

GOVERNMENT OF NAGALAND  
OFFICE OF THE COMMISSIONER OF STATE TAXES  
NAGALAND: DIMAPUR

Dated Dimapur, the 20<sup>th</sup> November, 2017

**CIRCULAR-17/19/2017-GST**

***Ref-CBIC Circular No.19/19/2017-GST dated 20-11-2017***

**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 F.NO.FIN/REV-3/GST/1/08(Pt-1)'O' dated 30-06-2017.

2. The matter has been examined. S. No 55 of Notification F.NO.FIN/REV-3/GST/1/08(Pt-1)'O' 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 NGST 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 NGST 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 F.NO.FIN/REV-3/GST/1/08(Pt-1)'O' dated 30<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 F.NO.FIN/REV-3/GST/1/08(Pt-1)/39 [notification F.NO.FIN/REV-3/GST/1/08(Pt-1)'N' dated 30.6.17, 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. This Circular is clarificatory in nature and not meant for any interpretation of provisions of the Act and Rules.

7. Difficulty if any, in the implementation of the circular should be brought to the notice of the Commissioner at an early date.

Sd/-

**(Y. MHATHUNG MURRY)**

Commissioner of State Taxes

Nagaland: Dimapur

Dated Dimapur, the 20<sup>th</sup> November, 2017

NO.CT/LEG/CR-GST/36/17 / 78  
Copy to:-

1. The Finance Commissioner to the Government of Nagaland Finance Department (Revenue Branch) for information.
2. All Additional Commissioner of State Taxes/ Joint Commissioner of State Taxes, Nagaland, Dimapur for information and necessary action.
3. All Deputy Commissioner of State Taxes/ Superintendent of State Taxes/Inspectors of State Taxes, Nagaland for information and necessary action.
4. Programme Officer for uploading it in the Official Website for information to all concerned.
5. Guard file.

*Y. Mhathung Murry*  
20/11/17

Commissioner of State Taxes

Nagaland: Dimapur