

# Shri Ramanujam Tulsi Ramadas

Authority for Advance Ruling — Karnataka

KAR.ADRG 22/2026

Dated 16.03.2026

## Q Questions Before the Authority

- Whether Marginal Scheme is Applicable to me on used car purchase and sale?
- HSN Code and Rate of Tax and Assessable Value?
- Any other Suggestion?

## F Facts

The applicant proposes to purchase second-hand cars from unregistered dealers and sell them to unregistered customers after performing minor repairs. The applicant sought an advance ruling on the applicability of the Margin Scheme, HSN classification, and tax valuation for these transactions. Despite multiple opportunities, the applicant failed to provide requested documentation regarding ownership transfer and accounting practices.

## H Ruling

|                                |                                                                                               |                                                                                                                 |
|--------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Applicability of Margin Scheme | Governed by Rule 32(5) of the CGST Rules, 2017 and Notification No. 8/2018-Central Tax (Rate) | Subject to fulfillment of conditions prescribed in the notification                                             |
| HSN Code and Rate of Tax       | Classifiable under Heading 8703                                                               | Exact rate cannot be determined without particulars of engine capacity, vehicle length, and fuel type           |
| Any other Suggestion           | Not answered                                                                                  | Authority is empowered to pronounce rulings only on matters specified under Section 97(2) of the CGST Act, 2017 |

The Authority ruled that while the Margin Scheme is not explicitly defined, the valuation of such supplies is governed by Rule 32(5) of the CGST Rules, 2017, read with Notification No. 8/2018-Central Tax (Rate). It held that motor vehicles fall under Heading 8703, but the exact tax rate cannot be determined without specific vehicle details. The ruling emphasizes that the benefit of the notification is available only upon strict compliance with its conditions.

## R Reasoning

The Authority relied on Section 2(52) of the CGST Act, 2017, to classify second-hand cars as goods. It determined that Rule 32(5) of the CGST Rules, 2017, provides a **special method of valuation** for persons engaged in buying and selling second-hand goods. Because the applicant failed to provide evidence regarding the nature of repairs or ownership transfer, the Authority could not verify if the conditions for the **Margin Scheme**

were met. Consequently, it ruled that the valuation must follow the difference between the selling and purchase price, provided no input tax credit is availed.

## **P Provisions Relied On**

Section 2(52) of the CGST Act, 2017

Section 97(2) of the CGST Act, 2017

Rule 32(5) of the CGST Rules, 2017

Notification No. 8/2018-Central Tax (Rate)

## **! For the Practitioner**

This ruling confirms that the **Margin Scheme** is applicable to the trade of second-hand vehicles under the specified CGST rules and notifications. However, it serves as a warning that applicants must provide concrete evidence of their business processes, such as ownership transfer and the nature of repairs, to benefit from such schemes. It does not provide a specific tax rate, as that remains dependent on the technical specifications of the vehicles involved.

### **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](http://www.gstcouncil.gov.in) -> 10-aar-shri\_ramanujam\_tulsi\_ramadas-compressed.pdf

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