M/s Utkal Polyweave Industries (P) Ltd., 26 Ganeswarpur Industrial Estate, Januganj, Balasore-756019, Odisha (GSTIN 21AAACU3799H1Z8)

Authority for Advance Ruling — Odisha

Order No.05/ODISHA-AAR/2018-19 Dated **16.11.2018**

Q Questions Before the Authority

- What is the correct GST Tariff classification of Polypropylene Leno Bags (PP Leno Bags) used for bulk packing of potato, onion, garlic, oranges, raw mango and other vegetables and citrus fruits: Chapter 63 sub-heading 63053300 as claimed by the applicant, or Chapter 39?

F Facts

The applicant manufactures PP Leno Bags for bulk packing of vegetables and citrus fruits, from polypropylene (92% to 94%), LLDPE (3% to 5%) and colour master batch (3% to 4%). The process involves making PP strips (tapes), weaving them on a loom into leno fabric, rolling the fabric, and cutting it to length and converting it into bags. The applicant argued that the bags fall under heading 6305 and sub-heading 63053300 because the Section XI notes exclude only plastic monofilament and strip above specified dimensions and woven fabrics of Chapter 39 that are impregnated, coated or laminated.

H Ruling

Classification of PP Leno Bags (applicant claimed 63053300)	**GST Tariff Heading 3923 29 90**	Ruling is that the goods fall under Chapter 39, not Chapter 63. The order states it does not decide the BIS standard or manufacturing process of the product.

The authority ruled that the item 'Polypropylene Leno Bags (PP leno Bags)' is to be classified under GST Tariff Heading 3923 29 90, not under 63053300. It held that Note 1(h) to Section XI excludes woven plastic articles of Chapter 39 from Section XI, so the goods cannot be placed in Chapter 63. The application was disposed of accordingly.

R Reasoning

The authority relied on Note 1(h) to Section XI, which excludes woven fabrics and articles of plastics under Chapter 39 from the textile chapters, so the applicant's claim under Chapter 63 failed. It found that heading 3923 covers articles of plastics for the packing of goods and that PP Leno Bags are woven from polypropylene strips made from plastic granules. It noted that the applicant had cleared the goods under Chapter 39 before GST and that the CBEC Revised Duty Drawback schedule places woven polypropylene bags under Chapter 39. It also followed the West Bengal Appellate Authority for Advance Ruling, which reversed the earlier West Bengal ruling in Mega Flex Plastics and classified PP Leno Bags under 39232990, and the Madhya Pradesh High Court decision in Raj Pack Well Ltd v Union of India. The authority rejected the applicant's reasoning that the lower GST

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rate for Chapter 63 goods was the motive for reclassification.

P Provisions Relied On

- Section 97 and Section 98 of the CGST/OGST Act, 2017 (advance ruling)
- Rule 104 of the CGST Rules, 2017 and OGST Rules, 2017
- Section 100 of the CGST/OGST Act, 2017 (appeal to State Appellate Authority within 30 days)
- Section XI, Note 1(g) and Note 1(h), Customs Tariff (adopted for GST Tariff)
- Chapter 63, heading 6305, sub-heading 63053300 (applicant's claim, rejected)
- Chapter 39, heading 3923, sub-heading 39232990 / GST Tariff 3923 29 90 (ruled classification)
- Central Excise Tariff heading 3920.30 and 3923.90 as applied in Raj Pack Well Ltd v Union of India (Madhya Pradesh High C…
- CBEC Revised Duty Drawback rates schedule effective 01.10.2017, tariff item 392302

! For the Practitioner

This order gives Odisha-level authority for placing woven polypropylene leno bags under heading 3923 rather than Chapter 63, and it rejects the argument that Chapter 63 applies merely because the bags are used for packing. Practitioners should note that the West Bengal ruling it follows was itself the subject of appeal, and the order does not set out the GST rate applicable to heading 3923 29 90. The order also expressly does not decide the BIS standard (IS 16187:2014) or the manufacturing process.

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 -> odisha_aar-05-2018_dtd_16.11.18-upipl.pdf

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