

**THE AUTHORITY FOR ADVANCE RULING
IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009**

Advance Ruling No. KAR ADRG 42/2020

Date : 18-08-2020

Present:

1. **Dr. Ravi Prasad M.P.**

Additional Commissioner of Commercial Taxes Member (State Tax)

2. **Sri. Mashhood ur Rehman Farooqui,**

Joint Commissioner of Central Tax Member (Central Tax)

1.	Name and address of the applicant	M/s. Marketing Communication & Advertising Limited, 42, MCA House, 4 th Floor, Millers Road, Vasanth Nagar, Karnataka, Bangalore-560052
2.	GSTIN or User ID	29AAACM7139D1ZI
3.	Date of filing of Form GST ARA-01	29.05.2020
4.	Represented by	Sri. Girish K
5.	Jurisdictional Authority – Centre	Bengaluru North Commissionerate (CND3)
6.	Jurisdictional Authority – State	LGSTO-020, Bengaluru
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act vide CIN ORBC20052900139712 dated 28.05.2020 and Rs 5,000/- under SGST Act vide CIN ORBC20022900005945 dated 03.02.2020

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER 98(4) OF THE KGST ACT, 2017**

1. M/s. Marketing Communication & Advertising Limited, 42, MCA House, 4th Floor, Millers Road, Vasanth Nagar, Karnataka, Bangalore-560052, having GSTIN number 29AAACM7139D1ZI, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 & KGST Act, 2017 read with Rule 104 of CGST Rules 2017 & KGST Rules 2017, in form GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The applicant, M/s Marketing Communication & Advertising Limited (MCAL) is a State Public Sector Enterprise owned by the Government of Karnataka.

MCAL



MCAL is into the activity of printing of security excise labels for supply to various distilleries as per the directions of the Government of Karnataka. The Commissioner of State Excise, Government of Karnataka has issued Order for procurement of security excise labels. The rate for printing and supply of security excise labels is approved by the Department of Excise, Government of Karnataka every year.

3. The applicant (MCAL), for the purpose of printing and supply of labels as per the requirement of Department of Excise, Government of Karnataka, has entered into an agreement dated 13th September 2017 with M/s Manipal Technologies Ltd., for carrying out printing of labels in the premises of MCAL for further supply to various distilleries. In terms of this agreement, M/s Manipal Technologies Ltd. has installed the required machinery in the premises of MCAL for printing of security excise labels. The labels are printed by using 80 GSM Maplitho paper with 60 GSM Silicon Paper and 20 GSM of hot melt gum using web offset printing with **Intaglio and Hologram security features**. The activity of printing of labels is carried out by Manipal Technologies Ltd., under the strict control and supervision of MCAL & also the Department of Excise, Government of Karnataka and delivered to the designated place, get acknowledgement therefrom & submit the same to MCAL for getting payment. A copy of the Invoice No. KAA9118914 dated 25.11.2019, issued by M/s Manipal Technologies Limited towards printing and supply of labels, reveals that they have charged GST @ 12% (CGST 6% and SGST 6%) and classified the said activity under SAC Code 9989. Further the applicant have enclosed a copy of the Invoice No.1820126 dated 27.12.2019, issued by them to M/s Khoday RCA Industries, Bangalore, which reveals that they have charged GST @ 18% (CGST 9% and SGST 9%), on classifying the activity under HSN Code 4821.

4. The applicant have sought advance ruling on the following queries, in relation to the supply by the applicant to various distilleries:

1) The correct classification of Security Excise Adhesive Labels i.e., HSN Code applicable

2) The rate of tax applicable on supply of Security Excise Adhesive Labels

PERSONAL HEARING: / PROCEEDINGS HELD ON 30.07.2020

5. Sri. Girish, Cost Accountant and duly authorised representative of the applicant appeared for personal hearing proceedings on 30.07.2020 before this authority and reiterated the submissions already made along with the application.

DISCUSSION & FINDINGS

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



6.1 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.

6.2 The applicant gets the printing of security excise labels on job work basis by M/s. Manipal Technologies Limited and supplies the same to various distilleries as per the directions of Government of Karnataka. The applicant seeks classification and rate of tax on these security excise labels. The applicant at present is classifying the product under HSN Code 4821 attracting CGST @ 9% and SGST @ 9%. However, they are of the opinion that the product is rightly classifiable under HSN Code 4911 attracting CGST @ 6% and SGST @ 6%. They have relied upon Supreme Court judgment in the case of M/s. Holostick India Ltd [2015-TIOL-2236-CESTAT-MAD].

6.3 HSN Code 4821 & 4911 in GST Tariff- Goods, reads as below:

4821	Paper or Paperboard labels of all kinds, whether or not printed
4911	Other printed matter, including printed pictures and photographs; such as Trade advertising material, Commercial Catalogues and the like, printed posters, Commercial Catalogues, Printed inlay cards, Pictures, designs and photographs, plan and drawings for architectural engineering, Industrial, Commercial, topographical or similar purposes reproduced with the aid of computer or any other devices.

6.4 We observe that the Hon'ble Supreme Court in the case of M/s. Holostick India Ltd dealt with an identical issue. In that case, the question was whether a coated metallised film (classified under Central Excise Tariff 39.20.36) undergoing embossing and applied with an adhesive coating resulting in a hologram would be classified under Heading 4901 or 3919. The judgment was given keeping Note No.2 to entry 49, which is given below:

"Except for the goods of Heading No. 39.18 or 39.19, plastics, rubber and articles thereof, printed with motifs, characters of pictorial representations, which are not merely incidental to the primary use of the goods, fall in Chapter 49"

The relevant paras from the judgment are quoted below:

"17. It is clear therefore, that the question resolves itself into whether printing is only incidental to the primary use of the goods or is something more than something merely incidental. We have already referred to the process hereinabove and the final product which emerges is a product which is used for security purposes. It is important to remember therefore, that the primary use of the product is security and not the quality of being

adhesive. Here again, a simple example will suffice. Take an adhesive tape with a monogram printed upon it. The primary use of such tape is by virtue of its adhesiveness to bind and package containers in which goods are to be stored and transported. Obviously, in such an example, the printed monogram of such adhesive tape would be incidental to the primary use of the said goods - the adhesive tape. By way of contrast, in the present case, the factor of adhesiveness is incidental to the primary use to which the goods are put, namely, **that they are to be used for security purposes**. Also, the HSN Explanatory Notes are relevant, which according to the judgment of this Court reported in 'Collector of Central Excise, Shillong v. Wood Craft Products Ltd.' [1995 (77) E.L.T. 23 (S.C.)] in para 12 are a safe guide in case of doubt :-

It is significant, as expressly stated, in the Statement of "12. Objects and Reasons, that the Central Excise Tariffs are based on the HSN and the internationally accepted nomenclature was taken into account to "reduce disputes on account of tariff classification". Accordingly, for resolving any dispute relating to tariff classification, a safe guide is the internationally accepted nomenclature emerging from the HSN. This being the expressly acknowledged basis of the structure of Central Excise Tariff in the Act and the tariff classification made therein, in case of any doubt the HSN is a safe guide for ascertaining the true meaning of any expression used in the Act. The ISI Glossary of Terms has a different purpose and, therefore, the specific purpose of tariff classification for which the internationally accepted nomenclature in HSN has been adopted, for enacting the Central Excise Tariff Act, 1985, must be preferred, in case of any difference between the meaning of the expression given in the HSN and the meaning of that term given in the Glossary of Terms of the ISI."

18. When one goes to the HSN Explanatory Notes to 'other printed matter', Item No. 10 which has already been referred to hereinabove states that 'self-adhesive printed stickers designed to be used, for example, for publicity, advertising or mere decoration, e.g. "comic stickers" and "window stickers" would be included.'

6.5 We observe that the primary use of the Security Excise labels is for security. We also observe that akin to Note No.2 to entry 49 in Central Excise Tariff, a similar Note No. 12 is existing in Chapter 48 of GST Tariff which reads as below:

"Except for the goods of Heading 4814 or 4821, paper, paperboard, cellulose wadding and articles thereof, printed with motifs, characters or pictorial representations, which are not merely incidental to the primary use of the goods, fall in Chapter 49."

We further observe that that the sixth edition of volume III of Explanatory Notes of World Customs Organisation in relation to Chapter Heading 4911 also includes at item No. 10, "Self-adhesive printed stickers designed to be used, for example, for publicity, advertising or mere decoration, e.g., "comic stickers" and "window stickers".

6.6 We therefore conclude that the judgment of the Hon'ble Supreme Court in the case of M/s. Holostick India Ltd wholly applies to the instant case and therefore the product in question is classified under the Heading 4911 and rate of tax is 12% as per Sr. No. 132 of schedule II of Notification No. 01/2017-CT (R) dated 28.06.2017.

7. In view of the foregoing, we rule as follows

R U L I N G

1) The HSN Code of Security Excise Labels is 4911.

2) The rate of tax applicable is 6% under the CGST Act and 6% under the KGST Act and 12% under the IGST Act.

(Dr.M.P.Ravi Prasad)

Member

Karnataka Advance Ruling Authority

Place : Bengaluru - 560 009

Date : 18-08-2020

(Mashhood Ur Rehman Farooqui)

Member

MEMBER

Karnataka Advance Ruling Authority

Bengaluru - 560 009

To,

The Applicant

Copy to :

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bangalore North Commissionerate, Bengaluru.
4. The Asst. Commissioner, LGSTO-20, Bengaluru.
5. Office Folder.