

M/s. House of Marigold

Appellate Authority for Advance Ruling — Gujarat

GUJ/GAAAR/APPEAL/2019/03 dated 28.2.2019

Q Questions Before the Authority

- Whether the articles sold by the applicant, consisting of gold, diamond, precious stones, etc., wherein a watch movement is fitted, fall under entry 13 of Schedule V to Notification No. 1/2017– Central Tax (Rate) dated 28/6/17

F Facts

The applicant is engaged in the supply of jewellery items such as bracelets, necklaces, and rings that incorporate a watch movement. The applicant argued that the cost of the watch movement is nominal, representing less than 1% of the total value, and that the items should be classified as jewellery rather than watches. The original Advance Ruling classified these products under Heading 9101, prompting this appeal.

H Ruling

Classification of jewellery with fitted watch movements

Classifiable under Heading 9101

The authority rejected the application of entry 13 of Schedule V to Notification No. 1/2017

The Appellate Authority confirmed the original ruling, holding that the products are correctly classifiable under Heading 9101 of the Customs Tariff Act, 1975. It rejected the applicant's contention that the items should be classified as jewellery under Heading 7113, noting that the relevant Chapter Notes specifically exclude articles of Chapter 91 from Chapter 71.

R Reasoning

The authority relied on Chapter Note 3(l) of Chapter 71, which explicitly excludes articles of Chapter 91 (clocks and watches) from the definition of jewellery. It further referenced the Explanatory Notes of the Harmonised System of Nomenclature for Heading 9101, which covers watches with cases of precious metal or those set with gems and pearls. The authority concluded that the **essential character** of the goods, as defined by the Customs Tariff Act, dictates their classification under Heading 9101 regardless of the relative value of the watch movement. It also dismissed the relevance of previous VAT-related judgments, noting that the **scheme of classification** under the GST regime is distinct.

P Provisions Relied On

Section 100 of the CGST Act, 2017

Section 100 of the GGST Act, 2017

Chapter 71 of the Customs Tariff Act, 1975

Chapter 91 of the Customs Tariff Act, 1975

Notification No. 1/2017– Central Tax (Rate) dated 28/6/17

Rule 1 and Rule 3 of the General Rules for the Interpretation of the First Schedule to the Customs Tariff Act, 1975

! For the Practitioner

This ruling clarifies that jewellery items incorporating watch movements are **classifiable as watches** under Heading 9101 rather than as jewellery under Heading 7113. It serves as a strong precedent for tax authorities to ignore the 'common parlance' or 'essential character' arguments when specific Chapter Notes in the Customs Tariff Act mandate a different classification. Practitioners should note that this decision effectively limits the scope of jewellery-related tax exemptions for composite goods containing timekeeping devices.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> guj gaaar 2019 3 dtd 28.02.19.pdf

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