

APPELLATE AUTHORITY FOR ADVANCE RULING, KERALA
PROCEEDINGS OF THE APPELLATE AUTHORITY FOR
ADVANCE RULING
(U/s.101 OF THE KERALA/ CENTRAL GOODS AND SERVICES TAX ACT, 2017).

Members present:

Shyam Raj Prasad, IRS
 Chief Commissioner,
 Central Tax, Central Excise and Customs

Anand Singh, IAS
 Commissioner
 State Taxes, Kerala

Name and Address of the Appellant	M/s Eco wood Private Limited, XVI/329, Vazhicherry Alappuzha, 688001
GSTIN	32AAACE6807G1Z0
Advance ruling against which appeal is filed	KER/84/2029 DTD 20/05/2020
Date of filing Appeal	07/07/2020
Date of Personal Hearing	31/12/2020
Authorized Representative	Adv. M. Balagopal

ORDER No. AAR/12/20 DATED 08-03-2021

1. The appeal stands filed under section 100(1) of the GST Act, 2017, by M/s Eco wood Pvt Ltd. bearing GSTIN 32AAACE6807G1Z0 (hereinafter referred to as the appellant also). The appellant is proposing to get engaged in the manufacture and export of Coir Mats/flooring with Vinyl (PVC) backing (impugned product).

Brief facts of the case

2. The appellant had sought for advance ruling in order to get clarity regarding the impugned product. The Advance ruling was sought for in following issues:-

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?

3. The Authority for Advance Ruling Kerala, issued Ruling vide order No: KER 84/2020 dated 20-5-2020 on the above issues in seriatim as follows:-

i. 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. 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; and

iii. 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 Sl No. 144 of Schedule II of the Notification.

GROUND OF APPEAL

4. Aggrieved of the said Rulings, the appellant has filed instant appeal before this authority, wherein they submitted following facts and contentions for consideration:

4.1. The advance ruling passed by the advance ruling authority is factually incorrect and hence legally unsustainable. The lower authority has failed to understand the basic fact that the manufacturing process involved in the manufacture of impugned goods is not tufting.

4.2. The appellant explains the Method of manufacturing Coir mats/

lower authority was to examine as to whether the above mentioned process of manufacture would fall under the process of 'tufting' as envisaged in Heading 5703 of Chapter 57. The lower authority without examining this issue, had proceeded to dispose the application with a prejudiced view that the process involved is 'tufting'. The process of manufacture of tufting stated in HSN Explanatory Notes to heading 5703 may be referred to, as per which heading 5703 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 or rubber or plastics. Usually before the coating is allowed to dry, it is either covered by a secondary backing of loosely woven textile material, e.g., Jute, or by formed rubber.

4.4. It is further submitted that 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. As per explanation (1) of the Explanatory Notes, Heading 5705 includes bonded pile carpets, where the pile use surface is bonded either to a substrate (an underlying substance or layer) or directly to an adhesive which forms the substrate and the bonding may be achieved by adhesion or heat or a combination of both. 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. The authority may also be pleased to see that there are no needles or hooks used in the manufacture of the impugned product and also the yarn 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.

4.5. Attention is invited to Rule 1 of the General Rules of Interpretation of the 1st Schedule - Import Tariff of the Customs Tariff Act, 1975. As per Rule 1, for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes. 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

matting/ floor covering with Vinyl (PVC) backing as follows:-

Coir yarn of desired runnage and ply is wound as spools. Such spools are loaded on a creel stand and coir yarn from these spools is fed into the machine. Vinyl (PVC) compound is prepared by mixing PVC resin (paste grade), plasticizer (like DOTP, DINP, etc.) along with stabilizer, filler, desiccant, dye, etc. The mixing is done in a high shear mixer. The mixed compound is allowed to cool down to room temperature and brought to the machine that makes coir mat with Vinyl (PVC) backing. The machinery for making coir mats with vinyl (PVC) backing consists of a creel stand loaded with coir yard spools, yarn feeding system, cutting head, a continuous Teflon belt that is progressively heated, cooling area and winding and cutting mechanism. The pre-mixed vinyl compound is pumped onto the moving Teflon belt and spread evenly over the moving Teflon belt using a doctor blade (or roller). This results in a uniform, thin (3-5 mm), layer of uncured vinyl in free flowing form (low viscosity) on the moving Teflon belt.

Meanwhile, the ends of coir yarn from the creel stand are unwound and fed over rollers to a cutting head station. The cutting head station is positioned above the continuous Teflon belt that is moving with the vinyl layer as mentioned above. In the cutting head station, a set of guillotine blades that run across the entire width of the machine chop the coir yarns into predetermined lengths. These bits of coir yarn later form the pile of the mat. The chopped coir yarns are at horizontal orientation at time of chopping and they 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 compacter that vertically pushes the short length of cut coir yarns into the PVC compound just enough so that their lower end gets embedded in the PVC layer. In this way, with constant, regulated feed of coir yarn through the cutting head and feeding of vinyl compound on to the moving, continuous layer of uncured vinyl and a substantially continuous series of cut coir yarn pieces (piles) extending up there from. That embryonic mat is then transported over the Teflon belt through progressive heating and cooling areas to cure the vinyl (PVC) compound so as to form a well cured vinyl (PVC) backing with evenly cut coir yarn piles firmly embedded in it in vertical orientation. This forms the finished coir mat with Vinyl (PVC) backing. It may further be sheared to have a more even surface and cut to required size, as needed.

4.3. It may be found that the Advance Ruling Authority had completed misconceived the clarifications sought from them. The request before the

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.

It is further submitted that in the case in hand, the textile material which serve as the exposed surface of coir mats with Vinyl (PVC) backing is nothing but coir and hence such article needs to be classified as coir mats / matting / product only. Further, it is submitted that the product is identified in the market as coir mats / matting / floor covering and not as vinyl (PVC) mat / matting. It is also submitted that the essential characteristics of the impugned product is that of coir and the same is marketed / sold and known as coir mats / matting / floor covering only. The Hon'ble Authority may be pleased to find that the goods falling under Chapter 57 need to be classified only on the basis of the nature of textile material used as surface when put in 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.

4.6. The above matter of classification was examined by the Central Board of Excise and Customs and vide letter dtd.20-05-2011 has clarified that "the carpets and floor coverings whether or not backed by vinyl / latex / rubber are classifiable under respective heading of Chapter 57 depending upon the process of manufacture and the type of textile materials used. It was also clarified that in case of coir mats the essential characteristic is of coir and such goods are sold as coir mats only irrespective of the backing. It is further submitted that an identical view has been taken by the Kerala Agricultural Income Tax and Sales Tax Appellate Tribunal vide its order dtd.31-01-2002 in Appeal No.TA478/1996, wherein it was found that the crystals of coir fixed at the bottom of a sheet of PVC compound and which appears like coir mat being used as floor mat made up of coir fibre has to be treated as a coir product for the purpose of exemption from sales tax available for coir products.

4.7. Further, M/s. Coir Board vide its 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. It is also submitted that the impugned product was tested by Regional Laboratory of Textile Committee, Ministry of Textiles, Govt. of India for ascertaining the classification of the product. On testing the impugned product, the textile committee vide its report no.339/2019-20 dtd.30-10-2019 has categorically opined that the product is "coir fibres embedded with poly vinyl chloride based polymer glue" and suggested to be classified as

"carpets and other textile floor coverings", which falls under HS heading No.5705. The authority may be pleased to see that, though the test report was placed on record before the original authority at the time of hearing, the same had not found a place in the impugned order. As all the above tests of classification such as essential character test, market / trade parlance test etc. and more so the definition in Chapter note 1 of chapter 57, would suggest that the impugned goods are to be classified as coir mats/matting/floor covering, the authority may be pleased to classify the impugned goods as coir mat / matting / floor covering.

4.8. As per Explanatory note 1 to the General Rules for Interpretation of Customs tariff,

"Wherein column(2) of this schedule, the description of an article or group of articles under the heading is preceded by "--", the said article or group of articles shall be taken to be a sub-classification of the article or group of articles covered by the said heading. Where however, the description of an article or group of articles is preceded by "---", the said article or group of articles shall be taken to be a sub classification of the immediately preceding description of the article or group of articles which has "--", where the description of an article or group of articles is preceded by "---" or "--", the said article or group of articles shall be taken to be a sub classification of the immediately preceding description of the article or group of articles which has "--" or "---".

4.9. It is submitted that heading 5705 is having only a single "--" which is succeeded by five "---" which are "carpets", "durries", "of jute", "carpets carpeting, rugs, mats and mattings" and "other". Since the impugned product is not a carpet or durries or of jute, the same has to be classified under the entry "carpets, carpeting, rugs mats and mattings". Under the said entry since the impugned goods are neither knitted nor of cotton, the same has to be classified under CTE 5705 00 49 as "---other", by applying the above General Explanatory Notes of the General Rules for the Interpretation of the Schedule.

PERSONAL HEARING

5. Sri John Chako Neroth, Director and Sri Balagopal.M, Advocate, authorized representative of the appellant were personally heard by the Appellate authority for Advance ruling at the office of the Chief Commissioner, Customs and Central Tax, TVM Zone, Kochi, on 31/12/2020. The appellant demonstrated the product through a video.

presentation and submitted a compilation of documents relied upon by them in their favour for classification of product under heading 5705. These documents include Minutes of 16th Meeting of GST Council, CBEC clarification dated 20.05.2011 on drawback, Order of Kerala State Tax Appellate Tribunal dated 31.01.2002 in case of M/s Kerala Balers Ltd, Coir Industry Act, Clarification of Coir Board, Textile Committee Test report, HSN Explanatory notes to Chapter 57, heading 5703 and 5705 etc.

The representatives submitted that coir is textile material in terms of chapter note 1 to chapter 57; that manufacturing process is the deciding factor for classification of products; that AAR has given contradictory findings at para 7(i) and 7(ii); and that 57039020 is the most appropriate heading attracting levy of GST @5% only.

DISCUSSION & FINDINGS

6. We have carefully gone through the facts of the case, the relevant Advance Ruling passed by the Advance Ruling authority of Kerala state, the appeal memorandum and the grounds of appeal filed by the appellant before this authority and those including video presentation made/submitted during the course of personal hearing, and other evidences on record. The issue for determination before this authority is listed as follows:-

a. 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?

b. 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"?

c. 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?

7. Before we examine the issues on merit, it is noticed that the appellant has filed the instant appeal with delay of about 18 days from the due date as the Advance Ruling order was communicated to the Appellant on 20.05.2020 and the last date for filing of appeal was 19.06.2020, whereas the same has been filed on 7th July 2020. In terms of proviso to Section

100(2) of CGST/SGST Act, 2017, the Appellate authority may condone the delay upto 30 days if the appellant was prevented by a sufficient cause from presenting the appeal within prescribed period of 30 days. Considering Covid-19 related lockdown during the period and that the appeal has been filed within 30 days from the last date of filing of appeal as prescribed in section 100 (2), we condone the same in terms of proviso to Section 100(2) of the Act and proceed to decide the issues on merit.

8. The issue relates to classification of "Mats, Matting and Floor Covering of Coir backed by PVC, Rubber, Latex etc" manufactured by the appellant. Chapter 57 of the Customs tariff code covers Carpets and other textile floor coverings. The rival entries of tariff which are under adjudication before us are 57039090 leviable to GST @12% (as decided by the Advance Ruling authority Kerala) and 57050049 leviable to GST @5% (as claimed by the appellant). Hence, we proceed to decide the appeal considering that the impugned product is appropriately classifiable under chapter 57 of the Tariff in terms of chapter note 1 to Chapter 57 of the tariff. In this regard, the clarification issued by the CBEC drawback division vide letter dated 20.05.2011 is also relevant, wherein it is clarified that the woven coir carpet whether or not backed by vinyl/latex/rubber is classifiable under heading 570206 and tufted coir carpet whether or not backed by vinyl/latex/rubber is classifiable under heading 570399.

9. Before we proceed to examine the issue on merit, the description of goods covered under the said two rival entries viz. 5703 and 5705 are reproduced below for easy reference:

5703	Carpets and other Textile floor coverings, tufted, whether or not made up	
5703 10	- Of wool or fine animal hair:	
5703 10 10	--- Carpets	m ²
5703 10 20	--- Mats and matting	m ²
5703 10 90	--- Other	m ²
5703 20	- Of nylon or other polyamides:	
5703 20 10	--- Carpets, carpeting and rugs	m ²
5703 20 20	--- 100% Polyamide tufted velour, cut pile or loop pile carpet mats with jute, rubber latex or PU foam backing	m ²

5703 20 90	--- Other	m ²
5703 30	- <i>Of other man-made textile materials:</i>	
5703 30 10	--- Carpets, carpeting and rugs	m ²
5703 30 20	--- 100% Polypropylene carpet mats with jute, rubber, latex or PU foam backing	m ²
5703 30 90	--- other	m ²
5703 90	- <i>Of other textile materials:</i>	
5703 90 10	--- Carpets and other floor coverings, of cotton, other than durries	m ²
5703 90 20	--- Carpets and floor coverings of coir	m ²
5703 90 90	--- Other	m ²

5705	OTHER CARPETS AND OTHER TEXTILE FLOOR COVERINGS, WHETHER OR NOT MADE UP	
5705 00	- Other carpets and other textile floor coverings, whether or not made up:	
	--- <i>Carpets :</i>	
5705 00 11	--- Of silk	m ²
5705 00 19	--- Other	m ²
	--- <i>Durries :</i>	
5705 00 21	--- Durries cotton	m ²
5705 00 22	--- Durries of man-made fibres	m ²
5705 00 23	--- Durries of wool	m ²
5705 00 24	--- Cotton Durries of handloom (including Chindi Durries, Cotton Chenille Durries, Rag Rug Durrie, Printed Durries, Druggets)	m ²
5705 00 29	--- Other	m ²
	--- <i>Of jute :</i>	
5705 00 31	--- Of blended jute	m ²
5705 00 32	--- Of coir jute	m ²
5705 00 39	--- Other	m ²
	--- <i>Carpets, carpeting, rugs, mats and matings:</i>	
5705 00 41	--- knitted	m ²
5705 00 42	--- Mats and matings including Bath Mats, where cotton predominates by weight, of Handloom, Cotton Rugs of Handloom	m ²
5705 00 49	--- Other	m ²
5705 00 90	--- Other	m ²

10. The appellant has claimed that their products are covered under Sl. no: 219 of the Ist Schedule to Notification no: 1/2017-CT (rate) dated 28/6/2017 which covers "Coir mats, mattings, floor covering and handloom durries" falling under headings 5702, 5703, 5705, leviable to GST @ 5%. Whereas, the Advance Ruling authority has held that the impugned products are covered under Sl. No. 144 of the IInd Schedule to Notification No. 1/2017-CT (rate) dated 28/6/2017 which covers "carpets and other textile floor coverings, tufted, whether or not made up....." falling under heading 5703, leviable to GST @12%.

11. Having reproduced the rival entries of Tariff and the entries of the applicable notification prescribing rate of GST, we shall now examine the claim of the appellant for classification of goods under HSN 5705. It is established that to avoid any classification disputes under GST, the Customs Tariff along with Harmonized system of Nomenclature (HSN) has been adopted for appropriate classification of any commodity under GST. Notification No. 1/2017 - Central Tax (rate) specifically provides that -

"Explanation - For the purposes of this Schedule -

(iii) "Tariff item", "sub-heading", "heading" and "Chapter" shall mean respectively a tariff item, sub-heading, heading and chapter as specified in the First Schedule to the Customs Tariff Act, 1975.

(iv) The rules for the interpretation of the First Schedule to the Custom 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."

Thus, for the purpose of GST, Classification of goods under any tariff item/ sub-heading / heading/ chapter shall be done using the General rules of interpretation of the First Schedule of the Customs Tariff Act, 1975 including the Section and Chapter Notes and the General Explanatory Notes to the HSN of the First Schedule of the CTA, 1975. **Rule 1** of the General Rules of interpretation of tariff states that the titles of sections, chapters and sub-chapters are provided for ease of reference for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the provisions of Rule 2 and Rule 3.

12. In view of above legal provisions, it is to be examined that under which HSN the impugned product is appropriately classifiable for deciding the rate of GST applicable to it. Schedule II to the Notification no: 1/2017 dated 28/6/2017 specifies the products with SL no: 142 to 146 leviable to GST @12 % as follows:-

S.No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
142	5701	Carpets and other textile floor coverings, knotted, whether or not made up
143	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
144	5703	Carpets and other textile floor coverings, tufted, whether or not made up
145	5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up
146	5705	Other carpets and other textile floor coverings, whether or not made up; such as Mats and mattings including Bath Mats, where cotton predominates by weight, of Handloom, Cotton Rugs of handloom except the items covered in 219 in Schedule I,

Sl No. 219 of Schedule I of the said notification covers Coir mats, matting, floor covering and handloom durries falling under headings 5702, 5703, or 5705.

13. Accordingly, as per above description HSN 5701 classifies Carpets and other textile floor coverings, knotted, whether or not made up; HSN 5702 covers woven but non-tufted or non-flocked mats only; HSN 5704 provides for Carpets and other textile floor coverings, of felt, not tufted or flocked; and HSN 5705 covers other carpets or mats or rugs mainly made of cotton on handloom etc as detailed above. Hence, it is evident from the tariff entries of chapter 57 as well as the entries of the notification that the classification and rate of tax is predominantly based upon the process of manufacture of the impugned product. For example, if it is manufactured by knotting process, it gets covered under heading 5701, if by weaving process, it gets covered under heading 5702, carpets manufactured by tufting process gets classified under heading 5703, felt process yields goods of heading 5704 and any other process not covered in these 4 headings will yield products classifiable under heading 5705.

14. We would first decide the classification of the product, which is based upon the manufacturing process employed by the appellant in this case. The two rival entries of the tariff more particularly, are distinguished by the fact whether the process of tufting is involved in the case or not. There is no dispute that the manufacturing process as detailed in paragraph 4.2 (supra) of this order was applied by the appellant. There is also no dispute that the coir mats or floor covering under examination is not only made up of coir but is admittedly backed by PVC or rubber or latex. Hence, the impugned product being backed by PVC etc cannot be treated as simple "coir mats, matting, floor covering" as covered under heading 5705 as claimed by the appellant.

15. The process of manufacture indicates that the impugned product is manufactured by using sophisticated machines, mainly tufting machine as revealed from the video presentation made by the appellant during the course of personal hearing. However, the main contention of the appellant is that no tufting process is applied in this case. We find that the term tufting is not defined anywhere in the Customs tariff. In order to find out that whether the process of manufacture explained by the appellant comes under tufting or a process other than those processes mentioned in headings 5701 to 5704, meaning of the word 'Tufting' is to be looked into.

16. The HSN explanatory note to chapter heading 5703 provides that this heading covers tufted carpets or floor coverings produced on tufting machine 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 or rubber or plastics. Usually before the coating is allowed to dry, it is either covered by a secondary backing of loosely woven textile material, e.g., Jute, or by formed rubber. It is further explained that the heading also covers tufted carpets and floor coverings made using a tufting gun or made by hand.

17. The appellant has contended that there are no needles or hooks used in the manufacture of the impugned product and also the yarn 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. We find that the appellant is ignoring other contents of the said explanatory notes viz. the said product could be manufactured by using tufting gun or made by hand also, and it is not necessary that needles and

Board etc. It is noticed that the Lab test report of the Textiles committee only specifies about the identification of fibre as Pile of coir and backing with Rubber based polymer. The Lab has not considered the process of manufacture while giving their opinion and therefore its of no help to the appellant. Further, the Coir Board certificate submitted by the appellant is relating to some other manufacturer. Moreover, it does not help the case of the appellant in as much as it does not give any clarification on classification with reference to Customs tariff or GST tariff.

As per the details available in the official website of the Coir board, Coir mats can be made on handlooms, power looms or frames with or without brush. Coir mats are made up of 100% natural fibres. The manufacturing of PVC tufted coir mats/ matting/floor coverings is done using technologically advanced machine. The raw materials used for the manufacture of the impugned product are Coir yarn, Vinyl PVC compound which is prepared by mixing PVC resin, plasticizer, along with stabilizer, filler, dessicant, dye, 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 simple coir mats and mattings as contended by the appellant.

19. In view of above, we come to conclusion that the Impugned product is classifiable under heading 5703 9090 as tufted PVC backed coir carpet/mats.

20. Having decided the classification and nature of the product, we will now proceed to decide the applicable rate of GST. It is observed that simple 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 by using coir fibre (and not backed by any plastic or rubber). If any, PVC or rubber or any other materials are backing the textile of coir fibres/yarn by way of tufting process, which is used as floor mats or mattings, it will fall appropriately under Customs Tariff Head 5703 and is liable to GST at the rate of 12% as per SI No. 144 of Schedule II of Notification No.01/2017-CT (Rate) dated 28-06-2017 as amended. We accordingly hold that the impugned product being tufted carpet/mat is leviable to GST @12% as per Sl. No. 144 of Schedule II of the said notification.

21. On the basis of the above discussed law and facts, following orders are issued:

hooks must be used for forming loop. Further, the tuft can be achieved with the help of a cutting device too provided the yarn forming the pile are fixed by coating or backing by PVC or rubber. On close examination of the manufacturing process employed by the appellant, it is observed that Coir yarn of desired runnage and ply is wound as spools. Such spools are loaded on a creel stand and coir yarn from these spools is fed into the tufting machine. The machinery for making coir mats with vinyl (PVC) backing consists of a creel stand loaded with coir yard spools, yarn feeding system, cutting head, a continuous Teflon belt that is progressively heated, cooling area and winding and cutting mechanism. The pre-mixed vinyl compound is pumped onto the moving Teflon belt and spread evenly over the moving Teflon belt using a doctor blade (or roller). Meanwhile, the ends of coir yarn from the creel stand are unwound and fed over rollers to a cutting head station, which is positioned above the continuous Teflon belt having vinyl layer. In the cutting head station, a set of guillotine blades chop the coir yarns into predetermined lengths, which later form the pile of the mat. The chopped coir yarns are at horizontal orientation at time of chopping and they 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 compacter that vertically pushes the short length of cut coir yarns into the PVC compound just enough so that their lower end gets embedded in the PVC layer. In this way, with constant, regulated feed of coir yarn through the cutting head and feeding of vinyl compound on to the moving, continuous layer of uncured vinyl and a substantially continuous series of cut coir yarn pieces (piles) extending up there from. That embryonic mat is then transported over the Teflon belt through progressive heating and cooling areas to cure the vinyl (PVC) compound so as to form a well cured vinyl (PVC) backing with evenly cut coir yarn piles firmly embedded in it in vertical orientation. This forms the finished coir mat with Vinyl (PVC) backing. It may further be sheared to have a more even surface and cut to required size, as needed. From the aforesaid process and the video presentation of the manufacturing process made during hearing, it is revealed that the process of manufacturing of the impugned products can correctly be termed as tufting and the product gets covered under heading 5703 in terms of the HSN explanatory note to heading 5703 as detailed above. Hence, the plea of the appellant that they did not apply process of tufting is without any force and is accordingly rejected.

18. We further find that the appellant has placed heavy reliance on the test report of Textile Committee laboratory and clarifications given by Coir

ORDER No. AAR/12/20 DATED 08-03-2021

1. The impugned goods viz. PVC tufted coir carpet/mat is classified under Tariff Heading 5703 90 90 and is liable to GST at the rate of 12% as per SI No. 144 of Schedule II of Notification No.01/2017-CT (Rate) dated 28-06-2017 as amended.
2. The decision of the Authority of Advance ruling Kerala stands upheld and the appeal of the appellant stands rejected.



Shyam Raj Prasad, IRS
Chief Commissioner,
Central Tax, Central Excise and Customs
Thiruvananthapuram Zone, Kerala



Anand Singh, IAS
Commissioner
State Taxes, Kerala

To,

M/s. ECOWOOD Private Limited,
XVI/329, Vazhicherry
Alappuzha-688001.

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