

Classification under GST – HSN / SAC

FCMA Yogesh Chatwani,
Practicing Cost Accountant, IP and RV (SFA),
Ahmedabad – Gujarat.
Email: ybchatwani2310@gmail.com



Harmonized System of Nomenclature (HSN)

The Harmonized System of Nomenclature (HSN) is an internationally standardized nomenclature system for classifying “**Goods**” (not “**Services**”) that are traded internationally.

The HSN is maintained by the World Customs Organization (WCO).

The HSN is applied by more than 210 Customs Administrations worldwide.

The HSN is last amended in January 2022.

The new HS 2022 edition makes major changes to the Harmonized System.



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Brief Background of HSN and SAC

Manufacture:

- Excise Tariff;
- HSN;
- Multiple Rates of Excise Duty.

Imports and Exports:

- Customs Tariff;
- HSN;
- Multiple Rates of Customs Duty.

Services:

- SAC;
- Multiple Rates of Service Tax.

Sale of Goods:

As per Sales Tax
or VAT
Schedules.
Multiple Rates.

Notification No.1 /2017-Rate-CGST dated 28/06/2017

The rate notifications stated above in terms of supply of goods provide an Explanation for the purpose of the notification.

Note (iii) & (iv) to the said Explanation reads as under:

(iii) “**Tariff item**”, “**sub-Heading**” “**Heading**” and “**Chapter**” shall mean respectively a tariff item, sub-heading, heading and chapter as specified in the First Schedule to the **Customs Tariff Act, 1975 (51 of 1975)**.

(iv) The rules for the interpretation of the **First Schedule to the Customs Tariff Act, 1975 (51 of 1975)**, including 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 this notification.



HSN Code

HSN code stands for “Harmonized System of Nomenclature”.

This system has been introduced for the systematic classification of goods all over the world.

HSN code is a uniform code that classifies 5000+ products and is accepted worldwide.

It was developed by the World Customs Organization (WCO) and it came into effect from 1988.

HSN Code is arranged in a legal and logical structure.

It is supported by well-defined rules to achieve uniform classification.

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.

The HSN system is used by more than 200 countries and economies for reasons such as:

Uniform classification.

Base for their Customs tariffs.

Collection of international trade statistics.

As per a rough estimate, over 98% of the merchandise in international trade is classified in terms of the HSN.

Understanding HSN Code & Importance of GST

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.

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

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 periodical returns if his turnover falls in the prescribed slabs.

CLASSIFICATION

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

HSN Codes in Invoice

S.No	Aggregate Turnover in the preceding FY	Number of Digits of HSN Code
1	Up to Rupees Five crores	4
2	More than Rupees Five crores	6

With effect from 01/04/20, it has been made mandatory for a GST taxpayer, having turnover of **more than five crore rupees** in the preceding financial year, **to furnish 6 digits HSN Code** (Harmonised System of Nomenclature Code), or **SAC (Service Accounting Code)** on the invoices issued for supplies of taxable goods and services.

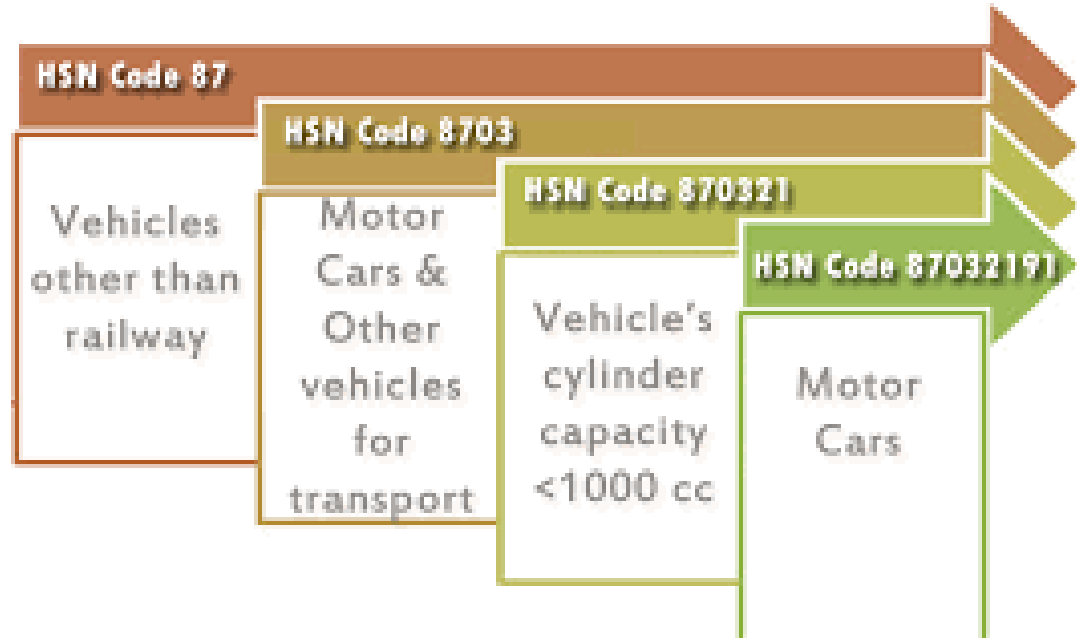
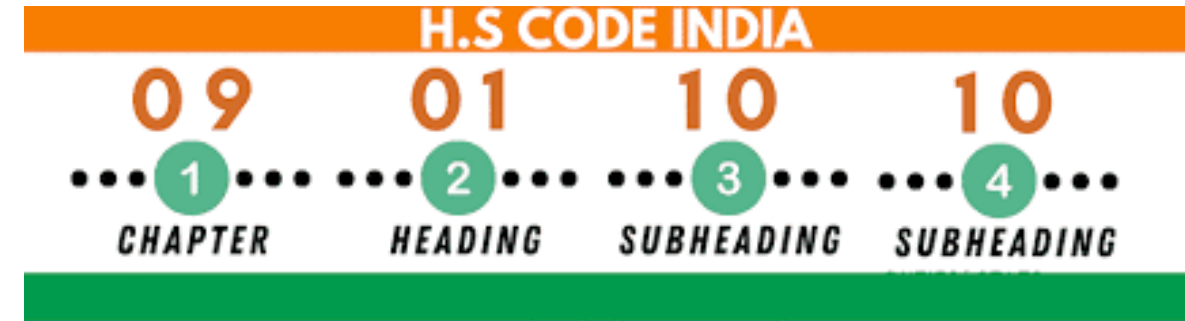
Important Definitions - HSN

“Harmonized Commodity Description and Coding System” means the Nomenclature comprising the headings and subheadings and their related numerical codes, the Section, Chapter and Subheading Notes and the General Rules for the interpretation of the Harmonized System, set out in the Annex to this Convention;“

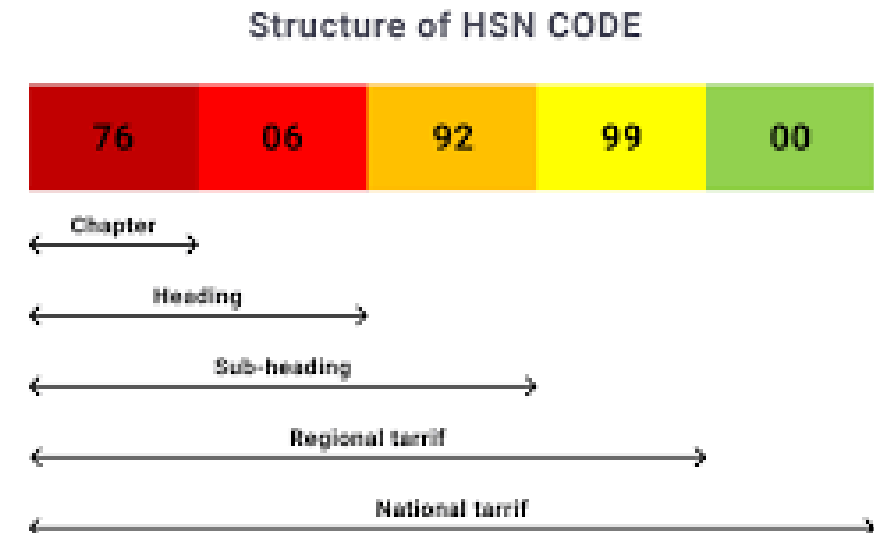
“Customs tariff nomenclature” means the nomenclature established under the legislation of a Contracting Party for the purposes of levying duties of Customs on imported goods;

“Statistical nomenclatures” means goods nomenclatures established by a Contracting Party for the collection of data for import and export trade statistics;

Structure of HSN Code



HSN classification code list



Classification

– SAC for Services

India is the first country to classify the services.

Like goods, services are also classified uniformly for recognition, measurement and taxation.

Codes for services are called Services Accounting Code or SAC

SAC Codes for Services starts with “99” always.

SAC to be required to be shown on all invoices.

HSN Code for Services

13

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

82

Legal Services.

99

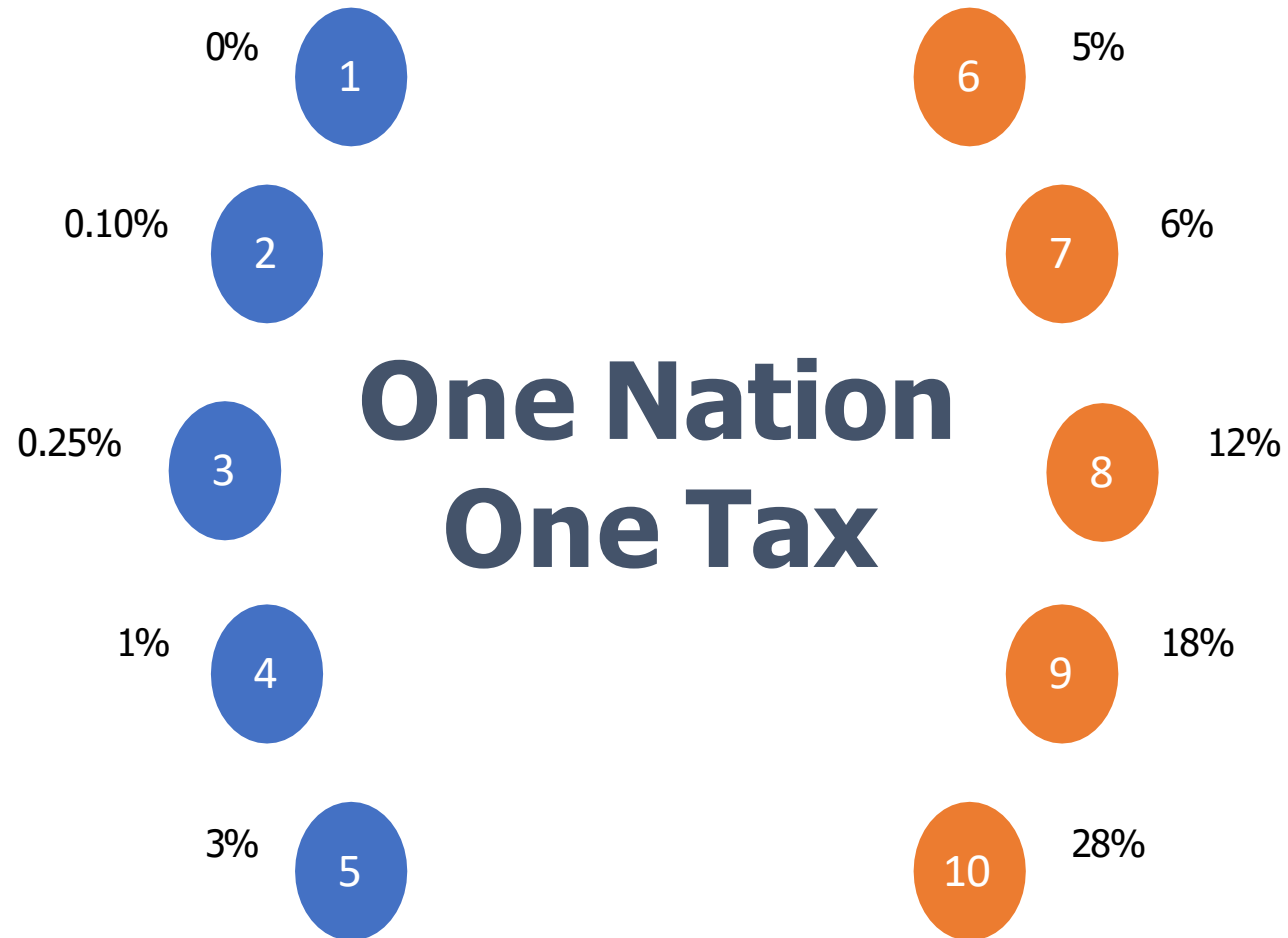
Services.

Which Rate of
Tax should I levy?



ONE NATION, ONE TAX, ONE RATE?

TAX Rates



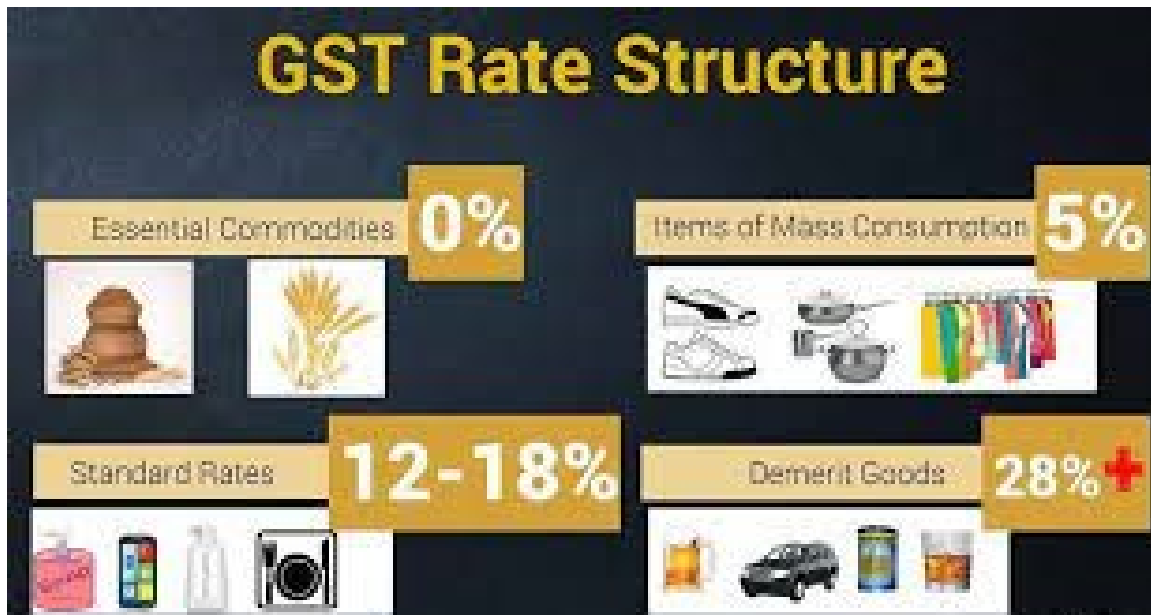
What is classification

Classification is defined as **systematic arrangement in groups or categories** according to established criteria.

The classification of various items which are subject matter of tax, be it goods or services, is an **essential and integral part of the whole levy and collection mechanism.**

The classification of goods and services is **equally important to both the tax-payer and the revenue (tax-collecting) authority.**

Primary purpose of classification is to **determine whether or not a particular “goods” or “services” will be taxable** and if so **under which category?**



Purpose of Classification

Levy of Tax.

Goods Vs.
Services.

Exemptions.

Rate of Tax.

Standardization
and avoiding
differentiation.

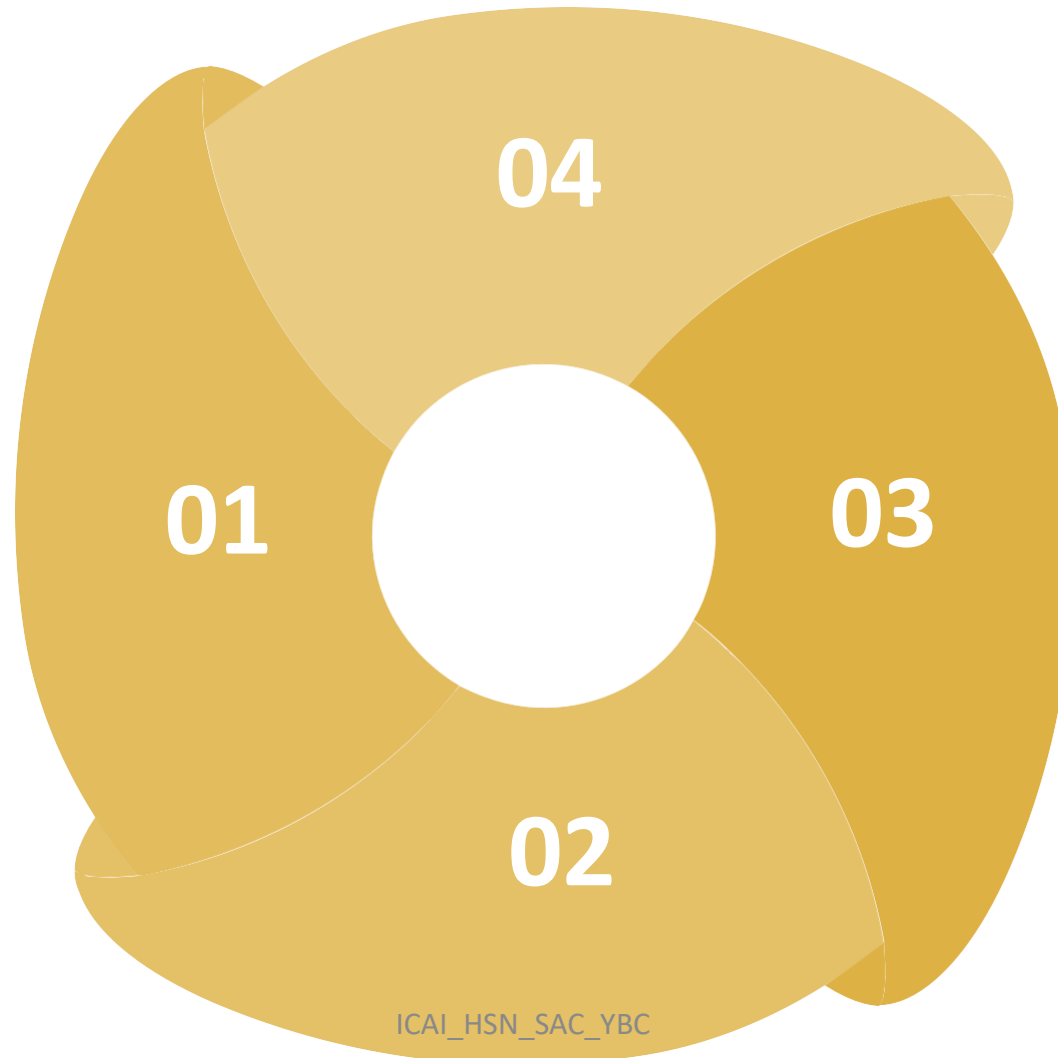
CLASSIFICATION

Goods

**Services
Classified as
Goods**

Services

**Goods
Classified as
Services**



Laws which are useful for classification under GST

The Central Goods and Service Tax (CGST) Act, 2017.

The State Goods and Service Tax (SGST) Act, 2017.

The Integrated Goods and Service Tax (IGST) Act, 2017.

The Union Territory Goods and Service Tax (UGST) Act, 2017.

The Goods and Services Tax (Compensation to States) Act, 2017.

Under all these law, the charge of tax is on “Supply”.

Levy of GST on “Supply”

GST is levied on **supply of either Goods or Services**.

In case supply is **neither of Goods nor of Services**, then no GST shall be levied.

First Step, therefore, in classification under GST is to **determine whether supply made is “Goods” or “Services” or “None”**.



What is covered under “Goods” – Section 2(52) of CGST Act

“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**;*

As per above definition, Goods encompasses almost everything having some value in the commercial sense.

What are Goods?

Consumer Goods are bought for personal use, not for producing other goods.



Capital Goods are bought for producing other goods.



Thousands of people travelled west across America with all their Worldly Goods.



Any physical or tangible product that we can see and touch.

What is a Service?

A service is something done for someone else. Sometimes people are paid for their service, sometimes they are not.



Cutting Hair



Cooking



Fighting Fires

What is covered under “Services” – Section 2(102) of CGST Act

“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,

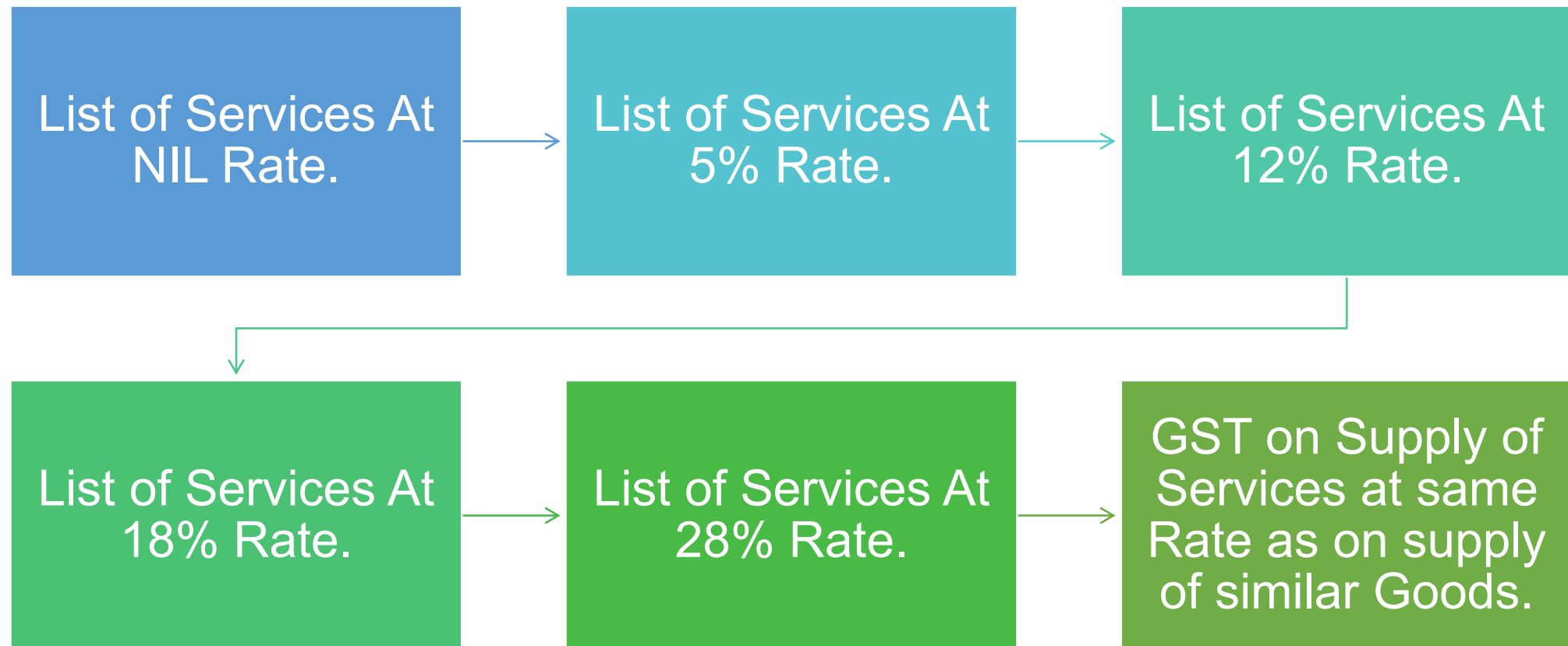
to another form, currency or denomination,

for which a separate consideration is charged;

CGST Rates on Goods

- Schedule I 2.50%.
- Schedule II 6.00%.
- Schedule III 9.00%.
- Schedule IV 14.00%.
- Schedule V 1.50%.
- Schedule VI 0.125%.
- Respective State Governments have also issued Notifications for levy of SGST at identical Rates.
- Exempted Goods – Nil Rate – are notified through Notification No.2/2017-Central Tax (Rate) dated 28/06/2017 as amended from time to time.

CGST Rates on Services



HSN Coverage

Section	Section Heading	Chapters
I	Live Animals; Animal Products.	01 - 05
II	Vegetable Products.	06 - 14
III	Animal, Vegetable or Microbial Fats and Oils and their cleavage Products; Prepared Vegetable Fats; Animal or Vegetable Vaxes.	15
IV	PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES; PRODUCTS, WHETHER OR NOT CONTAINING NICOTINE, INTENDED FOR INHALATION WITHOUT COMBUSTION; OTHER NICOTINE CONTAINING PRODUCTS INTENDED FOR THE INTAKE OF NICOTINE INTO THE HUMAN BODY.	16 – 24
V	Mineral Products	25 - 27
VI	Products of the Chemicals or the Allied Industries	28 - 38
VII	Plastics and Articles thereof; Rubber and Articles thereof;	39 - 40

HSN Coverage

Section	Section Heading	Chapters
VIII	RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILK-WORM GUT).	41 - 43
IX	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK.	44 - 46
X	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRAP) PAPER OR PAPERBOARD; PAPER AND PAPERBOARD AND ARTICLES THEREOF	47 - 49
XI	TEXTILE AND TEXTILE ARTICLES.	50 - 63

HSN Coverage

Section	Section Heading	Chapters
XII	FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTSTHEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR.	64 - 67
XIII	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE.	68 - 70
XIV	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN.	71
XV	Base Metals and Articles of Base Metals.	72 - 83

HSN Coverage

Section	Section Heading	Chapters
XVI	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 ARTICLES.	84 - 85
XVII	VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT.	86 - 89
XVIII	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF.	90 - 92
XIX	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF.	93

HSN Coverage

Section	Section Heading	Chapters
XX	MISCELLANEOUS MANUFACTURED ARTICLES.	94 - 96
XXI	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES.	97

Rules for interpretation of HSN

Rule 1:
Titles and Headings.

Rule 2:
Incomplete; Mixture.

Rule 3:
Most Specific;
Essential Character;
Numerical order.

Rule 4:
Most akin.

Rule 5:
Specific provisions
for containers.

Rule 6:
Sub-heading level.

General Rule for Interpretation of HSN

Rule 1:

The titles of **Sections, Chapters and sub-Chapters** are provided for **ease of reference only**;

For **legal purposes, classification shall be determined** according to **the terms of the headings** and any **relative Section or Chapter Notes** and, provided **such headings or Notes** do not otherwise require.

Rule 2:

(a) Any reference **in a heading to an article** shall be taken to include a reference to **that article incomplete or unfinished**, provided that, as presented, the incomplete or unfinished article has the **essential character of the complete or finished article**. It shall also be taken to include a reference to that article **complete or finished** (or falling to be classified as complete or finished by virtue of this rule), presented unassembled or disassembled.

(b) Any reference **in a heading to a material or substance** shall be taken to include a reference to **mixtures or combinations** of that **material or substance** with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to **goods consisting wholly or partly of such material or substance**. The classification of goods consisting of more than one material or substance shall be according to the principles of Rule 3.

General Rule for interpretation of HSN

Rule 3:

When by application of Rule 2 (b) or for any other reason, goods are *prima facie*, classifiable under two or more headings, classification shall be effected as follows:

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.

(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3 (a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.

(c) When goods cannot be classified by reference to 3 (a) or 3 (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

General Rules for interpretation of HSN

Rules 4:

Goods which cannot be classified in accordance with the above Rules shall be classified under the heading appropriate to the goods to which they are most akin.

Rule 5:

In addition to the foregoing provisions, the following Rules shall apply in respect of the goods referred to therein :

(a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This Rule does not, however, apply to containers which give the whole its essential character;

General Rules for interpretation of HSN

(b) Subject to the provisions of Rule 5 (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.

Rule 6:

For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related Subheading Notes and, mutatis mutandis, to the above Rules, on the understanding that only subheadings at the same level are comparable. For the purposes of this Rule the relative Section and Chapter Notes also apply, unless the context otherwise requires.



Supply

Composite Supply – Section 2 (30):

“composite supply” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

Mixed Supply – Section 2 (74):

"mixed supply" means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.



Illustrations of Supply

Composite Supply:

Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

Mixed Supply:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Illustration of Supply

Composite supply:

Accommodation with breakfast and / or meal.

Cocktail drink being mixture of alcohol with a non-alcoholic pre-mix.

Supply of lap-top and carry case of the same company.

Supply of equipment and installation of the same.

Supply of comprehensive AMC involving repair services along with requisite parts.

Not all supplies which are given together are composite supply merely because there are more than one taxable supplies simultaneously supplied.

Unrelated, unconnected and independent taxable supplies that are supplied simultaneously for individual prices where each of them are intended to be the predominant object for which the recipient approached the supplier may be referred as non-composite supply. The following are examples of such supplies:

Construction of road or structure and maintenance of the same.

Sale of Plant and / or Equipment and installation thereof.

Sale of automobile parts and labour for repair / replacement.

Sale of two different commodities to the same customer.

Supply

Continuous Supply of goods – Section 2(32):

"continuous supply of goods" means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify;

Continuous Supply of services – Section 2(33):

*"continuous supply of services" means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a **period exceeding three months** with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify.*

Illustrations of Supply

Continuous supply of goods:

Vendor managed inventory where the agreed periodicity of billing is, for e.g., weekly, fortnightly or monthly.

Supply of gas through pipeline where the burn rate or heat generation is a matter of contingency necessitating a deferred billing schedule.

Open purchase orders with daily delivery schedule (JIT) subject to acceptance test only at the time of issue-for-production understanding of weekly or fortnightly or monthly billing.

Continuous supply of services:

Annual maintenance contracts because they comprise of supply of assurance of regular upkeep, supply of parts for repairs and supply of labour for such repairs.

Licensing of software or brand names;

Renting of immovable property except month-to-month lease/rent;

Software as a service (SAAS) with monthly billing based on usage.

Deemed Supply of “Goods” or “Services” — Schedule I appended to CGST Act 2017

ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

- (1) Permanent transfer or disposal of business assets where **input tax credit has been availed on such assets.**
- (2) Supply of goods or services or both between **related persons or between distinct persons** as specified in **section 25** , when made in the **course or furtherance of business:**

Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an **employer to an employee** shall not be treated as **supply of goods or services or both.**

- (3) Supply of goods-
 - (a) by a **principal to his agent where the agent undertakes to supply** such goods on behalf of the principal; or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (4) **Import of services** by a person **from a related person or from any of his other establishments** outside India, in the **course or furtherance of business.**



Classification of activities as Supply of Goods or Supply Services – Schedule II appended to CGST Act 2017

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.

Classification of activities as Supply of Goods or Supply of Services – Schedule II appended to CGST Act 2017

4. Transfer of business assets:

When 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:

- (a) the business is transferred as a going concern to another person; or
- (b) the business is carried on by a personal representative who is deemed to be taxable.

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.

Classification of activities as Supply of Goods or Supply Services – Schedule II appended to CGST Act 2017

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.

Activities or
Transactions which
shall be treated
neither as a supply of
goods nor a supply of
services – Schedule
III attached to CGST
Act

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
3. (a) the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
(b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
(c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II , sale of building.

Activities or Transactions which shall be treated neither as a supply of goods nor a supply of services – Schedule III attached to CGST Act

6. Actionable claims, other than lottery, betting and gambling.
7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
8. (a) Supply of warehoused goods to any person before clearance for home consumption;
(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

Classification disputes under GST

The decision of the Calcutta High Court in *Ramesh Kumar Patodia v. Citi Bank NA* is on relatively simple facts. In this case the petitioner **held a credit card with a bank** which offered instant loan above the credit limit. Upon his acceptance the bank issued a loan which was repayable in EMIs. The **bank levied GST on the interest component** of EMI. The levy of GST on this interest component was challenged before the High Court. It was pleaded by the petitioner that the GST law exempted “**services by way of extending deposits, loans or advances insofar as the consideration is represented by way of interest or discount (other than interest involved in credit card services)**” and accordingly the levy of GST was unlawful.

For the petitioner, it was contended before the High Court that the transaction was **one of “loan” and thus GST was exempt**. Per contra, the levy of GST was defended by the respondents contending that **the exemption was not available as the loan in this case was intrinsically connected to the credit card services which were carved out from the exemption**.

Classification disputes under GST

In a short fact-based conclusion, the High Court agreed that the transaction was taxable inter alia observing as under:

26. *It is evident from the offer of loan that **the same was not an offer to all intending borrowers** but was restricted to a **particular category of persons holding the Citi Bank credit card**. The criteria for processing the loan, the manner in which the EMI of loan is reflected in the credit card statements and the charging of interest in case there is a shortfall in the payment of the amount due as well as the mode of payment all goes to **prove that the service rendered by the bank in extending the loan in question is nothing but a service pertaining to the said credit card**.*

27. *Petitioner has accepted the offer made by the bank contained in the aforesaid communications **dated 21-2-2019 and 28-2-2019**. Thus, the terms and conditions mentioned in the said communications are also accepted by the petitioner. In view thereof this **Court is unable to accept the contention of the learned advocate of the petitioner that the services by way of extending loans by the bank in the instant case does not amount to credit card services**.*

Classification disputes under GST

Oswal Industries Limited:

In this case the company operated naturopathy centers which offered physical, psychological and spiritual health overhaul. It also offered for corporate clients wellness facilities for diverse types of diseases. It claimed, “that such wellness facilities are provided with the help of highly qualified professionals’ doctors in the field of naturopathy, researchers, and support staff”. The company claimed exemption from GST on the ground that “services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics” were notified as exempt and the expression “clinical establishment” was also widely defined which covered them. The authority, however, rejected this submission which was based on the intrinsic elements of the services provided by the company and thus was arguably based upon the “most specific description” principle itself.

Having a close look at the business model of the company, the authority opined that the company was providing a bundle of services wherein “the principal supply would be the accommodation services since the therapy can in no way be administered without accommodation. In fact, there is no option available for the customer to avail the wellness package without opting for the accommodation”. For this reason, the authority refused to extend the exemption to health care services and instead classified the activities as “accommodation services”.

Classification disputes under GST

The aforesaid reveals that, notwithstanding the core activity of the company as being health care, owing to the manner in which the services were rendered to the customers, the classification was not made under health care services under the GST law. Thus, the most specific description test and the extensive explanation as to the business model of the company (and the fact that its core activities were indeed health care services as contrasted from hotels and other accommodation services) were overridden by the structure of the transaction between the company and its customers. In other words, this case represents yet another failure of the most specific description test to classify services.

1

 Code/s is used to classify goods and services under GST?

- A. GST Rates;
- B. HSN / SAC;
- C. SAC;
- D. INCOTerms;

Answer: B

HSN Code of _____ is be used in case of composite supply?

- A. principal supply;
- B. any-one of the supplies;
- C. supply with highest tax rate;
- D. Subsidiary supply;

Answer: A

HSN Code of _____ is be used in case of mixed supply?

- A. principal supply;
- B. any-one of the supplies;
- C. supply that attracts the highest rate of tax;
- D. Subsidiary supply;

Answer: C

Classification in terms of _____ in case of goods and _____ in terms of service is to be made by the tax-payer in order to arrive at the rate of tax at which the tax-payer is required to pay the tax?

- A. HSN; SAC
- B. SAC; HSN;
- C. HSN; HSN;
- D. HSN; ACS;

Answer: A

HSN for goods are contained in Chapter _____ and SAC for services are contained in Chapter _____ of GST Rates Ready Reckoner (Tariff)?

- A. 01 to 96; 97;
- B. 01 to 97; 98;
- C. 01 to 98; 99;
- D. 01 to 99; 100;

Answer: C

HSN Codes are developed by the _____?

- A. GST Council;
- B. Central Board of Indirect Taxes and Customs;
- C. Ministry of Finance, Government of India;
- D. World Customs Organization (WCO);

Answer: C

SAC are developed by the _____?

- A. GST Council;
- B. Central Board of Indirect Taxes and Customs;
- C. Ministry of Finance, Government of India;
- D. World Customs Organization (WCO);

Answer: B

Is HSN Codes for Goods or SAC for Services are relevant at the time of making payment of GST?

- A. Yes, HSN Codes and SAC need to be mentioned on the Challan;
- B. No, the format of Challan for payment of GST does not contain column to disclose HSN / SAC;
- C. Declaration HSN Codes and SAC are voluntary;
- D. Tax-payer needs to obtain ruling from the Tax Department in this regard;

Answer: B

HSN is applicable for classification of _____?

- A. Goods;
- B. Services;
- C. Goods and Services both;
- D. Supply;

Answer: A

As per provisions under CGST Act and CGST Rules, the Works Contract under GST is _____?

- A. Supply of Goods;
- B. Supply of Services;
- C. Supply of Goods and Supply of Services both;
- D. Depends upon the provisions under relevant Contract;

Answer: B

As per provisions under CGST Act and CGST Rules, the Renting of immovable property under GST is _____?

- A. Supply of Goods;
- B. Neither Supply of Goods nor Supply of Services;
- C. Supply of Services both;
- D. Depends upon the provisions under relevant Contract;

Answer: C

As per provisions under CGST Act and CGST Rules, any treatment or process which is applied to another person's goods under GST is _____?

- A. Supply of Goods;
- B. Neither Supply of Goods nor Supply of Services;
- C. Supply of Services;
- D. Depends upon the provisions under relevant Contract;

Answer: C

Thanks for your Attention!!!
Any Questions???

