M/s. Kohinoor Woods, No.933, Opp. Range Forest Office, Kolar Main Road, Bangarpet – 563114 (represented by Sri Syed Tanveer Ahmed, Proprietor)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 77/2019, dated 24th September, 2019 (a… Dated **24.09.2019**

Q Questions Before the Authority

- What is the rate of GST on live standing trees?

F Facts

The applicant is a registered dealer that buys standing live trees from the Deputy Conservator of Forests, Social Forestry Division, Bangalore Rural, through online tender-cum-auction on the MSTC portal. Under work orders, it cuts and removes Kari Jalli (Acacia) and Acacia auriculiformis trees for a contract price that includes 12% Forest Development Tax, 18% GST, 2.5% IT and 10% cess on IT. The applicant says the forest department demands 18% GST even though standing live trees are claimed to be exempt under the notifications it cites.

H Ruling

Rate of GST on the removal of cut timber logs under the forest cutting and removal contract (the question asked about live standing trees)	**9% under CGST; 9% under KGST**	The authority treated the contract as a composite supply of cutting live trees and transferring timber logs. The principal supply is timber logs (HSN 4403), not live trees. The ruling does not separately decide the rate on live standing trees as such.

The transaction of removing rough wood after cutting the trees and appropriating the wood logs under the contract is covered by entry no. 134 of Schedule III of Notification No. 1/2017-Central Tax (Rate) dated 28.06.2017. It is therefore **chargeable to GST at 9%** . The authority held that the same supply is taxable under the KGST Act at **9%** .

R Reasoning

The authority found that the forest department sold standing trees to be cut and removed, but the applicant was obliged to cut them and remove only the logs, not the live trees. It treated this as a composite contract under which transfer of timber logs is the principal supply. Under section 8 of the CGST Act, the whole composite supply therefore takes the rate applicable to timber. Timber falls under HSN 4403 and entry 134 of Schedule III of Notification 1/2017-CT(Rate), which gives a 9% rate. The same treatment applies under the KGST Act.

P Provisions Relied On

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

Section 97 of the CGST Act, 2017 and Section 97 of the KGST Act, 2017 (application for advance ruling)

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

Section 8 of the CGST Act, 2017 (tax treatment of composite and mixed supplies)

Notification No. 1/2017-Central Tax (Rate) dated 28.06.2017, Schedule III, entry no. 134

HSN 4403 (wood in the rough)

Notification No. 2/2017-Central Tax (Rate) dated 28.06.2017, entry 34 (cited by the applicant as the exemption for standing liv…

Notification No. FD 48 CSL 2017 dated 29.06.2017 (cited by the applicant; not decided by the authority)

! For the Practitioner

This ruling helps contractors who buy standing trees from a forest department and must cut and remove the timber, because it treats their supply as timber at 9% rather than as a supply of live trees. It settles that the composite-supply route under section 8 applies in that setting. It does not decide the GST rate on a sale of standing live trees where the buyer takes the trees uncut, and it does not resolve the applicant's dispute with the forest department over the 18% demand. Because the notification numbers in the ruling and in the applicant's submissions differ, a practitioner should check the notification citations against the official gazette before relying on them.

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_77_2019_kw_24.09.19.pdf

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