

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

Legal Name of the applicant	M/s. Eco Wood Private Limited
GSTIN	32AAACE6807G1Z0
Address	XVI/329, Vazhicherry, Alappuzha – 688001.
Advance Ruling sought for	<p>1. Whether the process of manufacture (embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling) is “Tufting” or a process “other than those processes mentioned in Headings 5701 to 5704” of the Customs Tariff and the HSN Explanatory Notes to Chapter 57?</p> <p>2. Whether “coir mats / matting / floor covering with Vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling is rightly covered under the description “coir mats, mattings and floor covering”?</p> <p>3. Whether “coir mats / mattings / floor covering with vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling, would merit classification under the Heading 5705 00 49 of Chapter 57 of the 1st Schedule to the Customs Tariff?</p>
Date of Personal Hearing	10-03-2020
Authorized Representative	Adv Balagopal .M

ADVANCE RULING No. KER/84/2020 Dated: 20-05-2020

1. The applicant is engaged in manufacture of PVC backed coir mats / mattings / floor coverings by a special moulding process. There is confusion among the industry and trade as to whether the mats manufactured by them are to be classified as tufted under Heading 5703 or under 5705. Hence the applicant requested advance ruling on the following;

- i. Whether the process of manufacture (embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling) is “Tufting” or a process “other than those processes mentioned in Headings 5701 to 5704” of the Customs Tariff and the HSN Explanatory Notes to Chapter 57?
- ii. Whether “coir mats / matting / floor covering with Vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling is rightly covered under the description “coir mats, mattings and floor covering”?
- iii. Whether “coir mats / mattings / floor covering with vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling, would merit classification under the Heading 5705 (more specifically under CTH 5705 00 49) of Chapter 57 of the 1st Schedule to the Customs Tariff?

2. The authorized representative of the applicant was heard and the manufacturing process was explained. The machineries required for manufacturing Coir mats with PVC backing consists of a creel stand loaded with coir yarn spools, yarn feeding system, high shear mixer, cutting head, a continuous Teflon belt that is progressively heated, cooling and winding and cutting mechanism. Coir yarn of desired runnage is loaded on a creel stand and coir yarn from these spools is fed into the machine. The PVC compound is prepared by mixing PVC Resin and Plasticizer with stabilizer, filler, desiccant, dye etc in a high shear mixer. The pre-mixed PVC compound is pumped on to the moving Teflon belt and spread evenly over the moving Teflon belt using a blade or roller. This results in a uniform, layer of uncured Vinyl on the moving Teflon belt. The cutting head station is positioned above the continuous Teflon belt that is moving with the PVC layer. In the cutting head station, a set of guillotine blades that run across the entire width of the machine chop the Coir yarns in to pre-determined lengths. These bits of coir yarn later form the pile of the mat. The chopped Coir yarns at horizontal orientation at the time of chopping are then directly fed down a chute that turns it around 90 degrees to vertical orientation by the time they reach the top surface of the PVC compound moving underneath on the continuous Teflon belt. At this

point, there is a reciprocating compactor that vertically pushes the short length of cut coir yarns in to the PVC compound just enough so that their lower end gets embedded in the PVC layer. In this manner with constant regulated feeding of coir yarn through the cutting head on to the PVC compound in the moving continuous Teflon belt a continuous embryonic mat is produced consisting of a continuous layer of uncured PVC and a substantially continuous series of cut coir yarn pieces extending up there from. That embryonic mat is then transported over the teflon belt through progressive heating and cooling areas to cure the PVC compound so as to form a well cured PVC backing with evenly cut coir yarn piles firmly embedded in it in vertical orientation. This forms the finished coir mat with PVC backing.

3. It is submitted that the entries in the GST Schedule notified under Notification No. 01/2017 – Central Tax (Rate) dated 28.06.2017 are aligned with Customs Tariff / HSN as is evident from the Explanation (iii) and (iv) of the Notification. The perusal of the arrangements of heading under Chapter 57 shows that the products classifiable under different headings of the said Chapter are on the basis of the process of manufacture. For example Heading 5701 covers products undergone the manufacturing process of "Knotting", 5702- of process "Weaving", 5703 - of process "Tufting", 5704 - of process "Felting" and 5705 - a residual heading which will cover the goods manufactured of the process other than those mentioned in the earlier sub headings. The process of tufting is stated in HSN Explanatory Notes to Heading 5703. It covers tufted carpets and other tufted textile floor coverings produced on tufting machines which, by means of a system of needles and hooks, insert textile yarn into a pre-existing backing (usually a woven fabric or a nonwoven) thus producing loops, or, if the needles and hooks are combined with a cutting device, tufts. The yarns forming the pile are then normally fixed by a coating of rubber or plastics. Usually before the coating is allowed to dry it is either covered by a secondary backing of loosely woven textile material, eg; Jute, or by foamed rubber.

4. As per the HSN Explanatory Notes, Heading 5705 covers carpets and textile floor coverings, other than those covered by a more specific heading of Chapter 57. It includes

bonded pile carpets, where the pile use surface is bonded either to a substrate or directly to an adhesive which forms the substrate. The bonding may be achieved by adhesion or heat or a combination of both or by ultrasonic welding. From the above explanation it is amply clear that the process of manufacture of the impugned goods as explained above would squarely fall under the manufacturing method as mentioned in the Explanatory Note to Heading 5705. There are no needles or hooks used in the manufacture of the impugned product and also the yam is not tufted into a pre existing backing of woven/non woven fabric as described in the manufacturing process of tufted products falling under sub heading 5703. Hence the impugned product can no way be classified under sub heading 5703.

5. Further, as per Chapter Note 1 of Chapter 57 the term "Carpets and other textile floor coverings" means floor coverings in which textile materials serve as the exposed surface of the article when in use and includes articles having the characteristics of textile floor covering but intended for use for other purposes. From the above note it is amply clear that the basis of classification of goods falling under Chapter 57 is on the basis of the textile materials which serve as the exposed surface of that article when put to use. In this case the textile material which serves as the exposed surface of Coir mats with PVC backing is nothing but coir and hence such article needs to be classified as coir mats/matting product only. The product is identified in the market as coir mats/matting/floor covering and not as PVC mat/matting. The essential characteristic of the impugned product is that of coir and is marketed / sold as coir mats / matting / floor covering only. The goods falling under Chapter 57 should be classified only on the basis of the nature of textile material used as surface when put in to use and on the process of manufacturing. The material used for or as backing / bonding of the textile material has no relevance in the classification of the goods. The Coir Board by clarification dated 12.04.2016 had clarified that the PVC backing of the coir products does not, in anyway alter the basic characteristics of coir products and hence PVC backed tufted coir mats/PVC backed coir mats etc has to be considered and classified as coir products only.

6. The matter was examined meticulously. The manufacturing of PVC tufted coir mats/ matting/floor coverings is done using technologically advanced machines. The raw materials used for its manufacture are Coir yarn, PVC resin, Dolomite filler, Pigment, etc. The coir as well as PVC, chemicals, fillers etc have equal importance. Hence PVC tufted coir mats/ matting/floor coverings cannot be classified as coir mats and mattings. Coir mats, mattings and floor coverings covered under HSN 5702, 5703 and 5705 are taxable at the rate of 5 % GST as per Sl No. 219 of Schedule I of Notification No.01/2017-CT (Rate) dated 28-06-2017 as amended. This entry covers only the commodities which are manufactured exclusively using coir fibre. If any, PVC or rubber or any other materials are stuffed on the textile of coir, which is used as floor mats or mattings, it will come under Customs Tariff Head 5703 90 90 and is liable to GST at the rate of 12% as per Sl No. 144 of Schedule II of Notification No.01/2017-CT (Rate) dated 28-06-2017 as amended. The same issue was already examined by this authority in Advance Ruling No. KER/31/2019 dated 01.03.2019.

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

- i. Whether the process of manufacture (embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling) is "Tufting" or a process "other than those processes mentioned in Headings 5701 to 5704" of the Customs Tariff and the HSN Explanatory Notes to Chapter 57?

Manufacture of PVC Tufted Coir Mats / Mattings / Floor coverings by the process of embedding coir yarn into PVC cannot be considered as textile floor coverings of coir covered under HSN 5702, 5703 or 5705. The process undertaken is a tufting process and if any, PVC or rubber or any other materials are tufted on the textile of coir, which is used as floor mats or mattings, it will come under the Customs Tariff Head 5703 90 90 and is liable to GST at the rate of 12% as per Entry at Sl No. 144 of Schedule II of Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017.

- ii. Whether “coir mats / matting / floor covering with Vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling is rightly covered under the description “coir mats, mattings and floor covering”?

No. PVC Tufted Coir Mats and Matting cannot be considered as coir mats, mattings and floor coverings covered under HSN 5702 or 5705 and is appropriately classifiable under HSN 5703 90 90 as tufted mats / matting / floor coverings of coir.

- iii. Whether “coir mats / mattings / floor covering with vinyl (PVC) backing” manufactured by the process of embedding coir yarn into vinyl (PVC) compound and curing by heating / cooling, would merit classification under the Heading 5705 (more specifically under CTH 5705 00 49) of Chapter 57 of the 1st Schedule to the Customs Tariff?

No. The PVC Tufted Coir mats/ mattings / floor coverings are classifiable under Customs Tariff Heading 5703 90 90 and attracts GST at the rate of 12% as per SI No. 144 of Schedule II of Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017.



Sivaprasad .S, IRS
Joint Commissioner of Central Tax
Member



B.S. Thyagarajababu, B.Sc, LL.M.
Additional Commissioner of State Tax
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To

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