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|  | <b>KERALA AUTHORITY FOR ADVANCE RULING<br/>GOODS AND SERVICES TAX DEPARTMENT<br/>TAX TOWER, THIRUVANANTHAPURAM</b> |  |
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**BEFORE THE AUTHORITY OF:** Shri. Sivaprasad .S, IRS &  
: Shri. Senil A.K. Rajan.

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|-----------------------------|--|
| Legal Name of the applicant | M/s. ALLEPPEY FIBRE TUFT PVT LTD   |
| GSTIN                       | 32AAGCA9064R1Z4  |
| Address                     | 7/510, Chennampallipuram, Pallipuram,<br>Alappuzha – 688541.   |
| Advance Ruling sought for   | <p>i) Notification No.34/2017. Whether or not item number (A) (xiii) in Schedule 1 – 2.5% (which reads as in Sl.No.219, in column (2), for the figure, “5705”, the figures “5702, 5703, 5705”, shall be substituted), referred to in Notification No.34/2017-Central Tax (Rate) dated 13.10.2017 is meant to cover PVC Tufted coir Mats and Matting?</p> <p>ii) Whether or not PVC Tufted Coir Mats and Matting attracts low band of tax rates as per the recommendations of the Fitment Committee and approval of the GST Council?</p> <p>iii) Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 57039020-Carpets and floor coverings of coir (inserted vide Sl.No.9 (iii) of Notification No.109/2008-Customs (NT) dated 24.09.2008) corresponding to entry in Sl.No.219 of Schedule I attracting 5% GST?</p> <p>iv) Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5703.90.90 – Of other textile material – Other corresponding to entry in Sl.No.144 of Schedule II attracting 12% GST?</p> <p>v) Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5705.00.49 / 5705.00.90-Carpets, carpeting,</p> |

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|---------------------------|---|
|                           | rugs, mats and matting – Other corresponding to entry in Sl.No.219 of Schedule I? |
| Date of Personal Hearing  | 05-01-2021  |
| Authorized Representative | Shri. Sethumadhavan Damodara Kurup  |

**ADVANCE RULING No.KER/110/2021 Dated 26-05-2021**

The applicant is engaged in the manufacture and sale / supply of “PVC Tufted Coir Mats and Matting” in the local / domestic market.

2. At the outset, the provisions of the Central Goods and Services Tax Act, 2017 (**hereinafter referred to as CGST Act**) and the Kerala State Goods and Services Tax Act, 2017 (**hereinafter referred to as KSGST Act**) are same except for certain provisions. Accordingly, a reference hereinafter to the provisions of the CGST Act, Rules and the notifications issued there under shall include a reference to the corresponding provisions of the KSGST Act, Rules and the notifications issued there under.

3. The applicant submits that the PVC Tufted Coir Mats and Matting are manufactured using technologically advanced machines. The machine is designed in such a way that coir yarn stacked in creel stand is automatically fed into cutting / tufting head where that yarn is cut into bits of required pile height and tufted over a uniform thickness PVC base in conveyor belt which is cured by passing over heated radiators (Heating Zone) and then chilled surface (chilling zone) of the continuous process machinery. The PVC base solidifies and results in formation of PVC matting in rolls which can also be cut into mat size by longitudinal and cross cutting. All the above process is done in this machine automatically and this requires minimum labour for operation. The raw materials used are (1) PVC Resin, (2) DOP, (3) Dolomite Filler, (4) Pigment and (5) Coir Yarn. The estimated annual turnover on two shifts basis approximately is Rs.12-18 Crores. Number of workers required for single shift is 10 and for two shifts are 20. The manufacturing operation is fully automated. Coir yarn and PVC mix is fed into the machine at one end and the finished product PVC tufted

coir mat and matting automatically get rolled at the other end. The machinery is designed to produce 100 square meter per hour of PVC tufted coir mat and matting. Backing refers to a process where a very thin layer of material like rubber, latex etc is applied on the back side of coir mats or matting to make the mat or matting non slippery (reference constructional details of coir and coir product published by Coir Board). That is the backing process by itself does not result in the manufacture of coir mat or matting and is only an embellishment done on existing coir mat or matting. Thus the use of the term vinyl backed coir mats and matting to describe PVC tufted coir mats and matting is inappropriate, misleading and malafide.

4. The Applicant requested advance ruling on the following;

- i. Notification No.34/2017 - Whether or not item number (A) (xiii) in Schedule 1 – 2.5% (which reads as in SI.No.219, in column (2), for the figure, "5705", the figures "5702m, 5703, 5705", shall be substituted), referred to in Notification No.34/2017-Central Tax (Rate) dated 13.10.2017 is meant to cover PVC Tufted coir Mats and Matting?
- ii. Whether or not PVC Tufted Coir Mats and Matting attracts low band of tax rates as per the recommendations of the Fitment Committee and approval of the GST Council?
- iii. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 57039020-Carpets and floor coverings of coir (inserted vide SI.No.9 (iii) of Notification No.109/2008-Customs (NT) dated 24.09.2008) corresponding to entry in SI.No.209 of Schedule I attracting 5% GST?
- iv. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5703.90.90 – Of other textile material – Other corresponding to entry in SI.No.144 of Schedule II attracting 12% GST?
- v. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5705.00.49 / 5705.00.90-Carpets, carpeting, rugs, mats and matting – Other corresponding to entry in SI.No.219 of Schedule I?

5. The applicant further submitted that tufted coir mats and matting are termed as such and not as coir mats and matting in purchase orders, invoices etc. (Commercial or Trade Parlance). Hence the term coir mats and matting do not describe, specify,

represent, refer or apply to PVC tufted coir mats and matting. The coir as well as PVC, chemicals, fillers etc have equal importance. However, PVC and the chemicals influence cost and quality more than coir (predominance). The use of PVC in the manufacture of PVC tufted coir mats and matting gives special and additional features to PVC tufted coir mats and matting which is not available to coir mats and matting. Example; Cutting to any shape or size, uniform and thick tuft, easy to handle etc (essential character). The Explanation to Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017 clearly lays down that rules for interpretation of the first schedule to the Customs Tariff Act, 1975 including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this notification. The pile of coir fibre is tufted on a PVC base and hence it should be classified as PVC tufted coir mats and matting (reference - general rules for the interpretation of import tariff). The general rate of tax applicable to floor covering falling under Chapter 57 is 12%. The rate is reduced to 5% in respect of specified goods based on the recommendations of the Fitment Committee with justification for reduction from the standard rate of 12%. The recommendations were placed before the Council, discussed at the council and approved with such modification as the council deemed fit. No such recommendation is seemed to have been made or approved by the GST Council in respect of PVC Tufted Coir Mats and Matting. The PVC tufted coir mats and matting does not appear to be eligible for attracting low band tax rate of 5% as the said product does not appear to satisfy the principle approved by the GST Council in the 4<sup>th</sup> GCM for attracting low band of tax rate of 5%. The most specific description for PVC tufted coir mats and matting is not coir mats and matting and should be clearly specified as PVC tufted coir mats and matting. Hence, the term coir mats and mating do not describe, specify, represent, refer or apply to PVC tufted coir mats and matting.

**6. CONTENTIONS OF THE JURISDICTIONAL OFFICER:**

6.1. The jurisdictional officer submitted that as per Section XI and Chapter 57 of the Customs Tariff, the description of goods under Tariff Heads 5702, 5703 and 5705 are as follows:

"5702 – CARPETS AND OTHER TEXTILE FLOOR COVERINGS, WOVEN, NOT TUFTED OR FLOCKED, WHETHER OR NOT MADE UP, INCLUDING "KELEM", "SCHUMACKS", "KARAMANIE" AND SIMILAR HAND-WOVEN RUGS"

"5703 – CARPETS AND OTHER TEXTILE FLOOR COVERINGS, TUFTED, WHETHER OR NOT MADE UP"

"5705 – OTHER CARPETS AND OTHER TEXTILE FLOOR COVERINGS, WHETHER OR NOT MADE UP"

Hence as per the above descriptions, tariff head 5703 also includes tufted carpets and therefore Tufted Coir Mats and Matting can also be classified under the said tariff head. However the subject product is PVC Tufted Coir Mats and Mattings, in which PVC resin, DOP, dolomite filler, pigment, coir yarn, etc are used as raw materials. Since it is not exclusively manufactured from Coir yarn and also involves other chemicals as detailed above, it cannot be considered in the low band rate of 5% corresponding to entry in Sl. No. 219 of Schedule I of Notification No.01/2017 dated 28.06.2017 and it should come under the Customs Tariff Head 57039090 which is taxed at 12% as per Entry at Sl. No. 144 of Schedule II of the above said notification.

6.2. In the Agenda for the 23<sup>rd</sup> GST Council Meeting, at item 6(i), recommendations made by the Fitment Committee for changes in GST / IGST rates on Goods (Annexures I, II, III, IV) were mentioned. In the Annexure II of the said Agenda, at Page No. 135, Sl No. 35 and 37, the tariff items 5607 and 5609 description of which says "a) *Coir, cordage and ropes, b) Jute Twine and Products of coir*", the rates have been reduced from 12% to 5%. The justification for the same states that these goods are made in the cottage sector. Further the said recommendations by the Fitment committee were approved by the GST Council as per Para 24(ii), Page No. 24 of the corresponding minutes for the said Council Meeting. In the Agenda item 3, Para No.29

of Page 15-17 of the Minutes book of 4<sup>th</sup> GST Council Meeting, the Principles and procedures for fixation of band of tax rates were laid down. In Para 29(ii) of the said Minutes, for goods to be classified under the low band tax rate of 5%, such goods should normally be consumed by the vulnerable sections of the society or have high impact on inflation. Hence as per the above, it is ascertained that the recommendations as mentioned above are for the cottage sector, whereas the manufacture of PVC Tufted Coir Mats uses sophisticated machinery and also involve high investments and also employ less man power. Therefore it is felt that the Fitment Committee and the GST Council has neither recommended nor approved the PVC Tufted Coir Mats to be considered in the low band tax rate of 5%.

**7. PERSONAL HEARING:**

The applicant was granted opportunity for personal hearing on 05.01.2021. Shri. Sethumadhavan, Authorised Representative of the applicant appeared for personal hearing. He reiterated the contentions made in the application and also produced the sample of the product before the authority and requested to issue the ruling on the basis of the submissions made in the application.

**8. DISCUSSION AND CONCLUSION:**

8.1. The matter was examined in detail. Though the applicant has raised many questions the main issue to be decided is the classification and rate of goods and services tax of PVC Tufted Coir Mats and Matting manufactured and supplied by the applicant.

8.2. Carpets and other textile floor coverings fall under Chapter 57 of the Customs Tariff Act. Note 1 to Chapter 57 reads as follows;

"For the purposes of this Chapter, 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 coverings but intended for use for other purposes.”

8.3. It is an undisputed fact that the exposed surface when in use of the Mats, Mattings and Floor coverings of coir backed by PVC manufactured by the applicant is coir a textile material. Therefore, the product is appropriately classifiable under Chapter 57 of the Customs Tariff Act. Having concluded that the product merits classification under Chapter 57 of the Customs Tariff Act we proceed further to determine the heading and the sub-heading of Chapter 57 under which the product falls. From the submissions of the applicant and the sample of the product produced at the time of hearing it is seen that the product is backed by PVC. The applicant also submitted that though the products have coir as the exposed surface and it is backed with PVC during manufacturing process for providing the backing for the surface textile. The raw materials used for its manufacture are Coir Yarn, PVC Resin, DOP, Dolomite Filler and Pigment; coir as well as PVC/Chemicals has equal importance and the PVC and chemicals influence cost more than the coir yarn.

8.4. The Heading 5702 covers carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up including “Kelem”, “Schumacks”, “Karamanie” and similar hand-woven rugs and the sub-heading 5702 20 covers floor coverings of coconut fibres (coir) which includes coir mats, carpets and other rugs. However, the product manufactured by the applicant cannot be classified under 5702 20 as it does not include coir mattings / carpets with PVC backing. The Heading 5703 covers carpet and other textile floor coverings, tufted whether or not made up and sub-heading 5703 90 covers carpets and floor coverings of other textile material; tariff item 5703 90 20 covers carpets and other floor covering of coir and tariff item 5703 90 90 covers other carpets and floor coverings. The Heading 5705 covers other carpets and other textile floor coverings whether or not made up and hence the product of the applicant does not fall under 5705. On the basis of the descriptions of the headings and the relevant

chapter notes the product of the applicant is appropriately classifiable under Tariff Sub-Heading 5703 90 90 of the Customs Tariff Act.

8.5. Having come to the conclusion that the product of the applicant is rightly classifiable under Customs Tariff Sub – Heading 5703 90 90 the question that is to be answered is whether the product will attract GST at the rate of 5 % as per SI No. 219 of Schedule I or 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.

SI No: 219 of Schedule I of Notification No: 01/2017 CT (Rate) dated 28.06.2017 reads as follows;

219 – 5702, 5703, 5705 – Coir mats, matting, floor covering and handloom durries.

SI No. 144 of Schedule II of Notification No. 01/2017 CT (Rate) dated 28.06.2017 reads as follows;

144 – 5703 – Carpets and other textile floor coverings, tufted, whether or not made up.

On a combined reading of both the entries it is evident that the entry at SI No. 219 of Schedule I of the notification refers to the coir mats, mattings, floor coverings etc that are exclusively made up of coir fibres. In the instant case though the exposed surface of the mats / mattings / floor coverings manufactured and supplied by the applicant are of coir, it is backed by PVC and the manufacturing process involves use of technologically advanced machines for providing the backing using PVC and the PVC and the chemicals used for the backing has equal importance as that of coir and the PVC and the chemicals influence the value of the mats and mattings more than coir. Hence the products cannot be considered to fall, under the description of Coir mats, matting, floor covering mentioned in SI No. 219 of Schedule 1 but appropriately falls within the description of Carpets and other textile floor coverings, tufted, whether or not made up mentioned in SI No. 144 of Schedule II of the Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017.



On the basis of the discussion above, the following rulings are issued;

### **RULING**

1. Notification No.34/2017 - Whether or not item number (A) (xiii) in Schedule 1 – 2.5% (which reads as in Sl.No.219, in column (2), for the figure, “5705”, the figures “5702, 5703, 5705”, shall be substituted), referred to in Notification No.34/2017-Central Tax (Rate) dated 13.10.2017 is meant to cover PVC Tufted coir Mats and Matting?  
–No. Sl No. 219 of Schedule I of Notification No. 01/2017 CT (Rate) dated 28.06.2017 as amended by Notification No. 34/2017 CT (Rate) dated 13.10.2017 does not cover PVC Tufted Coir mats and matting.

2. Whether or not PVC Tufted Coir Mats and Matting attract low band of tax rates as per the recommendations of the Fitment Committee and approval of the GST Council?

PVC Tufted Coir Mats and Matting do not attract low band of tax rate.

3. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 57039020-Carpets and floor coverings of coir (inserted vide Sl.No.9 (iii) of Notification No.109/2008-Customs (NT) dated 24.09.2008) corresponding to entry in Sl.No.209 of Schedule I attracting 5% GST?

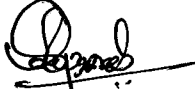
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4. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5703.90.90 – Of other textile material – Other corresponding to entry in Sl.No.144 of Schedule II attracting 12% GST?

Yes. PVC tufted Coir mats and matting are appropriately classifiable under Customs Tariff Item 5703.90.90 and attracts GST at the rate of 12% [CGST – 6% + SGST- 6%] as per entry at Sl. No. 144 of Schedule II of Notification No. 01/2017 Central Tax (Rate) dated 28.06.2017.

5. Whether or not PVC Tufted Coir Mats and Matting can be classified under tariff item 5705.00.49 / 5705.00.90-Carpets, carpeting, rugs, mats and matting – Other corresponding to entry in Sl.No.219 of Schedule I?

No.



Sivaprasad .S  
Joint Commissioner of Central Tax  
Member



Senil A.K. Rajan  
Additional Commissioner of State Tax  
Member

To

M/s. ALLEPPEY FIBRE TUFT PVT LTD.  
7/510, Chennampallipuram,  
Pallipuram,  
Alappuzha – 688541.

Copy to:

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2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
3. The Assistant / Deputy Commissioner of Central GST, Alappuzha Division. [E-mail ID: [cgst.alappuzhadivn@gov.in](mailto:cgst.alappuzhadivn@gov.in)]
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