Mrs. Senthilkumar Thilagavathy (M/s. JVS Tex), 213 W/A-1, VNC Thottam, Kamaraj Nagar 1st Street, Bhavani, appellant against Advance Ruling Order No. 20/AAR/2018 dated 28.11.2018

Appellate Authority for Advance Ruling — Tamil Nadu

ORDER-in-Appeal No. AAAR/02/2019 (AR), A.R. Appeal No. 2/2019/AAAR Dated **18.03.2019**

Q Questions Before the Authority

- Whether the classification of cotton carry bags and shopping bags manufactured by the appellant under CTH 4202 22 20, and the GST rate applied to them under the original ruling, is legal and proper or requires modification (the appellant contended that they fall under heading 6305 20 00 and attract 2.5% CGST and 2.5% SGST).

F Facts

The appellant manufactures stick bags, wedding gift bags and packing bags from non-woven polypropylene and from 100% cotton grey fabric, and supplies them to showrooms, textile shops, silk emporiums and jewellery shops. The appellant describes the cotton bags as reusable shopping bags, drawstring gift bags and garment bags, used by retailers to hand goods to customers. The original authority classified cotton carry bags under CTH 4202 22 20 and applied a tax rate that changed over time. In the appeal, the appellant contested only the classification and rate of the cotton bags.

H Ruling

Classification and GST rate of cotton carry bags and shopping bags manufactured by the appellant	**Classification under CTH 4202 22 20 upheld. The original ruling's rates were upheld, which were 9% CGST and 9% SGST up to 14.11.2017 and, from 15.11.2017, 6% CGST and 6% SGST for cotton bags (Sl. No. 89, Schedule II), as printed in the original ruling.**	The appellant's grounds quote the original authority as applying 9% under Sl. No. 124 of Schedule III to cotton bags. That is inconsistent with the original ruling's own text as printed, so the rate should be checked against the full original order. The rate analysis and the scan's legibility on this point are limited.

The Appellate Authority upheld the original ruling and dismissed the appeal. It held that the cotton bags are shopping bags of cotton with an outer surface of textile material, which heading 4202 expressly covers, and so fall under CTH 4202 22 20 rather than heading 6305. It also held that the CBEC circular dated 31.12.2018 relied on by the appellant concerns polypropylene sacks and is not relevant to cotton bags.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

R Reasoning

The Authority held that under Notification 01/2017-CT(Rate) and its explanations, the Customs Tariff, Section and Chapter Notes and HSN explanatory notes govern classification, applying General Rule 1. It found that heading 4202 specifically covers handbags and shopping bags of cotton with an outer surface of textile material, so the cotton bags fall under 4202 22 20. It rejected the argument that chapter 42 is limited to leather articles, citing the HSN note that headings 42.01 and 42.02 include articles made from other materials. It also relied on Section Note 1(l) of Section XI, which excludes articles of heading 42.02 from Section XI, and on the CBEC duty drawback circular of 13.07.2006, which treated cotton handbags as falling under heading 42.02. It found that the CBEC circular of 31.12.2018 concerns polypropylene sacks and does not apply to cotton bags.

P Provisions Relied On

- Section 97(1) and (2), Section 100(1) and (2), Section 101(1), Section 102, Section 103(1) and (2), Section 104(1) of the CG…
- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, including explanations (iii) and (iv) and Sl. Nos. 89, 124, 126,…
- G.O.(Ms) No. 62 dated 29.06.2017 and G.O.(Ms) No. 157 dated 14.11.2017 (Tamil Nadu notifications, as cited)
- Customs Tariff Act 1975, Chapters 42 and 63, Chapter 4202 and heading 6305, General Rule 1 of the Rules for Interpretation
- HSN explanatory notes to Chapters 42 and 63
- Section Note 1(l) of Section XI
- CBIC Circular No. 80/54/2018 dated 31.12.2018, para 2.5
- CBEC Circular No. 19/2006-Cus dated 13.07.2006 (duty drawback)

! For the Practitioner

The order confirms that cotton shopping and carry bags are classified under CTH 4202 22 20 under the Customs Tariff as adopted for GST, not under heading 6305, and that the CBEC circular of 31.12.2018 does not change this for cotton bags. A practitioner dealing with reusable cotton bags can cite it for classification. It does not settle the applicable GST rate for cotton bags, because the rate figures in the grounds and the original ruling are not consistent in the scan. It also does not decide the position for woven bags of other materials or for bags that are genuinely used as packing material.

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 -> tn-aaar-02-2019.pdf

Prepared 31-10-2026.

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