सत्यमेव जयते	**RAJASTHAN AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX** **NCR BUILDING, STATUE CIRCLE, C-SCHEME JAIPUR – 302005 (RAJASTHAN)**	राष्ट्र कर बाजार

ADVANCE RULING NO.RAJ/AAR/2018-19/12

Nitin Wapa Joint Commissioner	:	Member(Central Tax)
Sudhir Sharma Joint Commissioner	:	Member(State Tax)
Name and address of the applicant	:	SMITA GUPTA, PLOT NO. H-72, ROAD NO. 18, ANKEDA DOONGAR INDUSTRIAL AREA, VKI AREA, JAIPUR RAJ. -302013
GSTIN of the applicant	:	08AEOPG3970K1Z1
Clause(s) of Section 97(2) of CGST / SGST Act, 2017, under which the question(s) raised	:	(a) Classification of an goods and/or services under the Act
Date of Personal Hearing	:	20.07.2018
Present for the applicant	:	Mr. Ranjan Mehta, (CA) Authorised Representative
Date of Ruling	:	18.08.2018

Note: *Under Section 100 of the RGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under section 99 of RGST Act 2017, within a period of 30 days from the date of service of this order.*

The Issue raised by the applicant is fit to pronounce advance ruling as it falls under ambit of the Section 97(2) (a), it is given as under:

(a) Classification of any goods or services or both;

Further, the applicant being a registered person, GSTIN is 08AEOPG3970K1Z1, as per the declaration given by him in Form ARA-01, the issue raised by the applicant is neither pending for proceedings nor proceedings were passed by any authority. Based on the above observations, the application is '**admitted**' to pronounce advance ruling.

1. **SUBMISSION OF THE APPLICANT:**

1. The applicant Smita Gupta (M/s Vinay Irrigation) (here in after referred to as 'Applicant') has sought an Advance Ruling on the Entry No.195B of Schedule II of notification no 01/2017 dated 28.06.2017 as inserted vide notification no 06/2018 dated 25.01.2018.

The applicant seeks advance ruling over the coverage of various items used in the sprinklers and drip irrigation systems sold individually as well as part of a complete system.

2. The applicant is engaged in manufacturing and trading of various plastic and metallic items which are used in agricultural irrigation. These items are Adopter, coupler, Tee, Clamps, Foot button, Ripit, Nozzle etc. All these items are used as part of sprinkler or Drip irrigation system depending upon the requirement of each farmer. These items are supplied as part of a complete sprinkler or drip irrigation system and also as spares separately as and when required by farmer for replacement.

3. All above items are used by the farmers and most of the items do not have an independent use. They are used only as part of Sprinkler or Drip irrigation system for the purpose of irrigation only.

2 **Taxability**

The applicant stated that these items fall under Chapter 84 of the Customs Tariff Act,1975 under heading 8424 which reads as follows:-

MECHANICAL APPLIANCES (WHETHER OR NOT HAND OPERATED) FOR PROJECTING, DISPERSING OR SPRAYING LIQUIDS OR POWDERS; FIRE EXTINGUISHERS, WHETHER OR NOT CHARGED; SPRAY GUNS AND SIMILAR APPLIANCES; STEAM OR SAND BLASTING MACHINES AND SIMILAR JET PROJECTING MACHINES.

These items are used in the process of irrigation by means of which water is dispersed or sprayed on to the plants.

For heading 8424 there are 3 entries of taxation in notification no 01/2017 Central Tax (Rate) dated 28.06.2017, as amended from time to time; all of them are given below:-

ScheduleII–6%

S.No.	Chapter/ Heading/Sub-heading /Tariff item	Description of Goods	CGST rate
(1)	(2)	(3)	(4)
195A*	8424	Nozzles for drip irrigation equipment or nozzles for	6%
195B**	8424	Sprinklers; drip irrigation system including laterals; mechanical sprayers";	6%

*-***Inserted by Noti. No. 27/2017 Central Tax (Rate) dated 22.09.2017.***

-*Inserted by Noti. No. 06/2018 Central Tax (Rate) dated 25-01-2018.***

Schedule III–9%

S.No.	Chapter/ Heading/Sub -heading /Tariff item	Description of Goods	CGST rate
(1)	(2)	(3)	(4)
325.	8424	Mechanical appliances (whether or not hand-operated) for projecting, dispersing or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines	9%
		Mechanical sprayer; nozzles for drip irrigation equipment or nozzles	

-Amended vide notification no 27/2017 Central Tax (Rate) dated 22.09.2017 and 06/2018 Central Tax (Rate) dated 25-01-2018***

5. Till 22.09.2017 all the items listed under tariff heading 8424 were taxable @18% (9% CGST + 9% SGST) vide entry no 345 of schedule III of notification no 01/2017.

6. Vide notification no 27/2017 dated 22.09.2017 nozzles of the sprinklers and the drip irrigation system were carved out of this entry no 345 of schedule III of Notification no 01/2017and were put into Schedule II as entry no 195A to be taxed @ 12% after representations were made from various sections of the industry being an agricultural input.

7. The nozzles form a very small part of these irrigation systems (Although an important one), later vide notification no. 06/2018 dated 25.01.2018 a new entry was introduced as entry no 195B "***Sprinklers; drip irrigation system including laterals; mechanical sprayers***". This entry included all the lateral parts of these irrigation systems into Schedule II also, in addition to the Nozzles.

8. The applicant stated that, the word **lateral** is not defined in the law. However its dictionary meaning is "**A side part of something**" or "**Of,**

relating to, or situated at or on the side". Examples of uses of this word as per dictionary are as follows:-

"The plant takes up water through its lateral roots"

"Designers added more storage space, with lateral expansion of the rear compartment"

In the case of applicant, laterals in relation to irrigation system mean all such devices and equipment which help in the working of the system and without which it may not work. All the products of the applicant are laterals to the sprinkler and drip irrigation.

9. The applicant further submitted that, sprinkler and drip irrigation are 2 different system designed for distinct uses. Sprinkler is in itself a complete system designed for irrigation by use of water pumping. It has not been defined in the law. Dictionary/internet definitions are as follows:-

*"An **Irrigation sprinkler** is a device used to irrigate agricultural crops, lawns, landscapes, golf courses, and other areas. They are also used for cooling and for the control of airborne dust. Sprinkler irrigation is a method of applying irrigation water which is similar to natural rainfall. Water is distributed through a system of pipes usually by pumping"*

Sprinkler include firing Nozzle, pipes, clamps, foot buttons and different other items through which the system works.

Drip Irrigation is also not defined in the law. However its definition as per various sources is as follows:-

"Drip irrigation, which is also sometimes referred to as micro-irrigation or trickle irrigation, consists of a network of pipes, tubing valves, and emitters. Drip irrigation is defined as any watering system that delivers a slow moving supply of water at a gradual rate directly to the soil"

This system also includes nozzles, pipes, clamps, elbow, tee etc. to form a complete system and work.

10. The applicant contented that the items supplied by him are necessarily part of the sprinkler and drip irrigation system and are helping in overall functioning of the system. He stated that they are not to be used independently anywhere and further they are part of the system without which whole system may not work. Thus they are laterals.

11. The applicant has sought advance ruling on the coverage of the items covered under Annexure 1 under entry no. 195B of schedule II of notification no 01/2017 dated 28.06.2017 as amended vide notification no. 06/2018 dated 25.01.2018.

S.No.	Chapter /Heading/Sub-heading /Tariff item	Description of Goods	CGST rate
(1)	(2)	(3)	(4)
325.	8424	Mechanical appliances(whether or not hand-operated) for projecting, dispersing or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines [other than sprinklers; drip irrigation systems including laterals; mechanical sprayer;	9%

3 **Personal Hearing (PH)**

In the matter personal hearing was given to the applicant, Mr. Ranjan Mehta, CA, (Authorised Representative) of applicant appeared for personal hearing on 20.07.2018. During the PH he reiterated that the case may be decided as per submission already made in the application for Advance Ruling. He has sought time to submit statements regarding the explanation of Sprinkler system vis-à-vis Sprinkler which was submitted on a later date. Further, he has requested to decide the case at the earliest.

4. The jurisdictional officer in her comments has stated that the Entry relating to Sprinkler does not include Sprinkler irrigation system nor does it include laterals. Hence, the goods in question will attract 12% GST(SGST 6% + CGST 6%).

5. **Findings and analysis:**

Before we set to decide the issues raised in Advance Ruling Application we should analyse and understand the meaning of certain relevant

items/commodities relating to entries of the notification in question such as Sprinkler, Sprinkler Irrigation system, Drip Irrigation system and Laterals.

a) Sprinkler :

As per collins dictionary meaning of sprinkler is "a device perforated with small holes that is attached to a garden hose or watering can and used to spray on plants, lawns, etc, with water."

It is also defined as "a device with a lot of small holes that you put on the end of a hose in order to water plants, grass," etc.

Sprinkler may range from small single nozzle sprinklers to multiple nozzle sprinklers and can be used for irrigation, fire fighting, powder spraying etc.

b) Sprinkler Irrigation System :

Sprinkler Irrigation is a method of applying irrigation water which is similar to rainfall. Water is distributed through a system of pipes usually by pumping. It is then sprayed into the air and irrigated entire soil surface through spray heads so that it breaks up into small water drops which fall to the ground.

Components of a sprinkler irrigation system.

A sprinkler system usually consists of the following components:-

(i) A Pumping Unit

(ii) Tubings- main/sub-mains and laterals

(iii) Couplers

(iv) Sprinkler head

(v) Other accessories and laterals such as valves, bends, plugs and risers.

(i) Pumping Unit: Sprinkler irrigation systems distribute water by spraying it over the fields. The water is pumped under pressure to the fields. The pressure forces the water through sprinklers or through perforations or nozzles in pipelines and then forms a spray.

(ii) Tubings: Mains/submains and laterals: The tubings consist of mainline, submanins and laterals. Main line conveys water from the source and

distributes it to the submains. The submains convey water to the laterals which in turn supply water to the sprinklers.

(iii) Couplers: Couplers are used for connecting two pipes and uncoupling quickly and easily.

(iv) Sprinkler Head: Sprinkler head distribute water uniformly over the field without runoff or excessive loss due to deep percolation. Different types of sprinklers are available. They are either rotating or fixed type.

(v) Fittings and accessories: The following are some of the important fittings and accessories used in sprinkler system. (a) Water meters. (b) Flange, couplings and nipple used for proper connection to the pump, suction and delivery. (c) Pressure gauge. (d) Bend, tees, reducers, elbows, hydrants, butterfly valve and plugs. (e) Fertilizer applicator.

It is clear from above that Sprinkler Irrigation system mainly consists of a functional assembly of pump unit, mainline and sub lines tubing, laterals and sprinkler connected to each other.

Nozzles and sprinklers covered in entry no. 195A and 195B are just one of the components of Sprinkler irrigation system hence to consider or equate Sprinkler as Sprinkler irrigation system will not be correct.

c) Drip Irrigation System:

Drip irrigation is a type of micro-irrigation system that has the potential to save water and nutrients by allowing water to drip slowly to the roots of plants, either from above the soil surface or buried below the surface. The goal is to place water directly into the root zone and minimize evaporation. Drip irrigation systems distribute water through a network of valves, pipes, tubing, and emitters.

Components of Drip Irrigation System: A typical system consists of a source of water supply, pumping unit, main lines, laterals and emitters. Auxiliary

components include filters, pressure regulators, valves and equipment for mixing fertilizers etc.

1. Filters: Filters are used to remove undesirable material from the water supply before it enters the distribution system and creates the potential for emitter clogging.

2. Main lines: The main line carries the water from the filtration system to the submain.

3. Submain: The submain distribute the water from main line to the laterals.

4. Laterals: The lateral distribute water to the emitter which deliver water directly to the root zone.

5. Emitters or drippers: The dripper or an emitter is a device used for discharging water from lateral to the plants root zone.

6. Control valves: These are used to control the flow through the submain pipes.

7. Flush valve: It is provided at the end of each submain to flush out the water and dirt accumulated at the end of submain.

8. Air release valve: It is provided at the higher point in the mainline to release the entrapped air during the start of system and to break the vacuum during shut off.

9. Non- return valve: It is used to prevent the damage of pump from back flow of water in rising main line of drip irrigation system.

10. Pressure gauge: It is used to indicate the operating pressure of the drip system. The pressure gauges are installed at the inlet and outlet of the san and screen filters

11. Grommet and take-off: These are used to connect the lateral to submain. A hole is pinched with hand drill of pre determined size in sunmain. Grommet is fixed into the hole on submain. Take-off is pressed into the grommet. Grommet acts as a seal. The sizes are different for 12 mm and 16 mm laterals.

12. End cap: They are used to close the lateral ends, submain ends or main ends. Submains and mains are preferably provided with flush valve.

13. Fertilizer system: It is used to add the chemicals (nutrients, herbicides, pesticides etc.) to the irrigation water.

d) Laterals:

Meaning of Laterals

" relating to the sides of an object or plant or to sideways movement"

"something that is extending to the side or moving to the side"

6. <u>Conclusion</u> :

The applicant has contended that along with nozzles later vide notification no. 06/2018 dated 25.01.2018 a new entry was introduced as entry no 195B ***"Sprinklers; drip irrigation system including laterals; mechanical sprayers"*** which included all the lateral parts of these irrigation systems into Schedule II also .

On perusal of above entry it is clear that laterals related only to drip irrigation systems have been covered under this entry and laterals of sprinklers are not covered under the amended entry.

The applicant further submitted that, sprinkler and drip irrigation are two different systems designed for distinct uses. Sprinkler is in itself a complete system designed for irrigation by use of water pumping.

As discussed above Sprinklers is not in itself a complete irrigation system but constitutes an essential component of a Sprinkler Irrigation System which when assembled with other laterals and accessories makes a complete functional sprinkler irrigation system.

The applicant contented that the items supplied by him are necessarily part of the sprinkler and drip irrigation system which is true but unlike the entry relating to drip irrigation which clearly specifies "drip irrigation system including laterals" this entry confines only to "sprinklers" and neither includes "laterals of sprinkler" nor "sprinkler irrigation system."

Risers , adopter, bend, coupler ,end cap, PCN(C-Type), group nipple, reducer bare, socket, Bush, Y(bere) , Latch clamps ,C clamps, Riser Pipes, Rubber Rings, Tee, Clamps, Foot button, Ripit, Nozzle are all laterals to the sprinklers which when assembled with sprinkler constitutes Sprinkler Irrigation System.

In case of drip irrigation system as per entry No.195A and 195 B of the schedule II of Notification No. 1/2017 – CT (Rate) dated 28-6-2017, later amended by Notification No.27/2017 CT- (Rate) dated 22.09.2017 and 6/2018 – CT (Rate) dated 25-1-2018 respectively, covers "Nozzles for drip irrigation equipments" and "drip irrigation system including laterals" and would attract GST 12% (CGST 6% + SGST 6%).

In case of Sprinklers as per entry No.195A and 195 B of the schedule II of Notification No. 1/2017 – CT (Rate) dated 28-6-2017, later amended by Notification No. 27/2017 CT- (Rate) dated 22.09.2017 and 6/2018 – CT (Rate) dated 25-1-2018 respectively covers only " Nozzles for Sprinkler" and "Sprinklers" which would attract GST 12% (CGST 6% + SGST 6%).

As discussed above, unlike as in the case of drip irrigation system (where drip irrigation system along with nozzles and laterals are covered in above entries) ONLY " nozzles" for sprinklers and " sprinklers" are covered in entry No.195A and 195 B of the schedule II of Notification No. 1/2017 – CT (Rate) dated 28-6-2017, as amended by Notification No.27/2017 CT- (Rate) dated 22.09.2017 and 6/2018 – CT (Rate) dated 25-1-2018 respectively But Risers (which connects sprinkler to laterals) along with all other laterals such as adopter, bend, , coupler ,end cap, PCN(C-Type), group nipple, reducer bare, socket, Bush, Y(bere) , Latch clamps ,C clamps, Riser Pipes, Rubber Rings, Tee, Clamps, Foot button, Ripit, Nozzle etc. are not covered under entry no. 195A and 195 B.

Based on above facts along with provision of law the ruling is as follows:

RULING:

As per entry No.195 B of the schedule II of Notification No. 1/2017 – CT (Rate) dated 28-6-2017, as amended by Notification No. 06/2018 – CT (Rate) dated 25-1-2018, Laterals of sprinklers such as clamps, bends, tee, coupler, bush, foot button, latch, clamp, riser pipe, socket etc. are not covered to attract GST 12% (CGST 6% + SGST 6%) but instead will attract GST at18% (CGST 9% + SGST 9%).

Laterals of drip irrigation system will attract GST 12% (CGST 6% + SGST 6%).

18/8/18

NITIN WAPA
Member
(Central Tax)

18/08/2018

SUDHIR SHARMA
Member
(State Tax)

SPEED POST
M/S SMITA GUPTA,
PLOT NO. H-72, ROAD NO. 18,
ANKEDA DOONGAR INDUSTRIAL AREA,
VKI AREA, JAIPUR RAJ. -302013

F.No. IV(4)13/AAR/RAJ/2018-19/ 56-60 Dated. 27/8/2018

Copy to:-

1. The Chief Commissioner of CGST & Central Excise (Jaipur Zone) & Member, Appellate Authority for Advance Ruling, NCR Building, Statue Circle , Jaipur-302005.
2. The Commissioner of SGST & Commercial Taxes Rajasthan & Member, Appellate Authority for Advance Ruling, Kar Bhawan,Bhawani Singh Road, Ambedkar Circle, C-Scheme, Jaipur-302005.
3. Asstt. Commissioner, Circle K, Zone I, Commercial Taxes Dept, Divisional Kar- Bhawan, Jhalana Institutional Area, Jaipur.
4. Dy/Asstt. Commissioner,CGST Division –B, Jaipur. (CGST Range –X, Jaipur).

O/C
(CGST)

Superintendent