



**BEFORE THE AUTHORITY FOR ADVANCE RULING - ANDHRA PRADESH**

**Goods and Service Tax**

D.No.12-468-4, Adjacent to NH-16 Service Road, Kunchanapalli, Guntur-522501

**Present**

1. Sri. K. Ravi Sankar, Commissioner of State Tax (Member)
2. Sri. B. Lakshmi Narayana, IRS, Additional Commissioner of Central Tax (Member)

**AAR No.06/AP/GST/2025 dated: 28.07.2025**

1	Name and address of the applicant	M/s V K Industries
2	GSTIN	37AADFV4507E1ZB
3	Date of filing of Form GST ARA-01	05-05-2025
4	Personal Hearing	17-06-2025
5	Represented by	D Hanumantha Reddy,
6	Jurisdictional Authority – State	Adoni Circle, Kurnool Division
7	Clause(s) of section 97(2) of CGST/SGST Act, 2017 under which the question(s) raised	a) Classification of any goods or services or both; b) Applicability of a notification issued under the provisions of the act; e) Determination of the liability to pay tax on any goods or services or both

**ORDER**

**(Under sub-section (4) of Section 98 of Central Goods and Services Tax Act, 2017 and sub-section (4) of Section 98 of Andhra Pradesh Goods and Services Tax Act, 2017)**

1. M/s V K Industries, D:No 17/136-7, ALUR ROAD, ADONI, Kurnool, Andhra Pradesh, 518301, (GSTIN No. 37AADFV4507E1ZB) (hereinafter referred to as applicant) has filed an application in FORM GST ARA-01 under Section 97(1) of the Central Goods & Services Tax Act, 2017 and AP Goods & Services Tax Act, 2017 (hereinafter referred to CGST Act and APGST Act respectively).

2. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and APGST Act, 2017 are in parimateria and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act, 2017 would also mean reference to the corresponding similar provisions in the APGST Act, 2017.
3. It is observed that the queries raised by the applicant fall within the ambit of Section 97 of the GST ACT. The Applicant enclosed copies of challans as proof of payment of Rs. 5,000/- for SGST and Rs. 5,000/- for CGST towards the fee for Advance Ruling. The Applicant has declared that the questions raised in the application have neither been decided by nor are pending before any authority under any provisions of the GST Act

#### **4. Brief Facts of the case:**

M/s V K Industries, has been engaged in the processing of cotton seeds (HSN Code: 12072100) sourced from cotton ginning plants. The company employs a multi-stage processing approach, beginning with mechanical cleaning in 2-3 stages to eliminate dust, debris, and other impurities. Subsequently, the cleaned seeds undergo delinting to remove short fibers (lint) (HSN Code: 14042000), followed by dehulling to separate the outer hulls from the inner kernel (HSN Code: 23061090). The dehulled kernels are then subjected to mechanical pressing in expellers to extract crude oil, resulting in decorticated cotton seed oil cake (expeller variety) (HSN Code: 23061010) and raw cotton seed oil (expeller extracted) (HSN Code: 15122990). Further processing involves the use of food-grade hexane to extract residual oil. After expeller-pressing and decortication, the cake is crushed and conditioned to optimal moisture. It is then subjected to solvent extraction using food-grade hexane, which dissolves the remaining oil to form a miscella. The oil-hexane mixture is separated from the solids and distilled to recover hexane while yielding crude solvent-extracted oil. Simultaneously, the defatted meal is fed into a desolventizer-toaster where steam heats and evaporates residual solvent, producing safe and dry meal ready for cooling and handling. The finished products include de-oiled cotton seed cake (HSN Code:

23061020) and raw cotton seed oil (HSN Code: 15122990), both subject to a 5% GST rate. The by-product, oil sludge or residue, is disposed of as soap oil, attracting an 18% GST rate. The company produces various finished goods, including cotton linters, cotton seed hulls, cotton de-oiled cake, and cotton seed oil, which find applications in industries such as textiles, animal feed, and edible oils.

## **5. Statement of relevant facts having a bearing on the question(s) raised.**

### **Proposed New Product: Cotton Seed Cattle Feed**

1. **Product Name:** Cotton Seed Cattle Feed
2. **Nature of Product:** Ready-to-use feed formulated specifically for cattle consumption.
3. **Raw Materials Used:**
  - i. Decorticated Cotton Seed Oil Cake – Expeller Variety (HSN Code: 23061010 – Exempt)
  - ii. Decorticated Cotton Seed De-Oiled Cake – Solvent Extracted Variety (HSN Code: 23061020 – GST Rate: 5%)
4. **Manufacturing Process:**
  - The Decorticated Cotton Seed Oil Cake – Expeller Variety and Decorticated Cotton Seed De-Oiled Cake – Solvent Extracted Variety are combined in equal proportion (50:50 by weight).
  - The mixture is ground to a uniform size of approximately 8 mm.
  - It is then thoroughly mixed in specialized mixing equipment to ensure homogeneity.
  - The final blended material is bagged and stored as finished cattle feed.
  - The product has a right blend of oil content, fibre and protein.
5. **End Use and Safety Consideration:**
  - This product is exclusively designed for cattle feed only.
  - The reason being that a toxic compound by name 'Gossypol' is present in cotton seed and its products. Only cattle have tolerance limits for detoxifying the gossypol content in cotton seed product.
  - The presence of Gossypol makes it unfit for use in Aqua and Poultry feed.
  - Poultry and aquatic animals lack this tolerance. Hence, the product is not suitable for poultry or aquaculture use unless the gossypol is removed through a de-gossypolisation process.

## **6. Questions raised before the authority:**

The applicant sought advance ruling on the following:

1. Whether the proposed new product can be classified under chapter 23 of HSN Code 23099010?

2. Whether the supply of proposed new product is covered by exemption under serial no 102 of Central Tax Rate Notification no.02/2017 dated: 28-06-2017
3. If it not covered by exemption as above, what is the rate of tax on supply of the proposed New Product and which HSN Code the said product is covered?

On Verification of basic information of the applicant, it is observed that the applicant is under State jurisdiction i.e, Adoni Circle, Kurnool Division. Accordingly, the application has been forwarded to the jurisdictional officer and a copy marked to the Central Tax authorities to offer their remarks as per Sec. 98(1) of CGST /APGST Act 2017.

In response, remarks are received from the State jurisdictional officer concerned through mail dated 23-05-2025 stating that no proceedings lying pending with the issue, for which the advance ruling sought by the applicant.

## **7. Applicant's Interpretation of Law :**

In our considered opinion, the proposed new product, Cotton Seed Cattle Feed, which is a uniform blend of Cotton Seed Oil Cake (HSN Code: 23061010) and Cotton De-oiled Cake (HSN Code: 23061020), is exclusively intended for consumption by cattle.

The key factor necessitating its restricted usage as a cattle feed is the presence of Gossypol, a naturally occurring toxic compound in cotton seed and its derivatives. Gossypol is known to be toxic to non-ruminant animals such as poultry and aquatic species. However, cattle possess a natural physiological ability to detoxify this compound. Therefore, this product is not suitable for use as poultry or aquaculture feed and is strictly limited to cattle feed applications.

## **Relevant HSN Classification:**

As per the HSN Search functionality available on the GST Portal, the description for Chapter 23 is as follows:

**"Residues and waste from the food industries;**

prepared animal fodder" Within this chapter, the technical heading 2309 is described as:

**"Preparations of a kind used in animal feeding"**

Under HSN Code 2309, the following 6-digit sub-classifications are specified:

1. HSN Code 230910 — Dog or Cat Food, put up for retail sale
2. HSN Code 230990 — Other preparations used in animal feeding, including commonly used trade descriptions such as:
  - Cattle Feed
  - Boost Bolus
  - Pashu Aahar

Based on the nature, purpose, and application of our product, the most appropriate classification is HSN Code 23099010 — Cattle Feed.

**Taxability under GST:** As per Notification No. 02/2017 — Central Tax (Rate) dated 28<sup>th</sup> June 2017, items falling under HSN Code 2309, including cattle feed (23099010), are exempt from GST.

**Conclusion:** Considering the composition, specific end use, and the HSN classification framework under GST, it is our view that the proposed product "Cotton Seed Cattle Feed" falls under HSN Code 23099010 and is accordingly eligible for exemption from GST as per the aforementioned notification.

**8. Personal Hearing:**

The proceedings of Personal Hearing was conducted on 17.06.2025, for which the authorized representative, Sri D Hanumantha Reddy, has appeared and reiterated the facts narrated in their application. Further, the AR submitted additional submissions during the personal hearing.

## 9. Additional Submission:

The additional submissions submitted during the personal hearing are extracted hereunder:

### “Overview on Cotton seed and UD Cake

Cotton seeds are used as Animal feed from last 400 or more years.

As the Cotton Oil prices went up, cotton seeds are directly used in Oil Expellers (earlier referred to as Ghanis) to obtain cotton oil and Un-decorticated Cotton Oil cake (UD Cake).

Cotton seed composition	
Seeds meat	About 49-50 %
Hulls + Linters	About 49-50 %
Impurities	About 1.5- 2 %

As UD Cake is obtained directly from Cotton seeds, it has the entire Cotton seed hulls and linter content along with impurities in the cotton seed. UD Cake has protein of 18-20% and an Oil content of 7-10 %.

### Process followed at V K Industries:

V K Industries stated that they follow scientific processing of Cotton Seeds. 3 stage cleaning of ginned seed Delinting → Dehulling or Decortication → Expelling

In their process, Cotton seed is subjected to 3 stage cleaning where 99% of dust, crop leaves, sand and stone, metals and any other contaminants are removed before we proceed with further processing.

Machinery used in three stage cleaning: Rotary ball and sand cleaner, Seed Cleaner with Air Cascade and Seed Cleaner.

Impurities separated by using above cleaning System

The process in the next stage, for every 100 kg of cotton seeds processed, about 30 kg of Cotton seed hulls and linter are removed and the left-over Cotton seed hulls and linter along with cotton seed meat is crushed in expellers to obtain Decorticated Cotton seed oil cake. That is the reason the Decorticated Cotton seed oil cake obtained in our process has 30%-34% protein, oil content 8%-10%.

In addition to the above, due to cleaning of cotton seeds before processing, our Decorticated cotton seed oil cake has almost no impurities/contaminants.

Input Ginned Seed, Cleaned Cotton Seed

### Cost Comparison:

Item	Cost/Kg in Rs *	Protein %	Oil %
UD Cake	34	18-20	7 to10
Decorticated Cotton seed oil cake	40 **	30-34	10 to 12
Cotton seed de-oiled meal (DOC)	30 **	37-38	0.8-1.2
Cotton seed de-oiled meal (DOC)+50%+Decorticated Cotton seed oil cake 50% *	35 **	33-36	6 to 7

\* Rates prevailing as on 02 April 2025, Ex-factory basis. Rates are subject to change on daily basis.

\*\* If the order quantity is above 17 tons we will pay the lorry freight.

\* The combination of these products (Cotton seed de-oiled meal (DOC) 50%+Decorticated Cotton seed oil cake 50%) provides nearly double the protein available at a price close to the same price as UD cake.

## All deliveries are made against payment only.

### Names of Reputed Third party laboratories (for testing of Oil and Protein):

1. ITALAB PRIVATE LIMITED INDUSTRIAL TESTING & ANALYTICAL LABORATORIES  
REGD. OFF: MEHER HOUSE, 6TH FLOOR, 15 CAWASJI PATEL STREET, FORT, MUMBAI - 400 001. TEL: 022-4333 3888, 022-4936 9988 E-MAIL: inquiry@italabs.in / WEB: [www.italabs.in](http://www.italabs.in) AN ISO 9001:2015 CERTIFIED ORGANISATION WHATSAPP NO: 8898913888
2. R. K. ANALYTICAL LABORATORY G.I.D.C. 2, PLOT. 1114, SABALPUR, JUNAGADH. PH: 0285 2660168, MOBILE NO: 9879002937/ 9429773920 E-MAIL: rklabqc@yahoo.com

The authorized representative also submitted the following information:

1. Photo copies of the processing of cotton and machinery.
2. MSD Veterinary Manual with regard to Gossypol Poisoning in Animal – Toxicology.

3. Copy of Notification No.2/2017- Central Tax (Rate), dated 28.6.2017.

## 10. Discussion and Findings:

We have carefully examined the submissions made by the applicant M/s V K Industries in their application for advance ruling, including additional information furnished during the personal hearing held on 17.06.2025. The authorized representative, Sri D. Hanumantha Reddy, reiterated the core contentions during the hearing and clarified the nature, composition, and end-use of the proposed product referred to as "Cotton Seed Cattle Feed."

The applicant is engaged in the processing of cotton seeds, following a multi-stage process that includes mechanical cleaning, delinting, dehulling, expeller pressing, and solvent extraction. The final products of this process include cotton linters, cotton seed hulls, cotton seed oil (raw), and various forms of cotton seed cakes — including both oil cake and de-oiled cake.

The applicant now proposes to market a new composite product, which is a uniform blend of Cotton Seed Oil Cake (HSN 23061010) and Cotton De-oiled Cake (HSN 23061020). This product is intended exclusively for use as cattle feed.

The core submission of the applicant is that this blended product should be classified under 'HSN Code 23099010', i.e., 'Cattle Feed', and is therefore eligible for GST exemption under Notification No. 02/2017-Central Tax (Rate) dated 28.06.2017, Serial No. 102, mainly contending that the product is specifically formulated and intended for consumption by **cattle only**, owing to the presence of **Gossypol**, a compound toxic to non-ruminant animals such as poultry and aquatic species and therefore the product is **not suitable** for any use other than as cattle feed, due to the toxicological properties of Gossypol; that the cattle possess a natural physiological ability to detoxify the Gossypol; that as per the HSN search functionality available in GST portal, the description for Chapter 23 is "Residues and waste from the food industries; prepared animal fodder; that within this chapter, the technical heading 2309 is described as 'Preparations of a kind used in animal feeding'; that under HSN Code 2309, the 6 digit sub-classifications specified are (1) HSN Code



230910- Dog or Cat Food, put up for retail sale and (2) HSN Code 230990- Other preparations used in animal feeding, including commonly used trade descriptions such as Cattle Feed, Boost Bolus, Pashu Aahar ; that based on the nature, purpose and application of their product the most appropriate classification is '**HSN Code 23099010- Cattle Feed**'.

Though the applicant mentioned the names of the reputed third party laboratories for testing of oil and protein, but did not submit the test reports, if any, having done for the proposed new product 'Cotton seed cattle Feed' in support of their contention regarding the composition of the product and further the applicant did not produce the invoices, if any, issued for sale of the product in support of their contention that the proposed new product is economically viable to meet the dietary needs of the cattle.

The issue before us is to determine the classification of "Cotton seed Cattle Feed' and as to whether the same is exempted. In terms of explanation (iii) and (iv) to Notification No. 1/2017 Central Tax (Rate) dt. 28-06-2017, tariff heading, 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 and the rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975, including the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall be applied for the interpretation and classification of goods.

To be precise, the question to be answered is whether the product is classifiable under CTH 2306 or under CTH 2309. The relevant entries of the Tariff and the Chapter Note of Chapter 23 are as under:

"CHAPTER 23 -Residues and waste from the food industries; prepared animal fodder

**NOTE : Heading 2309 includes products of a kind used in animal feeding, not elsewhere specified or included, obtained by processing vegetable or animal materials to such an extent that they have lost the essential characteristics of the original material, other than vegetable waste, vegetable residues and by-products of such processing.**

**2306 - OIL-CAKE AND OTHER SOLID RESIDUES, WHETHER OR NOT GROUND OR IN THE FORM OF PELLETS, RESULTING FROM THE EXTRACTION OF VEGETABLE OR MICROBIAL FATS OR OILS, OTHER THAN THOSE OF HEADING 2304 OR 2305**

2306 10 - Of cotton seeds :

2306 10 10 - Oil-cake and oil-cake meal, decorticated - expeller variety

2306 10 20 - Oil-cake and oil-cake meal, decorticated, - solvent extracted (defatted) variety

2306 10 30 - Oil-cake and oil-cake meal, undecorticated, - expeller variety

2306 10 40 - Oil-cake and oil-cake meal, undecorticated, solvent extracted (defatted) variety

2306 10 90 - Other

**2309 - PREPARATIONS OF A KIND USED IN ANIMAL FEEDING**

2309 10 00 - Dog or cat food, put up for retail sale

2309 90 - Other : 2309 90 10 --- Compounded animal feed

2309 90 20 - Concentrates for compound animal feed Feeds for fish (prawn, etc.) :

2309 90 31 - Prawn and shrimps feed

2309 90 32 - Fish feed in powdered form

2309 90 39 - Other

2309 90 90 - Other

It is seen from the explanatory notes that the residue remaining after extraction of oil from cotton seeds are to be classified under CTH 2306. Going by the chapter heading notes, it can be seen that **Chapter Head 2309 covers products of a kind used in animal feeding, obtained by processing vegetable or animal materials to such an extent that they have lost the essential characteristics of the original material.** The Cotton seeds are not considered a vegetable in common parlance. Though they are derived from the cotton plant, which is a vegetable crop, the seeds themselves are primarily used for oil extraction. The term 'vegetable' is typically refers to edible parts of plants like roots, stems, leaves or fruits that are consumed as part of a meal. Hence, the contention of the applicant

that the classification '**HSN Code 23099010**' is **not applicable** for their proposed new product 'Cotton seed Cattle Feed' .

From the submissions of the applicant, it is seen that the product is not merely cotton seed oil cake/residue but is manufactured by combining the two raw materials Decorticated Cotton Seed Oil Cake –Expeller Variety (HSN Code: 23061010- Stated to be Exempt by applicant. However, it is taxable @ 5%) and Decorticated Cotton Seed De-oiled Cake – Solvent Extracted Variety (HSN Code: 23061020= GST Rate 5%) in equal proportion (50:50 by weight) for preparing a new product 'Cotton seed cattle Feed'. Though this product may be different from raw materials, it will not lose its nature, character, identity and no new product emerged. The mixture ground to a uniform size of approximately 8 mm in size and then mixed in specialized mixing equipment and this final blended material is bagged and stored as finished cattle feed. This product is not specifically found in exempted entry No.102 of Central Tax Rate Notification No. 02/2017 dated 28.06.2017, whereas in Sl.No 107.(Tariff item 2306) 107 to Schedule of the notification no.1/2017, dated 28.6.2017 covers Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable or microbial fats or oils, other than those of heading 2304 or 2305 other than cottonseed oil and is liable to tax at 2.5%.

The entry 102 of Central Tax Rate Notification No. 02/2017 dated 28.06.2017 and the entry 107 to Schedule of the notification no.1/2017, dated 28.6.2017 are extracted hereunder:

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
102.	2302, 2304, 2305, 2306, 2308, 2309	Aquatic feed including shrimp feed and prawn feed, poultry feed & cattle feed, including grass, hay & straw, supplement & husk of pulses, concentrates & additives, wheat bran & de-oiled cake

Sc h e d u l e	Sl. No .	Chapter/S ub heading/ Tariff /Item	Description of Goods	CGST Rate	SGST Rate	IG ST Ra te
I	10 7	2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable or microbial fats or oils, other than those of heading 2304 or 2305 other than cottonseed oil cake	2.5%	2.5%	5%

As per the contents of the applicant the ingredients of 'cotton seed cattle feed' are Decorticated Cotton Seed Oil Cake –Expeller Variety and Decorticated Cotton Seed De-oiled Cake –Solvent Extracted Variety and more over it is not known that such product is only for the purpose of usage as cattle and invoices, also when the ingredients are liable to tax and the buyer of such goods is also eligible to claim Input Tax Credit then there is no reason to allow exemption on the corresponding sales which after some process sold as cattle feed. Hence, the product of the applicant should be classified under HSN Code: 23061090, and is liable to tax at 2.5%.

### **RULING**

**(Under Section 98 of Central Goods and Services Tax Act, 2017 and the Andhra Pradesh Goods and Services Tax Act, 2017)**

Question: Whether the proposed new product can be classified under chapter 23 of HSN Code 23099010?

Answer : No

Question : Whether the supply of proposed new product is covered by exemption under serial no 102 of Central Tax Rate Notification no.02/2017 dated: 28-06-2017

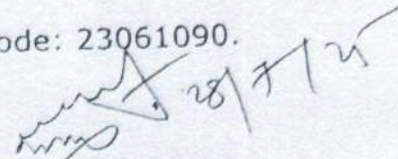
Answer : No.



Question : If it not covered by exemption as above, what is the rate of tax on supply of the proposed New Product and which HSN Code the said product is covered?

Answer : Rate of Tax 5% (APGST- 2.5% + CGST-2.5%), HSN Code: 23061090.

  
K. Ravi Sarin  
Member

  
B. Lakshmi Narayana  
Member

To  
M/s V K Industries (GSTIN: 37AADFV4507E1ZB), D:No 17/136-7, Alur Road, Adoni,  
Kurnool, Andhra Pradesh, 518301. **(By Registered Post)**

**Copy to**

1. The Assistant Commissioner (ST), Adoni Circle, Kurnool Division through mail) with a direction to communicate the copy to the Central Tax authorities )
2. The Commissioner of Central Tax, CGST, GST Bhavan, Central Revenue Buildings, Kannavari Thota, Guntur - 522 004

**Copy submitted to**

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Kunchanapalli, Guntur District, (A.P)
2. The Principal Chief Commissioner (Central Tax), O/o Principal Chief Commissioner of Central Tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035. A.P.

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