

**AUTHORITY FOR ADVANCE RULING
TAMILNADU ADVANCE RULING AUTHORITY
PAPJM Buildings, II Floor, No.1, Greams Road, Chennai-6**

**PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE
GOODS AND SERVICES TAX ACT, 2017.**

Members present are:

1. Ms. Manasa Gangotri Kata, IRS Joint Commissioner/Member,
Office of the Principal Chief Commissioner of GST & Central Excise,
Chennai-34.
2. Thiru S.Vijayakumar, M.Sc., Joint Commissioner (CT)/Member(FAC),
Office of the Joint Commissioner (ST), Enforcement
Inter-State Investigation Cell, Chennai-6

ORDER No.15/AAR/2018 DATED: 27.09.2018

| | |
|--|--|
| GSTIN Number, if any / User id | 33AKYPP4117D1Z2 |
| Name of Applicant | M/s.Jeena Exports |
| Registered Address/Address provided while obtaining user id | No.11A, Spencer Compound, Dindigul, TamilNadu, Pincode - 624 001 |
| Details of Application | GST ARA-01 Application Sl.No.9 dated : 06.03.2018 |
| Concerned Officer | State: The Assistant Commissioner (ST), Dindigul Assessment Circle - V, Government Building, Sub-Collector's Office Road, Dindigul -624 001. Centre: The Commissioner of C.Ex.& GST, Madurai |
| Nature of activity(s) (proposed / present) in respect of which advance ruling sought | |
| A Category | Manufacturer |
| B Description (in Brief) | Trading in Coir Fibre, Coir Pith & Curled Coir |
| Issue/s on which advance ruling required | Classification of Goods and /or services or both |
| Question(s) on which advance ruling is required | What is the applicable GST rate for Coir Pith |

Note : Any appeal against the advance ruling order shall be filed before the Tamilnadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.

At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax 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 Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.

M/s Jeena Exports at No.11 A, Spencer Compound, Dindigul 624001, Tamilnadu (hereinafter referred as the Applicant) is engaged in Trading in Coir Fibre, Coir Pith and Curled Coir. The applicant has submitted the copy of application in Form GST ARA – 01 and also submitted the 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. They are registered under GST vide Registration No. 33AKYPP4117DIZ2. They have preferred an application seeking Advance Ruling on the following question:

‘What is applicable GST rate for Coir Pith?’

2.1 The Applicant has stated that Coir pith is a by-product of the coir fibre processing industry. In the husk, coconut fibre are seen tightly packed along with non –fibrous, fluffy and light weight corky material known as coir pith or coir dust, which constitutes 50-70% of the husk. In the process of extraction of coir fibre from husk, generally about one-third of the husk is processed into as coir fibre, whereas two-thirds of the husk is generated as coir pith. The spongy material that binds the coir fibre in the husk is the coir pith. The composition and properties of coir pith vary depending on maturity of coconut, method of extraction and disposal, period from extracting to use and environmental factors. As there is no specific GST rate for the same, rate of tax and classification was sought by the applicant, the same may be provided.

These goods were exempted in previous VAT and Excise Act. A picture of the same was enclosed with the application.

2.2 The Applicants have stated that as per the Customs Tariff Act 1975, Coir pith processed in value added form like briquette, coins, neo disc, grow bags, organic manure and in loose form for use in horticulture or agriculture is included in Chapter 5305 00 40. However, coir pith in its natural form is not included in the HSN: 5305 00 40 and hence there is no specific tax rate for the same. The coir products are not taxable in earlier Central Excise Law or under VAT law. If coir pith is classified under the same chapter in GST, applicable rate is 0%. As there is no specific clarification on the same in the GST law, they want to know the taxability of the product under GST.

3.1 The Authorized Representative of the Applicant was heard in the matter. They stated that they purchase coconut husk and extract coir pith. They submitted write up of manufacturing process and undertook to submit invoices for procuring husk and invoices for selling coir pith within a week. They stated that they do not need another hearing. Subsequently they furnished the above details for perusal.

3.2 All documents submitted were examined. It is seen from the purchase voucher that the applicant procures coconut husk. The manufacturing process indicates that coconut husk is processed to separate the coir fibre and coir dust also called as pith. The coir fiber is compressed into bales. The coir pith is compressed into blocks without adding any additional ingredients or chemicals for easy transportation for further supply. The photo submitted at the time of the application shows the coir pith before such compression is in loose powder form. It is seen from the sale invoices that the applicant is indicating the goods as "Coir Fibre Dust, Wet pith", "Coir Pith Blocks", "Coir Pith Briquettes".

4.1 The issue to be decided is the applicable 'GST Rate' of the product of the applicant, 'Coir Pith'. Contentions of the Applicant was examined with

connected records and facts. To determine the applicable rate, the goods have to be correctly classified first. It is stated by the applicant that after extraction of fibre the non –fibrous spongy material that binds the coconut fibre in the husk is the coir pith. They compress the same without adding any chemicals into blocks. From the manufacturing process and invoices submitted by the applicants, it is seen that the goods are raw coir pith which is either sold in loose dust form or compressed into bricks /blocks and sold.

4.2 In terms of explanation (iii) and (iv) to Notification No. 1/2017 - Central Tax (Rate) dt. 28-06-2017, tariff heading, 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 and the rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall be applied for the interpretation and classification of goods.

On perusal of Chapter Heading 5305 of Customs Tariff,

53050010- Coir bristles fibre, coir mattress fibre, coir short fibre, coir bit fibre, decorticated coir fibre

53050040 - Coir pith, processed in value added form like briquette, coins, neo disc, grow bags, organic manure and in loose form for use in horticulture or agriculture.

From the submissions of the Applicant, it is evident that the coir pith is in raw or natural form which is different from coir fibre, which is the other product extracted from the coconut husk as stated by the Applicant supplied in the form of blocks, briquette and in loose form(Dust). Therefore, the product is more appropriately covered under the Heading 53050040

4.3 The rate of tax under GST is prescribed under Notification no. 01/2017-C.T. (Rate) dated 28.06.2017 as amended and the exemptions are given vide Notification No. 02/2017-C.T. (Rate) dated 28.06.2017 as amended. The entries relevant to Coir Pith/Chapter 5305 in both these notifications are given as under:

Schedule I of Notification No. 01/2017-C.T. (Rate) dated 28.06.2017:-

| Sl.No. | Chapter Head | Description | Rate |
|--------|--------------|--|------|
| 215 | 5305 to 5308 | All goods [other than coconut coir fibre] including yarn of flax, jute, other textile bast fibres, other vegetable textile fibres; paper yarn [including coir pith compost put up in unit container and bearing a brand name]* | 2.5% |

*- inserted vide Notification No. 18/2018 dated 26th July 2018

Notification no. 02/2017-C.T.(Rate) dt. 26th July 2018, which gives the exemption list:

| Sl.No. | Chapter Head | Description |
|--------|--------------|---------------------|
| 132. | 5305 | Coconut, coir fibre |

Notification No. 19/2018 dated 26th July 2018 amended Notification 2/2017-C.T.(Rate) as under:

- (vi) after S. No. 132 and the entries relating thereto, the following serial number and the entries shall be inserted, namely: -

| | | |
|-------|----|---|
| "132A | 53 | Coir pith compost other than those put up in unit container and, - (a) bearing a registered brand name; or (b) bearing a brand name on which an actionable claim or enforceable right in a court of law is available [other than those where any actionable claim or enforceable right in respect of such brand name has been foregone voluntarily, subject to the conditions as in the ANNEXURE I]"; |
|-------|----|---|

From the above, it is clear that only "coir fibre" was covered under the exemption upto 25th July 2018. Thereafter "coir pith compost other than those put up in unit container and bearing a registered brand name/brand name" alone is added to the exemption list.

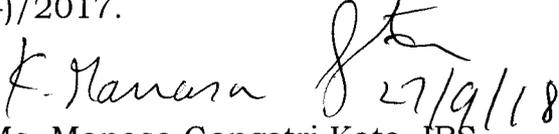
4.4 The products in question are coir pith in raw form which is either sold as loose form or supplied by the applicant in Blocks, Briquettes form without any addition of chemicals. It is different from coir fibre. Further, the coir pith supplied by the Applicant does not undergo composting process, which would alter its composition and cannot be called as coir pith compost. Hence coir pith in its raw form whether in loose powder or compressed into blocks form are taxable at 2.5% CGST as per Sl No 215 of Schedule I of Notification

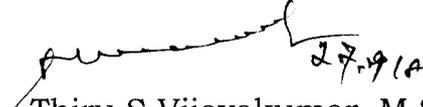
No. 01/2017-C.T.(Rate) dated 28.06.2017 as amended and at 2.5% SGST as per Sl No 215 of Schedule I of G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017.

5. In view of the foregoing, we rule as under:

RULING

Coir pith in its raw form whether in loose powder or compressed into blocks form without any addition of chemicals supplied by the applicant are taxable at 2.5% CGST as per Sl No 215 of Schedule I of Notification No. 01/2017-C.T. (Rate) dated 28.06.2017 as amended and at 2.5% SGST as per Sl No 215 of Schedule I of G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532 (d-4)/2017.

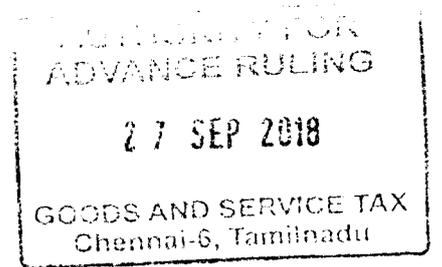

Ms. Manasa Gangotri Kata, IRS
Member, CGST


Thiru.S.Vijayakumar, M.Sc.,
Member (FAC), TNGST

To

M/s.Jeena Exports
No.11A, Spencer Compound,
Dindigul, TamilNadu 624 001

/By SPAD/



Copy Submitted to:

1. The Additional Chief Secretary / Commissioner of Commercial Taxes, II Floor, Ezhilagam, Chepauk, Chennai-600 005.
2. The Principal Chief Commissioner of GST & Central Excise, No 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.

Copy to:

3. The Assistant Commissioner (ST), Dindigul Assessment Circle – V, Government Building, Sub-Collector's Office Road, Dindigul –624 001.
4. The Commissioner of Central Excise & GST, Central Revenue Buildings, B.B.Kulam Madurai – 625002.
5. Master File/ Spare-2.