M/s Udyog Mandir, Amer, Jaipur, Rajasthan 302028 (GSTIN 08AAAAU0674M1Z5)

Authority for Advance Ruling — Rajasthan

ADVANCE RULING NO. RAJ/AAR/2019-20/01, Date of Ruling 16.04.2019 (… Dated **16.04.2019**

Q Questions Before the Authority

- Will Khadi readymade garments be included under the entry of Khadi fabric under chapter 50 to 55 of GST classification?
- If not, then what is the correct classification and rate of tax on Khadi readymade garments?

F Facts

The applicant manufactures Khadi garments. It buys Khadi fabric from the market, gets it stitched, and sells the finished garments. The applicant relied on the exemption for Khadi fabric at Serial No. 130A of Notification No. 02/2017-Central Tax (Rate) to argue that its finished garments were also exempt.

H Ruling

Whether Khadi readymade garments fall within the Khadi fabric entry (chapter 50 to 55) of Notification 02/2017-CT(Rate)	****No.** Not covered under entry 130A.**	Entry 130A covers only Khadi fabric sold through KVIC and KVIC-certified institutions or outlets. The jurisdictional officer also stated that garments other than Khadi yarn and Gandhi topi are not exempt.
Correct classification and rate of tax on Khadi readymade garments	**Heading/tariff item 62 of Notification 01/2017-CT(Rate). **GST 5% (SGST 2.5% + CGST 2.5%) if sale value is less than Rs. 1000 per piece; GST 12% (SGST 6% + CGST 6%) if sale value is more than Rs. 1000 per piece.****	The ruling says 'less than' and 'more than' Rs. 1000, while Schedule I says 'exceeding' and Schedule II says 'not exceeding'. The ruling does not address a piece valued at exactly Rs. 1000.

Khadi readymade garments are not covered by the Serial No. 130A exemption , which extends only to Khadi fabric sold through KVIC and KVIC-certified institutions or outlets. Khadi readymade garments are classifiable under heading 62 of Notification No. 01/2017-Central Tax (Rate), at **5% (Schedule I, Serial 170) if the sale value is below Rs. 1000 per piece and 12% (Schedule II, Serial 223) if above Rs. 1000 per piece** .

R Reasoning

The authority read entry 130A, inserted by Notification 28/2017-CT(Rate), as covering only Khadi fabric and not

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readymade garments, so garments were held not exempt. It then identified the garment entries in Notification 01/2017-CT(Rate): Serial 170 in Schedule I (5%) and Serial 223 in Schedule II (12%), both under heading 62. The rate turns on whether the sale value per piece is above or below Rs. 1000. The jurisdictional officer's comments that garments other than Khadi yarn and Gandhi topi are not exempt supported the conclusion.

P Provisions Relied On

- Section 97(2)(a) of the CGST/SGST Act, 2017 (classification of goods or services) - admissibility of the question
- Section 100 of the CGST/RGST Act, 2017 (appeal to the Appellate Authority within 30 days) - as noted on the order
- Notification No. 02/2017-Central Tax (Rate) dated 28.06.2017, entry Serial No. 130A (Khadi fabric, chapter 50 to 55)
- Notification No. 28/2017-Central Tax (Rate) dated 22.09.2017 (inserted entry 130A)
- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, Schedule I Serial No. 170 (heading 62, 5%)
- Notification No. 01/2017-Central Tax (Rate) dated 28.06.2017, Schedule II Serial No. 223 (heading 62, 12%)

! For the Practitioner

This ruling is useful for Khadi garment manufacturers and sellers who assumed the Khadi fabric exemption carries over to finished garments. It settles that the Serial 130A exemption does not extend to readymade Khadi garments, which fall under heading 62 at 5% or 12% depending on the per-piece sale value. It does not decide how a piece valued at exactly Rs. 1000 is treated, which the order's wording leaves open. It also does not address how garments sold through KVIC outlets are treated, since that point was not raised.

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.aar-2019-20 01-udyog mandir.pdf

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