

## Classification, HSN & SAC

- Developed by World Customs Organisation (WCO), adopted by about 200 Countries to ensure uniformity in classification in International Trade
- It comprises about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure
- HSN classification is used in customs, central excise, Foreign Trade Policy & Director General of Commercial Intelligence & Statistics
- Customs Tariff Act is based on HSN
- Classification of a product is to be done by consignor only. It cannot be changed or questioned at consignee's end - Steel Authority of India Ltd. v. CCE (2022)
- Classification is the responsibility of supplier, purchaser is not obliged to indicate classification of goods he is purchasing
- Harmonised System (HS) provides commodity/product codes and description upto 4-digit (Heading) and 6-digit (Sub-Heading) levels only and member countries of WCO are allowed to extend the codes upto any level subject to the condition that nothing changes at the 4-digit or 6- digit levels. India has developed 8-digit level classification to indicate specific statistical codes for indigenous products and also to monitor the trade volumes

Notification No. 78/2020 – Central Tax

New Delhi, the 15<sup>th</sup> October, 2020

G.S.R.....(E).—In exercise of the powers conferred by the first proviso to rule 46 of the Central Goods and Services Tax Rules, 2017, the Central Board of Indirect Taxes and Customs, on the recommendations of the Council, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.12/2017 – Central Tax, dated the 28<sup>th</sup> June, 2017, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R. 660(E), dated the 28<sup>th</sup> June, 2017, namely:—

In the said notification, with effect from the 01<sup>st</sup> day of April, 2021, for the Table, the following shall be substituted, namely, -

“Table

Serial Number (1)	Aggregate Turnover in the preceding Financial Year (2)	Number of Digits of Harmonised System of Nomenclature Code (HSN Code) (3)
1.	Up to rupees five crores	4
2.	more than rupees five crores	6

Provided that a registered person having aggregate turnover up to five crores rupees in the previous financial year may not mention the number of digits of HSN Code, as specified in the corresponding entry in column (3) of the said Table in a tax invoice issued by him under the said rules in respect of supplies made to unregistered persons.”.

As per Notification No 78/2020 – Central Tax dated 15<sup>th</sup> Oct 2020

<i>Sr. No</i>	<i>Description</i>	<i>No of Digits</i>
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