



COCONUT EDIBLE OIL: GOVERNANCE/POLITY

NEWS: Is coconut oil an edible oil or a haircare product? Here is what Supreme Court ruled

WHAT'S IN THE NEWS?

The Supreme Court of India resolved a 15-year debate by classifying coconut oil as an edible oil for GST purposes, ensuring a lower 5% tax rate. The decision clarified that packaging size cannot solely determine its classification, aligning with global HSN norms.

Coconut Oil Taxation Issue: The Supreme Court of India resolved a 15-year debate by classifying coconut oil as an edible oil for taxation, ensuring a 5% GST rate instead of the higher 18% rate for haircare products.

History of Tax Classification:

- **Pre-GST Era:** Coconut oil was taxed at 8% as an edible oil.
- **2009 Circular:** Coconut oil in small containers was reclassified as hair oil and taxed at 16%.
- **2015:** The circular was withdrawn after tribunal rulings that packaging size doesn't define the product's use.

GST Impact: With the introduction of GST in 2017, there was renewed debate over the classification of smaller coconut oil containers.

Legal Challenges and Rulings:

- Manufacturers faced higher tax demands, leading to appeals before tribunals.
- The **Customs, Excise, and Service Tax Appellate Tribunal (CESTAT)** ruled that coconut oil is an edible product regardless of container size.
- The **Supreme Court** ruled against the "common parlance test," emphasizing legal definitions over market perceptions.

Significance of the Supreme Court Ruling:

- The ruling clarifies that coconut oil should be classified as edible oil for GST purposes, preventing arbitrary tax impositions.
- The decision aligns with **HSN norms** (Harmonized System of Nomenclature) for product classification.

HSN Code:

- A six-digit identification system for goods used globally.



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- Developed by the **World Customs Organization (WCO)**, effective since 1988.
- It facilitates systematic goods classification internationally.



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