

M/s VNR Seeds Pvt. Ltd.

Authority for Advance Ruling — Chhattisgarh

No.STC/AAR/01/2018

Dated 06.06.2018

Q Questions Before the Authority

- Whether the applicant is entitled to Input Tax Credit (ITC) on packaging materials purchased and used for supplying seeds (an exempted item) to its own branches and other purchasers.
- Whether the applicant is entitled to Input Tax Credit (ITC) when transferring packaging materials as an exclusive taxable supply between its own branches in different States.

F Facts

The applicant is engaged in the business of supplying seeds for sowing purposes in packaged form using taxable packaging materials, operating through multiple GST registrations across various States. It procures taxable inputs like packaging materials and consumables for seed processing and packaging, and transfers these inputs between its branches and processing units. While seeds for sowing are exempt from GST, the packaging materials purchased and inter-branch transfers of such materials are taxable under GST.

H Ruling

ITC on packaging material used for supplying exempted seeds to branches or purchasers

Not entitled to ITC

Supply of packaged seeds is a composite supply where the principal supply (seeds) is exempt

ITC on packaging material transferred exclusively as a taxable supply to own branches

Entitled to ITC

Allowed under Section 17(2) of the CGGST Act, 2017

The Authority ruled that the applicant is **not entitled to ITC on packing material used for packaging seeds** when supplying such exempted seeds to its own branches or other purchasers. However, the applicant is **entitled to ITC on packing material** when making an exclusive taxable supply of such packing material to its own branches in other States pursuant to Section 17(2) of the Chhattisgarh Goods and Services Tax Act, 2017.

R Reasoning

The AAR analyzed Section 2(30) and Section 8 of the CGGST Act, 2017, determining that packaging and supplying seeds forms a composite supply where seeds constitute the principal exempt supply. Under Section 17(2) of the CGGST Act, 2017, ITC is restricted to inputs used for effecting taxable supplies and cannot be claimed on inputs used in making exempt supplies. Therefore, when packaging materials are consumed in supplying exempt seeds, no ITC can be claimed. On the other hand, if packaging material itself is transferred standalone to other branches as an independent taxable supply, the applicant is eligible to claim ITC on its purchase.

P Provisions Relied On

Section 2(30) of CGGST Act, 2017

Section 8 of CGGST Act, 2017

Section 16(1) of CGGST Act, 2017

Section 17(2) of CGGST Act, 2017

Section 41 of CGGST Act, 2017

Section 49(1) of CGGST Act, 2017

! For the Practitioner

This ruling establishes that tax paid on packaging materials used for exempt goods cannot be recovered as **ITC on composite exempt supplies**, even for inter-branch stock transfers. However, it confirms that ITC remains admissible when taxable packaging goods are **transferred separately as taxable outward supplies** to distinct branch entities.

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 -> [chhtgrh-01_2018-06.06.18-vnrspl.pdf](#)

Prepared 19-10-2026.

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