

# Classification in GST Laws

A 3D bar chart is positioned in the lower right quadrant of the slide. It features a single, tall red bar on the right side, and a series of shorter blue bars to its left, arranged in a semi-circular pattern. The background of the slide is a light gray with a faint, stylized city skyline and a diagonal line.

**Rohit Kumar Singh**  
**ACA, ACMA, FCS, LLB, DISA (ICAI)**

**Goods / Services**

# Goods/ Service

## Goods [Sec 2(52)]:

“goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply

## Service [Sec 2(102)]:

“services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

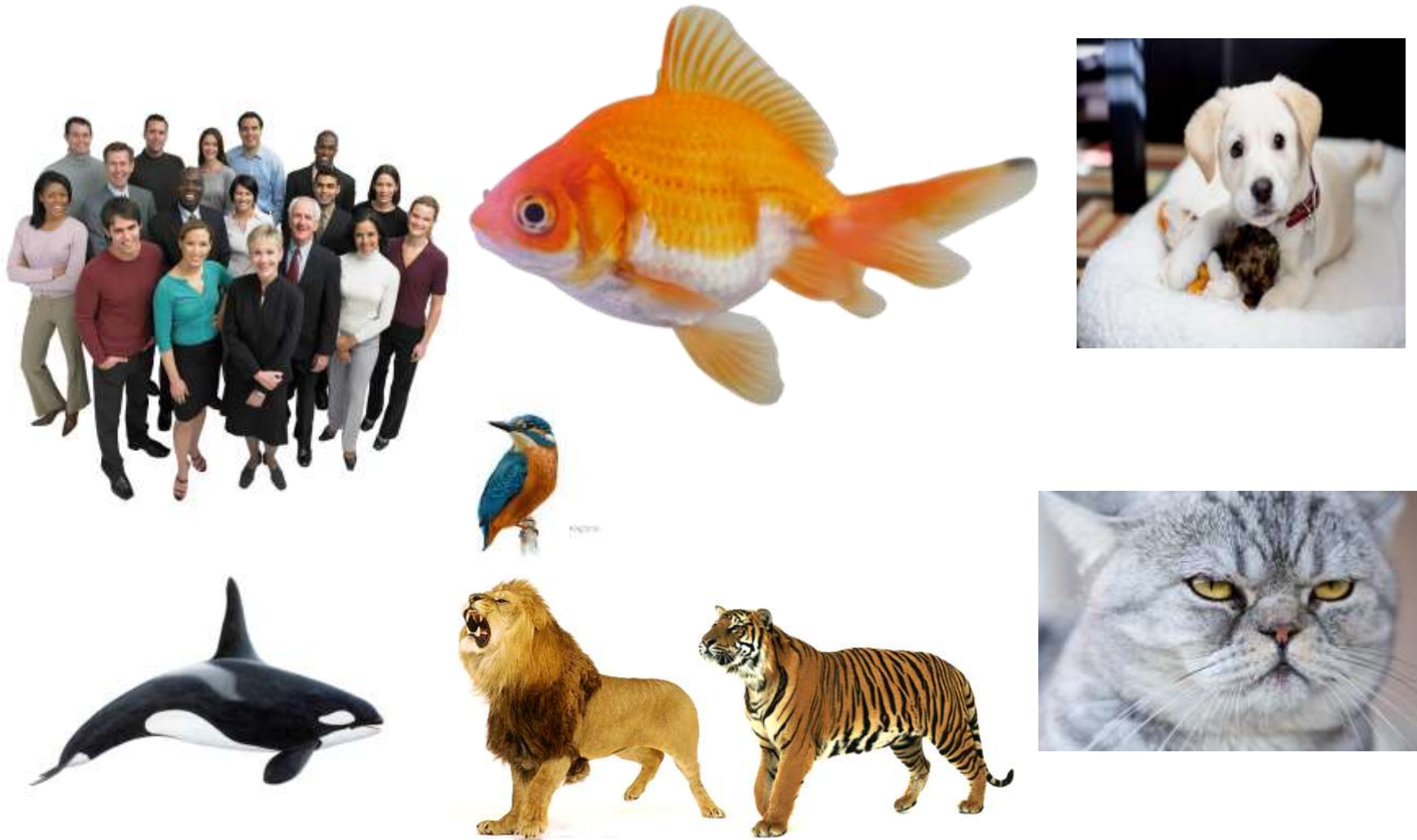
**[Explanation.-- For the removal of doubts, it is hereby clarified that the expression “services” includes facilitating or arranging transactions in securities]**

# Classification

# Classification?????



# Classification?????



# Some Questions on classification

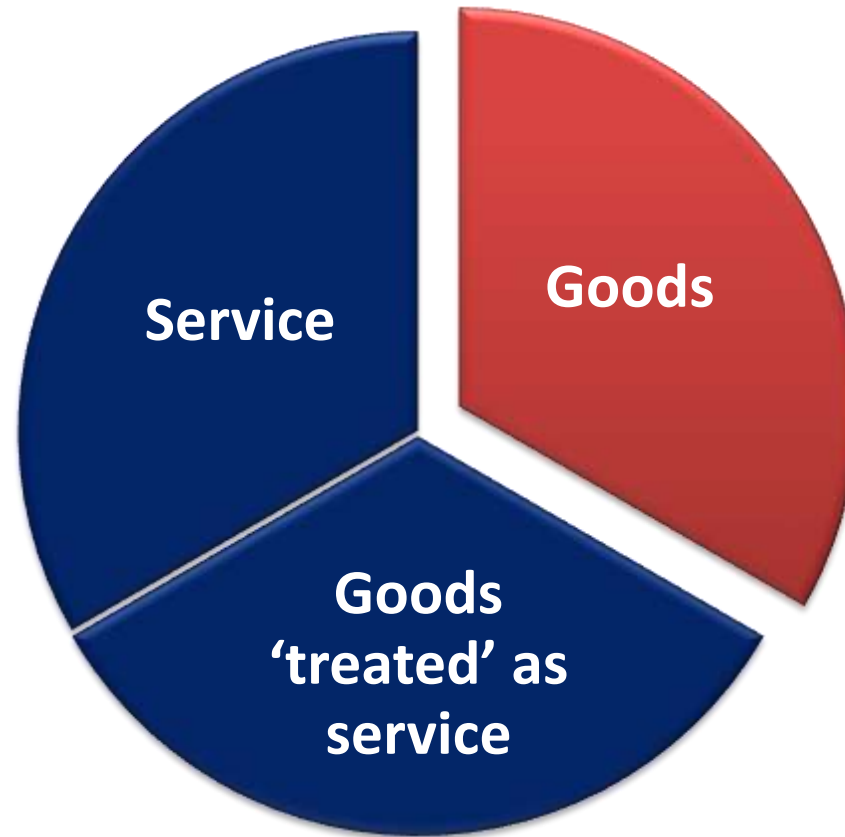
Goods or services taxable – in all situations?

Can there be two rate % for same HSN or SAC?

Will classification change taxability?

Can goods be classified as services? Impact on taxability?

# Basics of Classification



## Schedule II

# Deemed treatment as goods or services

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

#### 1. Transfer

(a) any transfer of the title in goods is a supply of goods;

(b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;

(c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, **is a supply of goods.**

#### 2. Land and Building

(a) any lease, tenancy, easement, licence to occupy land is a **supply of services;**

(b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a **supply of services.**

#### (3) Treatment or process

Any treatment or process which is applied to another person's goods is a **supply of services.**

## Schedule II

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

(4) Transfer of business assets

(a) where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, <sup>2</sup> [\*\*\*\*] such transfer or disposal is a supply of goods by the person;

(b) where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, <sup>2</sup> [\*\*\*\*] the usage or making available of such goods is a supply of services;

(c) where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless-

(i) the business is transferred as a going concern to another person; or

(ii) the business is carried on by a personal representative who is deemed to be a taxable person.

## Schedule II

### ACTIVITIES <sup>1</sup> [OR TRANSACTIONS] TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

#### 5. Supply of services

The following shall be treated as supply of services, namely:-

(a) renting of immovable property;

(b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.

#### 6. Composite supply

The following composite supplies shall be treated as a supply of services, namely:-

(a) works contract as defined in clause (119) of [section 2](#); and

(b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

# Tariff Notifications

Central Tax (Rate) Notifications			
Notification No. & Date of Issue	English	हिन्दी	Subject
18/2017-Central Tax (Rate) ,dt. 30-06-2017	<a href="#">View</a> (136 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (136 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (344 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (142 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (248 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (274 KB)	<a href="#">देखें</a> (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	<a href="#">View</a> (440 KB)	<a href="#">देखें</a> (990 KB)	To notify the exemptions on supply of services under CGST Act
11/2017-Central Tax (Rate) ,dt. 28-06-2017	<a href="#">View</a> (399 KB)	<a href="#">देखें</a> (1.11 MB)	To notify the rates for supply of services under CGST Act
	<a href="#">Annexure</a> (252 KB)	<a href="#">Annexure</a> (252 KB)	
10/2017-Central Tax (Rate),dt. 28-06-2017	<a href="#">View</a> (143 KB)	<a href="#">देखें</a> (503 KB)	CGST exemption for dealers operating under Margin Scheme notified under section 11 (1)
09/2017-Central Tax (Rate),dt. 28-06-2017	<a href="#">View</a> (143 KB)	<a href="#">देखें</a> (500 KB)	Exempting supplies to a TDS deductor by a supplier, who is not registered, under section 11 (1)

Viewing 1 to 10 of 18 << 1 2 >>



[Exchange Rate Notifications](#)

[Notifications of Customs](#)



[Sitemap](#)

[Website Policies](#)



[Help](#)

Follow Us



# Basics of Classification

4. *Explanation.*- For the purposes of this notification,-

(i) Goods includes capital goods.

(ii) Reference to “Chapter”, “Section” or “Heading”, wherever they occur, unless the context otherwise requires, shall mean respectively as “Chapter, “Section” and “Heading” in the annexed scheme of classification of services (Annexure).

(iii) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of heading 9988.

(iv) Wherever a rate has been prescribed in this notification subject to the condition that

# Confusion... Confusion and more confusion.....!!!!!!

Chapter	Description	HSN Code	Rate (%)
Milk Products (16)	Condensed milk	04029920	<b>5% (Changed)</b>
	Curd; Lassi; Butter milk (excluding pre-packaged and labelled)	0403	NIL
	Curd; Lassi; Butter milk (pre-packaged and labelled)	<b>0403</b>	<b>5%</b>
	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, <b>excluding Ultra High Temperature (UHT) milk</b>	0401	NIL
	Ultra High Temperature (UHT) milk	0401	5
Water - Mineral & Aerated	Beverages containing milk	22029030	12

# Test your Knowledge!

Question 1 –

Which all of the following is treated as deemed supply of services?

- (a) Temporary transfer of right to use IPR
- (b) Sale of food or drinks for human consumption
- (c) Transfer of Business Assets
- (d) Works Contract

**Answer – option (a), (b) and (d)**

# HSN and SAC in GST

# HSN in GST

- **What is HSN Code?**
- The Harmonized Commodity Description and Coding System generally refers to “Harmonized System of Nomenclature” or simply “HSN”. It is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It first came into effect in 1988.

# HSN in GST

- **How does HSN code work?**
- It has about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure. It is supported by well-defined rules to achieve uniform classification.
- **Why is HSN important?**
- The main purpose of HSN is to classify goods from all over the World in a systematic and logical manner. This brings in a uniform classification of goods and facilitates international trade.

# HSN in GST

- **Understanding the HSN Code**
- 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.

# HSN in GST

- Understanding the HSN Code
- For example:
- **Handkerchiefs made of Textile matters 62.13.90**
- First two digits (62) represent the **chapter number** for Articles of apparel and clothing accessories, not knitted or crocheted.
- Next two digits (13) represent the **heading number** for handkerchiefs.
- Finally, last two digits (90) is the **product code** for handkerchiefs made of other textile materials.
- *India has 2 more digits for a deeper classification.*
- If the handkerchiefs are made from a **man-made fibre**, then the HSN code is 62.13.90.10.
- If the handkerchiefs are made from **silk or waste from silk.**, then the HSN code is 62.13.90.90.

# SAC in GST

- **Services Accounting Code (SAC) in GST**
- Like goods, services are also classified uniformly for recognition, measurement and taxation. Codes for services are called Services Accounting Code or SAC.
- **For example:**
- Legal documentation and certification services concerning patents, copyrights and other intellectual property rights-- **998213**
- The first two digits are same for all services i.e. 99
- The next two digits (82) represent the major nature of service, in this case, legal services
- The last two digits (13) represent detailed nature of service, i.e., legal documentation for patents etc.

# Disclosing HSN in GST

## Disclosing HSN in returns

### 12. HSN-wise summary of outward supplies

Sr. No.	HSN	Description (Optional if HSN is provided)	UQC	Total Quantity	Total value	Total Taxable Value	Amount			
							Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5	6	7	8	9	10	11

## 8 digit HSN code mandatory for all imports and exports

# Importance of HSN in GST

- The purpose of HSN codes is to make GST systematic and globally accepted.
- Minimises issues of classification
- 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.
- 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 Classification List -

Section	HSN Code List
Section 1	Live Animals, Animal Products
Section 2	Vegetable Products
Section 3	Animal or Vegetable Fats and Oils and their cleavage products, prepared edible fats, Animal or Vegetable waxes
Section 4	Prepared Foodstuffs, Beverages, Spirits and Vinegar, Tobacco and Manufactured Tobacco Substitutes
Section 5	Mineral Products
Section 6	Product of the chemicals or allied Industries
Section 7	Plastics and articles thereof, Rubber and articles thereof
Section 8	Raw hides and skins, Leather, Fur, skins and articles thereof, saddlery and harness, travel goods, handbags and similar containers, articles of animal gut ( other than silk-worm gut )

# HSN Classification List -

Section	HSN Code List for
Section 9	Wood and articles of wood, Wood charcoal, Cork and articles of cork, Manufacturers of straw, of Esparto or of other Plaiting Materials, Basketwork and Wickerwork
Section 10	Pulp of wood or of other Fibrous Cellulosic Material, Recovered ( Waste and scrap ) paper or paperboard, paper and paperboard and articles thereof
Section 11	Textile and textile articles
Section 12	Footwear, Headgear, Umbrellas, Sun Umbrellas, Walking-sticks, seat-sticks, whips, riding-crops and parts thereof, Prepared feathers and articles made therewith, Artificial flowers, Articles of human hair
Section 13	Articles of stone, plaster, cement, asbestos, mica, or similar materials, ceramic products, glass and glassware
Section 14	Natural or cultured pearls, Precious or semi-precious stones, precious metals, Metal clad with precious metal, and articles thereof, Imitation Jewellery, Coins

# HSN Classification List -

Section	HSN Code List
Section 15	Base Metals and articles of Base Metal
Section 16	Machinery and mechanical appliances, electrical equipment, parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and Parts and Accessories of such article
Section 17	Vehicles, Aircraft, Vessels and Associated Transport Equipment
Section 18	Optical, Photographic, Cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, clocks and watches, musical instruments, parts and accessories thereof
Section 19	Arms and ammunition, parts and accessories thereof
Section 20	Miscellaneous Manufactured Articles
Section 21	Works of art, Collectors' Pieces and antiques

# Exempted goods – Some examples

S. No	List
1	Milk
2	Bread
3	Butter milk
4	Children's' picture, drawing or colouring books
5	Coconuts
6	Curd
7	Earthen pot and clay lamps
8	Eggs
9	Fire wood
10	Fish
11	Judicial, Non-judicial stamp papers, Court fee stamps
12	Live trees and plants

# SAC Classification List -

Heading & Group	Service Code (Tariff)	Service Description
<b>Section 5 : Construction Services</b>		
<b>Heading No.9954</b>		<b>Construction Services</b>
<b>Group 99541</b>		<b>Construction Services of Buildings</b>
	995411	Construction services of single dwelling or multi dwelling or multi-storied residential buildings
	995412	Construction services of other residential buildings such as old age homes, homeless shelters, hostels etc
	995413	Construction services of industrial buildings such as buildings used for production activities (used for assembly line activities), workshops, storage buildings and other similar industrial buildings
	995414	Construction services of commercial buildings such as office buildings, exhibition & marriage halls, malls, hotels, restaurants, airports, rail or road terminals, parking garages, petrol and service stations, theatres and other similar buildings.
	995415	Construction services of other non-residential buildings such as educational institutions, hospitals, clinics including veterinary clinics, religious establishments, courts, prisons, museums and other similar buildings
	995416	Construction Services of other buildings n.e.c
	995419	Services involving Repair, alterations, additions, replacements, renovation, maintenance or remodelling of the buildings covered above.

# Test your Knowledge!

Question 2 –

There are some goods and services exempted from GST.  
Which of the following is not exempted from GST?

- (a) Eggs
- (b) Fire Wood
- (c) Unpacked Rice
- (d) India-gate Basmati Rice

**Answer – option (d) India-gate Basmati Rice**

**Questions Please!**

# Thank you

Thanks for your Patience and Time

