M/s Jairaj Ispat Limited., Sy. No. 67, 68, B Belagal Village, Kudthini, Bellary-583115 (GSTIN 29AAACJ6858PIZN)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 60/2019 Dated: 20th September, 2019 Dated **20.09.2019**

Q Questions Before the Authority

- Whether the Char-Dolochar / Dolochar (waste emerged during the process of manufacturing Sponge Iron) supplied by the applicant is classifiable under Tariff Item 2621 90 90 of the Customs Tariff Act, 1975, attracting 18% under Entry 30 of Schedule III of Notification 01/2017-Integrated Tax (Rate), or under Tariff Item 2701 20 90, attracting 5% under Entry 158 of Schedule I of the same Notification.

F Facts

The applicant manufactures sponge iron by reducing iron ore with coal in a rotary kiln. The kiln output is passed through a magnetic separator, which yields sponge iron as the finished product and a non-magnetic or low-magnetic residue, called Dolochar, as waste. Dolochar contains some ferrous content and unburnt carbon, and brick manufacturers use it as a heating fuel.

H Ruling

Classification of Char-Dolochar / Dolochar (sponge iron manufacturing waste) supplied by the applicant	**Tariff Item 2619 00 90 (as printed in the operative RULING); 18% IGST; intra-State 9% CGST + 9% KGST**	The operative RULING cites Tariff Item 26190090 and Entry 28 of Schedule III, and the date of the Notification is partly illegible in the scan. The findings (paras 7.5 and 8) instead cite Tariff Item 2621 90 90 and Entry 30 of Schedule III. The two references are inconsistent and should be checked against the signed original.

The authority held that Char-Dolochar / Dolochar is a by-product emerging in sponge iron manufacture and not a fuel manufactured from coal, so it falls outside heading 2701. It ruled that the goods are classifiable under Tariff Item **26190090** of the Customs Tariff Act and attract **18% IGST** , with intra-State supply attracting 9% CGST and 9% KGST.

R Reasoning

The authority found that Dolochar is a by-product of sponge iron manufacture and not a briquette, ovoid or similar solid fuel manufactured from coal, so sub-heading 2701 20 90 and Entry 158 of Schedule I cannot apply. It relied on the Supreme Court in Union of India v Ahmedabad Electricity Co. Ltd. (2003) 158 ELT 3, which treats unburnt or partly burnt coal pieces without flame capacity as cinder, and on CESTAT decisions in Reactive Metals of India (2018) 8 GSTL 194 and Bellary Steel & Alloys (2006) 199 ELT 808. It noted that Chapter 2619 covers slag, dross, scaling and other waste from iron and steel manufacture. The physico-chemical data (fixed carbon about 76%, gross calorific value about 28.10 MJ/kg) were also considered.

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

P Provisions Relied On

Section 97 and Section 98(4) of the CGST Act, 2017 and the corresponding KGST Act, 2017

Rule 104 of the CGST Rules, 2017 and KGST Rules, 2017

Notification No. 01/2017-Integrated Tax (Rate) dated 28.06.2017, Entry 30 (and Entry 28 as printed in the RULING) of Sched…

First Schedule to the Customs Tariff Act, 1975, headings 2619, 2621 and 2701, and the General Rules of Interpretation 3(a) a…

Union of India v Ahmedabad Electricity Co. Ltd., 2003 (158) ELT 3 (SC)

CCE Hyderabad II v Reactive Metals of India Pvt. Ltd., 2018 (8) GSTL 194 (Tri-Hyd)

Bellary Steel & Alloys Ltd v CCE Belgaum, 2006 (199) ELT 808 (Tri-Bang)

! For the Practitioner

Sponge iron producers and buyers of Dolochar can use this ruling to support 18% IGST, rather than 5% under heading 2701, where the material is sold as a by-product. The ruling does not bind other authorities or States, and it relies heavily on CESTAT and Supreme Court authority rather than a fresh analysis of the Notification. Because the operative RULING and the findings cite different tariff items and entries, the signed original should be checked before the ruling is relied on in any submission.

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 -> kar_aar_60_2019_jil_20.09.19.pdf

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