

CLASSIFICATION

CLASSIFICATION

What you make out?



CLASSIFICATION

What you make out?



CLASSIFICATION

Food for Taught

Will Classification Change Taxability

Can Goods be Classified as Services ? Taxability?

Does Taxability depend on nature of use?

Can an Item have two HSN Codes?

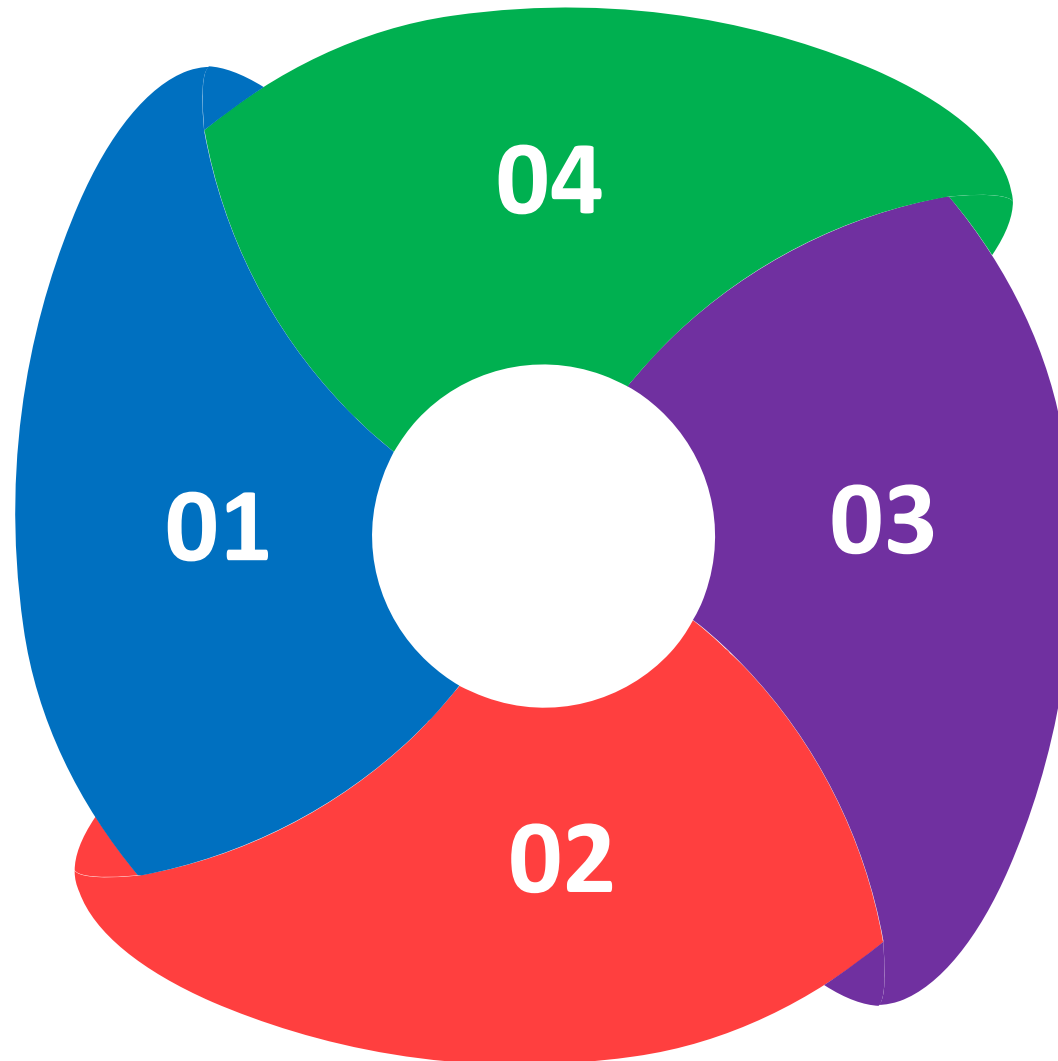
CLASSIFICATION

Goods

**Services
Classified as
Goods**

Services

**Goods
Classified as
Services**



CLASSIFICATION

Treated as supply of goods

- Transfer of title in goods
- Transfer of business assets























Treated as supply of Services

- Right to use goods without transfer of title
- Treatment or process applied to another's persons goods
- Renting of immovable property
- Any lease, tenancy, etc in Land & Building
- Temporary transfer or right to use of IPR

Composite supply treated as supply of services

- Works Contract
- Sale of food or article or drinks for human consumption

Tariff Notification

Central Tax (Rate) Notifications			
Notification No. & Date of Issue	English	हिन्दी	Subject
18/2017-Central Tax (Rate) ,dt. 30-06-2017	View  (136 KB)	देखें  (37 KB)	Seek to reduce the rate of Central Tax, Union Territory Tax, on fertilisers from 6% to 2.5% and Integrated Tax rate on fertilisers from 12% to 5%
17/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (136 KB)	देखें  (585 KB)	To notify the categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator
16/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (344 KB)	देखें  (385 KB)	To notify specialised agencies entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them under CGST Act
15/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (142 KB)	देखें  (431 KB)	To notify the supplies not eligible for refund of unutilized ITC under CGST Act
14/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (248 KB)	देखें  (318 KB)	To notify the supplies which shall be treated neither as a supply of goods nor a supply of service under the CGST Act
13/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (274 KB)	देखें  (722 KB)	To notify the categories of services on which tax will be payable under reverse charge mechanism under CGST Act
12/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (440 KB)	देखें  (990 KB)	To notify the exemptions on supply of services under CGST Act
11/2017-Central Tax (Rate) ,dt. 28-06-2017	View  (399 KB)	देखें  (1.11 MB)	To notify the rates for supply of services under CGST Act
	Annexure  (252 KB)	Annexure  (252 KB)	
10/2017-Central Tax (Rate),dt. 28-06-2017	View  (143 KB)	देखें  (503 KB)	CGST exemption for dealers operating under Margin Scheme notified under section 11 (1)
09/2017-Central Tax (Rate),dt. 28-06-2017	View  (143 KB)	देखें  (500 KB)	Exempting supplies to a TDS deductor by a supplier, who is not registered, under section 11 (1)

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Classification

Chapter	Description	HSN Code	Rate (%)
Milk Products (16)	Condensed milk	04029920	12
	Curd; Lassi; Butter milk	0403	NIL
	Milk and cream, concentrated or containing added sugar or other sweetening matter, including skimmed milk powder, milk food for babies [other than condensed milk]	0402	5
	Fresh milk and pasteurised milk, including separated milk, milk and cream, not concentrated nor containing added sugar or other sweetening matter, excluding Ultra High Temperature (UHT) milk	0401	NIL
	Ultra High Temperature (UHT) milk	0401	5
Water - Mineral & Aerated	Beverages containing milk	22029030	12

HSN Codes

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. It came into effect in 1988 and has since been developed and maintained by the World Customs Organization (WCO) (formerly the Customs Co-operation Council), an independent intergovernmental organization based in Brussels, Belgium, with over 200 member countries.

Understanding HSN Codes

The HSN structure contains 21 sections, with 99 Chapters, about 1,244 headings, and 5,224 subheadings

Each Section is divided into Chapters. Each Chapter is divided into Headings. Each Heading is divided into Sub Headings

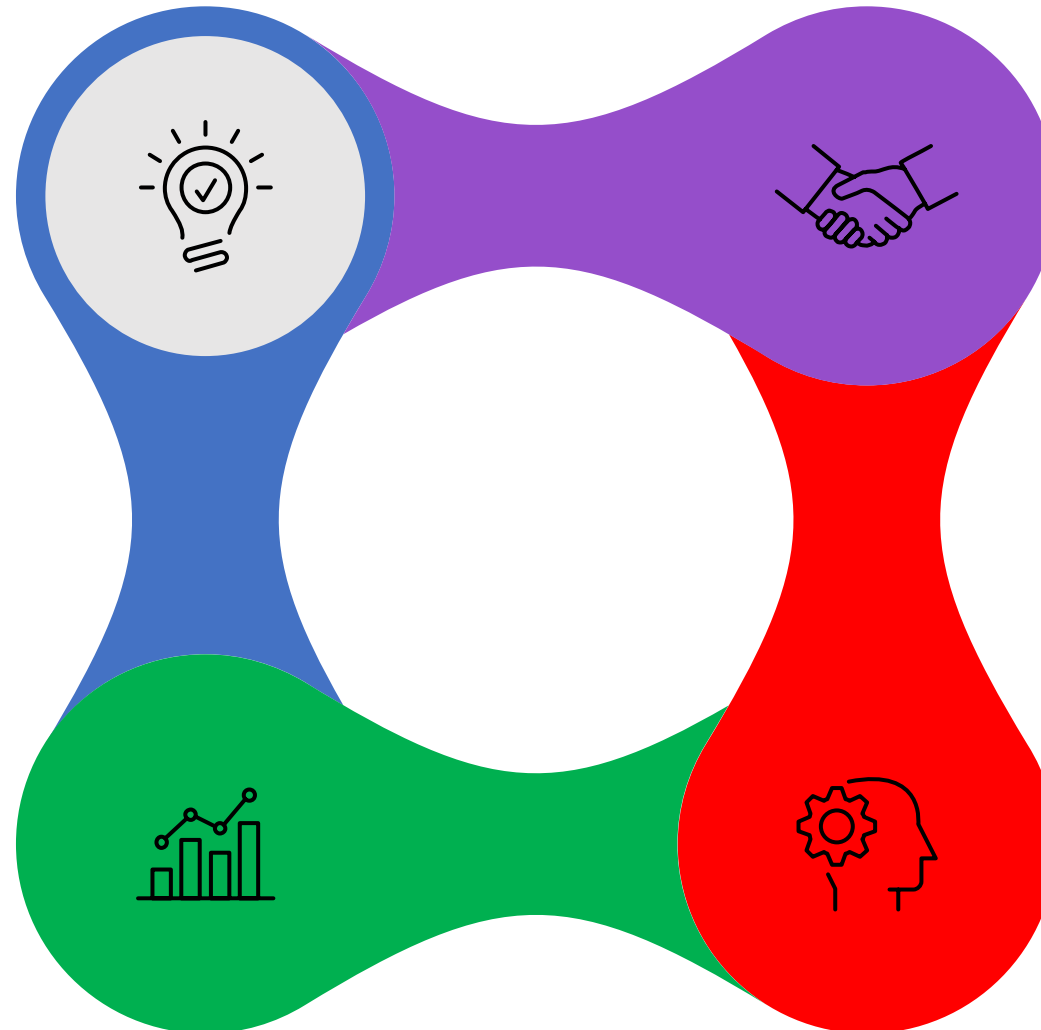
Section and Chapter titles describe broad categories of goods, while headings and subheadings describe products in detail

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Need for HSN Codes

The purpose of HSN codes is to make GST systematic and globally accepted

A dealer or a service provider must provide HSN/SAC wise summary of sales in his GSTR-1 if his turnover falls in above slabs



HSN codes will remove the need to upload the detailed description of the goods. This will save time and make filing easier since GST returns are automated

Minimises issues of classification

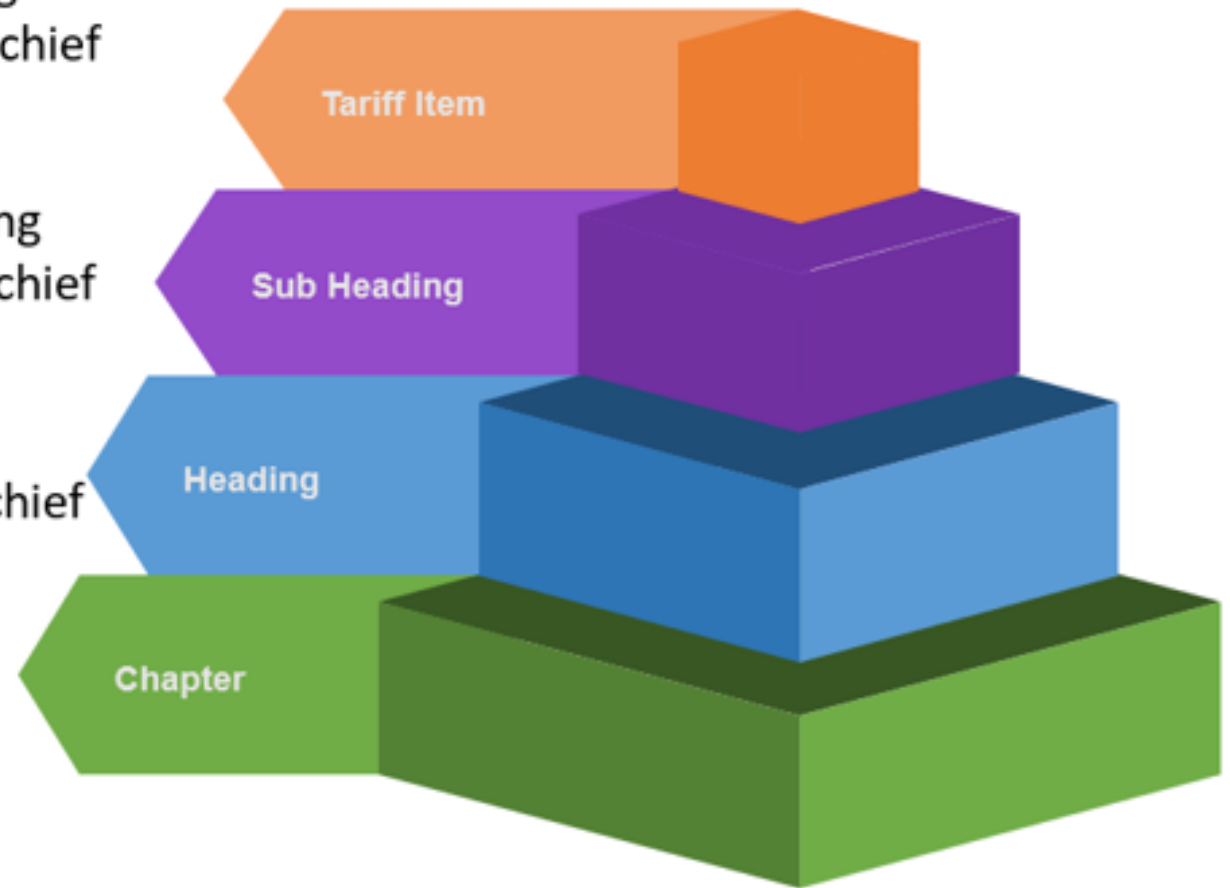
Understanding HSN Codes

Item Tariff – 10 : Articles of apparel and clothing accessories, not knitted or crocheted – Handkerchief other Material – Of Man Made Fiber

Sub-Heading – 90: Articles of apparel and clothing accessories, not knitted or crocheted – Handkerchief Other Material

Heading – 13: Articles of apparel and clothing accessories, not knitted or crocheted - Handkerchief

Chapter – 62: Articles of apparel and clothing accessories, not knitted or crocheted



How to Read HSN Codes

There are 6 General Rules for interpreting the tariff codes, and they are known as the General Rules of Interpretation

Rules one to four are related and must be applied in sequence. Rules five and six stand on their own to be applied as needed.

Rule 1: heading are for reference only

Rule 2(a): article in an entry includes CKD-SKD

Rule 2(b): articles in an entry includes mixtures

Rule 3(a): specific description to be preferred

Rule 3(b): material that gives essential character

Rule 3(c): later-is-better

Rule 4: akin goods

Rule 5: cases-packaging classified with article

Rule 6: entries at the same level comparable

HSN Codes on Tax Invoice

Sr. No	Description	No of Digits
1	Aggerate Turnover Above ₹ 5 Crores	6
2	Aggerate Turnover up to ₹ 5 Crores – B2B	4
3	Aggerate Turnover up to ₹ 5 Crores – B2C (optional)	4
4	Chemicals – which are notified	8

CLASSIFICATION

HSN Codes for Services

India is the first country to Classify Services

HSN Codes for Services are 6 Digits

HSN Codes for Services always start with 99

Required to be shown on Tax Invoices

CLASSIFICATION

HSN Codes for Services

99

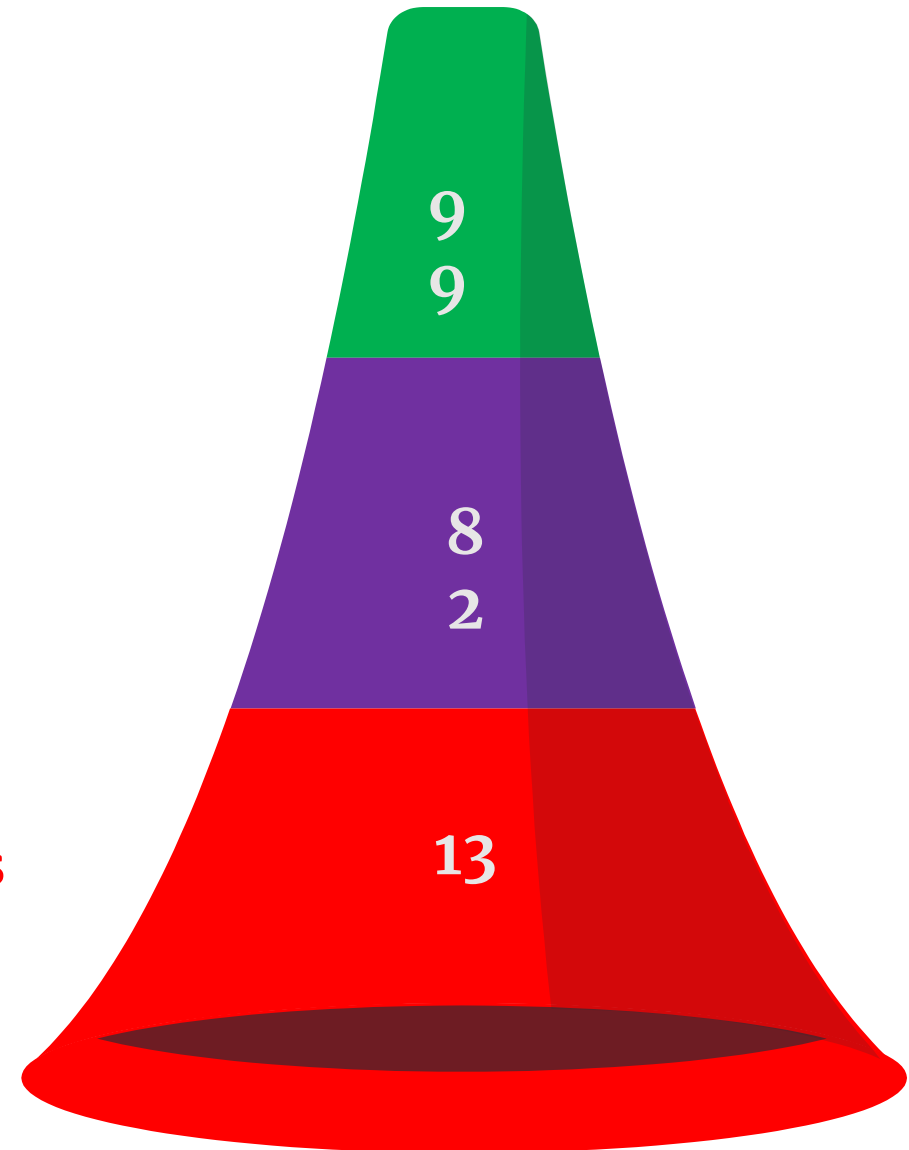
Services

82

Legal Services

13

Legal documentation and certification services concerning patents, copyrights and other intellectual property rights



CLASSIFICATION

Is Classification a challenge in India?



CLASSIFICATION

Is Classification a challenge in India?

Is it a Cake or Biscuit?

Cake is Necessity and Chocolate coated biscuit is a luxury

Notice was issued by Her Majesty's Revenue and Customs (HMRC)

A spongy base topped with orange jelly and chocolate coating to hold it all

Jaffa Cakes got staler and harder, but biscuits got softer



CLASSIFICATION

Activity – 1



CLASSIFICATION

Activity – 2



CLASSIFICATION

Activity – 3 : Classification Based on Business Transaction

A company sells heavy machinery then it shall be treated as supply of goods.

If the same machinery is given on lease, then it shall be treated as supply of service

The subject matter of tax i.e., machinery does not change but since the activity undertaken in relation to the same changes, its classification as supply of goods or supply of service also changes.



Activity – 4 : Books

Printed Books' classifiable under 'HSN 4901' or 'Exercise Books' under 'HSN 4820'

- If classified Printed books, including Braille books under HSN 4901 (NIL),
- If classified as 'Exercise Books' classified under HSN 4820 (12%)



Activity – 5 : Transportation

**Is It For
Moving Earth?
Or
For Moving
People?
Or
For Moving
Patients**



CLASSIFICATION

Activity – 6

IS IT
FOR CARE?

OR

IS IT
FOR CURE?



Alcohol-based hand sanitizer

Not a drug or medicine