



ODISHA AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICE TAX (GST)

RAJASWA VIHAR, BHUBANESWAR-751007(ODISHA)
PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING
U/S.98 OF THE GOODS AND SERVICE TAX ACT, 2017

Members Present:

1. Sri Gopal Krishna Pati, IRS, Additional Commissioner, Office of the Chief Commissioner, GST, Central Excise & Customs, Bhubaneswar
2. Sri P K Mohanty, OFS(SS), Special Commissioner of CT&GST, Commissionerate of CT&GST, Odisha, Banijyakar Bhawan, Cantonment Road, Cuttack-753001-Odisha.

1	Name and Address of the Applicant	Das & Sons, Mochinda, Salbani, Dist-Keonjhar, Odisha
2	GSTIN or User ID	21ALZPD6041Q1ZM
3	Date of Filing of Form GST ARA-01	23.08.2022
4	Present for the Applicant in the E-hearing/Virtual hearing	S K Pattanayak, Advocate Abhimanyu Das, Dealer/Manufacturer
5	Date of Personal Hearing	14.10.2022

ORDER NO.03/ODISHA-AAR/2022-23/DATED 22.11.2022

Subject: M/s Das & Sons, Mochinda, Salbani, Dist-Keonjhar, Odisha (here in after referred to as the 'Applicant') having GSTIN : 21ALZPD6041Q1ZM, has filed an application for Advance Ruling under Section 97 of CGST Act, 2017 and Section 97 of the OGST Act, 2017 in FORM GST ARA-01 discharging the fee of Rs. 5,000/- each under the CGST Act and the SGST Act.

1.0 The Applicant has sought for an advance ruling in respect of the following questions.

(a) What is the HSN Code of 'Raula Gundi' (Final product of the Applicant)?

(b) What is the applicable rate of tax and Cess of the product?

1.1 At the outset, we would like to make it clear that the provisions of both the CGST Act and the OGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provision under the OGST Act.

2.0 The Applicant having its principal place of business at Mochinda, Salbani, Dist-Keonjhar, Odisha bearing GSTIN-21ALZPD6041Q1ZM is engaged in manufacturing of "Raula Gundi" (Chewable Gundi- its final product) & supplying the same to various Betel shops, Grocery shops, Tea shops etc under the cover of GST invoices.

2.1 The Applicant in its application has stated that for preparation of "Raula Gundi", he purchases different raw materials like Tobacco dust, Bhaja dhania, Madhuri, Mala zira, Mustard oil, Epoil, Lime etc.

3.0 The personal hearing was fixed on 14.10.2022 under due intimation to the Applicant, the jurisdictional officer of State GST & jurisdictional officer of Central GST (intimated through their respective Commissionerates along with a copy of application of the Applicant). The Applicant himself along with its representative Mr S.K. Pattanayak, Advocate appeared for personal hearing. They explained the process and the raw materials used for manufacture of finished goods i.e. " Raula Gundi". However, no written submission was filed during P.H. During personal hearing held on 14.10.2022, the Applicant was asked to appear before the AAR, Odisha on another date with final product (sample basis) and a write up with regard to process of preparation of " Raula Gundi" and the ratio of the ingredients used in preparation of the final product.

3.1 In response to the above direction, the Applicant on 20.10.2022 came with sample final product and submitted a write up in 'Odia' language, mentioning in brief the process of preparation of " Raula Gundi" and the ratio of the ingredients used in it . As per the Applicant, the product "Raula Gundi" is prepared in the following manners:

a) Tobacco dust is added with lime and Mustard oil and mixed properly.

b) After being mixed, other ingredients like Dhania, Pan madhuri , Mala zira, Epoil Cinnamon & Clove etc are added to the mixture to prepare the finished product i.e Raula Gundi.



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- 3.2 The Applicant packs the final product in 500gm pkt, 100gm pkts, 50gm pkts and in packets costing Rs.2/- and sells them in the market as well as to retail shops.
- 3.3 Based on the aforesaid submission, the Applicant has requested the Hon'ble Authority for Advance Ruling (AAR) to kindly consider the product "Raula Gundi" to be classified under HSN Code 24039920 and the applicable GST Rate is 28% (14%-CGST & 14% SGST) along with GST Cess @72%.

4.0 Discussion & findings

4.1 We have considered the application made by the Applicant for advance ruling as well as the written submission (in Odia language) submitted on 20.10.2022. We have also considered the questions and issues on which advance ruling is sought for by the Applicant. We, observe that the issue before us is squarely covered under Section 97(2) of the CGST Act, 2017 and therefore we admit the application for consideration.

4.2 The questions before us in respect of which ruling has been sought are as under;

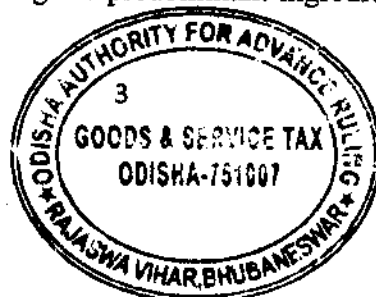
(a) What is the HSN Code of 'Raula Gundi' (Final product of the Applicant)?

(b) What is the applicable rate of tax and Cess of the product?

4.3 The Applicant contended that he prepares/ intended to prepare a chewable Gundi which is made by mixing different ingredients like Tobacco dust, Bhaja dhania, Madhuri, Mala zira, Mustard oil, Epoil, Lime . The said Gundi is locally known as "Raula Gundi". The applicant has also informed that for manufacture of 1 KG "Raula Gundi", Tobacco 500gm, Dhania 300gm, Pan madhuri 50gm, Mala zira 50gm, Epoil 1ml, Lime 50gm, Mustard oil 75ml, Cinnamon 5gm & Clove 2.5gm are used. The Applicant is of the view that the HSN Code of the product (Raula Gundi) is 24039920 and the applicable tax rate is 14% CGST, 14% SGST and GST Cess is 72%.

4.4 The Jurisdictional Deputy Commissioner, CGST & Central Excise, Keonjhar Division vide his letter C.No. IV(16)23/MISC/DIV REPORT/KJR/2019/PART-1/4094 dated 26.10.2022 submitted that the product "Raula Gundi" is classifiable under Tariff Heading 24039910 considering the predominant ingredient i.e. Tobacco involved in

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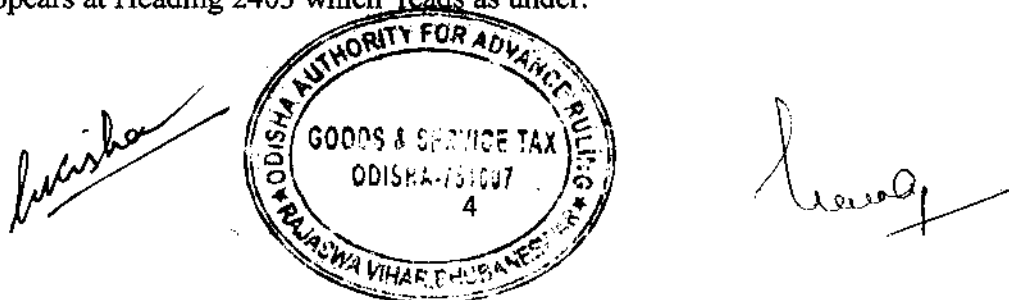


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the making of the Chewable Gundi (Raula Gundi) . The JDC is of the opinion that the tax rate of the product “Raula Gundi” which is Chewing Tobacco (without lime tube) is 28% (CGST-14% + SGST-14%) and Cess-160%.

4.5 We see that the resultant product of the applicant is a combination of various ingredients/raw materials intended for chewing needs. The predominant ingredient is ‘Tobacco dust’ which constitutes about 50% of the product and other ingredients are added to it as per required proportion to make it consumable. In the process of manufacturing the product, the raw materials used by the Applicant undergo a set of processes and emerge as ‘Chewable Tobacco Gundi’ which is marketable/consumable. Therefore, the product prepared and sold by the Applicant is a “Manufactured Tobacco product for chewing”. Once it is held that the product is ‘Manufactured Chewing Tobacco’, the classification of the product is under HSN Code 24039910 which specifies ‘Chewing Tobacco’ under the head “2403-Other manufactured tobacco”. The very purpose of consuming this combination is that it has both stimulant and relaxation effects, but regular consumption of the same leads to addiction. It is believed to produce a sense of euphoria in the body which is akin to that of smoking. On this analogy and on common parlance, we would like to consider the product ‘Raula Gundi’ i.e chewable gundi as ‘Chewing Tobacco’, the principal/predominant ingredient of which is Tobacco.

4.6 In order to find out the GST tariff of Chewing Tobacco, we need to refer to Chapter- 24 which pertains to ‘Tobacco and manufactured tobacco substitutes’. The said item appears at Heading 2403 which reads as under:



HSN Code	HSN Item Description	GST Rate
2403	OTHER MANUFACTURE TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES; HOMOGENISED OR RECONSTITUTED TOBACCO; TOBACCO EXTRACTS AND ESSENCES	
	Smoking tobacco, whether or not containing tobacco substitutes in any proportion:	
2403 11	Water pipe tobacco	28%
2403 11 10	Hookah or gudaku tobacco	28%
2403 11 90	Other	28%
2403 19	Other:	
2403 19 10	Smoking mixtures for pipes and cigarettes other than paper rolled biris, manufactured	28%
2403 19 21	Smoking mixtures for pipes and cigarettes other than paper rolled biris, manufactured without the aid of machine	28%
2403 19 29	Other	28%
2403 19 90	Other	28%
	Other:	
2403 91 00	"Homogenised" or "reconstituted" tobacco	28%
2403 99	Other:	

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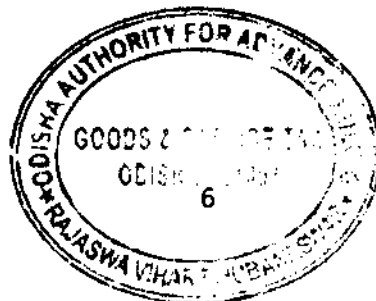


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2403 99 10	Chewing tobacco	28%
2403 99 20	Preparations containing chewing tobacco	28%
2403 99 30	Jarda scented tobacco	28%
2403 99 40	Snuff	28%
2403 99 50	Preparations containing snuff	28%
2403 99 60	Tobacco extracts and essence	28%
2403 99 70	Cut-tobacco	28%
2403 99 90	Other	28%

4.7 Further, as per Notification No.01/2017-Central Tax (Rate) dated 28.06.2017, the said item appears at Sr. No.15 of Schedule-IV of the said notification [on which GST liability is 28% (14% CGST + 14% SGST)]. As per Notification No.01/2017-Compensation Cess(Rate) dated 28.06.2017, Chewing Tobacco (without lime tube) appears at Sl. No.26 of the said notification (on which Compensation Cess is 160%) . Furthermore, it may be noted that the value for the purpose of GST computation will be the transaction value plus basic excise duty, NCCD and any other amount as prescribed in section 15 of the GST Act, 2017. In this regard, the Applicant is hereby advised to go through the Circular No.1082/03/2022-CX dated 01.02.2022 for Valuation of 'Tobacco and Tobacco products' for the purpose of payment of Basic Excise Duty and National Calamity Contingent Duty (NCCD) .

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5.1 Q.1 What is the HSN Code of 'Raula Gundi' (Final product of the Applicant)?

Ans: The final product of the Applicant under the brand name 'Raula Gundi' is nothing but " Chewing Tobacco (without lime tube)" as discussed in the foregoing para 4.5 and the HSN Code is '2403 9910'.

5.2 Q.2 What is the applicable rate of tax and Cess of the product?

Ans: The applicable rate of GST on the product is 28% (14% CGST + 14% SGST).

The said product also appears at Sl.No.26 of Notification No.01/2017-Compensation Cess (Rate) dated 28.06.2017 issued under the CGST Act, 2017 under which Compensation Cess of 160% is leviable on it.

6.0 **Note:** The Applicant or jurisdictional officer, if aggrieved by the ruling, may appeal to the Odisha State Appellate Authority for Advance Ruling under Section 100 of the CGST/OGST Act, 2017 within 30 days from the date of receipt of the advance ruling.

(G K Pati)
22/11/2022

Member, CGST



(P K Mohanty)
22/11/2022

Member SGST

C. No. V (01) ARA/ODISHA/BBSR/2021/04 17539A Dated 22/11/2022

To

M/s Das & Sons, Mochinda, Salbani, Dist-Keonjhar, Odisha.

Copy forwarded to:

1. The Commissioner, CGST & Central Excise, Rourkela Commissionerate, Rourkela.
2. The Commissioner, SGST Odisha, Baniyakar Bhawan, Old Secretariat Compound, Cuttack-753001, Odisha.
3. The Pr Commissioner, CGST & Central Excise, Bhubaneswar Commissionerate, Bhubaneswar..
4. Office copy.