

AUTHORITY FOR ADVANCE RULING, TAMILNADU
DOOR NO.32, INTEGRATED COMMERCIAL TAXES OFFICE COMPLEX
5TH FLOOR, ROOM NO. 503, ELEPHANT GATE BRIDGE ROAD,
CHENNAI -600 003.

PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE
GOODS AND SERVICES TAX ACT, 2017.

Members present are:

1. Ms. Manasa Gangotri Kata, I.R.S., Additional Commissioner/Member,
Office of the Commissioner of GST & Central Excise, Chennai -34

2. Thiru Kurinji Selvaan V.S., M.Sc., (Agri.), M.B.A.,
Joint Commissioner (ST) / Member,
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-6.

ORDER No. 24 /ARA/2020 Dated 04.05.2020

GSTIN Number, if any / User id	33AABCM9451F1ZL
Legal Name of Applicant	M/s Macro Media Digital Imaging Private Limited
Trade Name of the Applicant	M/s Macro Media Digital Imaging Private Limited
Registered Address / Address provided while obtaining user id	10A, Kumaraswamy Street, Lakshmiipuram, Chrompet, Kanchipuram, Tamilnadu-600044
Details of Application	Form GST ARA - 001 Application Sl.No.47 Dated 18.11.2019
Concerned Officer	State: Centre: Chennai Outer ; Division: Pallavaram
Nature of activity(s) (proposed / present) in respect of which advance ruling sought for	
A Category	Manufacturing
B Description (in brief)	The applicant is engaged in printing of trade advertisement material for which required raw materials such as poly vinyl, flex, paper, cloth printing inks etc. are being procured by the applicant. The activity of printing is based on specification provided by the clients in terms of design, size, material specification, etc
Issue/s on which advance ruling required	1. Determination of classification of goods or services

Question(s) on which advance ruling is required	<p>1. Whether the transaction of printing of content provided by the customer, on poly vinyl chloride banners and supply of such printed trade advertisement material is supply of goods.?</p> <p>2. What is the classification of such trade advertisement material if the transaction is a supply of goods?</p> <p>3. What is the classification and applicable rate of Central Goods and Services Tax on the supply of such trade advertisement material if the transaction is that of supply of services?</p>
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Note: Any appeal against the Advance Ruling order shall be filed before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.

At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the Central Goods and Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.

M/s Macro Media Digital Imaging Private Limited, 10A, Kumaraswamy Street, Lakshmipuram, Chrompet, Kanchipuram, Tamilnadu-600044 (hereinafter referred to as 'Applicant') is registered under the GST Vide GSTIN 33AABCM9451F1ZL. The applicant has various regional offices located at Chennai, Noida, Vishakhapatnam, Vijayawada, Mumbai, Bangalore, Kochi, Kolkata. They are engaged in printing of billboards, Building Wraps, Fleet Graphics, Window Graphics, Trade Show Graphics, Office Branding; In-store Branding; Banners; Free Standing Display Units and Signage Graphics (hereinafter referred as trade advertisement material). They have sought Advance Ruling on the following questions:

1. Whether the transaction of printing of content provided by the customer, on poly vinyl chloride 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 a supply of goods?
3. What is the classification and applicable rate of Central Goods and Services Tax on the supply of such trade advertisement material if the transaction is that of supply of services?

The Applicant has submitted the copy of application in Form GST ARA - 01 and also submitted a copy of Challan evidencing payment of application fees of Rs. 5,000/- each under sub-rule (1) of Rule 104 of CGST rules 2017 and SGST Rules 2017.

2.1 The applicant has stated that printing of trade advertisements is carried out on Poly Vinyl Chloride (PVC) material. The various types of PVC material on which printing is carried out by the applicant along with the classification are listed as under:

Sl.No	PVC Material Name	HSN Classification
1	Vinyl(Self Adhesive)	3919 90 50/3919 90 90
2	Back Lit Flex	3921 90 26
3	Blockout Flex	3921 90 26
4	Foam Board	3920 61 90

The applicant has stated that the customers desirous of getting images/written text/trade monograms printed from the applicant place a purchase order on them. The said purchase order spells out the type and specifications of the material on which trade advertisement (provided by customer) is to be printed. The scope of work of the applicant on any purchase order placed by the customer is as under:

- a. To procure the PVC material (blank) from an independent supplier in terms of the purchase order placed by the customer
- b. The data of image/text/trade monograms to be printed on the PVC material is received by the applicant from the customer, via mode of pen drive/CD/Cartridge. The image/Text/trade monogram in the said CD/pen drive/cartridge is later loaded into computer controlled digital image printer, which prints the images on the PVC material. In cases where desired size of the trade advertisement is more than the size of PVC material that can be accommodated in the image printer, the applicant prints the images/written text in patches and later joins the said patches to make the full trade advertisement.

c. Supply of such printed trade advertisement to the shipping address mentioned in the purchase order.

2.2 The applicant has stated that the designing and graphics for the advertisements are provided by the customers and the applicant merely sources the desired PVC material (blank) from independent supplier and undertakes the activity of printing on the material. Further, they have stated that the billing format raised by them on the customers is such that in the description field they specify charges on two accounts i.e. 'printing' and 'supply', wherein the former represents the service activity of printing carried out by the applicant and latter represents the physical supply of printed trade advertisements on the PVC material.

2.3 The applicant has stated that in the Pre-GST regime, under the erstwhile VAT regime they were paying VAT on the transaction of printing and supply of the trade advertisements. They have also stated that different states had different nature of transaction which varied from 'pure sale' transaction to a transaction of 'works contract'. The applicant has stated that they have paid applicable VAT to respective State Government Exchequer. However, in states where the subject transaction of printing and supply of trade advertisements was considered as 'works contract', the applicant was not charging any service tax, as it is settled position of law that process of printing on PVC material (blank) to make such PVC material in form of advertisement is an activity amounting to 'manufacture'. Further, the applicant has stated that in terms of Central Excise Tariff Act, 1985, the trade advertisements manufactured by the applicant were classifiable under Chapter Heading 4911, under which all products were exempt from payment of duty of excise as the rate of duty in column 4 of Heading 4911 was 'NIL'.

2.4 On their interpretation of applicable Law, the applicant claims that supply of trade advertisement to customers is supply of goods in terms of Section 2(52) of CGST Act 2017. They have stated that, the essential condition to classify anything as 'goods' is that it should be a movable property and Printed trade advertising material, being a movable property, is to be treated as 'goods'. The Applicant has contended that Section 9 of the Act read with Schedule II Sl.No. 1(a) provides that 'any transfer of the title in goods is a supply of goods' and in the case at hand, they are transferring the title in the goods, printed materials and therefore, the instant supply amounts to the supply of goods. The applicant has referred to TRU Circular

No.11/11/2017-GST dated 20.10.2017 issued on taxability of printing contracts wherein vide para 5 it was clarified that printing contracts similar to the instant case, constitute 'supply of goods'. To substantiate their claim further, the applicant has elaborated the transactional matrix between them and the customer, wherein, inter-alia stated that:

- the purchase order placed on them by the customer clearly spell out the PVC material required by the customer, nature of the product (lit or non-lit), Printing material on the PVC material and specifications of the said product
- the fact that the purchase orders mention details about the supply, clearly establishes that the customer intends to purchase whole trade advertisement from the applicant and does not intend to merely get PVC material (blank) printed from them.
- the customer wants to advertise its products and such advertisements can only be done by the complete trade advertisement, which constitutes a single indivisible economic supply.

Hence, the applicant submits that they supply trade advertisement to the customer as a whole. They have submitted that the economic supply of trade advertisements involves multiple supplies, and that such supplies are so interlinked and subsumed in one another that it is not possible to artificially identify the individual supplies in the economic supply of trade advertisements. Further, they have stated that they supply trade advertisement as one economic supply which is essentially a moveable property and eventually goods in terms of Section 2(52) of CGST Act.

2.5 The applicant has stated that their supply of trade advertisement material is composite supply in terms of section 2(30) of CGST Act 2017 as their supply of trade advertisements satisfies the essentials of definition of Composite Supply. Further, to substantiate the above conclusion the applicant has drawn reference to the Advance ruling issued by the Hon'ble Authority in the case of Re: Giriraj Renewables Private Limited, 2018 (9) TMI,1183. The applicant has stated that PVC material and service of printing on PVC material is naturally bundled and is supplied by the applicant in the ordinary course of business. Further, the applicant has referred to Section 2(90) of CGST Act 2017, to clarify that principal supply is part of composite supply which dominates the composite supply and the other part of it is ancillary to the dominant part. The applicant has stated that the question of what constitutes the predominant element of the composite supply, should be

derived from the specific terms and conditions of the contract. In order to support the above conclusion, the applicant has placed reliance on the following judgements.

- The state of Punjab V .M/s Associated Hotels of India Ltd-(1972) 1 SCC 472
- The Assistant Sales Tax Officer and others v. B.C.Kame-(1997)1 SCC 634
- Kone Elevators India Pvt Ltd. Vs. State of Tamilnadu, 2014 (304) ELT 0161 S.C
- State of Gujarat (Commissioner of Sales Tax, Ahmedabad) Vs. M/s Variety Body Builders-(1976) 3 SCC 500

The applicant has stated that the scope of work, as evident from the recipient's purchase orders, has always been supplying the trade advertisement material, which includes both the PVC material and printing. Together they constitute one unified economic supply of trade advertisement. They have also stated that the products supplied by them to the customers in the market are not known as printed flex boards but as trade advertisements. Given this, the applicant states that the sole intention of customer which can be inferred from the terms and conditions of contract is to procure the goods in form trade advertisements and not receiving printed services and that if the customers wanted to avail printing services, the recipient would have purchased the blank PVC material from other sources and provided it to the Applicant for printing. instead, the recipient places an order for the composite supply of the trade advertisement material which establishes that the recipient intends to receive the goods in the form of trade advertisement. Supply of goods, therefore, constitutes the predominant element of the composite supply.

2.6 Further the applicant has stated that as per Section 8 of CGST Act, it is the 'principal supply' which should form basis for determination of tax treatment of the 'composite supply'. In view of their submissions, the applicants claim that in the instant transaction 'principal supply' is that of supply of trade advertisement. They have placed reliance on the judgement of Hon'ble First Tier Tribunal(tax) in the case of Harrier LLC Vs Revenue & Customs, 2011 UKFTT 725 (TC) (10th November 2011). They have also stated that the ratio of the above referred case is squarely applicable to determine the supply of trade advertisement in the instant matter is supply of 'goods' and not 'services'. The applicant has also referred to the ruling

issued by the Hon'ble Authority for Advance Ruling, Hyderabad in Re: M/s KI Hi-Tech Secure Print Ltd 2018(10) TMI 445, wherein the printing on PVC cards was considered as supply of 'goods'. The applicant has further submitted that once any supply has been classified as supply of goods, there rests no purpose to test the said supply again on the basis definition of Services under Section 2(102) of CGST Act.

2.7 In terms of classification of trade advertisement material, the applicant has submitted that the printed trade advertisements are excluded from Chapter 39 of the Customs Tariff Act, 1975 (hereinafter the Tariff Act) by virtue of Section Note 2 to Section VII. The said note specifically provides that if the plastic material is printed with motif, character or pictorial representation which are not merely incidental to the primary use of the goods, the printed plastic material will fall under Chapter 49. The Applicant refers to Chapter Note 5 to Chapter 49, which states that subject to Note 3 to that Chapter, heading 4901 does not cover publications which are essentially devoted to advertising. Such publications are to be classified in heading 4911. Moreover, heading 4911 specifically includes trade advertising material. To support the same, the applicant has also placed reliance on the General Rules of Interpretation provided under the First Schedule of Customs Tariff Act, which lay down various rules pertaining to classification of Goods. The applicant has stated that since heading 4911 specifically provides for 'trade advertising material', thus on application of Rule 1 of GI Rules, it becomes sufficiently clear that printed trade advertisement material provided by them would be classified under Heading 4911. The applicant has referred to the following judicial precedents to substantiate their above claim.

- The Applicant's own ruling given by Hon'ble Authority for Advance Ruling, Hyderabad- reported as 2018(6) TMI 519-Authority for Advance Ruling Hyderabad Telangana
- Forbes and company limited v Commissioner of Central Excise, Mumbai-II- 2018(3) TMI 60-CESTAT Mumbai
- Hon'ble Supreme Court in the case of CCE v Classic Strip Pvt Ltd reported at 2015 (318) ELT 20(SC)
- Hon'ble Tribunal Bangalore in the case of Sri Kumar Agencies Vs Commissioner of Central Excise(A), Bangalore 2016(344) E.L.T 507
- M/s Venus Albums Co. Pvt Ltd v CCE, Chandigarh/Ludhiana/Amritsar 2018(11) TMI 754 - CESTAT Chandigarh

- Holostick India Ltd vs CCE [2015 (318) (11) ELT 529(SC)]
- Godsons Papers Ltd -2015(324) ELT 5(SS)
- Universal Offsets v CCE,Delhi -II-2018(10) G.S.T.L 386(Tri.-Del.)
- Fitrite Pacers-1999(108) ELT 680(Tri.)
- Bharat Metal Decorators-2005(185) ELT 397
- Sai Security Printers Ltd.-2006(199) ELT 121(Tri)
- Indradhanush Print.Pvt.Ltd-2013(292) ELT 81(Tri)

The Applicant has also relied upon the Circular No.1052/1/2017-CX dated 23.2.2017 wherein CBEC clarified that 'paper outer strip seals' having self-adhesive feature will fall under Heading 4911 and not under heading 3919. In view of the aforesaid facts and submissions the applicant has stated that the activities of procuring PVC material, printing of branded advertisement on the said material in terms of design and graphics provided by the customer is an activity constituting a composite supply, principal supply of which is supply of 'goods' and that the correct classification of the trade advertisements supplied by them is Heading 4911 and taxable @12%.

3.1 The applicant was extended an opportunity to be personally heard on 13.12.2019. The authorised representative of the applicant appeared before the authority and gave written submissions. They stated that they procure PVC material, along with other inputs on which they print the designs given by the client. They stated that they will be under the category of supply of goods classification under Heading 4911. They gave various case laws to justify their stand. They stated that they will submit invoices of inputs, details of the material used with a write up of their manufacturing process, output invoices with photos/videos of where the material supplied is being used within 4 weeks' time after which they will be heard again.

3.2 In the written submissions, they have furnished synopsis of the activities of the applicant and their submissions along with the application. They also submitted copies of the relevant statutory provisions, circulars and relied upon case laws including the decision of Advance Ruling Authority of State of Telangana and West Bengal in their own case.

3.3 Further, to the above hearing, the applicant vide their letter dated 09.01.2020 submitted the following documents:

- Write up on business activities and process undertaken by them- wherein it is stated that
 - they are engaged in the business of 'Wide format digital printing' which commences with checking the digital inputs like images and digital designs for printability and terminates on printing the advertisement material in the requisite formats
 - The process which includes receiving ready to print design from customer, pre-press proofing, scheduling, printing, finishing and dispatch of the trade advertisement materials is common for all inputs
 - The Departments under Standard Operation Process are 1. Pre-Press; 2. Print Process;3. Finishing; 4. Inventory; 5. Logistics
 - In the stage of Prepress, Proofing, Proof reading, converting the design into a high-quality print(TIFF) file, generation of Print Order/Job Ticket as per the print order and quality check are undertaken
 - The 'Print process' involves re-checking of job ticket, raising indent for the requisite material with the inventory department and allocation of required machinery time. The printing Procedure involves converting the print ready files into digital print format through the various printing machinery and involves feeding the specifications, importing the final files into printing machine control station, loading the desired Raw material, checking the print quality with the proof approved by the customer and transferring the printed material to the post printing process along with finishing and shipping instructions mentioned in the job order.
 - Finishing activities involve customizing the printed material as per the specific size, design and application requirements of the customers. The common finishing activities is cutting the material to designated size, giving pockets on both ends of the advertisement material for hanging the banners, providing eye-lets for tying-up with rope and pocketing in all sides if the graphic is on a billboard skin
 - The main categories of digital printing applications are primarily in three categories as outdoor applications, indoor applications and signage applications. Within these three categories there are lit, non-lit and back-lit applications but there is not much differentiation in

the printing process. Different materials are used for Frontlet Applications, Backlit applications and Indoor applications

- o The scope of the applicant in all these cases is to get the ready-to-print designs from the customer, check quality of design and printability on the specified sizes and applications like outdoor print, indoor print or signage print and printing the finalized drafts and delivering the same.
- Statement containing the details of major inputs and the corresponding output
- Sample copies of input/output Tax invoices
- Sample Purchase Order of GR Jewellers(PO No. 7600003679 dt. 28.11.2019),Airtel Payments Bank Limited(APBL---Tamil Nadu/PUR/10000414)
- Pictures showing display of trade advertising materials

4.1 The applicant was again heard on 29.01.2020. The authorised representative of the applicant appeared before the authority and gave written submissions and submitted that they are supplying goods which were flex materials on which they print advertising material. They stated that the advertisement content is provided by their customer in digital form. In the event it is to be held as composite supply, they stated that the principal supply is goods as per para 5 of Boards Circular 11/11/2017 dated 30.10.2017 and Circular F.No.332/2/2017 TRU dated December 2017. The central jurisdictional officer gave a written submission stating that the principal supply is supply of services which is printing of advertisement material. The authorised representative stated that they will submit sample copies of communications through which they receive their content and samples of contract in a weeks' time.

4.2 The following were submitted as written submissions:

- List of outputs and their corresponding inputs
- List of major inputs procured(in terms of value and %) for the period April 2019 to December 2019
- Sample Tax invoices
- Order of Appellate Authority of Advance Ruling, West Bengal and Andhra Pradesh in their own case.

4.3 The applicant vide their letter dated 06.02.2020 received on 07.02.2020 submitted sample copies of purchase orders raised by the customers, sample of content received by the applicant for supplying the advertising material and the email communications. They again reiterated that the transaction is a supply of goods.

5. The applicant is under the administrative supervision of Central Tax authorities. The Central Jurisdictional officer vide their letter dated 28.01.2020 submitted that the activity of the applicant falls within the scope of supply of service. They have stated that the transitional matrix as explained by the applicant in the application to AAR clearly reveals that the customer intends to purchase the whole trade advertisement from the applicant in the form of printed PVC material and wants to advertise its products and such advertisement can be done only by the trade advertisement which is squarely covered with in the ambit of 'supply of service' in case the printing content is provided by the customer as per the TRU circular No.11/11/2017-GST dated 20.10.2017. They have stated that the applicant themselves mention that the customer provides the design and graphics and also specifies the material for such advertisements. Thus the bundle of activities including the purchase of PVC(blank) and printing on poly vinyl material with trade monograms of the customers as agreed by the applicant falls within the scope of supply of service in terms of TRU Circular No. 11/11/2017-GST dated 20.10.2017. The said authority has opined that the supply is classifiable under SAC 9989-Other manufacturing services; Publishing, Printing and reproduction services and liable to pay GST@ 18%.

6. We have carefully examined the submissions of the applicant in their application, their oral and written submission during the personal hearing, their further submissions after PH and the comments of the central jurisdictional officer in the instant case. The questions on which advance ruling is sought are as follows:

1. Whether the transaction of printing of content provided by the customer, on poly vinyl chloride 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 a supply of goods?

3. What is the classification and applicable rate of Central Goods and Services Tax on the supply of such trade advertisement material if the transaction is that of supply of services?

7.1 The facts of the case as available before us are that the applicant is engaged in the business of 'Wide format digital printing' of Billboards, Building wraps, Fleet Graphics, Window Graphics, Trade Show Graphics; Office Branding; Instore Branding; Banners; Free Standing Display units and Signage Graphics(hereinafter referred as 'Trade advertisements'). It is stated that the content for such trade advertisements are provided by the customer in the digital format along with the requirements of such trade advertisements.

7.2 The applicant in the write-up on the process undertaken by them has elaborated the process which is common for all the inputs. The process undertaken are

- (1) receipt of ready to print design from the customer;
- (2) Pre-Press proofing which involves proof reading, digital quality check and generation of Print Order/Job ticket;
- (3) Print process which involves raising indent with the inventory department for specified material/inputs, receipt of the same, allocation of machinery time, printing procedure consisting of converting the print ready files into digital print format through various printing machinery, feeding the specifications of the Order, loading the desired materials, checking the print quality and transferring to the post printing process along with finishing and shipping instructions mentioned in the order
- (4) Finishing which involves customizing the printed material as per the specific size, design and application requirements of the customers

It is further stated that the main categories of digital printing applications are in three categories as outdoor applications, indoor application and signage applications with lit, non-lit and back-lit applications. The applicant has stated that different materials are used for these different applications however the printing process does not make much differentiation.

7.3 From the Purchase Orders placed by GRT Jewellers(India) Private Limited and Hi-Style India (P) Ltd and the related e-mail communications furnished by the applicant vide their letter dated 06.02.2020, the following are observed:

- The Artwork files are shared by the customer with the applicant
- The Purchase Order is raised on the applicant. The purchase Order gives the details of the type of Printing and media/material, like Backlit Flex, Foam board with dimensions/ Hoardings with dimensions, material(DD Flux, SD Flex 300 GSM) and the quantity required
- The unit price is based on the per Sq. Feet and accordingly the value is arrived at
- The dispatch instructions (Destination) is also spelt in.

The applicant has furnished sample copies of input Tax invoices to establish the incoming materials on own account and also furnished output Tax Invoice wherein they have described the output as 'Printing and Supply of Trade Advertising material-HSN 4911'

7.4 The applicant has stated that under GST, it is the contention of the applicant that the supply made by them is a naturally bundled composite supply, with supply of goods, 'trade advertisement' being the principal supply and thereby the applicable HSN is 4911 and the applicable rate is @12%. They have relied on the decisions of various legal fora in the earlier tax regime and the ruling of Appellate Authority of Advance Ruling(AAAR) in their own case in the State of West Bengal and that of Authority of Advance Ruling(AAR) Telangana and clarification issued by CBIC on the Printing Contracts. We see that AAAR, West Bengal has held that the 'Supply of Service' is predominant in this composite supply and AAR, Telangana has held the supply as 'Supply of Goods' under HSN 4911.

8.1 Section 2(30) of CGST/TNGST ACT states :

"composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

In the case at hand, the recipient gives the design, text and images that they want to advertise on specific sheets of Poly Vinyl Chloride (PVC) materials such as Vinyl, Flex that the applicant print son and together they are supplied to the recipient. In this case the materials are procured by the applicant independently. The printing process involves proofing of the contents, converting the provided digital content into the correct format etc. After printing, the printed PVC material is made into the

final product such as banners, billboards, standees, foam boards etc. based on the requirement of the customer. This involves adding eyelets, metal rods, ropes etc. to the PVC materials. From the purchase orders and invoices it is seen that the customer, desires to a get a printed banner or billboard etc. with the advertisements that the customer has designed, printed onto the banners, billboard, hoarding materials. Thus, in this case there is a supply of goods of banners, billboard PVC materials etc. and also services of printing. They are naturally bundled together in the course of business and is a composite supply.

8.2 The issue before us for decision is whether the 'Principal Supply' in the said transaction is 'Supply of trade advertisement- goods' or 'Supply of Printing Service' on the desired materials. As per Section 2(90)

"principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply.

The predominant element in a composite supply would be the one for which the recipient is under taking the transaction with the supplier. It would also be the one which changes the nature of the inputs involved sufficiently enough to justify such a transaction. The other supply would only be ancillary to the main supply and even without that ancillary supply, the nature of the inputs involved would change significantly enough for the recipient to undertake the transaction. In the instant case, the Purchase Order is raised for 'Prints' and the media/material in which the output is required are spelt in. The value of the PO is arrived at based on the number of such advertisings required and the value of the unit number is calculated per dimensions. The invoice description is "printing and supply of trade materials", 'Media printings', the business process furnished shows that the primary activity is to make high quality prints with proof reading concentrated to content, color and sharpness in the desired media/ material. The digital content is given by the recipient and they desire to use the final product of printed flex banners/hoardings/billboard/standees to serve as advertisements of their own products or services. The recipient has undertaken this transaction with applicant mainly to get the printing services of the applicant. Without the printing activities, the blank PVC flex cannot be used as advertisement materials by the recipients. Even if the blank PVC material is made into banners/ hoardings/ billboard/ standees etc. by adding eyelets, metal rods etc., the transaction would not be complete as per the purchase order placed on the applicant by the recipient. Only if the digital content provided by the recipient is digitally printed onto the PVC

material would the transaction be complete. Further, in this case, the nature of the inputs, rolls of PVC Flex materials, is changed in the final supply by the process of cutting to required dimensions, digital printing on that and making that printed sheet into banners/hoardings/billboard/standees etc. by adding eyelets, metal rods etc. Therefore, the predominant supply i.e. the principal supply in the composite supply is the services of printing.

8.3 CBIC vide Circular No.11/11/2017-GST dated 20.10.2017, has clarified as to what constitutes the 'Principal supply' in composite supply of printing contracts. The same is reproduced as under, for ease of reference:

Subject: Clarification on taxability of printing contracts

Requests have been received to clarify whether supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc., printed with design, logo, name, address or other contents supplied by the recipient of such supplies, would constitute supply of goods falling under Chapter 48 or 49 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) or supply of services falling under heading 9989 of the scheme of classification of services annexed to notification No. 11/2017-CT(R).

2. In the above context, it is clarified 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.
3. Principal supply has been defined in Section 2(90) of the Central Goods and Services Tax Act as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.
4. In the case of printing of books, pamphlets, brochures, annual reports, and the like, where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, 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 9989 of the scheme of classification of services.
5. In 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 of goods and therefore such supplies would constitute supply of goods falling under respective headings of Chapter 48 or 49 of the Customs Tariff.

From the above clarification, it is evident that 'Supply of service' is the 'Principal Supply', when the content is supplied by the owner of the intangible input for printing and the physical inputs used are that of the printer and 'Supply of goods' is the 'Principal Supply' in cases where the printing of such content is ancillary to supply of goods as in the cases of Para 4. The customer transfers the right to use the intangible inputs (digital images, text etc.) temporarily so that they can be used solely for printing. The applicant does not have the right of usage of such intangible inputs for any purpose nor do they own such inputs. Further, the nature of the physical inputs is not changed with the process of printing as in Para 5 and in that case printing is ancillary supply. In the considered transaction, the supply undertaken by the applicant involves printing of the content which is Art work or in other words, intangible inputs, whose rights are with customer and which are shared with the applicant for printing in the required material/media and supply as advertisement of the customer in the required format. The nature of the physical inputs is transformed with the printing activities and without the printing, the final product cannot be used as a trade material as required by the recipient. Thus the predominant activity is printing the intangible inputs of the customer in the required tangible inputs sourced by the applicant as per Para 4 and going by the clarification above, the principal supply is 'Supply of Service'.

8.4 Explanatory notes to classification of services states:

9989 Other manufacturing services; publishing, printing and reproduction services; materials recovery services

99891 Publishing, printing and reproduction services

This group includes transfer of intangible inputs, rather than physical inputs, when outsourcing (parts or all) of the production process. The units providing the service do not own or retain usage rights to the intangible inputs. This includes publishing of printed matter, software, etc. on a fee or contract basis.

998911 Publishing, on a fee or contract basis

This service code includes publishing, on a fee or contract basis, of printed matter, software etc.

998912 Printing and reproduction services of recorded media, on a fee or contract basis

This service code includes newspaper and book printing services, printing services directly onto plastic, glass, metal, wood or ceramics and other printing services n.e.c.

Therefore, the supply of printing services on plastic in this case PVC materials are classifiable under SAC 998912. The principal supply being the 'Supply of service', the composite supply is also classifiable under SAC 998912 and the applicable rate on such supply is that applicable for such SAC.

9. SAC 9989 covers 'Other Manufacturing Services; Publishing, Printing and reproduction Services; materials recovery services'. The applicable GST rate is @ 18% (CGST + SGST) as per Sl.No.27 of Notification 11/2017 CT(Rate) Dated 28.07.2017 & G.O. (Ms) No. 72 dated 29.06.2017 No. II(2)/CTR/532(d-14)/2017. For ease of reference the relevant entry is given below:

S.No	Chapter, Section or Heading	Description of Service	Rate(Per cent)	Condition
27	9989	Other manufacturing services; publishing, printing and reproduction services; materials recovery services.	9	

The above Notification is amended vide 20/2017-C.T.(Rate) dated 22.08.2017 as under:

(vii) for serial number 27 and the entries relating thereto, the following shall be substituted, namely.-

(1)	(2)	(3)	(4)	(5)
27	Heading 9989	(i) Services by way of printing of newspapers, books (including Braille books), journals and periodicals, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer.	6	-
		(ii) Other manufacturing services; publishing, printing and reproduction services; materials recovery services, other than (i) above.	9	-

The above entry was further amended with Notification No. 31/2017-C.T.(Rate) dated 13.10.2017 and the amended entry at Sl.No. 27 of Notification No. 11/2017-C.T.(Rate) as under:

(i) against serial number 27, for item (i), in columns (3), (4) and (5) and the entries relating thereto in, the following shall be substituted, namely: -

(3)	(4)	(5)
(i) Services by way of printing of all goods falling under Chapter 48 or 49 [including newspapers, books (including Braille books), journals and periodicals] which attract CGST @ 6 per cent. or 2.5 per cent. or Nil, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer.	6	-

10. From the above, it can be seen that for the period upto 13.10.2017, the applicable rate is 9% CGST as per the entry Sl.No. 27/27(ii) above. With effect from 13.10.2017, while entry at 27(ii) is retained as such, entry at 27(i) is amended. Therefore for the period from 13.10.2017, the applicable rate is 6% CGST, in cases of supply of services of printing of goods falling under Chapter 48 or 49 which attracts CGST@6% or 2.5% or Nil when only content is supplied and physical inputs are of the printer and other Printing services attracts CGST @ 9% as per entry 27(ii). In the case at hand, only content is supplied to the applicant and the physical inputs are that of the applicant, hence it is required to correctly classify the printed materials as the GST rate notifications seek to tax differently the printing services based on the classification and applicable rate of such goods on which the printing is done. Under GST, the applicable rates of CGST are notified by Notification No. 01/2017-C.T. (Rate) dated 28.06.2017 and in terms of explanation (iii) and (IV) to the said Notification,

(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 (51 of 1975).

(iv) The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (51 of 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 purposes of classification under GST, the First Schedule to Customs Tariff Act is only applicable. From the list of Inputs used by the applicant, it is seen that the materials used are as follows:

Sl.No	PVC Material Name	HSN Classification
1	Vinyl(Self Adhesive)	3919 90 50/3919 90 90
2	Back Lit Flex	3921 90 26
3	Blockout Flex	3921 90 26
4	Foam Board	3920 61 90

Note 2 to Section VII of Customs Tariff states:

2. Except for the goods of heading 3918 or 3919, plastics, rubber, and articles thereof, printed with motifs, characters or pictorial representations, which are not merely incidental to the primary use of the goods, fall in Chapter 49.

Chapter 49 of Customs Tariff states:

4911 OTHER PRINTED MATTER, INCLUDING PRINTED PICTURES AND PHOTOGRAPHS

4911 10 - Trade advertising material, commercial catalogues and the like:

From the Section note to Section VII of Customs Tariff, it is seen that Foam Board (HSN 3920), Back Lit Flex, Blockout Flex (HSN 3921), after being printed upon will fall under CTH 4911 as trade advertising material. In regard to Vinyl (Self Adhesive) (HSN 3919), we find that, the Apex Court in the case of Holostick India Ltd vs CCE [2015 (318) (11) ELT 529(SC)], has examined as to when the self-Adhesive materials will be classified under Chapter 39 and when the same will be considered as Printed Material to be classifiable under Chapter 49. The relevant portion is extracted as under:

16. The real question, therefore, in this appeal is the application of Note No. 2 to Entry 49, which reads as follows: -

"Except for the goods of Heading No. 39.18 or 39.19, plastics, rubber and articles thereof, printed with motifs, characters of pictorial representations, which are not merely incidental to the primary use of the goods, fall in Chapter 49."

17. It is clear therefore, that the question resolves itself into whether printing is only incidental to the primary use of the goods or is something more than something merely incidental. We have already referred to the process hereinabove and the final product which emerges is a product which is used for security purposes. It is important to remember therefore, that the primary use of the product is security and not the quality of being adhesive. Here again, a simple example will suffice. Take an adhesive tape with a monogram printed upon it. The primary use of such tape is by virtue of its adhesiveness to bind and package containers in which goods are to be stored and transported. Obviously, in such an example, the printed monogram of such adhesive tape would be incidental to the primary use of the said goods - the adhesive tape. By way of contrast, in the present case, the factor of adhesiveness is incidental to the primary use to which the goods are put, namely, that they are to be used for security purposes. Also, the HSN Explanatory Notes are relevant, which according to the judgment of this Court reported in 'Collector of Central Excise, Shillong v. Wood Craft Products Ltd.' [1995 (77) E.L.T. 23 (S.C.)] in para 12 are a safe guide in case of doubt :-

It is significant, as expressly stated, in the Statement of "12. Objects and Reasons, that the Central Excise Tariffs are based on the HSN and the internationally accepted nomenclature was taken into account to "reduce disputes on account of tariff classification". Accordingly, for resolving any dispute relating to tariff classification, a safe guide is the internationally accepted nomenclature

emerging from the HSN. This being the expressly acknowledged basis of the structure of Central Excise Tariff in the Act and the tariff classification made therein, in case of any doubt the HSN is a safe guide for ascertaining the true meaning of any expression used in the Act. The ISI Glossary of Terms has a different purpose and, therefore, the specific purpose of tariff classification for which the internationally accepted nomenclature in HSN has been adopted, for enacting the Central Excise Tariff Act, 1985, must be preferred, in case of any difference between the meaning of the expression given in the HSN and the meaning of that term given in the Glossary of Terms of the ISI."

18. When one goes to the HSN Explanatory Notes to 'other printed matter', Item No. 10 which has already been referred to hereinabove states that 'self-adhesive printed stickers designed to be used, for example, for publicity, advertising or mere decoration, e.g. "comic stickers" and "window stickers" would be included.

19. It also goes on to say that goods of Entry 39.19 (inter alia) because they are merely incidental to the primary use of the products, would not be so included. This test again provides a useful application of what is includable and what is left out by applying the "primary" and "incidental" test outlined in Note 2 above. Obviously, a comic sticker would have as its primary use the "comic part", the adhesive or sticker part being only incidental to its primary use. Similarly, in the facts of the present case, a security hologram sticker would have as its primary part, the security hologram, the sticker part or adhesive part only being incidental to the primary use of the said goods.

Applying the above ratio to the case at hand, it is evident that the primary part is the printed matter on Vinyl (Self Adhesive) when they serve as advertisement materials, the adhesive part is incidental to the primary use of the said goods and therefore in this case the outputs are classifiable under HSN 4911 as 'Trade Advertisements'. Further, the rate of tax applicable on such Trade Advertisements is provided under entry No. 132 of Schedule -II of Notification No. 01/2017-C.T.(Rate) dated 28.06.2017, i.e. 6% CGST. Thus, in the case at hand, the goods on which the applicant provides the printing activities 'Trade advertisements' are classifiable under Chapter 49 attracting CGST @ 6%. In the case at hand, the supply of printing services on PVC materials (goods classifiable under CTH 4911) are classifiable under SAC 998912. Therefore the applicable rate of CGST for the period effective from 13.10.2017 on the supply of services of Printing is covered under entry No. 27(i) of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended.

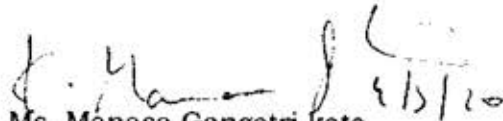
11. To sum up, it is evident that the supply of printing services by the applicant are classifiable under SAC 998912. The applicable rates are CGST @ 9% and SGST @ 9% from 01.07.2017 to 22.08.2017 and 22.08.2017 to 13.10.2017 vide entry at Sl.No. 27 & 27(ii) respectively and effective from 13.10.2017, the

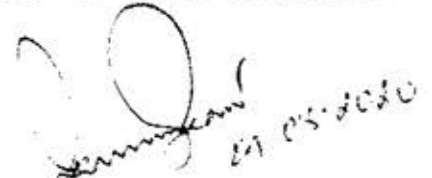
applicable tax rate is CGST @ 6% and SGST @ 6% as per the substituted entry at Sl.No. 27 (i).

12. In light of the above, we rule as under:

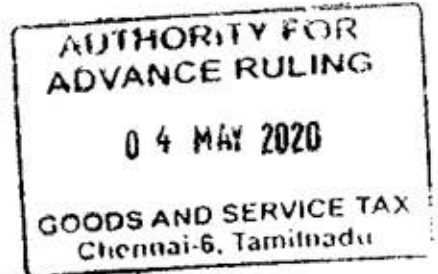
RULING

1. The printing of content provided by the recipient on the PVC materials of the applicant and supply of printed trade advertising material to the recipient is a composite supply, and 'Supply of service of printing' is the principal supply.
2. The classification of the service is SAC 998912 and the applicable tax rate is 9% CGST + 9% SGST as per Sl.No.27/27(ii) of Notification No. 11/2017 CT(Rate) Dated 28.06.2017 & G.O. (Ms) No. 72 dated 29.06.2017 No.II(2)/CTR/532(d-14)/2017 for the period from 01.07.2017 to 13.10.2017 and thereupon the applicable rate is 6% CGST & 6% SGST as per Sl.No. 27(i) of Notification No. 11/2017-C.T.(Rate) dated 28.06.2017 as amended & G.O. (Ms) No. 72 dated 29.06.2017 No.II(2)/CTR/532(d-14)/2017 as amended


Ms. Manasa Gangotri kata
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Shri Kurinji Selvaan V.S.,
Member, SGST

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