M/s Shambhu Traders Private Limited, 41, Large Industrial Area, Kota, Rajasthan 324003 (GSTIN 08AAFCS9741J1ZU)

Authority for Advance Ruling — Rajasthan

Advance Ruling No. RAJ/AAR/2018-19/35, Date of Ruling 15.02.2019 Dated **15.02.2019**

Q Questions Before the Authority

- When the applicant operates under the Margin Scheme under Rule 32(5) of the CGST Rules, 2017 by selling used lead acid batteries to other manufacturers, do such used lead acid batteries qualify as 'second hand goods' and so fall under the Margin Scheme?
- When the applicant sells goods under the Margin Scheme, under which heading in GSTR-3B should the tax on outward supply be reported (a) when the goods are sold within the state, and (b) when they are sold outside the state?
- When the applicant operates under the Margin Scheme by selling used lead acid batteries to manufacturers, do the goods qualify under the Margin Scheme when sold outside the state or when sold within the State of Rajasthan?

F Facts

The applicant, registered in Rajasthan, buys used lead acid batteries in small lots of about 50 to 100 kg from unregistered suppliers in Rajasthan and elsewhere. It does no processing on them, does not avail input tax credit on them, and sells them to manufacturers, charging GST only on the difference between sale and purchase price under the Margin Scheme. The applicant asks whether the batteries are second hand goods, how the outward supply should be reported in GSTR-3B, and whether margin scheme treatment extends to sales outside Rajasthan.

H Ruling

Whether used lead acid batteries are 'second hand goods' covered by the Margin Scheme (Q1)	**Yes. They qualify as second hand goods, and the applicant is entitled to operate under the Margin Scheme for them.**	The batteries are used goods sold without processing, and no input tax credit is availed on them. The authority applied the GST Council press release of 15 July 2017 on used bottles by analogy.
Heading in GSTR-3B for Margin Scheme outward supply, within and outside the state (Q2)	**No advance ruling given.**	The authority held that this query is not a matter specified in Section 97(2) of the CGST/RGST Act, 2017. The jurisdictional officer had described the activity as a composite supply of goods, but the order does not decide that point.

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

Margin Scheme for inter-state and intra-state sales (Q3)	**Yes. Rule 32(5) applies to inter-state supplies, and the applicant may make inter-state supplies of used lead acid batteries under the Margin Scheme.**	This follows from Section 20 of the IGST Act and Rule 2 of the IGST Rules, which apply the CGST time and value of supply rules to integrated tax.

The authority held that **used lead acid batteries qualify as second hand goods** , so the applicant may operate under the Margin Scheme for them. It declined to rule on the GSTR-3B reporting heading because that query is not among the matters listed in Section 97(2). It held that Rule 32(5) applies to inter-state supplies as well as intra-state supplies, so the applicant may make inter-state supplies of used lead acid batteries under the Margin Scheme.

R Reasoning

The authority read Rule 32(5) of the CGST Rules, 2017, which applies the margin valuation to a person dealing in second hand goods, meaning used goods as such or after minor processing that does not change their nature, on which no input tax credit has been availed. It found that the batteries were used goods, were not processed, and carried no credit, so they qualified. It relied by analogy on the GST Council press release of 15 July 2017 on used empty bottles. On the inter-state question it applied Section 20 of the IGST Act and Rule 2 of the IGST Rules, which extend the CGST valuation rules to integrated tax. It declined to answer the GSTR-3B query because that subject is not listed in Section 97(2).

P Provisions Relied On

- Rule 32(5) of the CGST Rules, 2017 (Margin Scheme for second hand goods)
- Section 97(2) of the CGST/RGST Act, 2017 (scope of advance rulings)
- Section 20 of the IGST Act, 2017
- Rule 2 of the IGST Rules, 2017
- Section 2(108) of the CGST Act, 2017 (taxable supply, cited in the applicant's submission)
- GST Council press release dated 15 July 2017 on old and used empty bottles
- Sections 99 and 100 of the CGST/RGST Act, 2017 (appellate authority, as noted in the order)

! For the Practitioner

The order helps dealers in used lead acid batteries and similar scrap who buy from unregistered suppliers without input tax credit. It confirms that such goods can use the Margin Scheme and that the scheme extends to inter-state sales. It does not settle the GSTR-3B reporting heading, and the authority expressly declined to rule on it. The composite supply characterisation noted from the jurisdictional officer is also left undecided. Because the ruling is at the advance ruling level, it binds only the applicant.

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 -> raj.35.2018-19_shambhu_tpl.pdf

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RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com