

GOVERNMENT OF KARNATAKA
(Department of Commercial Taxes)

No. KSA/GST.CR-05/2019-20

Office of the Commissioner of
Commercial Taxes
Vanijya Therige Karyalaya,
Gandhinagar,
Bengaluru-560009, Dated: 23-06-2021

COMMISSIONER OF COMMERCIAL TAXES CIRCULAR No. GST-06/2021

**Sub: GST on milling of wheat into flour or paddy into rice for distribution
by State Governments under PDS –reg.**

Certain representations have been received seeking clarification whether composite supply of service by way of milling of wheat into wheat flour, alongwith fortification, by any person to a State Government for distribution of such wheat flour under Public Distribution System is eligible for exemption under entry No. 3A of Notification (12/2017) No FD 48 CSL 2017(Tax Rate) dated: 29.06.2017, and also as regards the rate of GST on such milling, if it does not fall in said entry No. 3A. The issue has been examined by GST Council in its 43rd meeting held on 28th May, 2021.

2. Entry at Sl. No. 3A of Notification (12/2017) No FD 48 CSL 2017(Tax Rate) dated: 29.06.2017 exempts *“composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution”*.

3. As per the recommendation of the GST Council the issue is clarified as below.

3.1 Public Distribution specifically figures at entry 28 of the 11th Schedule to the constitution, which lists the activities that may be entrusted to a Panchayat under Article 243G of the Constitution. Hence, said entry No. 3A would apply to composite supply of milling of wheat and fortification thereof by miller, or of paddy into rice, provided that value of goods supplied in such composite supply (goods used for fortification, packing material etc) does not exceed 25% of the value of composite supply. It is a matter of fact as to whether the value of goods in such composite supply is up to 25% and requires ascertainment on case-to-case basis.

3.2 In case the supply of service by way of milling of wheat into flour or of paddy into rice, is not eligible for exemption under Sl. No. 3 A of Notification (12/2017) No