

**GOVERNMENT OF TAMIL NADU
COMMERCIAL TAXES DEPARTMENT
OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES
EZHILAGAM, CHENNAI- 600 005**

**PRESENT: Thiru M.A. SIDDIQUE I.A.S.,
PRINCIPAL SECRETARY/ COMMISSIONER OF STATE TAX**

**Circular No: 11/2021 – TNGST
(PP6/GST-15003/28/2021)**

Dated: 21.09.2021

Sub: GST on milling of wheat into flour or paddy into rice for distribution by State Governments under PDS –reg.

Ref: Circular No. 153/09/2021-GST, dated 17.06.2021 issued by Ministry of Finance, Department of Revenue, Government of India, New Delhi

Certain representations have been received seeking clarification whether composite supply of service by way of milling of wheat into wheat flour, along with fortification, by any person to a State Government for distribution of such wheat flour under Public Distribution System is eligible for exemption under entry No. 3A of G.O. (Ms) No. 72 dated 29.06.2017 published in Tamil Nadu Gazette Extraordinary in Issue No. 202 in Notification No. II(2)/CTR/532(d-14)/2017, dated 29.6.2017 and also as regards the rate of GST on such milling, if it does not fall in said entry No. 3A. The issue has been examined by GST Council in its 43rd meeting held on 28th May, 2021.

2. Entry at Sl. No. 3A of G.O. (Ms) No. 72 dated 29.06.2017 published in Tamil Nadu Gazette Extraordinary in Issue No. 202 in Notification No. II(2)/CTR/532(d-14)/2017, dated 29.6.2017 exempts "*composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution*".

3. As per the recommendation of the GST Council the issue is clarified as below.

3.1 Public Distribution specifically figures at entry 28 of the 11th Schedule to the constitution, which lists the activities that may be entrusted to a Panchayat under Article 243G of the Constitution. Hence, said entry No. 3A would apply to composite supply of milling of wheat and fortification thereof by miller, or of paddy into rice, provided that value of goods supplied in such composite supply (goods used for fortification, packing material etc) does not exceed 25% of the value of composite supply. It is a matter of fact as to whether the value of goods in such composite supply is up to 25% and requires ascertainment on case-to-case basis.

3.3 In case the supply of service by way of milling of wheat into flour or of paddy into rice, is not eligible for exemption under Sl. No. 3 A of G.O. (Ms) No. 72 dated 29.06.2017 published in Tamil Nadu Gazette Extraordinary in Issue No. 202 in Notification No. II(2)/CTR/532(d-14)/2017, dated 29.6.2017 for the reason that value of goods supply in such a composite supply exceeds 25%, then the applicable GST rate would be 5% if such composite supply is provided to a registered person, being a job work service (entry No. 26 of G.O. (Ms) No. 72 dated 29.06.2017 published in Tamil Nadu Gazette Extraordinary in Issue No. 202 in Notification No. II(2)/CTR/532(d-14)/2017, dated 29.6.2017. Combined reading of the definition of job-work [section 2(68), 2(94), 22, 24, 25 and section 51] makes it clear that a person registered only for the purpose of deduction of tax under section 51 of the TNGST Act is also a registered person for the purposes of the said entry No. 26, and thus said supply to such person is also entitled for 5% rate.

Sd/-M.A.Siddique
Principal Secretary/
Commissioner of State Tax

To

All the Joint Commissioners (ST) (Territorial) in the state including LTU

Copy to:

1. The Principal Secretary to Government, CT & R Department, Chennai – 600 009.
2. All Additional Commissioners, O/o the CCT, Ezhilagam, Chennai – 600 005.
3. The Joint Commissioner (CS) to host in the departmental website

4. The Director, Commercial Tax Staff Training Institute, Chennai-6
 5. The Secretary, TNSTAT, Chennai 600 104.
 6. All the Joint Commissioners (ST) (Intelligence) in the state
 7. All the Deputy Commissioners (ST) in the State including intelligence
 8. All the heads of assessment circles
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//Forwarded //by Order//

23/09/21
Deputy Commissioner (P&P)

23/09/21

