

HSN CODING ON COMMODITIES UNDER VAT SCHEDULES

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RULES OF INTERPRETATION OF COMMODITIES UNDER VAT SCHEDULES

The commodities in the schedules are allotted with Code Numbers, which are developed by the International Customs Organisation as Harmonised System of Nomenclature (HSN) and adopted by the Customs Tariff Act, 1975. However, there are certain entries in the schedules for which HSN Numbers are not given. Those commodities which are given with HSN Number should be given the same meaning as given in the Customs Tariff Act, 1975. Those commodities, which are not given with HSN Number, should be interpreted, as the case may be, in common parlance or commercial parlance. While interpreting a commodity, if any inconsistency is observed between the meaning of a commodity without HSN Number and the meaning of a commodity with HSN Number, the commodity should be interpreted by including it in that entry which is having the HSN Number.

HSN Numbers are allotted in the Schedules either in four digits or in six digits or in eight digits. The four digit numbers indicate the heading in the HSN classification, six digit numbers indicate the sub-heading and the eight digit numbers indicate the specific commodity number. While interpreting the commodities in the Schedules, the following guidelines may be followed:

- I. The commodities which are given four digit HSN Number shall include all those commodities coming under that heading of the HSN.
- II. The commodities which are given six digit HSN Number shall include all those commodities coming under that sub-heading of the HSN.
- III. The commodities which are given eight digit HSN Number shall mean that commodity which bears that HSN Number.
- IV. As an exception to the above rules, there are certain entries in the Schedules, which bear the eight digit numbers but the four digit heading numbers of such commodities are given for some other commodities mentioned elsewhere. In such cases, the four-digit heading shall include only those commodities under that heading excluding that commodity for which the eight digit numbers are given. Similar cases are available in the case of six digit numbers also. In such cases the above principle shall apply *mutatis mutandis*.
- V. Where the term 'other' is used in sub-entries or in sub-sub-entries, it should be construed by using the doctrine of *ejusdem generis*. [When specific words are followed by general words, the general words should be interpreted as having the meaning identical to the meaning attributed to the specific words]
- VI. Commodities given under various entries are clarified as follows:
 1. Entry 1 in the First Schedule includes only agricultural implements manually operated or animal driven. It does not include 'agricultural implements' given in Entry 1 and 'Tools' given in entry 123 in the Third Schedule.
 2. Sub-entry (1) of Entry 2 of First Schedule includes crutches, surgical belts, trusses, splints and other fracture appliances. Sub Entry (3) of Entry 2 in the First Schedule does not include artificial teeth and dental fittings.
 3. Sub-entry (3) of Entry 3 of the First Schedule includes only solvent extracted variety used solely as aquatic feed, poultry feed, cattle feed and their supplements. Any variety of oil

cake of cottonseed will come under this sub-entry. This sub-entry does not include oil cakes, which is not of solvent extracted variety given under Entry 86 of Third Schedule and the tamarind seed and powder given under entry 120 of third schedule.

4. Printed books in sub-entries (1)(a) and (1)(b) of entry 7 of First Schedule and Printed materials in sub-entry (7) of entry 95 of Third Schedule also mean goods reproduced by means of a duplicating machine, produced under the control of an automatic data processing machine, embossed, photographed, photocopied, thermocopied or typewritten.
5. Breads of all kinds under entry 8 of first schedule does not include crisp bread, ginger bread and pizza bread.
6. Entry 11 of First Schedule does not include seed quality of the grains, which are given separately under entry 39 of First Schedule.
7. Entry 14 of the First Schedule means cotton and silk yarn in hank form and other all other forms as well.
8. Sub-entry (1) of entry 15 of the first schedule does not include grated or powdered cheese, processed cheese not grated or powdered, blue-veined cheese and other varieties of cheese.
9. Fishnets under sub-entries (1) and (2) of entry 18 of first schedule does not include fish landing nets used as sports goods under sub-entry (3) of entry 116 of Third Schedule. Similarly, sub-entry (7) of entry 18 of first schedule does not include fishing rods, fishhooks, and other fishing tackle used as sports goods under sub-entry (3) of entry 116 of Third Schedule.
10. Sub-entry (2) of entry 20 of the First Schedule does not include condensed milk.
11. Entry 21 of First Schedule covers only live trees and goods of a kind commonly supplied by nursery gardeners and florists for planting or for ornamental use.
12. Entry 22 of First Schedule includes only fresh fruits and vegetables, which are neither processed nor preserved. Preserved or processed vegetables and fruits shall come under entry 97 of Third Schedule.
13. Fresh or chilled fish under sub-entry (9) of entry 32 of First Schedule does not include frozen fish, which is under sub-entry (9) of entry 76 of Third Schedule.
14. Sub-entry (3) of entry 43 of First Schedule means refined sugar containing added flavouring or colouring matter and sold as sugar and does not include any product of sugar.
15. Sub-entry (1)(e) of entry 6 of Third Schedule does not include Aluminium structures such as doors, windows, and their frames and thresholds for doors.
16. Sub-entry (8)(1) of entry 3 of Third Schedule does not include Iron or Steel structures such as doors, windows, and their frames and thresholds for doors.
17. Sub entries (2)(f) and (2)(g) of entry 15 of Third Schedule do not include cushion covers including silk cushion covers and other furnishing articles made up of any material.
18. Cotton waste under sub-entry (3) of entry 36 of Third Schedule includes cotton yarn waste and garnetted stock.
19. Entry 38 of Third Schedule means crude petroleum oils and crude oils obtained from bituminous minerals (such as shale, calcareous rock, sand), whatever their composition, whether obtained from normal or condensation oil deposits or by the destructive distillation of bituminous minerals and whether or not subjected to all or any of the following processes: -
 - (1) decantation
 - (2) de-salting
 - (3) dehydration

- (4) stabilisation in order to normalise the vapour pressure
 - (5) elimination of very light fractions with a view to returning them to the oil deposits in order to improve the drainage and maintain the pressure
 - (6) the addition of only those hydrocarbons previously recovered by physical methods during the course of the above mentioned processes
 - (7) any other minor process (including addition of pour point depressants or flow improvers) which does not change the essential character of the substance
20. Entry 41 in Third Schedule does not include food or beverages such as dietetic, diabetic or fortified foods, food supplements, tonic beverages, aqueous distillates or aqueous solutions of essential oils suitable for medicinal use, soaps or other products containing added medicaments, and blood albumin not prepared for therapeutic or prophylactic uses.
 21. Sub-entry (11)(a) of entry 41 of Third Schedule includes natural and synthetic camphor.
 22. Entry 43 of the Third Schedule includes only the edible grade of vegetable oils. Non-edible grade of vegetable oils will come under entry 131 of Third Schedule. However, sub-entry (8) of entry 43 of Third Schedule includes all varieties of coconut oil.
 23. Sub-entry (2)(a) of entry 49 of Third Schedule applies to the following goods
 - (i) Sodium Nitrate, whether or not pure
 - (ii) Ammonium Nitrate, whether or not pure
 - (iii) Double salts (whether or not pure) of ammonium sulphate and ammonium nitrate
 - (iv) Ammonium Sulphate, whether or not pure
 - (v) Double salts (whether or not pure) or mixtures of calcium nitrate and ammonium nitrate. Some mixtures of calcium nitrate and ammonium nitrate may be sold as calcium nitrate fertiliser
 - (vi) Double salts (whether or not pure) or mixtures of calcium nitrate and magnesium nitrate. This product is obtained by treating dolomite with nitric acid.
 - (vii) Calcium cyanamide, whether or not pure or treated with oil
 - (viii) Urea (diamide of carbonic acid) whether or not pure
 - (ix) Mixtures of the above
 24. Sub-entry (2) (b) of entry 49 of Third Schedule applies to the following goods
 - (i) Superphosphates (single, double or triple)
 - (ii) Basic slag which is a by-product of the manufacture of steel from phosphatic iron in basic furnaces or converters
 - (iii) Natural phosphates
 - (iv) Calcium hydrogenorthophosphate containing not less than 0.2% by weight of fluorine calculated on the dry anhydrous product
 - (v) Mixtures of the above
 25. Sub-entry (2)(c) of entry 49 of Third Schedule applies to the following goods
 - (i) Crude natural potassium salts
 - (ii) Potassium chloride whether or not pure but not including cultured crystals
 - (iii) Potassium sulphate whether or not pure
 - (iv) Magnesium potassium sulphate, whether or not pure
 - (v) Mixtures of the above
 26. Sub-entry (2)(d) of entry 49 of Third Schedule applies to the following goods
 - (i) Ammonium dihydrogenorthophosphate (monoammonium phosphate) and diammonium hydrogenorthophosphate (diammonium phosphate), whether or not pure, and intermixtures thereof

- (ii) Composite and complex fertilisers (other than separate chemically defined compounds)
 - (iii) All other fertilisers (other than separate chemically defined compounds); for example (a) Mixtures of fertilising substances (i.e., those containing nitrogen, phosphorus or potassium) with non-fertilising substances, eg. Sulphur. (b) Natural potassic sodium nitrate fertiliser, a natural mixture of sodium nitrate and potassium nitrate (c) Mixtures of animal or vegetable fertilisers with chemical or mineral fertilisers.
27. Sub-entry (11) of entry 55 of Third Schedule does not include any goods manufactured out of animal hair or any goods of which animal hair forms part of.
28. In entry 57 of Third Schedule, the term 'hosiery goods' covers the following knitted or crocheted goods, without distinction between those for women or girls and those for men or boys:
- (i) Panty hose and tights
 - (ii) Stockings and socks (including ankle socks)
 - (iii) Under stockings
 - (iv) Sockettes intended to protect the feet or toes of stockings from friction or wear
 - (v) Unfinished stockings, socks etc., of knitted or crocheted fabric, provided they have the essential character of the finished article
29. Entry 62 of Third Schedule does not include optical fibre cables. This entry covers electric wire, cable and other conductors (eg. braids, strip, bars) used as conductors in electrical machinery, apparatus or installation provided they are insulated. Subject to this condition, the entry includes wiring for interior work or for exterior use (e.g. underground or aerial wires or cables). These goods vary from very fine insulated wire to thick cables of more complex types. This entry covers, *inter alia*, (a) lacquered or enamelled wire, usually very thin and mainly used for coil windings, (b) anodised, etc., wire, (c) telecommunications wires and cables including data transmission wires and cables, (d) insulated aerial cables, (e) cables for permanent long distance connections, (e) armoured underground cables with anti-corrosive sheathing. Wire, cable etc., remain classified in this entry if cut to length or fitted with connectors (e.g. plugs, sockets, lugs, jacks, sleeves or terminals) at one or both ends.
30. Entry 63 of Third Schedule means electrical insulators other than insulating fittings (other than insulators) for electrical machinery, appliances or equipments.
31. Entry 78 of Third Schedule includes only crude mica, mica rifted into sheets or splittings and mica powder and waste. It does not include laminated board of sheet of all varieties and description including expanded polystyrene of all kinds of mica, sunmica, formica, decolam; worked mica and articles of mica including agglomerated or reconstituted mica, whether or not on a support of paper, paper board or other materials.
32. Entry 97 of Third Schedule does not include developers consisting of a toner (a mixture of carbon black and thermo plastic resins) compounded with a carrier (grains of sand coated with ethylcellulose), used in photocopying machines.
33. Entry 98 of Third Schedule means dried leguminous vegetables, shelled, whether or not skinned or split.
34. Sewing machines under entry 114 of third schedule includes electric sewing machines with a built-in electric motor.
35. Sub-entries (3) to (6) of entry 129 of third schedule means manufactured tea.

36. Sub-entry (1) of entry 132 of third schedule means tractors for agricultural or forestry work, road tractors, heavy-duty tractors for constructional engineering work, winch tractors etc.
37. Sub-entry (1) of entry 135 of third schedule includes all types of typewriters other than electronics typewriters of sub-entry (1) (b) of entry 69 of third schedule.
38. Sub-entry (1) of entry 136 of third schedule includes all types of umbrellas including garden umbrellas, beach umbrellas, ceremonial umbrellas and similar other umbrellas.
39. 'Used Cars' in entry 137 of third schedule means the cars purchased by a dealer and registered under the provisions of the Motor Vehicles Act, 1988 (Central Act 59 of 1988) within the State and used the same for a minimum period of fifteen months subsequent to the registration.
40. The goods given in List A to third Schedule as 'Industrial inputs and Packing Materials' shall attract the rate of tax applicable to third schedule regardless to the purpose for which such goods have been purchased.
