (State Tax)

1	Name and address of the applicant	M/s. Sukee Printpack LLP, Plot No.A-14, Printech Park Cluster, Horohalli Industrial Area, Kanakapura taluka, Ramanagar District, - 562 112
2	GSTIN or Used ID	29ADIFS0500L1Z0
3	Date of filing of Form GST ARA-01	06-04-2018
4	Represented by	Sri. Dinesh Joga
5	Jurisdictional Authority-Centre	The Principal Commissioner of Central Tax, Bangalore West Commissionerate, Banashankari, Bengaluru 560070
6	Jurisdictional Authority-State	LGSTO-155, Ramnagar
7	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged Rs.5,000/- each under CGST Act 2017 & KGST Act 2017 vide CIN MAHB18042900016658 dated 05-04-2018.

ORDER UNDER SECTION 98(4) OF THE CENTRAL GOODS & SERVICES TAX ACT, 2017 AND UNDER 98(4) OF THE KARNATAKA GOODS & SERVICES TAX ACT, 2017

M/s. Sukee Printpack LLP, (hereinafter called "applicant"), Plot No. A-14, Printech Park Cluster, Harohalli Industrial Area, Kanakapura Taluka, Ramanagar District - 562112 having GSTIN number 29ADIFS0500L1Z0 have filed an application on 06-04-2018 for advance ruling under Section 97 of the CGST Act, 2017 & KGST Act 2017 read with rule 104 of CGST Rules 2017 KGST Rules 2017, in form GST ARA-01, discharging fee of Rs.5,000/- each under CGST Act 2017 and KGST Act 2017.



2. The applicant is involved in the printing and supply of paper and paper boards and also involved in the printing under job work.

3. The applicant seeks clarification regarding whether the activities carried out by the applicant falls under supply of goods or supply of services and what is the rate of tax chargeable under each of the above category.

4. The applicant gives the details of his activities and the same are as under:

4.1 The applicant is involved in the printing and supply of paper and paper boards and is also involved in the printing under job work. Regarding the question before the authority, he states that the printing and all related works are done as per the specifications of the customer and the activity involves the following stages

Board Cutting of Duplex Boards → Printing → Lamination, UV Coating and Foil Stamping → Punching → Pasting → Quality Inspection → Dispatch.

4.2 The applicant states that all the raw materials are sourced locally and the raw materials include Paper and Paper board, Inks, Adhesives, Films and Chemicals. Wherever the raw materials are supplied by their customers, the applicant does the printing and return the processed goods. Where part of the raw materials are supplied by their customers, the applicant used some quantity of their raw materials required for completing the process and then return the processed goods. Sometimes, the applicant uses his raw materials totally and completes the process and supplied the goods. He undertakes printing and supply of printed paper and paperboards.

4.3 The applicant states that he is confused whether the supply activity carried out by him falls under "supply of goods" or "supply of services" and what is the correct rate of tax chargeable under each of the above category. Therefore applicant seek the clarification on the following

- a) Printing carried out by the applicant, where the content is supplied by the customer, on the paper and paper board purchased by the applicant. He states that he supplies the printed paper and paper board to the customer.

- b) Printing carried out by the applicant, where the content is supplied by the customer, on the paper and paper board belonging to the customer. He states that he supplies the printed paper and paperboard to the customer.

4.4 The applicant states that in respect of the activity involved in (a) above he is of the opinion that the activity falls under the category of services by way of printing of all goods falling under Chapter 48 or 49 (including newspapers, books (including Braille books), journals and periodicals, which attract IGST at 12% or 5% or Nil, since only content is supplied by the publisher and the physical inputs including paper used for printing belong to the applicant. Essentially this is a printing job work where the paper belongs to the printing concern. Hence he is of the opinion that the above activity falls under SAC 9989 considering the same as Service and the rate of tax applicable to the above activity is 12%.

4.5 Regarding the activity specified in (b) above, the applicant states that he believes that their activity falls under the category of "Other manufacturing services; publishing, printing and reproduction services; materials recovery services, other than (i) above (He also states that this can cover cases where paper belongs to publisher and only printing is done, only binding done, reproduction etc.) falling under the category of Services covered under SAC 9989 (ii) attracting GST rate of 18%.

5. The applicant states that Notification No.31/2017 – Central Tax (Rate) dated 13.10.2017 enumerates two types of services

- (i) Services by way of jobwork in relation to –
 - (a) manufacture of umbrella;
 - (b) printing of all goods falling under Chapter 48 or 49, and will attract CGST @ 6%
- (ii) Services by way of any treatment or process on goods belonging to another person, in relation to printing of all goods falling under Chapter 48 or 49, which will attract CGST at 6% or 2.5% or Nil, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer.

6. The applicant states that since printing is now considered to be "supply of services", as per the Finance Ministry, whenever a printing unit engages in producing customised printed material, it would be treated as "supply of printing services" and would be subject to GST rates as per serial

no. 26 and 27 of Notification No.11/2017 – Central Tax (Rate) dated 28.07.2017 and this amounts to a GST of 18%.

6.1 The applicant states that if one looks for the GST rate of brochures and leaflets, using the GST Rate Finder App launched by the Central Board of Excise and Customs, it shows that this comes under HSN 4901, meaning 5% GST is applicable to these jobs. This means that these jobs fall under the “supply of goods”. On the other hand, the GST rates given under Chapters 48 and 49, rates range from 5% to 18%. At the same time printing under services attract different rates including Nil rate. No clarification has been issued by the Government as to which GST rates are to be charged by the printers.

6.2 The applicant also states that it would not be out of place to mention that carrying out an intermediate production process as job work in relation to “printing” is exempted from service tax (ref Notification No.12/2012 dated 17th March 2012). It is not clear if the exemption given to printing industry is still in force.

6.3 The applicant argues that there cannot be two yardsticks. He questions if printing is not under “supply of goods”, then why items like printing of catalogue, brochure, posters and many other are given under Chapter 48 and 49 in the Notification No.1/2017 –Integrated Tax (Rate) issued on 28th June, 2017? For any printed item, the “content” will always be from the owner/ customer, be they brochure, poster catalogue or any other item. Suppose there is an owner of the “content”, who is also a printer, to whom he will bill such items? Then why such details are given in the Chapter 49? The applicant argues that if printing is under “supply of services”, there is no legitimacy of GST rates given under Chapter 48 or 49 in the Notification No.1/2017 –Integrated Tax (Rate) dated 28.06.2017. It is therefore, the applicant argues, for the sake of clarity, either Chapter 49 may be removed or printed products may be classified to be “supply of goods”.

6.4 The applicant argues that in a recent clarification issued by the CBEC and Customs and the Commercial Tax Department published in various newspapers, it is given that “printed” cartons, boxes and cases of corrugated paper or paperboard fall under the heading 4819 and attracts tax at 12% GST. He states that printed folding cartons, boxes and cases of non-corrugated paper and paperboard falling under the heading 4819 attract 18% duty. These are also products of printing industry, the content of which is provided by the customer and the printer uses his own inputs for

the manufacture of the same. He questions how other products are different? The applicant states that for any kind of boxes they fabricate them as per the contents supplied by their customers. He questions that if a printed cardboard box is under "supply of products", why other printed article are to be considered as "supply of services".

PERSONEL HEARING / PROCEEDINGS HELD ON 23/04/2018

7. Sri. Dinesh Joga, authorized representative of the applicant appeared for personal hearing proceedings held on 23.04.2018 and reiterated the facts narrated in their application.

8. FINDINGS & DISCUSSION:

8.1 We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri Dinegh Joga, authorised representative of the applicant, during the personal hearing. We have also considered the issues involved, on which advance ruling is sought by the applicant, and relevant facts.

8.2 At the outset, we would like to state that the provisions of both the CGST Act and the KGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the KGST Act.

8.3 The applicant is seeking clarification on the taxability of the two types of transactions which is effected by him, using the content provided by the customers and they are as under:

- (a) where the principal material i.e. paper and paperboard belong to the applicant, on which the content supplied by the customer is printed and the finished goods are supplied, and
- (b) where the principal material i.e. paper and paperboard belong to the customer, on which the content supplied by the customer is printed and the finished goods are supplied

8.4 In the first case, the applicant is effecting the supply of printed materials where the paper and paperboards belong to the applicant himself. There are two supplies merged into one for a single consideration, which are supply of paper and paperboards and the supply of the service of printing. These supplied being made conjoint as a naturally bundled supply and for a

single consideration, the same would amount to a composite supply as per clause (30) of section 2 of the CGST Act, which reads as under:

“(30) “composite supply” means a supply made by a taxable person to a recipient consisting of two or more supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply”.

And the “principal supply” is defined in clause (90) of section 2 of the CGST Act as under:

“(90) “principal supply” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary”.

As already discussed in this type of composite supply, printing would be the predominant element, the principal supply of the composite supply would be the supply of paper or paperboard. This is also made clear in the Circular No.11/11/2017-GST issued by the Government of India dated 20th October 2017.

8.5 Further, regarding the tax liability in case of composite supply, section 8 of the CGST Act which deals with the issue reads as under:

“8. Tax liability on composite and mixed supplies. –

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:-

- (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and*
- (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.”*

From the above, since the printing would be the principal supply of the composite supply, in these cases, the entire composite supply would be treated as a supply of services by way of printing (principal supply) and the tax rate applicable to such printing would be applicable on the entire value of such supply.

8.6 Further, Entry no. 27 of Notification No.11/2017 – Central Tax (Rate) was substituted to bring in the sub-entry (i) which reads as “Services by way of printing of newspapers, books (including Braille books), journals and periodicals, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer” which deals with printing of newspapers, books, journals and periodicals on the physical inputs of the printer himself, which is taxable at 12% (6% CGST + 6% SGST). If the printed item is not newspaper or book or journal or periodical, then the services of the applicant is covered under Entry No. 27(ii) which reads “other manufacturing services; publishing, printing and reproduction services; material recovery services, other than (i) above” and hence is liable to tax at 18% (9% CGST + 9% SGST)

9.1 Similarly, in the second case, where the materials like paper and paperboards are supplied by the customer and the printing is done on these paper and paperboards using the materials of the applicant, based on the content given by the customer, this would also amount to a job work in which the applicant provides the manufacturing services on the physical inputs (goods) owned by others (customers) and is covered under Entry No.26 of the Notification No.11/2017 – Central Tax (Rate) dated 28.06.2017, which reads as under:

Sl. No.	Chapter, Section, or Heading	Description of Service	Rate (per cent)	Condition
1	2	3	4	5
26	Heading 9988 (Manufacturing services on physical inputs (goods) owned by others)	(i) Services by way of jobwork in relation to - (a) printing of newspapers; (b) Textiles and textile products falling under Chapter 50 to 63 in the First schedule to the Customs Tariff Act, 1975 (51 of 1975) (c) cut and polished diamonds; precious and semi-precious stones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (d) Printing of books (including Braille books, journals and periodicals;	2.5	-

		(e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975)		
		(ia) Services by way of jobwork in relation to – (a) manufacture of umbrella (b) printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent.	6	-
		(ii) Services by way of any treatment or process on goods belonging to another person, in relation to- (a) printing of newspapers; (b) printing of books (including Braille books), journals and periodicals	2.5	-
		(iii) Manufacturing services on physical inputs (goods) owned by others other than (i) and (ii) above	9	-
27	Heading 9989	(i) Services by way of printing of newspapers, books (including Braille books), journals and periodicals, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer	6	-
		(ii) Other manufacturing services; publishing, printing and reproduction services; materials recovery services, other than (i) above	9	

9.2 Now we proceed to discuss the activities covered under entry 26(i)(d), entry 26(ia)(b), entry 26(ii)(b) and entry 27(i) and entry 27(ii) in detail.

- a. Entry No.26(i)(d) – deals with Services by way of jobwork in relation to Printing of books (including Braille books), journals and periodicals and hence the pure activity of printing of books, journals and periodicals in which the contents are not supplied by the customer gets covered under this entry and here the paper and other materials must be provided by the customer.
- b. Entry No.26(ia)(b) - Services by way of jobwork in relation to printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent – this involves printing as a job work on the base materials provided by the customer and these materials should fall under Chapter 48 and 49.

- c. Entry 26(ii)(b) - Services by way of any treatment or process on goods belonging to another person, in relation to printing of books (including Braille books), journals and periodicals – this includes processes other than printing like book binding, edge cutting etc on the goods belonging to others.
- d. Entry No. 26(iii) - Manufacturing services on physical inputs (goods) owned by others other than (i) and (ii) above
- e. Entry 27 is not applicable to these type of transactions as the base material on which printing is done is not belonging to the applicant.

Since the nature of activity of the applicant is printing, entry 26(ii)(b) is not applicable.

If the final printed material is a book or a journal or a periodical and if the materials on which the printing is done are provided by the customers, then the activity would be covered under entry 26(i)(d) and would be liable to tax at 2.5% CGST plus 2.5% SGST.

But if the final printed material is other than a book or a journal or a periodical but the involves the jobwork of printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent, then the activity is liable to tax at 6% CGST plus 6% SGST.

But, if the jobwork of printing made on the materials belonging to other is not covered by the above two items, then the same is liable to be covered under Entry No. 26(iii) and is liable to tax at 9% CGST plus 9% SGST.

10. In view of the foregoing, we pass the following

R U L I N G

10.1 In the case where applicant is supplying the paper and paper board printed with content supplied by the recipient of the goods made using physical inputs including paper belonging to the recipient and -

- a. If the final printed material is a book or a journal or a periodical and if the materials on which the printing is done are provided by the customers, then the activity would be covered under entry 26(i)(d) Notification No. 11/2017 – Central Tax (Rate)

dated 28.06.2017 as amended from time to time and would be liable to tax at 2.5% CGST plus 2.5% SGST.

- b. If the final printed material is other than a book or a journal or a periodical but the involves the jobwork of printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6 per cent, then the activity would be covered under entry 26(ia)(b) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended from time to time and is liable to tax at 6% CGST plus 6% SGST.
- c. If the jobwork of printing made on the materials belonging to other is not covered by the above two items, then the same is liable to be covered under Entry No. 26(iii) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended from time to time and is liable to tax at 9% CGST plus 9% SGST.

10.2 In the case where the paper and paper board along with content supplied by the recipient of the goods and the applicant prints the content on the paper and paper board supplied by the recipient of the goods by using the physical inputs belonging to the printer, then

- a. If the supply of services is related to the printing of newspapers, books (including Braille books), journals and periodicals, then such supplies are taxable under entry no. 27(i) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended from time to time and is liable to tax at 6% CGST plus 6% SGST.
- b. If the supply of service is related to the printing of materials other than newspapers, books (including Braille books), journals and periodicals, then such supplies are taxable under entry no. 27(ii) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended from time to time and is liable to tax at 9% CGST plus 9% SGST.


(Harish Dharnia)
Member


(Dr. Ravi Prasad.M.P.)
Member

Place : Bengaluru,

Date : 16-09-2019

To,

The Applicant

Copy to :

The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.

The Commissioner of Commercial Taxes, Karnataka, Bengaluru.

The Principal Commissioner of Central Tax, Bangalore West Commissionerate, Bengaluru.

The Asst. Commissioner, LGSTO-155 ,Ramnagar, Karnataka.

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