



**BEFORE THE AUTHORITY FOR ADVANCE RULING - ANDHRA PRADESH**  
**Goods and Service Tax**

D. No. 5-56, Block-B, R.K. Spring Valley Apartments, Eedupugallu, Vijayawada-521151

**Present**

1. Sri. D. Ramesh, Additional Commissioner of State Tax (Member)
2. Sri. A. Syam Sundar, Additional Commissioner of Central Tax (Member)

**AAR No.03/AP/GST/2021 dated: 12.01.2021**

1	Name and address of the applicant	M/s. Seetharamanjaneya Dal And Fried Gram Mill, D.No. 216/2, Narasaraopet Road, Vittamrajupalli, Vinukonda, Guntur- 522647
2	GSTIN	37ABBFS5544B1ZD
3	Date of filing of Form GST ARA-01	09.07.2020
4	Virtual Hearing	28.10.2020
5	Represented by	Sri Dr. Ramaraju Srinivasa Rao
6	Jurisdictional Authority -State	Assistant Commissioner (State Tax) Vinukonda Circle, Narasaraopet Division.
7	Clause(s) of section 97(2) of CGST/SGST Act, 2017 under which the question(s) raised	e) determination of the liability to pay tax on any goods or services or both;

**ORDER**

**(Under sub-section (4) of Section 98 of Central Goods and Services Tax Act, 2017 and sub-section (4) of Section 98 of Andhra Pradesh Goods and Services Tax Act, 2017)**

1. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and SGST Act, 2017 are in pari materia and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the APGST Act.



2. The present application has been filed u/s 97 of the Central Goods & Services Tax Act, 2017 and AP Goods & Services Tax Act, 2017 (hereinafter referred to as CGST Act and APGST Act respectively) by M/s. Seetharamanjaneya Dal and fried Gram Dal, Guntur (hereinafter referred to as applicant), registered under the AP Goods & Services Tax Act, 2017.

**3. Brief Facts of the case:**

The Applicant is engaged in the business of pulses and dalls with a facility in its mill to convert pulses into dalls. The Andhra Pradesh state civil supplies corporation, limited, Vijayawada, which is a State Government undertaking engaged in the business of supplying essential commodities to the Fair price shops for public distribution, has given a work order dated 13.05.2019 to the applicant. The applicant is appointed as miller cum transporter for conversion and supply of resultant red gram dal to allotted districts of Zone-II (Vizianagaram & East Godavari) and is ordered to lift a quantity of 3823.529 MTs of indigenous variety of red gram whole from the allotted godowns of NAFED and to supply 2600 MTs of resultant red gram dal in 1 kg packet form to the allotted districts. Further the miller is ordered to supply the resultant red gram dal in 1kg packet form to the MLs points of allotted districts after conversion @68% of outturn ratio and the incidental charges @ Rs.498/- per quintal of unmilled tur will be paid to the miller additionally after completion of the supplies.

The applicant submitted that in respect of the above transaction, whole red gram was purchased before hand and it was converted into dal and supplied in advance to the corporation. Subsequently after receipt of dal, Corporation has sent whole red gram to the applicant as per its convenience and availability.

**4. Questions raised before the authority:**

1. Whether the supply of red gram dal 2600 MTs by receiving 3823.529 MTs of indigenous red gram under barter system attracts any tax under GST?
2. Whether the packing charges of Rs.4.50 received by the applicant for packing 1 Kg. of red gram dal supplied to the said Corporation are taxable?





On Verification of basic information of the applicant, it is observed that the applicant falls under State jurisdiction, i.e. Vinukonda circle, Narasaraopet Division. Accordingly, the application has been forwarded to the jurisdictional officers and a copy marked to the Central Tax authorities to offer their remarks as per Sec. 98(1) of CGST /APGST Act 2017.

In response, no remarks are received from the jurisdictional officers concerned for which the Advance Ruling was sought by the applicant.

### **5. Applicant's Interpretation of Law and Facts:**

The applicant claims that he has not undertaken any treatment or process on the goods belonging to the Corporation and he did neither job work nor custom milling. The applicant submits that he has supplied his own dall in advance, and has not milled pulses belonging to the Corporation, which is evident from the books of account and work orders. The applicant stated that though the initial arrangement looked like 'custom milling'; the transaction had actually taken the shape of 'barter' subsequently.

'Barter' is a system in which people exchange goods and services for goods and services in return. Relevant extract from the central Act relating to 'barter' and 'supply' are as follows:-

*Section 7 (1) For the purposes of this Act, the expression "supply" includes -*

*(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;"*

The applicant submits that in these transactions, the components of 'service' (custom milling) are wholly absent and on the other hand, it is demonstrated that it is a transaction of exchange of goods falling under the category of 'barter'. When once it is considered as a transaction of barter of goods, it falls outside the scope of 'service' i.e., no custom milling of red gram whole.

Applicant further submits that as per Para 1 (a) in Schedule II to the Central Act, 'any transfer of the title in goods is a supply of goods.' As applicant has transferred red gram dall in advance even before receipt of whole red gram from the Corporation, there was transfer of title in red gram dall in favour of the corporation and accordingly there was supply of goods.



Without prejudice to the above, applicant submits that Notification No. 12/2017-CTR dated 28.06.2017 enumerates services which have NIL rate of GST. In that Notification, Entry No.55 reads as follows:-

55	Heading 9986	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.	NIL	NIL
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It may kindly be seen from the above entry that, carrying an intermediate production process in relation to agricultural produce' has NIL rate of GST. In applicant's submission, milling of whole red gram into dall is an intermediate production process as job work, covered by the above entry. Hence applicant also holds the view that no GST would be payable on milling charges if any (in any case there was no custom milling at all).

The applicant further submits that for the purposes of Service Tax, Government of India have issued Notification No. 25/2012-Service Tax dated 20.06.2012 duly exempting certain services from the payment of service tax. Item No.30 read as follows:-

'30. Carrying out an intermediate production process as job work in relation to -  
(a) agriculture,'

Further in Circular No. 177/03/2014-ST in F. No.334/03/2014 dated 17.2.2014, the Central Board of Excise & Customs has clarified as follows:-

*'5. Milling of paddy into rice: When paddy is milled into rice, on job work basis, service tax is exempt under sl.no.30 (a) of exemption notification 25/2012-ST dated 20<sup>th</sup> June, 2012, since such milling of paddy is an intermediate production process in relation to agriculture.'*

It could be seen from the above clarification that milling of paddy is considered as an intermediate production process in relation to agriculture. Applicant's contention is that the same words have been used in the Notification No.12/2017 under the GST law, milling charges, if any -whether paddy or pulses- are not





exigible to GST. In fact in the said GST notification, it is more clear because the words used are 'agriculture produce' and whereas in Service tax notification, the word used is 'agriculture' only. The applicant opines that as GST is not applicable on Custom milling charges for the above reasons, no GST would be payable on this ground also.

Applicant further submits that as per entry at Sl. No.45 having HSN 0713 in the Notification No.2/2017-CTR dated 28.06.2017, pulses and dalls are exempt from GST. As applicant has supplied red gram dall in exchange for whole red gram to the Corporation under barter system, goods supplied by the applicant are wholly exempt from tax. Hence no tax is leviable on its supply of own red gram dall to the Corporation.

Transportation of red gram dall to MLS points: This is ancillary and incidental to the supply of red gram dall, which is generally exempt. Applicant has not provided any transport service. Hence tax need not be paid by the applicant on such expenditure incurred.

It is further submitted that applicant has to supply red gram dall in primary and secondary packing material. There is no separate contract for supply of packing material. Such packing is incidental and ancillary to the main supply of red gram dall, which is generally exempt from tax. Packing materials go along with red gram dall. No tax is leviable on the value of packing material for the above reasons. For example fresh milk is exempt in terms of entry at Sl. No.25 of Notification No.2/2017-CTR dated 28.06.2017. Such fresh milk is daily supplied in plastic sachets to crores of people in the country. Even curd is supplied in paper cups. But never tax has been levied on such packing materials under the GST law for the simple reason that goods packed are exempt. Same analogy holds good in this case also and hence no tax is leviable on the value of primary and secondary packing material.

In view of the above, it is prayed to rule that the said transactions are in the nature of barter and that no GST is also leviable on the primary and secondary packing material of red gram dall.



## 6. Virtual Hearing:

The authorised representative of the applicant, Sri Dr. Ramaraju Srinivasa Rao appeared in person for Virtual Hearing held on 28.10.2020 and he reiterated the submissions already made in the application and requested to pass necessary orders.

## 7. Discussion and Findings:

We have examined the issues raised in the application. The taxability of the goods and services supplied or to be supplied, as governed under the provisions of respective GST Acts are examined.

The Applicant is a miller cum transporter for lifting the red gram, milling and supply of resultant red gram dall to allotted places as per the instructions of the service recipient i.e. Andhra Pradesh State Civil Supplies Corporation. The supply involves the following services:

1. Lifting of Red Gram from the Godowns of the recipient and transportation to the dall mill.
2. Conversion of Red gram into dall (milling)
3. Packing the Red gram dall in the specified manner (In 1Kg.Packets under prescribed specifications with 50Kg secondary packing in new PP Bag).
4. Transportation of the same to the specified points.

The applicant receives consideration for the above services, besides incidental charges of Rs. 498/- for un-milled Tur.

The applicant's main contention is that whether the supply of red gram dall of 2600 MTs by receiving 3823.529 MTs of indigenous red gram under barter system attracts any tax under GST.

When we look into the statement of facts, the work order issued by APSCSCL addresses the applicant as 'Miller cum transporter for lifting and conversion of red gram whole into red gram dall'. Paras 3 & 4 of the work order No.Mktg/M6/322/RG Dall/2018 dt: 20.01.2020 are reproduced for better understanding.





"M/s. Seetharamanjaneya Dall & Fried Gram Mill., is **appointed as miller cum transporter** for **conversion of Red gram Whole @68% of outturn ratio** and supply of resultant Red gram Dal to allotted district of zone- II i.e., Vizianagaram & East Godavari.

M/s. Seetharamanjaneya Dall & Fried Gram Mill., has given consent letter **to supply resultant Red gram Dall @68% outturn ratio** with incidentals charges of Rs. 4.50/- per Kg to the allotted districts".

As can be seen from above, it is clear that the applicant is appointed as "miller cum transporter", for the purpose of conversion of red gram whole to red gram dall @68% of outturn ratio. Hence, the argument of the applicant treating the activity under taken in the instant case, as 'barter system' is misconstrued. It is nothing but 'job work' carried out on the whole red gram supplied to the applicant.

Now, we examine whether the activity of milling of whole red gram to red gram dall by the millers is liable to GST or not. The clarification issued in this regard on the custom milling of paddy is applicable as well in the instant case.

F.No.354/263/2017-TRU by the Government of India, Ministry of Finance, in its letter dated 20.11.2017 clarifies as follows;

"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 28.06.17. 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)."

Thus, the milling of Red gram fall under the Serial No.26 Heading 9988 (i) (f) of the Notification no.11/2017 Central Tax Rate dated 28.06.2017 and as amended from time to time and liable to tax @ 5%.

Now we examine whether the packing charges of Rs.4.50 received by the applicant for packing of I Kg. of red gram dall supplied to the said Corporation are taxable or not.

The applicant himself admitted that there is no separate contract for supply of packing material. Moreover, the clauses of the contract in which the applicant entered with AP State Civil Supplies Corporation also reflect the same. The packing charges offered are nothing but incidental and ancillary to the main supply of milling and transportation of red gram dall. Therefore, it is a clear cut case of composite supply under Section 2(30) of CGST Act 2017, as provided under

"Section-2(30):- 'composite supply' means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;"

"Section-2(90):-' "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary."





Section 8(a) explains the tax liability of composite supply as under:

*"Section-8: Tax liability on composite and mixed supplies:*

*The tax liability on composite or a mixed supply shall be determined in the following manner, namely: -*

*a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;"*

In the instant case, the custom milling is the principal supply, while the packing charges of Rs.4.50 received by the applicant for packing of I Kg. of red gram dall supplied to the said Corporation constitutes ancillary supply. As seen from the agreement, it is a single contract of composite supply comprising of two or more taxable supplies like milling, transportation and packaging services. Out of which, milling is the principal supply and the rest of the supplies are liable to be taxed at the same rate of principal supply.

#### **RULING**

**(Under Section 98 of Central Goods and Services Tax Act, 2017 and the Andhra Pradesh Goods and Services Tax Act, 2017)**

**Question:** Whether the supply of red gram dall 2600 MTs by receiving 3823.529 MTs of red gram under barter system attracts any tax under GST?

**Answer:** The transaction cannot be considered as 'barter', but a 'job work' and attracts the tax rate of 5% under Serial No.26 Heading 9988 (i) (f) of the Notification No.11/2017 Central Tax Rate dated 28.06.2017 as amended from time to time.


**Question:** Whether the packing charges of Rs.4.50 received by the applicant for packing I Kg. of red gram dall supplied to the said Corporation are taxable?

**Answer:** Affirmative.

**Sd/-D. Ramesh  
Member**

**Sd/- A. Syam Sundar  
Member**

**//t.c.f.b.o//**

  
**Deputy Commissioner (ST)**  
**DEPUTY COMMISSIONER (ST)**  
O/o. Chief Commissioner of State Tax,  
Government of A.P., Vijayawada



TO

1. M/s. Seetharamanjaneya Dal and Fried Gram Mill 216/2, Narasaraopet Road, Vittamrajupalli, Vinukonda, Guntur-522647. **(By Registered Post)**

**Copy to**

1. The Assistant Commissioner of State Tax, Vinukonda Circle, Narasaraopet Division. **(By Registered Post)**
2. The Superintendent, Central Tax, CGST Ibrahimpatnam Range, Amaravathi CGST Division. **(By Registered Post)**

**Copy submitted to**

1. The Chief Commissioner (State Tax), O/o Chief Commissioner of State Tax, Eedupugallu, Vijayawada. (A.P)
2. The Chief Commissioner (Central Tax), O/o Chief Commissioner of Central tax & Customs, Visakhapatnam Zone, GST Bhavan, Port area, Visakhapatnam-530035. A.P. **(By Registered Post)**

**Note:** Under Section 100 of the APGST Act 2017, an appeal against this ruling lies before the Appellate Authority for Advance Ruling constituted under Section 99 of APGST Act, 2017, with in a period of 30 days from the date of service of this order.

