

M/s. Mannarai Common Effluent Treatment Plant Private Limited

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 20/AAR/2023 Dated: 19.06.2023

Q Questions Before the Authority

- Whether the classification of supply of outputs as sale of goods is correct.
- Whether the classification of water sold as 'water including natural or artificial mineral waters and aerated waters, not containing added sugar or sweetening matter, not flavoured (other than drinking water packed in 20 litre bottles) under heading 2201 is correct.

F Facts

The applicant operates a Zero Liquid Discharge plant to treat effluents from member dyeing units. They propose to purchase raw effluent from these units, process it, and sell the resulting products, including treated water and brine solution, to the member units. The applicant seeks to classify these transactions as a sale of goods rather than a service.

H Ruling

Classification of output as sale of goods

Correct, subject to the condition that the applicant follows the guidelines mentioned in para 4.9 of the order.

Must satisfy the elements of a contract of sale under the Sale of Goods Act, 1930.

Classification of treated water under heading 2201

Correct, classifiable under heading 2201 with a Nil rate of tax.

As per Sl. No. 99 of Notification No. 2/2017-Central Tax (Rate).

The authority ruled that the classification of the output as a sale of goods is correct, provided the applicant adheres to the legal requirements of a sale. Regarding the treated water, the authority held that it is correctly classifiable under heading 2201 and is eligible for a Nil rate of tax.

R Reasoning

The authority determined that the transaction constitutes a sale of goods if it meets the requirements of the Sale of Goods Act, 1930, specifically involving an agreement to transfer title for money consideration. Regarding the treated water, the authority analyzed the nature of the effluent treatment process and concluded it does not produce de-mineralized water. Instead, it produces ordinary treated water, which falls under the exemption provided by **Sl. No. 99 of Notification No. 2/2017-Central Tax (Rate)**. The authority relied on the definition of sale under Section 4 of the Sale of Goods Act, 1930, and the clarification provided in Circular No. 179/11/2022

regarding treated sewage water.

P Provisions Relied On

Section 97(2)(g) of the CGST Act, 2017

Section 4 of the Sale of Goods Act, 1930

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

Circular No. 179/11/2022

! For the Practitioner

This ruling helps common effluent treatment plants (CETPs) structure their operations as a **sale of goods** to benefit from the **Nil rate of tax** on treated water. It clarifies that treated water from such plants is not 'de-mineralized water' and thus qualifies for the exemption under Notification No. 2/2017. Practitioners should note that the 'sale of goods' classification is strictly conditional upon the applicant maintaining a formal contract of sale as defined by law.

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 -> 20_aar_2023mannarai_cetp.pdf

Prepared 20-10-2026.

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