

Classification in GST Laws

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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;

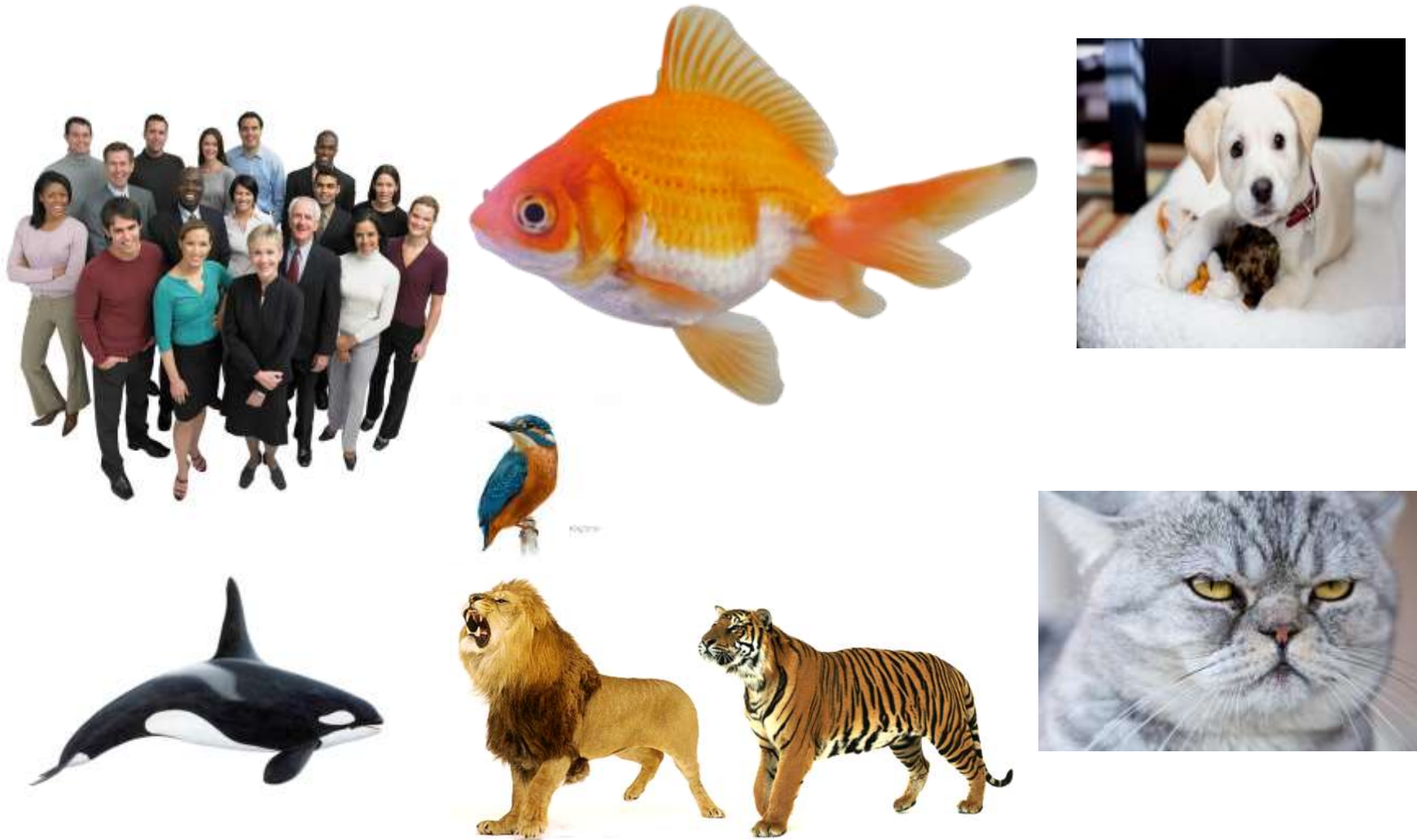
[Explanation.-- For the removal of doubts, it is hereby clarified that the expression “services” includes facilitating or arranging transactions in securities]

Classification

Classification?????



Classification?????



Some Questions on classification

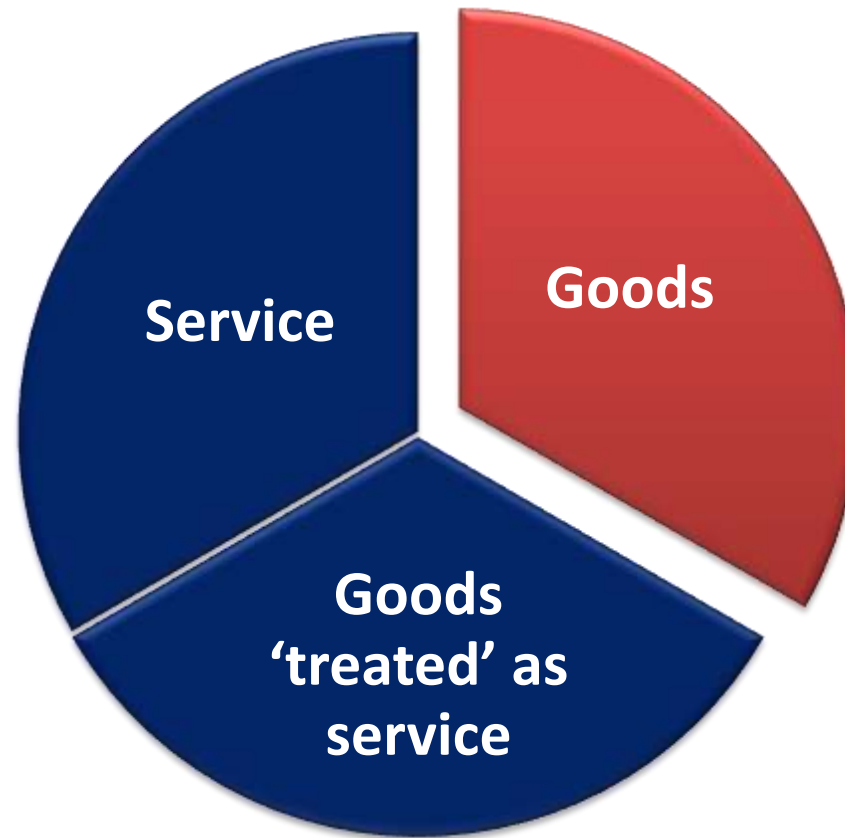
Goods or services taxable – in all situations?

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 ¹ [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 ¹ [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, ² [****] 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, ² [****] 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 ¹ [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 | 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) |

Viewing 1 to 10 of 18

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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 | 12 |
| | Curd; Lassi; Butter milk (excluding pre-packaged and labelled) | 0403 | NIL |
| | Curd; Lassi; Butter milk (pre-packaged and labelled) | 0403 | 5% |
| | 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 | 2202903 0 | 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 |
|--|-----------------------|--|
| Section 5 : Construction Services | | |
| Heading No.9954 | | Construction Services |
| Group 99541 | | Construction Services of Buildings |
| | 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

