
	KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM	
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BEFORE THE AUTHORITY OF: *Shri. B.G. Krishnan, IRS &*
: Shri. B.S. Thyagarajababu B.Sc, LL.M

Legal Name of the applicant	M/s. EXCEL EARTHINGS
GSTIN	32AKPPA9101K1ZB
Address	7/729(A), Mannuthy Post, Ollukara, Thrissur 680651
Advance Ruling sought for	i) Classification of "Bentonite Powder" while using for electrical Earthing? And its effective tax rate? ii) Our competitors, selling the Bentonite Powder @ 5% (in electrical shops for earthing purpose), whether it is correct as per the provision of the Act?
Date of Personal Hearing	30-09-2019
Authorized Representative	Mr.C.P. Auguin

ADVANCE RULING No. KER/63/2019 Dt.12.10.2019

M/s. Excel Earthings, is engaged in the manufacture and supply of high quality electrical earthing products. Earthing compound is one of the product which increase the earth's conductivity by enhancing its moisture absorption property and by enriching the charge carrying ions. Earthing Compound is a mineral composition having good conductivity, good moisture absorption and retaining capacity for long period and continuous resistance against corrosion. The applicant requested advance ruling on the following:

- i) *The classification of "Bentonite Powder" while using for electrical earthing (8kg and 6kg packet) and its effective tax rate.*
- ii) *Their competitors are selling the Bentonite Powder @ 5% (in electrical shops for earthing purpose), whether it is correct as per the provision of the Act*

The applicant was heard. It is stated that earthing compounds have the features of high conductivity, non-corrosiveness, reduce soil resistivity, retain moisture for a long time etc. The commercially used earthing compounds consists of Bentonite powder with

different composition of other material like Gypsum, Graphite, Sodium Sulphate. It is an economical compound to substantially lower earth resistance for any metal electrodes and grounding grid systems, for reactivation of soil in new earthing network.

The matter was examined in detail. The earthing compound is generally known as earthing back fill material. The Bentonite compound used for electrical earthing usually consists of mixture of Bentonite powder, Wood charcoal powder, Graphite powder, Sodium Sulphate etc. These powders are mixed in different ratios for using in electrical earthing purposes. Bentonite compound is a moisture retaining substance used as an earth electrode back-fill to help lower soil resistivity. The backfill compound used around ground rods is a mixture of Bentonite powder, Gypsum and Sodium Sulphate. The gypsum, which is calcium sulphate, absorbs and retains moisture and adds reactivity and conductivity to the mixture. The Bentonite ensures good contact between ground rod and earth by its expansion. The Sodium sulphate prevents polarization of the earth electrode. The backfill mixture is to be covered with 12 inches of excavated soil. This mixture is superior to chemical salts since it is much more enduring.

Bentonite in crude form or processed form is covered under HSN 2508 - Other clays (not including expanded clays of heading 6806), andalusite, kyanite and sillimanite, whether or not calcined; mullite; clamotte or dinas earths and as such is used as a binding agent in the manufacture of iron ore in the steel industry. It is also used for piling; whereas the Bentonite used as filling compound for electrical earthing usually consist of mixture of Bentonite powder, Wood charcoal powder, Graphite powder, Sodium Sulphate etc. The earthing compound absorbs moisture from the surrounding soils reducing the contact resistance and in turn effectively increasing the size of the Copper earth rods installed and buried in the cable trench. As it is a compound used as surface tension reducing agent, it squarely falls under Heading 3824 - Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products) not elsewhere specified or included - Sub - Heading - 3824 99 17 - Surface tension reducing agents and attract GST at the rate of 18%

as per Sl No. 97 of Schedule III of Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017.

The Gujarat Authority for Advance Ruling has in Ruling No.GUJ/GAAR/R2018/6 dated 20.03.2018, ruled that 'Back Fill Compound' is classifiable under Tariff Heading 3824. It is stated that Back Fill Compound is obtained by mixing Bentonite powder, Wood charcoal powder, Graphite powder and would not fall under Tariff Heading 2508.


In view of the observations stated above, the following rulings are issued:

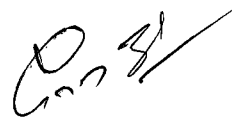
(i) *The classification of "Bentonite Powder" while using for electrical earthing (8kg and 6kg packet)and its effective tax rate.*

Bentonite Powder used for electrical earthing is commercially known as 'Back Fill Compound' and it consist of mixture of Bentonite powder, wood charcoal powder, Graphite powder and Sodium sulphate. This mixture is used as an agent for reducing surface tension. Hence it comes under the Heading 3824.99.17 and is taxable at the rate of 18% as per Sl No. 97. of Schedule III of Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017

(ii) *Our competitors, selling the Bentonite Powder @ 5% (in electrical shops for earthing purpose), whether it is correct as per the provision of the Act?*

Mixture of Bentonite powder used for earthing purpose is liable to GST at the rate of 18%.


B.G. Krishnan, IRS
Joint Commissioner of Central Tax
Member


B.S. Thyagarajababu, B.Sc, LL.M
Joint Commissioner of State Tax
Member

To

M/s. Excel Earthings,
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