


<b>GUJARAT AUTHORITY FOR ADVANCE RULING</b> <b>GOODS AND SERVICES TAX</b> <b>D/5, RAJYA KAR BHAVAN, ASHRAM ROAD,</b> <b>AHMEDABAD – 380 009.</b>	
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**ADVANCE RULING NO. GUJ/GAAR/R/45/2021**

(IN APPLICATION NO. Advance Ruling/SGST&CGST/2021/AR/04)

**Date: 27-08-2021**

<u>Name and address of the applicant</u>	:	M/s. Supercoat India (Trade Name) Ayush Baid (Legal Name), Plot No. I-80, Ground Floor, Scahin GIDC, Scahin, Surat, Gujarat-395007
<u>GSTIN/ User Id of the applicant</u>	:	24CHQPB7910K1Z6
<u>Date of application</u>	:	12-2-21
<u>Clause(s) of Section 97(2) of CGST / GGST Act, 2017, under which the question(s) raised.</u>	:	(a)
<u>Date of Personal Hearing</u>	:	15-6-21, 30-6-21 and 27-7-21
<u>Present for the applicant</u>	:	Shri Avinash Poddar, Advocate

**Brief Facts**

1. M/s. Supercoat India submits that it supplies partially coated Polyester fabric (knitted or woven) or any other kind of partially coated (with scattered micro-dot print) Fabric covered under chapter heading 50 to 55, 58 or 60. The goods supplied are further be used as interlining fabric in products like shirt, suits, coats, Gowns etc.

2. Process performed by applicant on the Fabrics:

Microdot Coating Machine is used by the applicant for undertaking the process of coating. The applicant describes the process as follows-

Raw materials

- a. Polyester fabric (knitted and woven) or any other fabric covered under chapter heading 50 to 55, 58 or 60 (herein referred to as Fabric)
- b. Chemicals- Bemifuse ST, Bemifuse XC and Thickener
- c. Powder- Copolyster Hotmelt Adhesive
- d. Powder –XINXIN Adhesive Copes
- e. water

Parts of Machine – Screen Printing, Conveyor Belt, 3 chambers has burner Blower, Heater Blower, Cooling Drum and Platter.

3. Functions of various parts of the micro dot coating machine:

- a. Screen Printing – A roller like structure along with pump installed on the sides. There is a dotted design on the roller which prints the scattered microdots on the fabric. The function of pump is to throw in the adhesive powder and the roller does the printing.
- b. Conveyor Belt – The fabric travels through whole machine with the help of this belt.
- c. The machine has 4 chambers out of which, 3 chambers has burner and Blower and 4<sup>th</sup> Chamber has Heater and Blower. The conveyer Belt takes the cloth through all the chambers of the machine. The Burner and Blower helps in drying and fixing the print on the fabric.
- d. Cooling Drum – This is the last part where the cloth is put under very low temperature.
- e. Platter – The final fabric is collected in platter.

4. Process

The steps involved are as follows-

Unwind---> Screen Coater -----> Scatter---> Suction---> Dryer---->  
Cooling----> Platter -----> Finished Goods

The applicant describes the process as follows-

- a. The applicant purchases Fabric from the market.
  - b. The Fabric is sent for dyeing on Job work basis. The dyed fabric is then put in the micro dot coating machine.
  - c. First, the dyed fabric passes through screen printing and then conveyor belt takes the fabrics to other chambers of the machine.
  - d. The print done by screen printing is Dried and fixed on the fabric with the help of Burner and Blower.
  - e. Further, the cloth undergoes last stage of process which is cooling. This function is undertaken by cooling drum.
5. Characteristics of the Finished Product-
- a. The product is partially coated on one side with scattered dots.
  - b. The dots are elevated in a manner that the fabric can be attached to another fabric and used for interlining.
6. The applicant vide letter dated 30-7-21 has submitted as follows:
- (i) The product is used as an interlining fabric for a garment to give a suitable stability or appearance. The finished product is affixed with garments by applying heat

and pressure for a certain time. The lining which is fixed with garments in above mentioned fashion is classified as fusible interlining fabric.

(ii) The main raw material used for manufacturing the product is a polyester Fabric. The woven or knitted polyester fabric is passed over through heated rolls having high temperature. Then the cloth is pressed against printing rolls having dots engraved on it. High density polyethylene powder is taken in the hopper seated on the printing roll, filling the dots. The extra powder is scrapped and the cloth is finally passed through the heated chamber where the plastic melts and the entire surface is coated with plastic. PES powder i.e. Copolyester powder is used to do the plastic coating, a specific design at equal distance is visible.

(iii) The applicant is classifying the goods at Tariff 5903. However, it opines that said goods will not be covered under the HSN 59 of Customs Tariff. The applicant submits as follows :

(a) Ch. 59 of the Custom Tariff deals with Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use.

(b) As per chapter note 1 : *Except where the context otherwise requires, for the purposes of this Chapter, the expression "textile fabrics" applies only to the woven fabrics of Chapters 50 to 55 and headings 5803 and 5806, the braids and ornamental trimmings in the piece of heading 5808 and the knitted or crocheted fabrics of headings 6002 to 6006.*

(c) The applicant submits as follows:

(i) The impregnated and coating on the finished goods can be seen with naked eyes.

(ii) The manufactured cloth can be bent manually.

(iii) The manufactured product is embedded with plastic. However, it is not entirely coated or covered on both sides or completely embedded. The dotted coating has not made the textile fabrics impervious.

(iv) The applicant states that the coating on the fabric is plastic in nature and bears dotted after the entire process.

(v) The fabric is not the mere material for enforcing purpose instead it is the main raw material.

(vi) The product does not fall under heading 5811.

In view of the above evaluation impugned product satisfies the specifications mentioned in point 4 of the Chapter Note 2 which reads that CTH 5903 applies to Textile fabrics other than fabric partially coated or partially covered with plastics and bearing designs resulting from these treatments (usually chapters 50 to 55, 58 or 60). Therefore, the applicant is of the belief that the product i.e. interlining cloth of woven knitted polyester fabric will not be classified under heading 5903.

- (d) The powder used for plastic coating of the fusible interlining cloth manufactured by the applicant is PES powder i.e. Copolyester powder. The powder gives a continuous and adherent film or layer on the fabric and the fabric has an impervious surface. The use of the said powder results in plastic coating. As the cloth is coated with plastics, it will not be classified under Chapter headings 5903.
- (e) The applicant submits that from the above it is apparently clear that product will not be classified under heading 5903 as it is covered under point no. 4 of Chapter Note 2. Accordingly, it can be said that if the product is not classified under heading 5903, then the applicant should classify the product under chapter 50 to 55 or 58 or 60.
- (f) The applicants refer to the Chapter 50 to 55, 58 and 60. It submitted that its product will not fall under Chapter 50, 51, 52 & 53 as the main raw material is polyester. They use the filament fibre i.e. polyester which is a synthetic fibre. Therefore, the polyester fusible lining can be classified under Chapter 54.
- (g) The applicant submitted the various amendments and circulars which were relevant for classification of interlining fabric. For ready reference the details of the same are given as follows-
- (i) Chapter note 2(c) to chapter 59 which dealt with "*Textile fabrics, partially or discretely coated with plastic by dot printing process*" was omitted w.e.f. 16.03.1995. Circular no. 433/66/98-CX dated 27-11-1998 was issued by CBEC wherein the clarification was given regarding the fusible interlining which was intended to be considered in exception to chapter note 2(a)(4) to chapter 59. With respect to the above mentioned, the applicant submits the following:
- (ii) Omission of chapter note 2(c) is a clear indication that the items mentioned therein will not be covered by chapter heading 5903. The circular clarifies and prescribes that intention of omission of the chapter note did not mean that the classification of interlining will change. The said circular was struck down as ultra vires by Madras High Court in case of Madura Coats. From the above mentioned, the applicant submits that the omitted chapter note and the Circular cannot dictate the classification of fabric in question. Therefore, the treatment as mentioned in circular is incorrect and should not be followed. The applicant relied upon the case of Single Bench of Madras HC in case of Madura Coats Ltd. Vs CBEC wherein the Hon'ble High Court has quashed the Board Circular No. 433/66/98-CX dated 27-11-1998. Further the applicant submits that CESTAT was approached vide Appeal No. E/31/2012 in case of Madura Coats Private Limited V Commissioner of Central Excise, Tirunelveli. The matter before the Hon'ble Tribunal was that applicant was engaged in manufacture of coated fusible interlining fabrics of cotton and the department was of the view that the said product will be classified

under chapter heading 5903 even in absence of chapter note 2(c). The Hon'ble CESTAT had passed an order stating that the remnant samples of the product should be checked and the officers should pass a fresh order of classification. The characteristics that these samples need to have to merit classification under chapter note 5903 is that the fabric should have a continuous and adherent film or layer or plastic on one side of the surface, the fabric should be impervious, the conditions of note 2 of Chapter 59 should be satisfied.

Cases with Similar questions for Advance Ruling:

7. Applicant submits that Following Orders have been passed by various Authorities on the subject Matter:

Sr. NO	Date of Order	Authority Passing the Order	Case Name and Annexure	Order Passed
1	17.10.2020	AAR, Gujarat	Ashima Dyecot (P.) Ltd.	Fusible Interlining Fabrics of Cotton will be classified under Heading 5903
2	19.03.2020	AAAR, West Bengal	Sadguru Seva Paridhan(P.) Ltd.	Upheld order of AAR- Fusible interlining Cloth will be classified under Heading 5903
3	12.03.2020	AAR, Uttarakhand	Ruby Mills Ltd.	Fusible Interlining Fabrics of Cotton will be classified under Heading 5903
4	11.11.2019	AAR, West Bengal	Sadguru Seva Paridhan(P.) Ltd.	Fusible interlining Cloth will be classified under Heading 5903
5	30.01.2019	AAR, Uttarakhand	M/s Goodswear fashion Pvt. Ltd	Based on the lab reports, the Polyester Viscose Fusing interlining woven Fabric will be covered under Chapter 55 to 58 and not chapter 59.

7.1 The applicant has submitted that in the case of M/s Goodsyar Fashions Pvt. Ltd. the lab reports with respect to fabric were taken into consideration and conclusion was derived that the Fabric does not fulfill the requirements of being classified under Chapter head 59 and thus will be classified under Chapter head 52 to 58.

7.2 In case of cited Ashima Dyecots (P.) Ltd., all the relevant submissions made by the applicant have been considered. However, the applicant submits that his case is different from the said case in following Manner- The Fabric in question was Cotton, Tests reports

were not submitted by the applicant and that applicant did not object the treatment of fusible interlining as per circular 433/66/98-CX-6 dated 27.11.1998 but in the present case, the fabric is Polyester, applicant is willing to submit the reports and the applicant has contented that the Circular that it is incorrect.

In accordance with the above submission, it should be considered that the instant application is not squarely covered by the case of Ashima Dyecots (P.) Ltd.

8. The applicant submits that they are of the belief that the inter-fused lining will not fall under Chapter heading 5903. As mentioned at point (c) of para 2 of this additional submission, the applicant do not satisfy condition 2(4) of the chapter note to chapter 59. Therefore, the product under question will fall out of Chapter heading 5903 and be classified under Chapter heading 5407 as the textile material used is woven or knitted Polyester fabric. The applicant submitted a letter dated 31-7-21 issued by Man Made Textile Research Association wherein they opined as follows:

Queries1. : Can impregnation, coating, covering be seen with naked eyes.

Ans : Yes, the dots of the coating is being observed by naked eyes.

Queries 2 : Can fabric be bent without fracturing, be bent manually around a cylinder of a diameter of 7 mm at a temperature between 15\* C and 30\*C.

Ans: Yes, fabric bent without fracturing around a cylinder of a diameter of 7mm, at a temperature between 15\*C and 30\* C.

Queries 3 : Does fabric bear design resulting from these treatments

Ans: Dot coating shows pattern / design on one side of the fabric.

Queries 4 : Does the fabric have a continuous and adherent film or layer or plastic on one side of the surface.

Ans : The fabric has dots on one side of the surface possibly of a coating material.

Queries5 : Is the fabric impervious.

Ans . The fabric does not withstand any water pressure. It becomes wet as soon as it comes in contact with water.

### **Revenue's Submission**

9. The revenue vide letter dated 20-4-21 issued by the Additional Commissioner submitted that as per the Chapter Note 2 of Custom Tariff Act, 1975 textile fabrics, impregnated, coated, covered or laminated with plastics, whatever the weight per square meter and whatever the nature of the plastic material (compact or cellular) are covered under chapter 5903. Therefore the subject goods are classified at chapter 5903.

**Question on which Advance Ruling is sought**

10. Whether the Partially Coated Polyester Fabric (Knitted or Woven) or any other partially coated Fabric will be covered under relevant chapter headings (50 to 55, 58 or 60) or under Tariff Heading 5903?

**Personal Hearing**

11. Personal hearing in the matter was accorded on 17-6-21. Shri Avinash Poddar, CA & Advocate appeared for hearing (video conferencing) and requested for adjournment. As requested by the applicant for adjournment, next hearing was accorded on 30-6-21. Due to further request for adjournment, another hearing was granted on 27-7-21. Shri Poddar appeared (video conferencing) on 27-7-21 and re-iterated the submission made in the Application. Further, he requested more time for additional submission. Further vide letter dated 31-7-21, the applicant made further submission as follows.

*The dots of the coating is being observed by naked eyes; fabric bent without fracturing around a cylinder of a diameter of 7mm, at a temperature between 15°C and 30°C; dot coating shows pattern / design on one side of the fabric; The fabric has dots on one side of the surface possibly of a coating material; The fabric does not withstand any water pressure. It becomes wet as soon as it comes in contact with water*

**FINDINGS**

12. At the outset we would like to make it clear that the provisions of CGST Act and GGST Act are in pari materia and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the GGST Act.

13. We have considered the submissions made by the applicant and the revenue. We find the following facts emerging from the applicant's submission:

- i. The applicant supplies partially coated Polyester fabric ( knitted/woven) or partially coated fabric.
- ii. Said fabric is **scattered with micro-dot printing.**
- iii. The subject goods are used as **interlining fabric.**
- iv. The resultant fabric is **partially coated on one side** with scattered dots and the **dots are elevated in a manner that the fabric can be attached to another fabric** which is used for interlining.

14. The issue before us is the Classification of subject goods. We refer to HSN 5903, to examine its applicability in subject matter. Chapter 59 reads as:



*“Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use”.*

HSN 5903 reads as: Textile Fabrics, impregnated, coated, covered or laminated with plastics, other than those of Heading 5902.

15. For record, we reproduce the relevant excerpt of **Explanatory notes to HSN 5903**, reads as follows:

*“ This heading covers textile fabrics which have been impregnated, coated, covered or laminated with plastics (e.g., poly(vinyl chloride)).*

*Such products are classified here whatever their weight per m<sup>2</sup> and **whatever the nature of the plastic component (compact or cellular), provided:***

***(1) That, in the case of impregnated, coated or covered fabrics, the impregnation, coating or covering can be seen with the naked eye otherwise than by a resulting change in colour.***

*Textile fabrics in which the impregnation, coating or covering cannot be seen with the naked eye or can be seen only by reason of a resulting change in colour usually fall in Chapters 50 to 55, 58 or 60. Examples of such fabrics are those impregnated with substances designed solely to render them crease-proof, moth-proof, unshrinkable or waterproof (e.g., waterproof gabardines and poplins), Textile fabrics partially coated or partially covered with plastics and bearing designs resulting from these treatments are also classified in Chapter 50 to 55, 58 or 60.*

***(2) That the products are not rigid, i.e. they can, without fracturing, be bent manually around a cylinder of a diameter of 7 mm, at a temperature between 15 degrees centigrade and 30 degrees centigrade.***

***(3) That the textile fabric is not completely embedded in, nor coated or covered on both sides with, plastics.***

***This heading also covers dipped fabrics (other than those of heading 59.02), impregnated to improve their adhesion to rubber, and textile fabrics which are spattered by spraying with visible particles of thermoplastic material and are capable of providing a bond to other fabrics or materials on the application of heat and pressure.”***

16 . We hold that Classification of goods under GST is based on HSN. The customs Tariff is based on HSN. The general Interpretative Rules are to be sequentially followed as the way to classify the goods. We are to classify within the confines of law and procedure as laid down in GST scheme of law and procedure. The Chapter notes of Custom Tariff are part and parcel of the Custom Tariff Act, 1975 which is to say, part and parcel of law enacted by the Parliament and therefore, we are obliged to follow the classification based on Chapter Notes as per law. The Explanatory notes to HSN have guidance value to classify goods. As per Rule 1 of the General Rules for the Interpretation of CTA, 1975, for



legal purposes, classification shall be determined according to the terms of the headings and any Section or Chapter Notes. We shall follow the same in arriving at our pronouncement for Ruling in subject matter.

17. We submit our findings in the following Table. Our findings are based on all the submissions made before us and our inspection of the two sample fabrics submitted by the applicant.

Sno	Wordings of HSN 5903; wordings of Explanatory Notes to 5903	Our Findings
1	Textile Fabrics, impregnated, coated, covered or laminated with plastics, other than those of Heading 5902	<b>We find that the fabric is coated with plastics and the fabric is not tyre cord fabric.</b>
2	HSN 5903 does not apply to fabrics in which the impregnation, coating or covering cannot be seen with the naked eye (usually Chapters 50 to 55, 58 or 60); for the purpose of this provision, no account should be taken of any resulting change of colour	<b>The dot coating on the goods can be seen with naked eyes.</b>
3	HSN 5903 does not apply to products which cannot, without fracturing, be bent manually around a cylinder of a diameter of 7 mm, at a temperature between 15oC and 30oC	<b>The goods can be bent manually. Further we note that the applicant has submitted letter dated 31-7-21 mentioning that the fabric bends without fracturing around a cylinder of 7mm at a temperature between 15 degree to 30 degree C.</b>
4	HSN 5903 does not apply to products in which the textile fabric is either completely embedded in plastics or entirely coated or covered on both sides with such material, provided that such coating or covering can be seen with the naked eye with no account being taken of any resulting change of colour (Chapter 39)	<b>The dot coating is on one side of the fabric. Dot coating is not on both sides.</b>
5	HSN 5903 does not apply to fabrics partially coated or partially covered with plastics and bearing designs resulting from these treatments (usually Chapters 50 to 55, 58 or 60)	<b>The fabric is partially coated on one side and the dots are elevated in a manner that the fabric can be attached to another fabric and used for interlining. The use of the subject goods is that it is used as interlining fabric in various products.</b>
6	HSN 5903 does not apply to plates, sheets or strip of cellular plastics, combined with textile fabric, where the textile fabric is present merely for reinforcing purposes (Chapter 39)	<b>The goods are partially coated fabrics, coated on one side. The goods are not cellular plastics combined with textile fabric. The applicants detailed submission regarding the process of manufacture, right from the stage of raw materials through its manufacturing flow chart up to final subject goods, bears testimony to this that the goods are not cellular plastics combined with textile fabric.</b>
7	HSN 5903 does not apply to textile products of heading 5811	<b>We note that the applicant submits that goods does not fall under heading 5811. HSN 5811 covers quilted textile products.</b>
8	Explanatory Notes to HSN to 5903 [ page	<b>We find that coating can be seen with</b>

	XI-5903-1] Coating on the fabric can be seen with the naked eye otherwise than by a resulting change in colour	naked eye
9	Explanatory Notes to HSN to 5903 [ page XI-5903-1] Products are not rigid	<b>We find that product is not rigid.</b>
10	Explanatory Notes to HSN to 5903 [ page XI-5903-1] Textile fabric is not completely embedded in, nor coated or covered on both sides with, plastics.	<b>Yes, we have noted this at sr no 4 of this Table.</b>
11	Explanatory Notes to HSN to 5903 [ page XI-5903-1] Textile fabrics which are spattered by spraying with visible particles of thermoplastic material and are capable of providing a bond to other fabrics or material on the application of heat and pressure.	The goods are used as <b>interlining fabric wherein the dots on the fabric are elevated in a manner that the fabric can be attached to another fabric which is used for interlining, by applying heat and pressure for a certain time. Thus the spattered dots are thermoplastic material capable of providing a bond to other fabrics/ material on the application of heat and pressure.</b>

18. We find that the subject goods have passed all the conditionality's placed in the HSN 5903 Chapter Heading description and the Chapter Notes, as aforementioned in the Table. We find that the subject goods have satisfied the guidelines specified in the Explanatory Notes to HSN 5903.

19. We note that the applicant cited Board Circular dated 27-11-98 and applicant submitted that said Board Circular cannot be applied in subject matter. We make it clear that **even without taking the recourse to apply the said Circular dated 27-11-98 in subject matter, we have arrived at our findings for pronouncement of our Ruling.** Thus, we do not delve into the cited Madras High Court order which centres around the cited Circular dated 27-11-98.

20. We note that the applicant has relied on cited AAR and AAAR Rulings. We have perused the cited Rulings and find that in few AAR Rulings, such as in M/s Sadguru Seva Paridhan pvt ltd, fusible interlining cloth was **classified at Heading 5903**; in both the cases of M/s Ruby Mills and M/s Ashima Dyecot it was Ruled that fusible interlining fabric of cotton is **classified at Heading 5903**. However, even though few Rulings cited by applicant classify fusible interlining cloth at Heading 5903, we do not delve into these Rulings as we hold that as per Section 103 of the CGST Act, any Advance Ruling is binding only on the Applicant who has sought it and on the concerned officer or the jurisdictional officer in respect of the Applicant.

21. In view of the above, we pass the Ruling:

**RULING**

The subject goods are classified at HSN 5903.

**(SANJAY SAXENA)**  
**Member(S)**

**(ARUN RICHARD)**  
**Member(C)**