

M/s. Sri Lakshminarasimha Agro Products

Authority for Advance Ruling — Karnataka

KAR ADRG 10/2023, dated 17.02.2023

Q Questions Before the Authority

- Whether Notification No.7/2022-Central Tax (Rate), dated 13-07-2022 applies to Coir-Pith Compost (HSN 53050040) mentioned in serial number 132-A of the Notification No.2/2017-Central Tax (Rate) dated 28-06-2017 as amended vide notification No.19/2018-Central Tax (Rate), dated 26-07-2018?
- The registered person sells coir-pith compost in 30 kg and above quantity bags with un-registered brand name "SURYA". In such cases, whether the registered person is liable to tax under the GST Acts?
- If the coir-pith compost in 30kg and above quantity bags are sold without any label (in plain bags), whether would it attract GST?
- If the registered person sells coir-pith compost in 25 kg and less pre-packed and labelled bags to nurseries who buys for consumption, whether in such cases GST is payable?
- Whether the nurseries, who are un-registered dealers, come under the definition of "Institutional consumers"?
- If the registered persons sells coir-pith compost with 30Kg and above pre-packed and labelled bags to nurseries who buys for consumption, whether in such cases GST is payable?
- Rule 3(b) of Legal Metrology (Packaged commodities) Rules, 2011, provides that the provisions of Chapter II of that Rules shall not apply to cement, fertilizers and agricultural farm produce sold in above 50 kg bags. Whether the coir-pith compost, which is also the bio-fertilizer, sold by the registered person, falls under this category and exempt from GST?

F Facts

The applicant manufactures and supplies 'De-composed coir-pith compost' and 'Sterilized coir-pith compost' for use as organic manure in agriculture and horticulture. They purchase coir pith and process it by mixing with urea and gypsum, followed by a decomposition period of 10 to 12 months. The applicant sought clarity on the taxability of these products when sold in various quantities and packaging configurations to different types of buyers.

H Ruling

Applicability of Notification No.7/2022

Applies to Coir-Pith Compost other than pre-packed and labelled.

Refers to Entry 132A of Notification No.2/2017-Central Tax (Rate).

Taxability of 30kg+ bags with unregistered brand

Liable to GST at 5% (CGST 2.5% and SGST 2.5%).

As per entry No. 215 of Notification No.1/2017-Central Tax (Rate) as amended.

Taxability of 30kg+ bags without label	Liable to GST at 5% (CGST 2.5% and SGST 2.5%).	Labelling is mandatory for pre-packed commodities.
Taxability of 25kg or less bags to nurseries	Liable to GST at 5% (CGST 2.5% and SGST 2.5%).	As per entry No. 215 of Notification No.1/2017-Central Tax (Rate).
Nurseries as Institutional Consumers	Not covered under the definition.	Nurseries use the product for commercial purposes.
Taxability of 30kg+ bags to nurseries	Liable to GST at 5% (CGST 2.5% and SGST 2.5%).	As per entry No. 215 of Notification No.1/2017-Central Tax (Rate).
Exemption for bags above 50kg	Exempted from GST.	Legal Metrology rules exclude these from Chapter II provisions.

The Authority ruled that coir-pith compost is classified as a fertilizer and is subject to GST at 5% when sold in pre-packed and labelled bags up to 50 kg. Sales in bags exceeding 50 kg are exempt from GST. Nurseries are not considered institutional consumers, and the product cannot be sold without mandatory labelling for pre-packed commodities.

R Reasoning

The Authority determined that coir-pith compost qualifies as an organic fertilizer under the Fertilizer (Control) Order 1985. It relied on the **Legal Metrology (Packaged Commodities) Rules, 2011**, specifically Rule 3, to distinguish between retail packages and those exempt from labelling requirements. The ruling hinges on the interpretation of 'pre-packed and labelled' commodities under **Notification No. 2/2017-Central Tax (Rate)** as amended by **Notification No. 7/2022-Central Tax (Rate)**. It concluded that nurseries do not meet the criteria for 'institutional consumers' because they use the product for commercial trade purposes.

P Provisions Relied On

Section 97(2) of the CGST Act, 2017	Notification No. 2/2017-Central Tax (Rate)
Notification No. 7/2022-Central Tax (Rate)	Notification No. 1/2017-Central Tax (Rate)
Legal Metrology (Packaged Commodities) Rules, 2011	Fertilizer (Control) Order 1985

! For the Practitioner

This ruling clarifies that coir-pith compost is treated as a fertilizer for GST purposes, making it **exempt only when sold in bulk bags exceeding 50 kg**. Practitioners should note that nurseries are explicitly excluded from the 'institutional consumer' definition, preventing tax-free procurement for commercial use. It settles the tax treatment for various packaging sizes but does not address products outside the scope of the Fertilizer (Control) Order.

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 -> [knaar_order_no. 102023_sri_lakshminarasimha_agro_products_1.pdf](#)

Prepared 20-10-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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