

By FAX/POST

GOVERNMENT OF ODISHA  
FOOD, SUPPLIES & CONSUMER WELFARE DEPARTMENT

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No. 18745 /Bhubaneswar, dated the 27/9/18.  
FSCW-PL-MISC-0026-2017

From

Shri Dibakar Barik  
Joint Director (FS)-cum-Ex-Officio  
Deputy Secretary to Govt.

To

The Managing Director, OSCSC Ltd., Bhubaneswar

Sub: *Minutes of the meeting held for discussion on applicability of GST on Custom Milling Charges*

Sir,

I am directed to send herewith a copy of letter of even No. dated 13.9.2018 along with its enclosure received from Under Secretary to Government of India, Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution on the subject mentioned above.

It is, therefore, requested to kindly take appropriate action at your level under intimation to this Department.

Yours faithfully,

27/9/18  
Joint Director (FS)-cum- Ex-Officio  
Deputy Secretary to Govt.

Memo No. 18746 Dated 27/9/18

Copy along with copy of enclosure forwarded to General Manager, FCI RO, Bhubaneswar for information and necessary action.

27/9/18  
Joint Director (FS)-cum- Ex-Officio  
Deputy Secretary to Govt.



MOST IMMEDIATE

No.199(15)/2018-FC A/cs  
Government of India,  
Ministry of Consumer Affairs, Food & PD  
Department of Food & and Public Distribution

Krishi Bhawan, New Delhi  
Dated the September 13, 2017

To

Principal Secretary/Secretary  
Government of Andhra Pradesh, Chhattisgarh, Odisha

Subject: **Minutes of the meeting held for discussion on applicability of GST on Custom Milling Charges.**

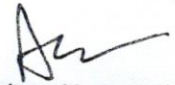
Sir/Madam,

I am directed to refer to the above mentioned subject and to enclose a copy of minutes of meeting held under chairmanship of AS&FA on 28.08.2018 at 3:00 PM in Room No. 46, Krishi Bhawan, New Delhi on applicability of GST on Custom Milling Charges, for kind information and necessary action.

2. List of participants is annexed.

Yours faithfully,

Encl: as above

  
( Abhay Kumar )  
Under Secretary to the Govt. of India  
Tel.No.011-2307 3798

Copy to:

1. CMD, FCI Headquarters, New Delhi.
2. Shri Ritvik Ranjanam Pandey, Joint Secretary, Department of Revenue, Room No. 46, North Block, New Delhi.
3. Shri P.K. Upadhyay, Advisor & Secretary, Tariff Commission, 7<sup>th</sup> Floor, Lok Nayak Bhawan, New Delhi-110003
4. ED(Finance), FCI Headquarters, New Delhi.

Copy also to:

1. Advisor(Cost), PI cell, DFPD
2. Director (FC Accounts), DFPD
3. Deputy Secretary (IFD), DFPD
4. PPS to AS&FA, DFPD
5. PPS to JS(P&FCI), DFPD

*IMP.*  
*MD 08/09/18*  
*Pl. discuss.*  
*[Signature]*  
*18/9/18*

*pot*



**Minutes of the meeting held under the Chairmanship of Shri B. Pradhan AS&FA, DFPD on 28.8.2018 to discuss applicability of GST on Custom Milling Charges**

A meeting was held under the chairmanship of B. Pradhan AS&FA, DFPD on 28.8.2018 to discuss applicability of GST on Custom Milling Charges. The main points of discussions were as under:

- (i) State Governments of Orissa, AP, Chattisgarh has sought clarifications on the issue as to whether the Milling Charges being paid by Central Government through the concerned State Government or FCI are inclusive of GST.
- (ii) In Post GST regime, a mechanism needs to be placed for such valuation of by-products, of Milling Process and GST thereon. FCI has requested for clarity on this issue.
- (iii) Other issues connecting with the above issues or incidental thereto.

2 At the outset, the chairman welcomed all of the participants (list enclosed).

3. On the issue of GST on milling charges, AS&FA wanted to know the view of **Tariff Commission (TC)** and Ministry of Finance (TRU Division).

4 Representative of Tariff Commission informed that the present normative milling charges of Rs. 15 for raw rice and Rs. 25 for parboiled rice includes wages and salaries, utilities, depreciation, overheads transportation cost, forwarding charges, return on capital employed and interest on working capital after netting of by-product recoveries as per Tariff Commission study report no. 899 issued in September, 2005 (Page no. 31) submitted to DFPD. However, VAT and service tax was not applicable at that time and therefore it has not been considered in normative fair milling charges. TC has further informed the meeting that in all of the three reports given by TC on milling charges, VAT or service tax has not been considered as these taxes were not paid by the rice millers. Tariff Commission has not conducted any study on rice milling charges in post GST era. While considering the GST on rice milling charges, **TC informed that the recovery from sale of by-product has increased manifold since 2005. As such, their values & GST thereon needs to be taken into account while taking any decision on GST on Milling Charges.**

5. Further elaborating the issue, **Deputy Secretary(TRU-II)** informed the meeting that there is no doubt that GST is payable on the custom milling charges @ 5%. Prior to introduction of GST, the custom millers were not paying service tax on custom milling. However, the input goods, input services and capital goods used in the custom milling suffered central excise duty, VAT and service tax. These taxes paid on the inputs stuck to them as cost and formed a component of the cost of milling which was passed on by millers to the consumers i.e. the Governments. Under GST since custom milling attracts GST, they would be eligible to take input tax credit (ITC) of GST paid on the input goods, input services and capital goods used in milling of rice. While GST payable on custom milling is only 5%, most of the input goods, capital goods and input services suffered GST of 18%. It is quite possible that the millers have sufficient input tax credit to pay GST of 5% on custom milling. They may not be paying any GST on custom milling in cash. They may also be claiming refund of the excess ITC available with them. Therefore, before revising the rates of custom milling or deciding whether GST should be reimbursed to custom millers over and above the milling charges, the milling units may be asked to inform the GST paid by them during 2017-18 and 2018-19 in cash and through ITC, the ITC available with them and whether they have claimed any refund of excess ITC. The increased prices of the by-products (rice bran and paddy husk etc.) which they

are allowed to retain, must also be taken into account. There was general agreement in the meeting that GST will be payable on the milling charges but the same can be reimbursed only after taking into account the input tax credit (ITC) of GST paid on the input goods, input services and capital goods used in milling of rice.

6. It was also conveyed to the meeting that the recommendations made by TC in its report of 2016 on milling charges was full of data gaps on account of inadequate information provided by the States and it was decided to entrust TC a fresh study for definitive and conclusive recommendations on milling charges without any data gaps. Further, information from mills is required to arrive any recommendation about normative quantum and rate of by-products to be considered on normative basis.

7. On issue of getting the data from millers for study by TC and to get information of GST paid by millers during 2017-18 and 2018-19 before considering GST on milling, Officers from States informed that it has been very difficult to obtain any data from the milling units regarding value of the by-products sold by them. The reason partly for this is that millers suppress the quantity and value of by-products sold. It was stated by DFPD that it is good that GST be levied on custom milling as well as on the by-products also. This would make the accounts of custom milling units transparent.

#### Comments of States, FCI and DFPD

8. With regard to issue of mechanism for valuation of by-products in post GST regime, FCI and Andhra Pradesh informed about the difficulties in implementation. It was deliberated that valuation of by-products will require its weight and prevailing market rate which may vary from State to State, for which TC has to be entrusted to ascertain the value of by-products on regional basis.

9. After due deliberations and taking into account the views expressed by Tariff Commission & D/o Revenue, the meeting has taken the following decisions:-

Sl No	Decision	Action by
a.	Tariff Commission will conduct a study on Milling Charges of Rice taking into account the input tax credit (ITC) of GST paid on the input goods, input services and capital goods used in milling of rice, value of by-products including GST payable thereon, GST being paid by the millers in cash and any other relevant component felt necessary by TC.	FC A/c & Tariff Commission
b.	For the said study by TC, FCI & State Governments will arrange to provide all requisite data so that there is no data gap in the said study.	FCI & State Governments
c.	Pending outcome of study by TC and its acceptance by the Govt of India, the Milling Charges on rice will continue to be reimbursed without GST (i.e. treating the Milling Charges as inclusive of GST)	FCI & State Governments
d.	In the post GST regime, State Governments may be requested to ascertain available ITC with the millers and possibility of adjusting GST on milling charges through ITC.	FC A/c and State Governments

The meeting ended with thanks to the chair.