

**GOVERNMENT OF TAMIL NADU
COMMERCIAL TAXES DEPARTMENT**

**OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES
EZHILAGAM, CHENNAI-600 005**

**PRESENT: DR. T.V. SOMANATHAN, I.A.S.,
COMMISSIONER OF STATE TAX**

Circular No.12(2017)/2019-TNGST
(RC No.085/2017/A1/Taxation)

Dated:28.03.2019

Sub:	Clarification on taxability of custom milling of paddy- Regarding.
Ref:	Department of Revenue, Tax Research Unit, Circular No.19/19/2017- GST dated 20.11.2017.

Representations have been received seeking clarification on whether custom milling of paddy by Rice millers for Civil Supplies Corporation is liable to GST or is exempted under S.No 55 of Notification No.II(2)/CTR/532(d-15)/2017 dated 29.06.2017 published in Tamil Nadu Govt. Gazette No.202 dated 29th June 2017.

2. The matter has been examined. S. No 55 of Notification No.II(2)/CTR/532(d-15)/2017 exempts carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce. Agricultural produce has been defined in the notification to mean, *any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products, on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which*

does not alter its essential characteristics but makes it marketable for primary market. Job work has been defined under section 2 (68) of the TNGST Act to mean *any treatment or process undertaken by a person on goods belonging to another registered person.* Further, under Schedule II (para 3) of the TNGST Act, *any treatment or process which is applied to another person's goods is a supply of service.*

3. Milling of paddy is not an intermediate production process in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested. Further, processing of paddy into rice is not usually carried out by cultivators but by rice millers. Milling of paddy into rice also changes its essential characteristics. Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption under S. No 55 of Notification No.II(2)/CTR/532(d-15)/2017 dated 29.06.2017 and corresponding notifications issued under IGST and UTGST Acts.

4. GST rate on services by way of job work in relation to all food and food products falling under Chapters 1 to 22 has been reduced from 18% to 5% vide notification No. II(2)/CTR/858(a-5)/2017 dated 13.10.2017 [notification No. II(2)/CTR/532(d-15)/2017, S.No. 26 *refers*]. Therefore, it is hereby clarified that milling of paddy into rice on job work basis, is liable to GST at the rate of 5%, on the processing charges (and not on the entire value of rice).

5. This pari materia circular is issued with reference to the circular issued by the Government of India on the recommendation of the GST Council in the reference cited.

Sd/-T.V.Somanathan
Commissioner of State Tax

To

All the Joint Commissioners (ST) Territorial and Enforcement in the State.

Copy to: (1) Principal Secretary to CT& Regn. Department.
(2) All Additional Commissioners of State Tax in the Commissionerate.
(3) Joint Commissioner (CS) for hosting in Departmental site.
(4) All Deputy Commissioners (ST) in the State.
(5) All Heads of Assessment Circle in the State.