

CARGILL INDIA PRIVATE LIMITED

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-08/2017/B-12 Mumbai, dt. 20/3/2018

Dated 20.03.2018

Q Questions Before the Authority

- Whether Natural Ester Dielectric Fluid (hereinafter referred to as 'Envirotemp FR3') fall under Serial no. 90 of Schedule I of Notification No. 1/2017-State Tax (Rate) dated 29th June, 2017 issued under the MGST Act, 2017 and Notification No. 1/2017- Central Tax (Rate) dated 28th June, 2017 issued under the CGST Act, 2017 is taxable at the rate of 2.5% (State tax and Central tax)?
- Whether Envirotemp FR3 falls under Serial no. 27 of Schedule II of Notification No. 1/2017-State Tax (Rate) dated 29th June, 2017 issued under the MGST Act, 2017 and Notification No. 1/2017- Central Tax (Rate) dated 28th June, 2017 issued under the CGST Act, 2017 is taxable at the rate of 6% (State tax and Central tax)?

F Facts

The applicant manufactures 'Envirotemp FR3', a dielectric fluid used in transformers, derived from refined soybean oil mixed with proprietary additives. The applicant sought a ruling on whether this product qualifies as a chemically modified vegetable oil under Serial 90 of Schedule I, attracting a 2.5% GST rate. The revenue authorities contended that the product is an inedible preparation of vegetable oil, falling under a different classification.

H Ruling

Classification under Serial 90 of Schedule I (2.5% rate)	Answered in the negative.	The product is not considered a simple chemically modified vegetable oil.
Classification under Serial 27 of Schedule II (6% rate)	Answered in the affirmative.	The product is classified as an inedible preparation of vegetable oil.

The Authority ruled that the product does not fall under Serial 90 of Schedule I, as it is not merely a chemically modified vegetable oil but a distinct preparation. Consequently, it is classified under Serial 27 of Schedule II, which covers inedible mixtures or preparations of vegetable oils. The product is therefore subject to a total GST rate of 12% (6% CGST + 6% SGST).

R Reasoning

The Authority reasoned that the addition of proprietary chemicals and additives transforms the soybean oil into a new commodity, specifically a transformer coolant, which loses its original identity as vegetable oil. It relied on the **Harmonized Commodity Description and Coding System (HSN)** notes, which state that products under Heading 1518 must retain their original fundamental structure. Since the product is an inedible preparation, it falls outside the scope of Serial 90 and into the residual category of **inedible mixtures or preparations** under Serial 27 of Schedule II. The ruling emphasizes that the product is a distinct commercial entity used as a coolant rather

than a basic vegetable oil.

P Provisions Relied On

Section 97 of the CGST Act, 2017

Section 98 of the CGST Act, 2017

Notification No. 1/2017-Central Tax (Rate)

Notification No. 1/2017-State Tax (Rate)

Tariff Heading 1518

! For the Practitioner

This ruling clarifies that specialized industrial preparations derived from vegetable oils, such as dielectric coolants, are likely to be classified as **inedible preparations** under Serial 27 of Schedule II rather than as basic chemically modified oils under Serial 90. Practitioners should note that the Authority places significant weight on the **commercial identity** and the transformation process of the final product. It serves as a warning that adding proprietary additives to a base commodity can shift the tax classification to a higher rate bracket.

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 -> maharashtra gst-ara-09 2017 dt 20.3.18 cipl.pdf

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com