M/s Macro Media Digital Imaging Pvt. Ltd., #32/1, Visweswaraiah Indl. Estate, KIADB Road, Mahadevapura, Bengaluru Urban - 560 048, Karnataka (GSTIN 29AABCM9451F1ZA)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 06 / 2020, Date: 17-02-2020 Dated **17.02.2020**

Q Questions Before the Authority

- Whether the transaction of printing of content provided by the customer, on Poly Vinyl Chloride (PVC) banners and supply of such printed trade advertisement material is supply of goods.
- What is the classification of such trade advertisement material if the transaction is supply of goods?
- What is the classification and applicable rate of CGST on the supply of such trade advertisement material if the transaction is that of supply of service?

F Facts

The applicant prints trade advertising material such as billboards, banners, fleet graphics and signage on PVC, flex, foam board and similar substrates. The raw materials are procured by the applicant, and the design and content are supplied by the customer. The applicant bills separately for 'printing' (a service) and 'supply' of the printed material (goods).

H Ruling

Whether printing customer content on PVC banners and supplying the printed material is supply of goods	**Supply of service, not supply of goods**	The printing is the principal supply and the printed material is ancillary, because the PVC changes character on printing and the applicant does not own the usage rights of the intangible content.
Classification of the trade advertisement material if the transaction were supply of goods	**Not answered as a separate ruling, since the transaction was held to be supply of service**	The authority noted that it does not dispute Chapter 49 classification of the goods, but treats them as ancillary to the printing service.
Classification and CGST rate if the transaction is supply of service	**SAC 9989; CGST 18% up to 30.10.2017 and 12% effective from 31.10.2017**	Rate per Entry No.27 of Notification No.11/2017-Central Tax (Rate) dated 28.06.2017, as amended. The ruling records the rate change date as printed.

The authority held that the transaction of printing customer-supplied content on PVC banners, and supply of the printed trade advertisement material, is **supply of service** . The supply is classified under SAC **9989** , and the applicable CGST rate is 18% up to 30.10.2017 and 12% from 31.10.2017.

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

R Reasoning

The authority treated the question as turning on whether the principal supply is of goods or services, drawing on the composite and principal supply rules in Section 2(90) and the CBIC clarification in Circular No. 11/11/2017-GST. Applying paras 4 and 5 of the circular, it found that ownership of the usage rights in the intangible content and the physical inputs decides the nature of the supply. Here the content was supplied by the customer and the applicant did not own the usage rights, and the PVC changed from Chapter 39 material into Chapter 49 trade advertising material by printing. Printing was therefore the principal supply, and the printed material was ancillary, so the transaction was a supply of service under SAC 9989.

P Provisions Relied On

- Section 97 of the CGST Act, 2017 and KGST Act, 2017 (application for advance ruling)
- Section 98(4) of the CGST Act, 2017 and KGST Act, 2017 (order)
- Rule 104 of the CGST Rules, 2017 and KGST Rules, 2017 (Form GST ARA-01)
- Section 2(52) of the CGST Act, 2017 (definition of goods), as cited by the applicant
- Section 9 of the CGST Act, 2017 (cited by the applicant)
- Section 8 of the CGST Act, 2017 (composite supply), as cited by the applicant
- Section 2(90) of the CGST Act, 2017 (principal supply)
- Circular No. 11/11/2017-GST dated 20.10.2017 (cited by the applicant) and dated 20.11.2017 (cited by the authority at para 1…
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, as amended, Entry No.27
- Scheme of classification of services (SAC 9989)
- Chapter 48 and Chapter 49 of the Customs Tariff (referred to in the circular discussion)

! For the Practitioner

This order is useful for printers who print customer-supplied content on PVC or similar substrates, as it treats such printing as a service supply under SAC 9989 at 12% from 31.10.2017. It applies the circular's test of who owns the usage rights in the content and the physical inputs. The ruling binds only the applicant and the authority that made it, and it does not decide cases where the printer owns the content or the physical inputs differ. The applicant had parallel rulings from other authorities, and the order does not state their outcomes.

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_06_2020_17.02.2020_mmdipl.pdf

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