

M D Mohta

Authority for Advance Ruling — West Bengal

08/WBAAR/2018-19

Dated 05.07.2018

Q Questions Before the Authority

- Classification of 'Rakhi', on whether exemption under Notification No. 2/2017-Central Tax (Rate) dated 28/06/2017 (1126-FT dated 28/06/2017 of State Tax) is applicable for such manufacture, and if not, the taxability of the same.

F Facts

The Applicant is an intended manufacturer and trader of decorative, designer, and fancy 'Rakhi' made from various constituent materials including cotton, zari, silk, and nylon threads, glass beads, plastic beads, coloured stones, metal pendants, and rudraksha. The Applicant claimed that Rakhi is traditionally a handicraft item or exempt puja samagri (akin to Kalava) under GST, or alternatively classifiable as a textile made-up article under Tariff Heading 6307.

H Ruling

Classification and GST taxability of 'Rakhi'

Classifiable as per constituent materials under **Rule 3(c) of Rules for Interpretation of the Customs Tariff Act, 1975; GST leviable accordingly.**

Classified under the heading that occurs last in numerical order among the constituent materials that equally merit consideration.

Applicability of Exemption Notification No. 2/2017-Central Tax (Rate)

Not applicable for 'Rakhi'.

Designer/fancy Rakhis are neither listed as puja samagri nor treated as exempt Kalava or handicraft goods under GST.

The Authority held that decorative or fancy 'Rakhi' is **not exempt** from GST as puja samagri under Notification No. 2/2017-Central Tax (Rate) nor does it qualify as a handicraft product under GST notifications. The Applicant must classify 'Rakhi' based on its constituent materials by applying **Rule 3(c) of the Rules for Interpretation** of the Customs Tariff Act, 1975, and pay GST accordingly.

R Reasoning

The Authority observed that 'Rakhi' is not included in the list of handicraft items under Notification No. 32/2017-Central Tax (as amended by Notification No. 38/2017-Central Tax) nor is it an essential part of puja samagri listed under Serial No. 148 of Notification No. 2/2017-Central Tax (Rate). TRU Clarification (Serial No. 92) exempts only pure Kalava (red/yellow cotton thread used in prayer ceremonies), whereas fancy/designer

Rakhis are commercial products made of diverse components. As Rakhis are not made-up textile articles under Chapter 63 and cannot be classified under a single specific heading, **Rule 3(c) of the Rules for Interpretation** must be invoked to classify the product under the heading that occurs last in numerical order among those equally meriting consideration.

P Provisions Relied On

Notification No. 2/2017-Central Tax (Rate) dated 28/06/2017

Notification No. 1/2017-Central Tax (Rate) dated 28/06/2017

Notification No. 32/2017-Central Tax dated 15.09.2017

Notification No. 38/2017-Central Tax dated 13.10.2017

Rule 3(c) of Rules for Interpretation of the Customs Tariff Act, 1975

Section 97(2)(a) of the CGST Act, 2017 / WBGST Act, 2017

F. No. 332/2/2017-TRU (Serial No. 92)

! For the Practitioner

This order establishes that fancy or decorative Rakhis comprising multiple materials are taxable under GST and cannot claim exemption as handicraft or puja samagri. Practitioners advising manufacturers of multi-material decorative goods should use **Rule 3(c) GRI** to determine classification based on the constituent material falling under the numerical tariff heading that appears last.

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 -> order no. 8 of fy 19 dated 05072018.pdf

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