M/s S.K. Aagrotechh (SK Agrotech), Survey No. 114, Gottigehalli Road, Kaggalalli, Kanakapura Taluk, Ramanagar District; represented by Sri T.R. Venkateswaran, Chartered Accountant

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 49 / 2019, Date: 18th September, 2019 Dated **18.09.2019**

Q Questions Before the Authority

- Whether 'Pooja Oil', a blend of edible vegetable oils with a small quantity of fragrance, merits classification under tariff heading 1518 and is covered by entry 90 of Schedule I (taxable at 5%) or entry 27 of Schedule II (taxable at 12%) of Notification No. 01/2017-CT(R) dated 28.06.2017, as amended.

F Facts

The applicant is a partnership firm and a wholesale dealer in edible oils that also manufactures 'Pooja Oil'. The product is not extracted; it is made by mixing and blending several edible oils (rice bran, sesame, coconut, mahua and, per the findings, castor oil) in set proportions, with fragrance added according to public demand. The applicant argued that the blend is a vegetable oil product that falls under tariff heading 1518 and should attract the 5% rate in Schedule I, while the two competing entries in the notification created uncertainty about the correct rate.

H Ruling

Classification of 'Pooja Oil' under heading 1518: Schedule I entry 90 (5%) or Schedule II entry 27 (12%)	****Covered under entry 27 of Schedule II**; taxable at 6% under CGST Act, 6% under KGST Act and 12% under IGST Act**	The RULING describes the product as classified under tariff heading 1518 and as an inedible mixture. The applicant had sought the Schedule I, 5% rate, which the Authority did not accept. The CGST and KGST rates of 6% each are as printed in the RULING and are the intra-State split of the 12% IGST rate.

The Authority held that **'Pooja Oil' is covered under entry 27 of Schedule II** of Notification No. 01/2017-CT(R), as an inedible mixture of vegetable oils, and not under entry 90 of Schedule I. It rejected the applicant's position that Schedule II is confined to animal fats. The ruling states the product is taxable at 6% under the CGST Act, 6% under the KGST Act and 12% under the IGST Act.

R Reasoning

The Authority compared entry 90 of Schedule I, which covers vegetable fats and oils subjected to processes such as boiling, oxidation or chemical modification and which remain edible, with entry 27 of Schedule II, which covers animal fats and oils together with inedible mixtures or preparations of animal or vegetable fats or oils. It found that adding fragrance to several edible oils makes the resultant mixture inedible, so the product falls within the specific

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words of entry 27. The Authority therefore preferred the specific entry for inedible mixtures over the general processing entry in Schedule I. It applied the Explanation to Notification No. 1/2017-Integrated Tax (Rate) dated 28.06.2017, under which the Customs Tariff Act, 1975 headings and the Section and Chapter Notes apply to interpreting the notification. The applicant's reliance on the Supreme Court decisions in Share Medical Care, HCL Ltd and India Petrochemicals, and on an Andhra Pradesh ruling on 'Energy-G premium', was noted, but the order does not treat them as deciding the point.

P Provisions Relied On

- Section 97 of the CGST Act, 2017 and the corresponding KGST Act, 2017 (advance ruling application)
- Section 98(4) of the CGST Act, 2017 and the KGST Act, 2017 (order)
- Rule 104 of the CGST Rules, 2017 and the KGST Rules, 2017 (form GST ARA-01)
- Notification No. 01/2017-CT(R) dated 28.06.2017, entry 90 of Schedule I and entry 27 of Schedule II, as amended
- Notification No. 1/2017-Integrated Tax (Rate) dated 28.06.2017, Explanation (iii) and (iv)
- First Schedule to the Customs Tariff Act, 1975 (tariff heading 1518)
- Share Medical Care v. Union of India, 2007 (209) ELT 321 (SC) (cited by applicant)
- HCL Ltd v. Collector of Customs, New Delhi, 2001 (130) ELT 405 (SC) (cited by applicant)
- Collector of Central Excise v. India Petrochemicals, 1997 (92) ELT 13 (SC) (cited by applicant)

! For the Practitioner

Practitioners dealing with blended or perfumed edible vegetable oil products can use this ruling as a Karnataka precedent that a fragranced blend of several edible oils is inedible and falls under Schedule II entry 27 at 12% IGST, not the 5% Schedule I entry. It does not decide how any other product, such as an unfragranced or differently processed oil, should be classified. It is an advance ruling for this applicant, and the order does not state that it binds other taxpayers. The Andhra Pradesh ruling relied on by the applicant is only noted in the order and is not analysed in it.

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_49_2019_ska_18.09.19.pdf

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