

APPLICABILITY OF NUMBER OF DIGITS OF HSN CODE BASED ON TURNOVER

1. What is HSN Code?

Harmonized System of Nomenclature, or HSN, was conceived and developed by the World Customs Organization (WCO) with the vision of classifying goods from all over the World in a systematic and logical manner. It is a six digit uniform code that classifies more than 5,000 products and is accepted worldwide

2. Is HSN Code is mandatory for all the dealers?

HSN codes shall **not** be used mandatorily in the following cases:

- Dealers who have an annual **turnover of less than Rs. 5 Crores**
- Dealers registered under the **Composition Scheme of GST are exempted** from the usage of HSN Codes
- Registered Dealers who are making supply to unregistered person who have an annual turnover of Upto INR 5 Crores.

3. What are the number of Digits of HSN code should be mentioned in a tax invoice & by whom?

Registered dealer making supply to Registered person having Aggregate Turnover in the preceding Financial Year should mention the following number of digits of HSN code in the tax invoice.

- Aggregate Turnover in the preceding FY is **Upto Rs. 5 Crore** need to mention **4 digits of HSN Code**.
- Aggregate Turnover in the preceding FY is **more than Rs. 5 Crore** need to mention **6 digits of HSN Code**.

Registered dealer making **supply to Unregistered person** having Aggregate Turnover in the preceding Financial year should mention the following number of digits of HSN code in the tax invoice.

- Aggregate Turnover in the preceding FY is **Upto Rs. 5 Crore** need not mention **the HSN Code**.
- Aggregate Turnover in the preceding FY is **more than Rs. 5 Crore** need to mention **6 digits of HSN Code**.

4. From when this amendment is applicable ?

As per Notification No.78/2020 – Central Tax, dated the 15th October, 2020, the amendment shall be in effect from the 01st day of April, 2021.

To comply with the amendments under GST law, please check with us and we can assist you on any compliance required.

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