

T. No-349/2019-20

**THE AUTHORITY FOR ADVANCE RULINGS  
IN KARNATAKA  
GOODS AND SERVICES TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU - 560 009**

**Advance Ruling No. KAR ADRG 06 / 2020**

**Date : 17-02-2020**

Present:

1. **Dr. Ravi Prasad M.P.**  
Additional Commissioner of Commercial Taxes . . . . Member (State Tax)
2. **Sri. Mashood Ur Rehman Farooqui,**  
Joint Commissioner of Central Tax . . . . Member (Central Tax)

1.	Name and address of the applicant	M/s Macro Media Digital Imaging Pvt. Ltd., # 32/1, Visweswaraiyah Indl. Estate, KIADB Road, Mahadevapura, Bengaluru Urban - 560 048, Karnataka.
2.	GSTIN or User ID	29AABCM9451F1ZA
3.	Date of filing of Form GST ARA-01	26.08.2019
4.	Represented by	Sri. Syed M Peeran, Advocate
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, Bangalore East Commissionerate.
6.	Jurisdictional Authority - State	LGSTO-35 A, Bengaluru.
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act and Rs.5,000/- under KGST Act vide CIN HDFC19042900021625 dated 03.04.2019

**ORDER UNDER SECTION 98(4) OF THE CGST TAX ACT, 2017  
& UNDER 98(4) OF THE KGST ACT, 2017**

1. M/s Macro Media Digital Imaging Pvt. Ltd., (called as the 'Applicant' hereinafter), # 32/1, Visweswaraiyah Indl. Estate, KIADB Road, Mahadevapura, Bengaluru Urban - 560 048, Karnataka, having GSTIN number 29AABCM9451F1ZA, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 & KGST Act, 2017 read with Rule 104 of CGST Rules 2017 & KGST Rules 2017, in form GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The applicant is engaged in the business of printing of trade advertising material (Billboards, Building Wraps, Fleet Graphics, Window Graphics, Trade Show Graphics, Office Branding, In-store Branding, Banners, Free Standing Display Units and Signage Graphics), for which required raw materials such as poly vinyl, flex, paper, cloth printing inks etc., are procured by themselves. The activity of printing is based on specifications provided by the clients in terms of design, size, material etc.

3. The applicant states that activity of printing on any of the aforesaid poly vinyl material with trade monograms of the customers constitutes 'manufacture' in terms of CGST Act 2017 and such manufactured products are supplied by the applicant to their customers. The applicant uses any of the PVC material, on the basis of customer's specification, i.e. vinyl classified under 3919 90 50/ 3919 90 90, Back Lit Flex & Blackout Flex both classified under 3921 90 26, Foam Board classified under 3920 61 90. The applicant procures required PVC material, prints the content on it and supply such printed trade advertisements to the customer.

4. The design and graphics of the advertisements are not done by the applicant but are provided by the customers themselves. The applicant merely undertakes the activity of printing on the material. Further the applicant, in the bill, charges on two accounts i.e. 'printing' and 'supply', wherein the former represent the service activity of printing and the latter represent the physical supply of printed trade advertisements on the PVC material.

5. The applicant further states that in the pre-GST regime, the activity of printing and supply of trade advertisements was considered as 'pure sale' by some states and some other states as 'works contract'. They were paying applicable VAT in the states wherein the said transaction / activity was considered as 'pure sale'. Further they were not charging any service tax, in the states wherein the activity was considered as 'works contract', as it is settled position of law that the said activity amounts to manufacture, classified under CETH 4911, attracting 'NIL' rate of duty.

6. In view of the above, the applicant sought advance ruling in respect of the following questions:

1. *Whether the transaction of printing of content provided by the customer, on Poly Vinyl Chloride (PVC) banners and supply of such printed trade advertisement material is supply of goods.*
2. *What is the classification of such trade advertisement material if the transaction is supply of goods?*
3. *What is the classification and applicable rate of CGST on the supply of such trade advertisement material if the transaction is that of supply of service?*

#### **APPLICANT'S INTERPRETATION OF LAW:**

7. The applicant, quoting the definition of 'movable property' contends that their supply, i.e. printed trade advertising material, amounts to supply of goods, which are freely movable from one place to another, thereby becomes 'movable property' and consequently falls under the ambit of 'goods' in terms of Section 2(52) of the CGST Act 2017. Further the title of the impugned material is being transferred and hence the supply amounts to supply of 'goods' in terms of Section 9 of the CGST Act 2017. The applicant intend to place reliance on the TRU circular No.11/11/2017-GST dated 20.10.2017, specifically para 5.

8. The applicant further contends that the supply of trade advertisements involves multiple supplies & hence amounts to 'composite supply', and endeavors to support their claim by quoting many case laws/circulars etc., concluding that their activity is a composite supply where the principal supply is of goods, in terms of section 8 of the CGST Act 2017.

9. The applicant, with regard to the classification of their supply, on consideration of the same as supply of goods, quoting General Interpretation Rules, Section notes/Chapter notes, placing reliance on various case laws, some of which are relevant to pre-GST regime & concludes that their supply merits classification under heading 4911 of CTA 1975, as the same is specifically provided for 'trade advertising material' and hence is taxable @12%, in terms of Notification No.01/2017-Central Tax (Rate) dated 28.06.2017, as amended. Further, even if the supply is considered as composite supply, the principal supply would be supply of goods only and hence attract GST in the aforesaid lines.

### **PERSONAL HEARING / PROCEEDINGS HELD ON 21.11.2019.**

10. Sri Syed M Peeran, Advocate and duly authorised representative of the applicant appeared for personal hearing proceedings held on 21.11.2019 & reiterated the facts narrated in their application.

### **11. FINDINGS & DISCUSSION:**

11.1 We have considered the submissions made by the Applicant in their application for advance ruling as well as the submissions made by Sri Syed M Peeran, Advocate and duly authorised representative of the applicant during the personal hearing. We have also considered the issues involved, on which advance ruling is sought by the applicant, and relevant facts.

11.2 At the outset, we would like to state that the provisions of both the CGST Act and the KGST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the KGST Act.

11.3 The Applicant seeks advance ruling in respect of three questions mentioned at para 2 supra, which are related to classification of their activity/supply, as to whether it amounts to supply of goods, if so, the HSC of the said supply & then the consequential rate of GST applicable.

11.4 The applicant company, on behalf of West Bengal Unit/premises at Kolkatta and Telangana Unit at Hyderabad, filed the said application before the respective Advance Ruling Authorities of West Bengal and Telangana on the same issues / questions. The said applications have been culminated into a rulings bearing numbers 15/WBAAR/2019-20 dated 19.08.2019 and TSAAR Order No.4/2018 dated 30.05.2018 respectively. Further, the applicant vide their letter dated 10.01.2020, furnished the copy of the ruling, in respect of their own unit/premises at

Visakhapatnam, Andhra Pradesh, passed by the Authority for Advance Ruling, Andhra Pradesh, Vijayawada.

11.5 The Applicant seeks advance ruling on the questions mentioned at para 6 supra. Though the application consists of three questions, the crux of the issue is whether the activity of the applicant amounts to supply of goods or services and the classification & applicable rate of GST thereon on the said supply. Therefore we proceed to examine the nature of supply & thereby to decide whether the said supply is of goods or services.

11.6 The applicant receives the orders from their customers for printing of the content of advertisement on the material specified & supply of the same, for which the content is provided by the customers themselves. It is an admitted fact that the customers place their orders with specifications of the PVC material required, its nature (lit or non-lit) along with the content to be printed on the said material. The applicant contends that their activity of printing the advertising material, where the content is supplied by the recipient, on the required PVC material amounts to supply of goods and draws attention to the Circular No.11/11/2017-GST dated 20.11.2017, specifically to para 5, wherein a clarification has been given on **taxability of printing contracts**. Hence we proceed to discuss and analyse the said circular.

11.7 Para 2 of the circular clarifies that *supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc., printed with logo, design, name, address or other contents supplied by the recipient of such printed goods, are composite supplies and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.*

11.8 Principal supply, in terms of Section 2(90) of CGST Act 2017, is supply of goods or services which constitutes the predominant element of composite supply and to which any other supply forming part of that composite supply.

11.9 Para 4 of the circular specifies that in the case of printing of books, pamphlets, brochures, annual reports, and the like, the supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore such supplies would constitute supply of service, falling under heading / SAC 9989, subject to the following conditions namely

- a) The content is supplied by the publisher or the person who owns the usage rights to the intangible inputs.
- b) The physical inputs including paper used for printing belong to the printer.

11.10 Para 5 of the circular specifies that in the case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc., falling under Chapter 48 or 49, printed with design, logo etc., supplied by the recipient of goods but made using physical inputs including paper belonging to the printer, predominant supply is that of goods and the supply of printing of the content [supplied by the

recipient of supply] is ancillary to the principal supply and therefore such supplies would constitute supply of goods falling under respective headings of Chapter 48 or 49 of the Customs Tariff.

11.11 It could be inferred, on combined reading of paras 4 & 5 of the aforesaid Circular, that the ownership of usage rights of intangible inputs places crucial role in deciding the supply as that of goods or services, though there exist two common points in both the cases i.e.

- a) The content is supplied by the recipient of goods / services.
- b) The physical inputs including paper used for printing belong to the printer.

Further, on careful reading of para 5, it could easily be inferred that the nature of physical inputs, on which printing activity is carried out, does not change after the process of printing i.e. the napkin, tissue etc., are the same before and after the printing and hence the printing activity is ancillary and hence the supply of the same is that of supply of goods. The classification of the said goods prior or after the printing is same and is either Chapter 48 or 49.

11.12 In the instant case, it is an admitted fact that the PVC material is classified under Chapter 39 prior to printing and after printing it would become Trade Advertising Material & falls under Chapter 49. Therefore the activity of printing makes the PVC material into Trade Advertising Material i.e. banner/billboard etc., and thus the nature of the material changes. Further the applicant does not own or retain the usage rights of intangible inputs. In view of the foregoing the activity of printing of the content, supplied by the recipient, on the PVC material becomes principal supply and such supply constitute supply of service falling under SAC 9989.

11.13 The Applicant referred to several judgments of the apex court and the Tribunal, which are all related to the classification of the goods being supplied (Trade Advertising Material) as to whether they are to be classified under Chapter 39 or 49 of the Tariff Act. This authority does not dispute the classification of the said goods under Chapter 49. However, in the instant case such supplies are ancillary to the principal supply of Printing Service.

12. In view of the foregoing, we pass the following

#### **R U L I N G**

1. *The transaction of printing of content provided by the customer, on Poly Vinyl Chloride (PVC) banners and supply of such printed trade advertisement material is supply of service.*
2. *The classification of aforesaid supply of service is 9989 of the scheme of classification of services.*


3. The applicable rate of GST on the supply of aforesaid service is 18% up to 30.10.2017 & 12% effective from 31.10.2017, as per Entry No.27 of the Notification No.11/2017-Central Tax (Rate) dated 28.06.2017, as amended.

  
**(Dr. Ravi Prasad M.P.)**

**Member**

**MEMBER**

Karnataka Advance Ruling Authority  
Place : Bengaluru, Bengaluru - 560 009

  
**(Mashood Ur Rehman Farooqui)**

**Member**

**MEMBER**

Karnataka Advance Ruling Authority  
Bengaluru - 560 009

Date : 17-02-2020

To,

The Applicant

Copy to :

The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.

The Commissioner of Commercial Taxes, Karnataka, Bengaluru.

The Commissioner of Central Tax, Bangalore East Commissionerate, Bengaluru.

The Asst. Commissioner, LGSTO-35 A, Bengaluru

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**RULING**