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Dated: 7<sup>th</sup> February, 2018

**CIRCULAR**  
**(No. 12 / 2017-2018 - GST)**

**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 Sl. No 55 of Notification No. 38/1/2017-Fin(R&C)(12/2017-Rate) dated 30<sup>th</sup> June 2017, published in Extraordinary Official Gazette No. 3 , Series I No. 13 dated 30<sup>th</sup> June, 2017.

2. The matter has been examined. Sl. No 55 of Notification No. 38/1/2017-Fin(R&C)(12/2017-Rate) dated 30<sup>th</sup> June 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.*”

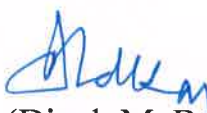
Job work has been defined under section 2 (68) of the Act to mean “*any treatment or process undertaken by a person on goods belonging to another registered person.*”



Further, under Schedule II (para 3) of the Goa Goods and Services Tax Act, 2017 “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 Notification No. 38/1/2017-Fin(R&C)(12/2017-Rate) dated 30.06.2017, published in Extraordinary Official Gazette No. 3, Series I No. 13 dated 30.06.2017 and corresponding notifications issued under Central Goods and Services Tax and Integrated Goods and Services Tax 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. 38/1/2017-Fin(R&C)(31/2017-Rate)/3593 dated 24.10.2017, published in Extraordinary Official Gazette, Series I No. 30 dated 26.10.2017 [ Notification No. 38/1/2017-Fin(R&C)(11/2017-Rate) dated 30th June, 2017, published in Extraordinary Official Gazette No. 3, Series I No. 13 dated 30.06.2017 at Sl. 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 undersigned.



  
(Dipak M. Bandekar)  
Commissioner of State Tax

Note: Similar circular is issued under Central Goods and Service Tax Act, 2017 by Tax Research Unit , Dept. of Revenue, Ministry of Finance, GOI vide Circular No. 19/19/2017-GST dated 20<sup>th</sup> November, 2017.