

**AUTHORITY FOR ADVANCE RULING – CHHATTISGARH**  
**3rd & 4th Floor, Vanijyikar GST Bhawan, North Block Sector-19,**  
**Atal Nagar, District-Raipur (C.G.) 492002**  
**Email ID – gst.aar-cg@gov.in**

**PROCEEDING OF THE AUTHORITY FOR ADVANCE RULING**  
**U/s. 98 OF THE CHHATTISGARH GOODS AND SERVICES TAX ACT, 2017**

**Members Present are**

Smt. Sonal K. Mishra  
Joint Commissioner  
O/o Commissioner, State Tax  
(CGST), Raipur, Chhattisgarh,

Shri Rajesh Kumar Singh,  
Additional Commissioner,  
O/o Principal Commissioner,  
CGST & Central Excise, Raipur (C.G)

**Subject :-** Chhattisgarh GST Act, 2017 – Advance Ruling U/s 98 Chhattisgarh GST Act, 2017 –

Advance Ruling U/s 98 sought by M/s Chhattisgarh State Cooperative Marketing Federation Limited (Here in after referred to as MARKFED) Raipur, Chhattisgarh, the applicant, GSTIN- 22AAAAC0934E1ZJ, regarding GST Liability on Custom Milling Charges on Paddy, Milling Incentive, Transportation, Usage charges of old gunny bags and applicability of TDS provisions on payment made to the custom millers.

**Read :-** Application dated 23/02/2021 from M/s Chhattisgarh State Cooperative Marketing Federation Limited Raipur, Chhattisgarh, GSTIN- 22AAAAC0934E1ZJ.

**PROCEEDINGS**

[U/s 98 of the Chhattisgarh Goods & Services Tax Act, 2017 (herein- after referred to as CGST Act, 2017)]

No.STC/AAR/02/2021

Raipur Dated ..16/06/2021

M/s Chhattisgarh State Cooperative Marketing Federation Limited Raipur, Chhattisgarh, GSTIN- 22AAAAC0934E1ZJ. [hereinafter also referred to as the applicant] has filed an application U/s 97 of the Chhattisgarh Goods & Services Tax Act, 2017 seeking advance ruling on the applicability of GST Tax liability on :-

1. Custom milling charges of paddy.
2. Milling Incentive Amount as decided by the State Govt. of Chhattisgarh and given by the MARKFED to Custom Millers.
3. Transportation of paddy from primary co-operative societies/paddy storage center to the place of Custom Miller.
4. Transportation of rice from the place of Custom Miller to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies / F.C.I.



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5. Usage charges of old gunny bags.
6. Whether TDS on GST is applicable on the payments made to Custom Miller?

## 2. Facts of the case:-

2.1 The Chhattisgarh State Marketing Cooperative Federation Ltd. (hereinafter referred to as "MARKFED") is an Apex level Federation of Cooperative Marketing Societies in the State of Chhattisgarh (Registration No. 216 dated 31.10.2000) which came into existence on 1st November 2000. MARKFED executes the work of paddy procurement under Price Support Scheme and the work of supply of chemical fertilizers and plant protection material to the farmers of the state of Chhattisgarh as per the instructions of Government. As per the guide lines issued by the State Government of Chhattisgarh for milling of the procured paddy, the miller who wants to conduct milling has to submit application to the District Collector and registration of the miller is granted by the Collector after inspection of the mill. Custom milling is done by the registered miller only. On the application of the registered custom miller, District Collector issues the milling permit. Once the permit is issued by the Collector, District Marketing Officer of MARKFED executes the agreement with Custom Miller in the prescribed proforma.

2.2 On execution of the agreement, Delivery Order is issued for lifting the quantity of paddy equivalent to the security amount deposited by the Custom Miller. In addition to rice, Bank Guarantee/F.D.R. is also valid towards security C.M.R. Deposit against Custom Milling. 67 Kg raw rice and 68 Kg boiled rice per quintal is obtained, which Custom Miller deposits with C.G. State Civil Supplies Corporation and Food Corporation of India directly, on behalf of MARKFED. Once the rice is deposited with F.C.I. and state agency, bill is prepared and sent to the concerned millers and its payment is obtained.

2.3 Chhattisgarh State Marketing Cooperative Federation Ltd., Raipur (C.G.) having CSTIN - 22AAAAC0934E1ZJ (hereinafter referred to as the applicant) has executed an agreement for custom Milling of paddy with various custom millers of the Chhattisgarh State for execution of custom milling of paddy i.e. Production of rice on job work. Execution of job work of custom milling involves following steps:

- (a) Custom Miller has to collect / procure paddy from Primary Co-operative Societies/paddy storage centers and thereafter transport it to the Custom Miller's milling site for which MARKFED pays charges for transportation of paddy.
- (b) After milling of Rice from the said procured paddy, Custom Miller has to deliver rice @ 67% of total quantity of paddy (in case of arwa milling of paddy) and @ 68% of total quantity of paddy (in case of usna milling of paddy), whereby the Custom Miller retains other bye / waste products i.e. broken rice, rice Bran Husk.
- (c) Thereafter, the Custom Miller delivers such milled rice from their milling site to the various delivery centers of Nagrik Apurli Nigam i.e. State Civil Supplies /Food Corporation of India.





Sl. No.	Particulars of Activity	Consideration	Consideration decided by	Consideration paid by
1	Transportation of paddy from primary co-operative societies/paddy storage center to the place of Custom Miller	On per K. M. basis	The Government of Chhattisgarh	MARKFED
2	(i) Custom milling charges of Paddy	@ 10 /- and 20/- Per Qtl. of Paddy	The Government of Chhattisgarh	MARKFED
	(ii) Milling Incentive	@ 30/- to @ 45/- per Qtl. Of Paddy	The Government of Chhattisgarh	MARKFED
3	Transportation of rice from the place of Custom miller to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies/ F.C.I.	On per K. M. basis	The Government of Chhattisgarh	MARKFED
5	Usage charges of gunny bags (Situation II)	@ 7.32/- per bag or as fixed time to time by the GOI.	The Government of India	MARKFED

With regard to gunny bags, following situations may arise :

Situation I : Gunny bags provided by MARKFED to Custom Miller :

- (i) Initially gunny bags are provided by MARKFED to the Custom Miller along with the paddy and thereafter consequent to milling, on delivery of such milled rice in gunny bags, some gunny bags gets retained with the Custom Miller – MARKFED withholds some amount from the bill of custom milling.
- (ii) If balance gunny bags are taken again by the Custom Miller for another job work of custom milling MARKFED refunds the withheld amount partially.
- (iii) If all gunny bags provided by MARKFED to Custom Miller have been used for delivery of milled rice, then MARKFED doesn't withhold any amount from the bill of custom milling.

Situation II : Own Gunny bags provided by Custom Miller to MARKFED:

Charges for usages of gunny bags (supply of tangible goods) is given by the MARKFED.

### 3. Contentions of the applicant:-

3.1 The MARKFED enters into custom milling contract with various custom millers of the Chhattisgarh State for execution of custom milling of paddy i.e. Production of rice on job work. The custom milling contract includes Custom milling of Paddy as main activity and followings as incidental activities:

- 3.1.1 Transportation of paddy from primary co-operative societies/paddy storage center to the place of Custom Miller.



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- 3.1.2 Transportation of rice from the place of Custom Miller (to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies / F.C.I.).
- 3.1.3 Usage charges of gunny bags.

3.2 Under GST, a composite supply would mean 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.

3.3 The MARKFED pays to the custom millers by considering the custom milling as a composite supply and considers GST rate at 5% (2.5% CGST and 2.5% SGST). It also deducts TDS on GST.

3.4 The MARKFED seeks confirmation from the Authority for Advance Ruling - Chhattisgarh on the tax liability in the custom milling contract whether:

1. Custom milling charges of paddy is taxable at 5% (2.5% CGST and 2.5% SGST) under GST Act?
2. Milling Incentive Amount (as decided by the State Govt. of Chhattisgarh and given by the MARKFED to Custom Millers) is exempt by considering it as subsidy (not part of milling charges) and a non-inclusive amount in taxable value u/s 2(31) of the CGST Act, 2017?
3. Transportation of paddy from primary co-operative societies/paddy storage center to the place of Custom Miller is taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act?
4. Transportation of rice from the place of Custom Miller (to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies / F.C.I.) is taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act?
5. Usage charges of old gunny bags are taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act?
6. Whether TDS on GST is applicable on the payments made to Custom Miller?

#### 4. Personal Hearing:-

Keeping with the established principles of natural justice, personal hearing in the matter was extended to the applicant, as requested by them and accordingly, Shri Abhishekh Gupta C.A. and authorized representative of the applicant appeared before us for hearing on 26.03.2021 in person. He also furnished a written submission dated 26.03.2021, which has been taken on record.

5. **The legal position, analysis and discussion:-** At the very outset, we would like to make it clear that the provisions for implementing the CGST Act and the Chhattisgarh



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st Act, 2017 [hereinafter referred to as "the CGST Act and the CGGST Act"] are similar and thus, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the CGGST Act, 2017. Now we sequentially proceed to discuss the issues involved in the ruling so sought by the applicant and the law as applicable in the present case.

Before proceeding ahead to address the issues raised by the applicant, this authority finds it opportune to mention here that Section 95 (a) of the CGST Act, 2017 defines Advance Ruling as a decision provided by the Authority or the Appellate Authority to an applicant on matters or on questions specified in sub-section (2) of section 97 or sub-section (1) of section 100, in relation to the supply of goods or services or both being undertaken or proposed to be undertaken by the applicant. This authority would also like to clarify that, although the points on which ruling is sought by MARKFED, pertain to agreements entered by them with custom millers within the State of Chhattisgarh, the supply of services in the instant case is being undertaken by the custom millers taxable at their end being the supplier of services, except the issue of TDS recovery raised by the applicant. However, since the applicant is directly impacted with the applicability or otherwise of CGST/SGST on the impugned supply of services/goods being a party to the agreement in question and they being the receiver of the services, we intend to pass the rulings sought by the applicant.

5.1 The Chhattisgarh State Marketing Cooperative Federation Ltd., Raipur (C.G.), the applicant having GSTIN - 22AAAAC0934E1Z1 has executed an agreement for custom Milling of paddy with various custom millers located within the State of Chhattisgarh State for execution of the said work of custom milling of paddy i.e. Production of rice on job work. The applicant in their application has mentioned that the execution of the said job work of custom milling involves initially the procurement of paddy by the said custom miller from Primary Co-operative Societies/paddy storage centers and thereafter transportation of the said paddy to their (custom miller's) milling site for which transportation charges is paid by MARKFED, thereafter comes the process of milling of Rice from the said procured paddy with the condition that in case of arwa rice milling of paddy, custom miller has to deliver rice @ 67% of total quantity of paddy and in case of usna rice milling of paddy, the custom miller has to deliver rice @ 68% of total quantity of paddy. In this process the said Custom Miller retains the generated bye products / waste products i.e. rice broken, rice bran, husk. Thereafter, the said custom miller has to deliver such milled rice from his milling site to the various delivery centers of Nagrik Apurti Nigam i.e. State Civil Supplies /Food Corporation of India.

5.2 In the aforesaid context, it is seen that Circular No. 1/19/2017-GST dated 20.11.2017 from F. No. 354/263/2017-TRU issued by Government of India, Ministry of Finance, Department of Revenue Tax research Unit, North Block, New Delhi, clarifies on the subject of taxability of custom milling of paddy as under:-



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"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 Sr. No. 55 of Notification 12/2017 - Central Tax (Rate), dated 28<sup>th</sup> June 2017.

2. The matter has been examined. Sr. 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, 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 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 Sr. 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).



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3 Thus, the activity of custom milling of paddy carried out by the applicant is liable to GST at the rate of 5% (2.5% CGST and 2.5% CCGST).

5.4 The applicant has in their application spelled out the various stages involved which gets covered in the agreement pertaining to the instant supply in question of custom milling and these are (a) Transportation of paddy by the custom miller from primary co-operative societies/paddy storage center to the place of custom miller, for which MARKFED, the applicant pays the transportation charges to the custom miller (b) Custom milling charges of Paddy paid by the applicant to the custom miller (c) Milling Incentive paid by MARKFED, the applicant to the custom miller (d) Transportation of rice from the place of Custom miller to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies/ F.C.I., paid by MARKFED, the applicant to the custom miller (e) In case the gunny bags are supplied by the custom miller to MARKFED, usage charges of such gunny bags are paid by MARKFED, the applicant to the custom miller.

5.5 Here there exist more than two taxable supplies of goods or services or both and its combination, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, with custom milling of paddy being the principal supply.

For such supplies CGST Act 2017 specifically provides as 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-2(78):-** "non-taxable supply" means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

**Section-8 Tax liability on composite supplies:**

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

- (a) 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;





5.6 As regards Milling Incentive Amount which is decided by the State Government of Chhattisgarh and given by the MARKFED to Custom Millers, the applicant is of the opinion that the same is exempt, being subsidy (not part of milling charges) and a non-inclusive amount in taxable value u/s 2(31) of the CGST Act, 2017. This notion put forth by the applicant, appears to be a misconception, devoid of any merit. In this context, it will not be out of place to mention here that an incentive is something that motivates an individual to perform an action. The study of incentive structures is central to the study of all economic activities (both in terms of individual decision-making and in terms of co-operation and competition within a larger institutional structure). Whereas, subsidy is a transfer of money from the government to an entity, eventually leading to fall in the price of the subsidized product. The objective of subsidy is to bolster the welfare of the society. It is a part of non-plan expenditure of the government viz. petroleum subsidy, fertiliser subsidy, food subsidy, interest subsidy, etc. Thus in common parlance subsidy is the benefit given to an individual, business or institution, usually by the Government. It is usually in the form of a cash payment or a tax reduction. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy. Thus it gets amply clear from the above that the subsidy is related with State welfare of the public or it is provided to a person or a business by various Governments, Non-Government agencies, to rationalize the cost impact directly/indirectly on the public. On the other hand the incentive is provided to a specific person or business for recognition of noble work or to provide motivation for a specific task. The applicant has mentioned about 'incentive' amount apart from the milling charges for custom milling as per the agreement, apparently the agreement finds no mention about any 'subsidy'.

Section 2(31) of the CGST Act, 2017 defines 'consideration' in relation to the supply of goods or services or both and specifies that it includes- (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

In view of the above discussions, as it gets established that the Milling Incentive amount paid by MARKFED, the applicant, to the Custom Millers, being different and distinct from any subsidy given by the Government, Milling incentive amount is nothing but a consideration as defined under Section 2(31) of the CGST Act, 2017 includible in the value of supply in terms of Section 15 of CGST Act, 2017.

5.7 Thus in the instant case under consideration, the supply is made by a taxable person viz. custom miller, the supply comprises of more than two taxable supplies as listed above, the goods and / or services involved in the instant supply are naturally bundled, these supplies are in conjunction with each other in the ordinary course of



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business as the principal supply which is the predominant element of a composite supply to which the other allied supplies forming part are ancillary.

5.8 In view of above provisions, it gets abundantly clear that the service of supply of custom milling by the custom miller to the MARKFED is a principal supply. As per section 8(a) supra, all the receipts of principal supply, being composite supply, would attract 5% GST including transportation charges of paddy and rice, milling incentives and usage charges of gunny bags supra, paid by MARKFED to the custom miller. In term of the aforesaid provisions of composite supply under section 8(a) of CGST Act 2017, we come to the considered conclusion that custom milling of paddy being the principal supply (predominant supply) involved in the case in hand, the same would attract GST @5% (2.5% CGST and 2.5% SGST).

5.9 Now coming to the aspect of Tax Deducted at Source, TDS on GST, Section 51 of CGST Act stipulates that :- (1) Notwithstanding anything to the contrary contained in this Act, the Government may mandate,—

(a) a department or establishment of the Central Government or State Government; or  
(b) local authority; or  
(c) Governmental agencies; or  
(d) such persons or category of persons as may be notified by the Government on the recommendations of the Council, (hereafter in this section referred to as "the deductor"), to deduct tax at the rate of one percent from the payment made or credited to the supplier (hereafter in this section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees; Provided that no deduction shall be made if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient. Explanation.—For the purpose of deduction of tax specified above, the value of supply shall be taken as the amount excluding the central tax, State tax, Union territory tax, integrated tax and cess indicated in the invoice.

5.9.1 Following would be the deductors of tax in GST under section 51 of the CGST Act, 2017 read with notification No. 33/2017-Central Tax dated 15.09.2017: (a) a department or establishment of the Central Government or State Government; or (b) local authority; or (c) Governmental agencies; or (d) an authority or a board or any other body, - (i) set up by an Act of Parliament or a State Legislature; or (ii) established by any Government, with fifty-one per cent, or more participation by way of equity or control, to carry out any function; or (e) a society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860); or (f) public sector undertakings.



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10. Thus Section 51 of the CGST Act, 2017 prescribes the authority and procedure for 'Tax Deduction at Source'. Thus, individual supplies may be less than Rs. 2, 50,000/-, but if contract value is more than Rs. 2, 50,000/-, TDS will have to be deducted. 1% TDS is required to be deducted under both the CGST and the SGST Act and therefore the total TDS to be deducted is 2%.

6. Having regard to the facts and circumstances of the case and discussions as above, we pass the following order:-

**ORDER**

**(Under section 98 of the Chhattisgarh Goods and Services Tax Act, 2017)**

No.STC/AAR/02/2021

Raipur Dated 16/06/2021

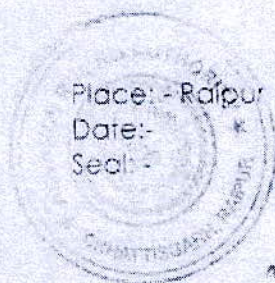
The ruling so sought by the Applicant is accordingly answered as under:

**RULING**

- i. Custom milling charges of paddy is taxable at 5% (2.5% CGST and 2.5% SGST) under CGGST Act, 2017.
- ii. Milling Incentive Amount given by the MARKFED to Custom Millers, not being any subsidy is a "consideration" as stipulated under Section 2(31) of the CGGST Act, 2017, includible in the value of supply in terms of Section 15 of CGGST Act, 2017.
- iii. Transportation of paddy from primary co-operative societies/paddy storage center to the place of Custom Miller is taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act, 2017.
- iv. Transportation of rice from the place of Custom Miller (to the delivery center of Nagrik Apurti Nigam i.e. State Civil Supplies / F.C.I.) is taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act, 2017.
- v. Usage charges of old gunny bags are taxable at 5% (2.5% CGST and 2.5% SGST) under Chhattisgarh GST Act, 2017.
- vi. TDS provisions under section 51 of CGGST Act 2017 are applicable on the payments made to Custom Millers.

sd/-  
Sonali K. Mishra  
(Member)

sd/-  
Rajesh Kumar Singh  
(Member)



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Signature  
16/6/21

ADVANCE RULING AUTHORITY  
CHHATTISGARH, RAIPUR

TRUE COPY

Signature  
16/6/2021

MEMBER  
ADVANCE RULING AUTHORITY  
CHHATTISGARH, RAIPUR