

**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. ManasaGangotri 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.16/AAR/2018 DATED 27.09.2018

GSTIN Number, if any / User id	33AANPM1974C1ZS
Legal Name of Applicant	Saro Enterprises
Registered Address/Address provided while obtaining user id	No.26, First Reddy Street, Ekkattuthangal, Chennai-600032
Details of Application	GST ARA-01 Application Sl. No.04 dated : 16.02.2018
Concerned Officer	State-The Assistant commissioner(ST), Guindy Assessment Circle, 46, PasumponMuthuramalingam Salai, Taluk Office Building, RA Puram, Chennai 600 028 Centre- Chennai South
Nature of activity(s) (proposed / present) in respect of which advance ruling sought	
A Category	Manufacturing
B Description (in Brief)	Manufacturing Agricultural seedling trays
Issue/s on which advance ruling required	Classification of Agricultural seedling tray
Question(s) on which advance ruling is required	Clarification on classification and taxability of Agricultural Seedling Tray under GST

Note : Any appeal against the advance ruling order shall be filed before the Tamil Nadu 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. Saro Enterprises, No. 28, First Reddy Street, Ekkattuthangal, Chennai 600032 (hereinafter referred to as 'Saro' or 'Applicant') are a proprietary manufacturer registered under GSTIN 33AANPM1974C1ZS. The applicant has submitted the copy of application in Form GST ARA - 01 and also submitted 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. They are manufacturing Hard Nursery Trays used for the Rice transportation. Saro Enterprises has sought Advance Ruling on the 'Applicable tax on Agricultural trays'.

2.1 Saro Enterprises manufacture and market disposable plastic items like lunch trays, spoons and other plastic packaging products including Plastic Seedling Trays which is used for paddy transplantation. The trays are solely used for agricultural purpose for growing paddy, and generally called 'Agricultural Seedling Trays'. They market the trays to the end users, basically farmers as well as small dealers who further make the sale of these trays to farmers. 'Agricultural Seedling Trays' are used manually for preparing seedling and it is neither a part of any machine nor it is used with any machine/ electronically driven.

2.2 Under TNVAT the goods were exempted as 'Agricultural Implements' as per advance ruling obtained by them. Under GST, they state that the goods are agricultural implements under Chapter 8201 which is exempted as per Sl.No. 137 of Notification No 2/2017-Central Tax dt 28.06.2017 as amended.

3.1 The Authorized Representative of the Applicant was heard in the matter. They have produced profile of Company, write-up, pamphlets of the product. The goods are made up of recycled or pure polypropylene. They have stated that the items are Agricultural implements classifiable under 8201 and used as seedling trays by farmers for transplanting seedlings. In VAT regime they are exempt as agricultural implements. They have furnished specification sheets, invoices for sale.

3.2 The details and documents furnished were examined. It is seen that the goods are hard plastic trays made of polypropylene. It is seen from the catalogue produced that the goods are of dimensions 600 mm x 30 mm x 30 mm with grooves dividing the tray into small squares each of which have holes of 1 mm or 3 mm size, depending on the variety of the tray. Paddy seedlings are grown in these trays. The holes are designed to ensure optimum drainage of water and to prevent the roots from getting damaged. The applicant states that the trays are also compatible to various rice transplantation machinery. However, the tray itself is not a part of any machine or used with any machine or electronically driven. It is seen from the invoices produced that the goods are being sold as "Agriculture Paddy Seedling Tray".

4.1 The issue before us is to determine the classification of –Agricultural Seedling Trays. 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.

4.2 The Applicant claims that the goods are to be classifiable under Tariff heading 8201.

Chapter 82 falls under Section XV of Customs Tariff which covers “Base Metals and articles of Base Metals”.

Section Note 3 states:

3. Throughout this Schedule, the expression “base metals” means : iron and steel, copper, nickel, aluminium, lead, zinc, tin, tungsten (wolfram), molybdenum, tantalum, magnesium, cobalt, bismuth, cadmium, titanium, zirconium, antimony, manganese, beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium.

The chapter notes for chapter 82 are as follows:

1. Apart from blow lamps, portable forges, grinding wheels with frameworks, manicure or pedicure sets, and goods of heading No.82.09, this chapter covers only articles with a blade, working edge, working surface or other working part of:

- (a) Base Metal;*
- (b) Metal carbides or cermets;*
- (c) Precious or semi-precious stones (natural, synthetic or reconstructed) on a support of base metal, metal carbide or cermet; or*
- (d) Abrasive materials on a support of base metal, provided that the articles have cutting teeth, flutes, grooves, or the like, of base metal, which retain their identity and function after the application of the abrasive.*

Explanatory Notes to Chapter 82 states

Tools, cutlery etc do not in general fall in their Chapter unless the blade, working edge, working surface or other working part is of base metal, of metal carbides or of cermets.

A combined reading of section and chapter notes and description of goods covered under Tariff heading 8201 reveals that the goods covered under this Section XV have to be made of base metals or should be articles of base metals. **‘Base metals as per Section Note above do not include plastics’**. Further, chapter 82 covering *‘Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal’* should necessarily have *a blade, working edge, working surface or other working part of base metal or others as above.*

The product in question is Seedling Trays made of fully of plastic i.e. polypropylene and hence it cannot be classified under chapter 82 or anywhere under Section XV and accordingly it cannot be classified under 8201 as Hand tools, such as spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry.

4.3. On examination of the product brochure submitted by the applicant the product is ‘Agricultural – seeding tray’ made of hard plastic or polypropylene with dimensions 600 mm x 30 mm x 30 mm with grooves dividing the tray into small squares each of which have holes of 1 mm or 3 mm size, depending on the variety of the tray. Paddy seedlings are grown in these trays after suitable soil is placed in them. The holes are designed to ensure optimum drainage of water and to prevent the roots from getting damaged. Once the seedlings are grown as a single mat, the trays used to transport the seedlings to the land for transplantation. This may be done directly by the farmer or the seedling mats may be placed in rice transplant machinery which will carry on the transplantation work. The Applicant states that the trays are sold to end users who are farmers and also small dealers who make the sale to farmers. These trays are also compatible to

various rice transplantation machinery in terms of the dimension of the seedlings mat grown, spacing between each seedling etc. The trays help in growing and transporting the seedlings in an organized, labor-saving manner so that the seedling mats grown can be fed into the machines or planted as such by hand. However, the tray itself is not a part of any machine or used with any machine or electronically driven nor is it an accessory of any agricultural machinery. Rice planting machinery do not need these seedling trays to function and hence cannot be classified as parts or accessories of agricultural machinery.

The goods are trays made of polypropylene of certain dimensions.

Chapter 39 covers *Plastics and articles thereof*

Chapter 3926 covers

Other articles of plastics and articles of other materials of headings 3901 to 3914

Tariff Heading 39269099 covers other articles not specified

HSN Explanatory Notes to Chapter heading 3926 states

This heading covers articles, not elsewhere specified or included of plastics.

Accordingly, the subject goods are rightly classified under CTH 39269099 as articles of plastics not elsewhere specified. SL no 111 of Schedule III of Notification No 01/2017-C.T. (Rate) dated 28.06.2017 as amended and SL no 111 of Schedule III of ofG.O. (Ms) No. 62 dated 29.06.2017 no. II (2)/CTR/532(d-4)/2017 covers "Other articles of plastics and articles of other materials of headings 3901 to 3914 [other than bangles of plastic, plastic beads and feeding bottles]" at 9% CGST and 9% SGST.

5. In light of the above, we rule as under:

RULING

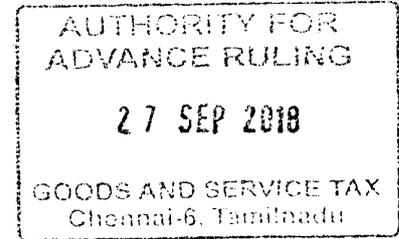
Agricultural Seedling Trays made of Plastic manufactured by the Applicant are classifiable under CTH 39269099 and the applicable tax rate is 9% CGST as per Sl. No. 111 of Schedule III of Notification No 01/2017-C.T. (Rate) dated 28.06.2017 as amended and is 9% SGST as per Sl No. 111 of Schedule III of G.O. (Ms) No. 62 dated 29.06.2017 No. II (2)/CTR/532(d-4)/2017 as amended.


Ms. Manasa Gangotri Kata, IRS
Member, CGST


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

To

M/s. Saro Enterprises
No.28, First Reddy Street,
Ekkattuthangal, Chennai -600032



Copy Submitted to:

1. The Principal Chief Commissioner of GST & Central Excise, 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.
2. Additional Chief Secretary/Commissioner of Commercial Taxes, II Floor, Ezhilagam, Chepauk, Chennai-5.

Copy to:

3. The Commissioner of GST & C.Ex.,
Chennai South Commissionerate
4. The Assistant commissioner (ST),
Guindy Assessment Circle,
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