



OFFICE OF THE PRINCIPAL COMMISSIONER OF CGST AND CENTRAL EXCISE,  
CHENNAI NORTH COMMISSIONERATE  
26/1, MAHATMA GANDHI ROAD, CHENNAI- 600 034

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**TRADE NOTICE NO.34/2017**

Dated: /11/2017

**Subject: Clarification on taxability of custom milling of paddy – regarding.**

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1. Attention of Trade is invited to Board's Circular No. 19/19/2017-GST dated: 20-11-2017, on Clarification on taxability of custom milling of paddy. Copy of the order is communicated for information and necessary action.
2. Contents of this circular may be brought to notice of all concerned.

**(Issued in File C.No. IV/16/306/2017 – GST Pol.)**

  
(RAJEEV KUMAR)  
ADDITIONAL COMMISSIONER

To

As per Mailing List.  
Trade and Department  
Superintendent, Computer Section - For uploading on the website ✓  
All Divisions, Chennai North

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Circular No. 19/19/2017 – GST

**F.No. 354/263/2017-TRU  
Government of India  
Ministry of Finance  
Department of Revenue  
Tax research Unit**

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North Block, New Delhi  
20<sup>th</sup> November 2017

To,

The Principal Chief Commissioners/Chief Commissioners/Principal Commissioners/  
Commissioner of Central Tax (All)/  
The Principal Director Generals/Director Generals (All)

Madam/Sir,

Subject: Clarification on taxability of custom milling of paddy – regarding.

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 12/2017 - Central Tax (Rate) dated 28th June 2017.

2. The matter has been examined. S. No 55 of Notification 12/2017- Central Tax (Rate) 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, fiber, 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, fiber, 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 CGST 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 CGST 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.

4. 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 12/2017 - Central Tax (Rate) dated 28<sup>th</sup> June 2017 and corresponding notifications issued under IGST and UTGST Acts.

5. 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. 31/2017-CT(R) [notification No. 11/2017-CT (Rate) dated 28.6.17, 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).

6. Difficulty if any, in the implementation of the circular should be brought to the notice of the Board. Hindi version would follow.

Yours Faithfully,

-Sd-

Susanta Mishra

Technical Officers (TRU)

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