L&S Update

an e-update to clients from
Lakshmikumaran & **Sridharan**

L&S GST Update
No. 61 of 2017

Clarifications issued by Ministry of Finance on certain issues

Circular No. 19/19/2017-GST dt. 20.11.2017 - Inapplicability of exemption to milling of paddy

- This circular provides clarity on the applicability of GST on the service of custom milling of paddy by rice millers for Civil Supplies Corporation.
- Entry 55 of Notification No. 12/2017-Central Tax (Rate) dt. 28.06.2017 ("Exemption Notification") provides exemption from GST to 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.
- The Exemption Notification *inter alia* defines 'agricultural produce' - any produce out of cultivation of plants on which either:

  a) no further processing is done or

  b) 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.

Circular No. 19/19/2017-IGST dt. 20.11.2017 (contd.)

- This circular clarifies that milling of paddy is not an intermediate production process in relation to cultivation of plants as the same is 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 and milling of paddy into rice changes its essential characteristics. Thus, the aforesaid exemption is not available for the service of milling of paddy.

- Milling of paddy into rice on job work basis is liable to GST at the rate of 5% on the processing charges in terms of Entry 26(i)(f) of Notification No. 11/2017- Central Tax (Rate) dt. 28.06.2017.

Circular No. 21/21/2017-GST dt. 22.11.2017 –
Inter-State movement of rigs, tools & spares

- This circular clarifies that inter-State movement of rigs, tools and spares, and all goods on wheels [like cranes] (except where such movement is for further supply of the same goods) **between distinct persons** shall be treated "neither as a supply of goods nor supply of service" and therefore would not be leviable to IGST.

- However, the applicable GST is leviable on repairs and maintenance of such goods.

Circular No. 20/20/2017-GST dt. 22.11.2017

- This circular clarifies that terracotta idols, being clay based, are exempt from GST in terms of Entry 135A of Notification No. 2/2017-Central Tax (Rate) dt. 28.06.2017.

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