

Shri Shailesh Kumar Singh

Authority for Advance Ruling — Delhi

ADVANCE RULING NO. 04/DAAR/2018

Dated 06.04.2018

Q Questions Before the Authority

- Whether 'Dried Tobacco Leaves' on which cleaning and removal of unwanted particles (Bhusa, Dust etc.) has been done would be classified under Tariff Item/Heading 2401 as 'Tobacco Leaves' or 'All goods not specified elsewhere' as mentioned in Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017.
- Whether GST on such 'Dried Tobacco Leaves' on which cleaning and removal of unwanted particles (Bhusa, Dust etc.) has been done without any addition of foreign particles, would be levied @ 5% or 28% under Chapter No. 24 Tariff Item 2401 under Notification No. 01/2017 – Central Tax (Rate) dated 28.06.2017.

F Facts

The applicant proposes to trade in unbranded 'Dried Tobacco Leaves' in the wholesale market. The goods are sourced from registered dealers who procure them directly from agriculturists and farmers. The applicant performs cleaning and removal of dust, straw, and unwanted particles (bhusa) without adding any flavor, essence, or foreign substances, and asserts that the product is unfit for direct human consumption.

H Ruling

Classification and GST rate applicable to cured Dried Tobacco Leaves under HSN 2401

Classified under HSN Code 2401 as **unmanufactured Tobacco (other than Tobacco Leaves) under S. No. 13 of Schedule IV, taxable at **28% GST** (14% CGST + 14% SGST or 28% IGST).**

Cured dried tobacco leaves do not qualify for the 5% concessional GST rate under S. No. 109 of Schedule I.

The Authority held that 'Dried Tobacco Leaves' which have undergone curing after harvesting fall under HSN Code 2401 as unmanufactured tobacco. However, because curing is a post-harvest process, the goods do not qualify as 'tobacco leaves' under S. No. 109 of Schedule I attracting 5% GST. Instead, they are classified under S. No. 13 of Schedule IV of Notification No. 1/2017-Central Tax (Rate) as **'unmanufactured Tobacco (other than Tobacco Leaves)'** taxable at **28% GST** (14% CGST + 14% SGST or 28% IGST).

R Reasoning

The Authority referred to HSN Chapter 24 explanatory notes and CBEC Circular F. No. 332/2/2017-TRU, which restrict the concessional rate for 'tobacco leaves' under S. No. 109 of Schedule I (5% GST) to raw tobacco leaves as such, broken tobacco leaves, or tobacco leaf stems that have not undergone curing or fermentation. Since the

applicant's goods undergo post-harvest curing processes such as sun-drying or air-curing, they no longer remain raw tobacco leaves in their natural state. Consequently, cured dried tobacco leaves fall under S. No. 13 of Schedule IV of Notification No. 1/2017-Central Tax (Rate), which covers 'unmanufactured tobacco (other than tobacco leaves)' and attracts 28% GST.

P Provisions Relied On

Chapter Heading 2401 of HSN

S. No. 109 of Schedule I, Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017

S. No. 13 of Schedule IV, Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017

CBEC Circular F. No. 332/2/2017-TRU dated December 2017

! For the Practitioner

This ruling establishes that the lower 5% GST rate for 'tobacco leaves' under Schedule I is strictly confined to uncured, raw tobacco leaves. Once tobacco leaves undergo post-harvest curing or drying, they are categorized as **unmanufactured tobacco (other than tobacco leaves)** and attract **28% GST** under Schedule IV, regardless of whether any additives or brand names are applied.

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 -> [delhi-order-4.pdf](#)

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