

GIB/KN/Deputy Conservator/26-08-2019/AAR-271**Advance Ruling Category :** HSN**State :** Karnataka**Order No.:** GIB/KN/Deputy Conservator/26-08-2019/AAR-271**Name of Entry :**

Deputy Conservator of Forests

Date : 26-08-2019**Breif Issue :****Fact & Issue of the Case:**

a) Is it legally correct to infer that the service of “logging” and its components described before do not attract any SGST under the CGST Act, 2017? If not, what is the correct position by law?

b) In case the trees have grown from “plants” not planted by the Karnataka Forest Department, but that which grew by natural regeneration but were nurtured, managed and protected by the Karnataka Forest Department, does the same nil rate of SGST and CGST apply to them too? If not, what would be the rate?

c) In case of sale of forest produce or any other goods belonging to Karnataka Forest Department, where the buyer is registered or is based in and transports the goods to outside the State of Karnataka, what should be charged under the CGST Act, 2017, (A) SGST and CGST, or (B) IGST?

d) In case of sale of forest produce or any other goods belonging to Karnataka Forest Department, where the buyer is registered or is based outside the State of Karnataka, but uses the goods within the State of Karnataka, what should be charged under the CGST Act, 2017? (A) SGST and CGST, or (B) IGST?

The task of harvest of these trees which grew from “plants” planted by the department is at times given to Government Corporation / Corporations. These Corporations – Fell the trees that grew from the “plants” – Labour work Convert them, into timber, firewood, poles, etc so that they become marketable for the primary market – Labour work.

The applicant states that Karnataka Forest Department, under its sovereign functions, raises “plants” of tree species, plants them in forest, waste & common lands. Over time, with the nurturing and management of the department, these plants grow up to become trees when they are harvested to yield timber, poles, billets, firewood, pulpwood, etc.

The applicant submitted that all of these, and some activities related to it (like clearing the roads, fire prevention, etc.) together are termed as an item of work called “logging”. The question arises is that,

for this service of “logging” done by the Corporation and received by the Forest Department, what is the GST payable?

The applicant reasons that “Logging” is a forestry operation. The only serial number of Notification No. 11/2017 – Central tax (Rate) dated 28-06-2017 and amendments upto 14-11-2017 where the “forestry” occurs is in serial no. 24, Heading 9986

With the definition and contents of “logging” operation explained as above, and trees being “grown up plants” and since the term “plant” is not defined in the Central Goods and Services Tax Act, 2017 and in the Acts mentioned in section 2(120) of the said Act therein, the scientifically correct meaning of the said term (All living beings in this world, irrespective of the shape or size that they may have, are either “plant” or “animal”. Since trees are living but not animals, they are plants) needs to be taken.

Regarding the other issues, the applicant submits that the Karnataka Forest Department disposes by e-auction and e-tender cum auction methods, timbers of various species both, harvested from forests/ plantations as well as confiscated being involved in forest offences.

Decision of Advance Ruling Authority :

Decision:

The operations of “logging” as described in the application would attract tax under the Goods and Services Tax Acts and it is independent of the trees, whether planted by the Forest Department or which grew out of natural regeneration.

The transaction described in the application in Issue No.2, is an intra-State supply and attracts CGST and SGST and is independent of where the goods are taken by the recipient after the supply is completed.

Further Decision AAAR found on [GIB/KN/Deputy Conservator/03.03.2020/AAAR-33](#)