

No GST Concessional Rates applicable to Activities of Manufacture, Supply of Fortified Rice Kernels till Sep 30, 2021: The AAR, Tamil Nadu

Fact of the Case

The Applicant, Rasi Nutri Foods is engaged in the business of manufacture and supply of nutrition products such as complementary weaning food, energy food, fortified rice kernel, etc., and is also engaged in the trading of agricultural commodities.

The Government of Tamil Nadu had invited tenders from eligible bidders for the supply of 164 MTs of Fortified Rice Kernels (FRK) per month with a content of 3 micronutrients namely Iron, Folic Acid, and Vitamin B12. to Trichy District of Tamil Nadu (for issue under public distribution system), vide E-Tender Document dated 11.05.2020. Subsequently, the Applicant has been awarded the contract for the supply of FRK. In terms of the tender document, the successful bidder has to supply 164 MTs of RK to make Fortified Rice at the designated Rice Miller's locations as per the technical specifications mentioned in the tender document, for a period of 2 years.

The Applicant is supplying the FRK to the Tamil Nadu Civil Supplies Corporation (TNCSC) and raises invoices on the TNCSC whereby 5% GST (2.5% CGST 2.5% SGST) has been charged; subject to the condition that the TNCSC submits the Certificate as mandated in Notification 39/2017-CT(R) dated 18.10.2017 read with G.O.Ms.No. 140 dated 17.10.2017 issued by the Commercial Taxes and Registration Department, failing which 18% GST (9% CGST 9% SGST) shall be applicable.

The applicant has sought the advance ruling on the issue of

- Whether Notification No.39/2017 CT(R) dated 18.10.2017 read with G.O.Ms.No. 140 dated 17.10.2017 issued by the Commercial Taxes and Registration Department, would be applicable to the Applicant's activity of manufacture and supply of Fortified Rice Kernels to the Tamil Nadu Civil Supplies Corporation pursuant to the Pilot Scheme on "Fortification of Rice & its Distribution under the Public Distribution System" project launched by the Central Government.

Decision of the Case

The Bench held that FRK is not directly supplied to the economically weaker sections, but only after blending with rice grains in designated rice mills. The Notification No. 39/2017-C.T.(Rate) dated 18.10.2017 provided the concessional rate to Food Preparation subject to fulfillment of conditions at Column (4) before such amendment.

Therefore, in our view, the concessional rate under Notification No.39/2017 C.T. (Rate) for the Period 18.10.2017 to 30.09.2021 is not available to the applicant for reasons, that FRK is not a food preparation put up in unit containers for free distribution to economically weaker sections and Applicants are not involved in free distribution of FRK to Economically weaker sections

The Tamil Nadu Authority of Advance Ruling (AAR) ruled that no GST concessional rates are applicable to activities of manufacture, supply of Fortified Rice Kernels till September 30, 2021.