

**PUNJAB AUTHORITY FOR ADVANCE RULING,  
GOODS AND SERVICE TAX, BHUPINDRA ROAD,  
PATIALA - 147001 (PUNJAB)**

ORDER NO. AAR/GST/IPB/1007

DATED: 21/08/2019

[An Appeal against this order lies with the Appellate Authority in terms of Section 99 and Section 100 of the CGST Act, 2017 and Section 99 and Section 100 of the PGST Act, 2017 within a period of thirty days from the date of communication of this order.]

**I. DETAILS OF THE APPLICANT:**

GSTIN	03AAJFG0841N1ZF
Legal Name	Gupta Steel Udyog
Trade Name	Gupta Steel Udyog, Opposite Gagan Feeds, Khanna-141401
Issue(s) on which advance ruling is sought	Whether GST is applicable on the job work charges charged for manufacturing of Poultry Feed / Cattle Feed on job work basis?
Personal Hearing Date	27.06.2019
Present for applicant	Sh. Vinod Kumar, Partner Sh. Vishal Garg, CA.
Order Date	

**II. BRIEF FACTS OF THE CASE**

M/s Gupta Steel Udyog, Opposite Gagan Feeds, Khanna-141401 are holding GST Registration No. 03AAJFG0841N1ZF. They are engaged in manufacturing of Cattle Feed and Poultry Feed on Job Work basis. The total raw material viz. Rice bran, Grains, Cakes, Molasses, De-Oiled Cakes etc. to be used in the manufacture of Cattle/Poultry Feed on job work, is supplied by the Principal Manufacturer. While most of the raw material are taxable in GST, the final products produced after job work i.e; Cattle Feed / Poultry Feed are exempted / Tax Free. The applicant receives job works charges for the above service rendered by him to the Principals.

**III. QUESTION(S) ON WHICH ADVANCE RULING IS SOUGHT**

Whether GST is applicable on the job work charges charged for manufacturing of Cattle Feed / Poultry Feed on job work basis.

**IV. ELIGIBILITY OF THE APPLICATION FOR ADVANCE RULING**

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The Section 97(2) of the Central Goods and Services Tax Act, 2017, read with Section 97(2) of the Punjab Goods And Services Tax Act, 2017, provides for the issues on which advance ruling can be sought.

97 (2) *The question on which the advance ruling is sought under this Act, shall be in respect*

*of,–*

- (a) classification of any goods or services or both;*
- (b) applicability of a notification issued under the provisions of this Act;*
- (c) determination of time and value of supply of goods or services or both;*
- (d) admissibility of input tax credit of tax paid or deemed to have been paid;*
- (e) determination of the liability to pay tax on any goods or services or both;*
- (f) whether applicant is required to be registered;*
- (g) whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.*

As the queries of the applicant in para III, are related to the question as to whether GST is applicable on the job work charges charged for manufacturing of Cattle Feed / Poultry Feed on job work basis falls within the ambit of Section 97(2) (a) & (b) - *classification of any goods or services or both and applicability of a notification issued under the provisions of this Act*, hence, the application of the applicant is eligible for a ruling by the Punjab State Advance Ruling Authority.

#### **V. SUBMISSIONS BY THE APPLICANT**

The applicant vide their application in Form GST ARA – 01 dated 19.04.2018 have, inter-alia, stated that they are engaged in manufacturing Cattle Feed and Poultry Feed on Job Work basis. The total raw material viz. Rice bran, Grains, Cakes, Molasses, De-Oiled Cakes etc. to be used in the manufacturing activity on job work is supplied by the Principal Manufacturer. The process undertaken by job worker is as under:

- Grinding and mixing of the raw material is performed in Grider & Mixer,
- Thoroughly mixed Raw Materials are treated with dry steam from Boiler in steel conveyors,
- The steamed materials are palletized through pallet mill,
- After cooling, the finished goods i.e; end product is weighed & filled in HDPE Bags and then supplied.

Both the end products i.e; Cattle Feed and Poultry Feed are Tax Free goods.

The applicant has further submitted that as per Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, "Support services to agriculture, forestry, fishing, animal husbandry" are 'NIL' rated. It has also been submitted that "Carrying

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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" is also 'NIL' Rated.

Relevant extract of the Notification is:

- (i) Support services to agriculture, forestry, fishing, animal husbandry.  
Explanation. –  
"Support services to agriculture, forestry, fishing, animal husbandry" mean –
- (i) Services relating 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 by way of—
- (a) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting threshing, plant protection or testing;
- (b) .....
- (c) .....
- (d) .....
- (e) .....
- (f) .....
- (g) .....
- (ii) .....
- (iii) **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**

## VI. HEARING

The case was taken up for hearing on 27.06.2019. Sh. Vinod Kumar, Partner and Sh. Vishal Garg, CA appeared in the Personal Hearing on behalf of the applicant and were heard in detail. During the hearing, they have submitted copies of the various representations made to different authorities and other miscellaneous correspondence / documents with CPF India Ltd.. They requested for an early clarification.

## VII. DISCUSSIONS AND FINDINGS

1. From the analysis of the applicant's submissions and statements, the following issue merit careful consideration for final decision :
- (i) Whether GST is applicable on the job work charges charged for manufacturing of Cattle Feed / Poultry Feed on job work basis

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2. The undisputed fact is that applicant is engaged in business of production of cattle feed and poultry feed on job work basis and the raw materials are sent by the principal to the applicant for the purpose of undertaking job work for manufacture of cattle feed / poultry feed.

3. Section 7(1) of CGST Act defines the expression 'supply'. As per the definition, it includes:

- (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) import of services for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in Schedule I, made or agreed to be made without a consideration; and
- (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

4. Further, as per Section 2(68) of CGST Act, the term 'Job Work' means 'as any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly'.

5. Further, Schedule II of CGST Act enumerates the activities which can be treated as Supply of Goods or Services. Para 3 of the Schedule states that "Any treatment or process which is applied to another person's goods is a supply of services."

6. In the present case, the applicant undertakes process on goods belonging to the principal, the same is in the nature of job work and the applicant is a job worker. the activity of manufacturing Cattle Feed / Poultry Feed by the applicant from the raw material supplied by the other registered person shall be considered as supply of services. The applicant, thus, undertakes this supply of services by way of processing the goods supplied by the principal for a consideration and the same is covered under the definition of 'Supply'.

7. The applicant has relied on Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 (as amended) which notifies the rates for supply of SERVICES under CGST Act and states that their case falls under S.No. 24 of the Notification under the heading 9986. The relevant portion of the Notification is as under:

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S.No.	Chapter Section or Heading	Description of Service	Rate (percent)	Conditions
24	Heading 9986	(i) Support services to agriculture, forestry, fishing, animal husbandry. Explanation. – "Support services to agriculture, forestry, fishing, animal husbandry" mean (i) ..... (ii) ..... (iii) <b>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 <u>agricultural produce.</u></b>	NIL	-

8. The Notification defines the term 'Agricultural produce' as under:

*"agricultural produce" means 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."*

The definition of term 'agricultural produce' includes rearing of all forms of animals for food, fibre, fuel, raw material or other similar products.

The word 'rearing' has not been defined in the Act/Notification, but its dictionary meaning is:

- to breed and raise (livestock) – Dictionary.com.
- the process of breeding animals or birds and caring for them as they grow - livestock rearing – Oxford Dictionary

9. Heading 9986 classifies 'Support services to agriculture, hunting, forestry, fishing, mining and utilities' and sub-heading 998612 spells out the services relevant to 'Animal Husbandry Services':

**998612: Animal husbandry services**

This service code includes sheep shearing and care and management of herds of farm animals; artificial insemination of farm animals; grading of eggs; cleaning of agricultural premises (hen houses, piggeries, etc.); accommodation services for pets (kennels); grooming and tattooing services for pets; training of pet animals; Farm animal husbandry services on inputs owned by others like operation of a farm animal production unit on a fee or contract basis

This service code does not include:

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- services provided by agronomists and agricultural economists, (998311)
- veterinary services for pets and other animals, (99835)
- training of guard dogs (998529)
- recreational riding services, (999652)
- training of sport and entertainment animals (999662)

10. **The crucial term which determines the issue in hand, is 'intermediate production process' as job work in relation to rearing of all life forms of animals.** From the facts of the case in hand, the activity of manufacturing of Cattle Feed / Poultry Feed by the applicant (on job work basis) is not an activity of carrying out an intermediate production process as job work in relation to cultivation plants and/or rearing of all life forms of animals.

11. On the other hand, the activity of the applicant is of undertaking the manufacturing process on the raw material viz. Rice bran, Grains, Cakes, Molasses, De-Oiled Cakes etc. supplied by the Principal Manufacturer and to be used in the manufacture of Cattle Feed / Poultry Feed. The applicant undertakes the following processes on these goods :

- Grinding and mixing of the raw material is performed in Grider & Mixer,
- Thoroughly mixed Raw Materials are treated with dry steam from Boiler in steel conveyors,
- The steamed materials are palletized through pallet mill,
- After cooling, the finished goods i.e; end product is weighed & filled in HDPE Bags and then supplied.

The above processes being undertaken by the applicant are manufacturing processes and after undertaking these processes, the finished goods (Cattle Feed / Poultry Feed) are returned back to the Principal Manufacturer, who further sells the same in the market. Thus, it is clear that the activities undertaken by the Applicant are manufacturing activities. Applying the statutory provisions to the facts of the case, it is evident that Service Classification Chapter Heading 9986 covers only that genre of support services of animal husbandry like Sheep shearing, care and management of herds, pet training, grooming, etc. which are support services related to the operation of animal husbandry and does not cover the services provided by the applicant, which are manufacturing services. Therefore the services of the Applicant are not covered under the purview of SAC 9986.

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12. The services are rather appropriately classified under SAC 9988. The relevant portion of the Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 (as amended) which notifies the rates for supply of SERVICES under CGST Act is as under:

S.No.	Chapter Section or Heading	Description of Service	Rate (percent)	Conditions
26	9988 (Manufacturing services on physical inputs (goods) owned by others)	(i) Services by way of job work in relation to- (a) ..... (b) ..... ..... <b>(g) all products falling under Chapter 23 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), except dog and cat food put up for retail sale falling under tariff item 23091000 of the said Chapter;</b>	2.5	-

Heading 998817 further, specifically deals with prepared animal feeds manufacturing services. The relevant heading is reproduced below:

Heading no. 9988	Manufacturing services on physical inputs (goods) owned by others	
<b>Group 99881</b>		<b>Food, beverage and tobacco manufacturing services</b>
	998811	Meat processing services
	998812	Fish processing services
	998813	Fruit and vegetables processing services
	998814	Vegetable and animal oil and fat manufacturing services
	998815	Dairy product manufacturing services
	998816	Other food product manufacturing services
	<b>998817</b>	<b>Prepared animal feeds manufacturing services</b>
	998818	Beverage manufacturing services
	998819	Tobacco manufacturing services

13 Job Work is defined under Section 2(68) as any treatment or process undertaken by a person on goods belonging to another registered person. In the present case, the material received by the applicant from the principal manufacturer are subjected to certain processes and returned back to the Principal manufacturer. Thus, the activity carried out by the applicant falls under Heading 9988 and not under Heading 9986 as contended by the applicant. The applicant realizes job work charges on return of goods so manufactured by it. In such a scenario, the applicant (job worker) alone has the liability to pay any tax liable on the job work charges.

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14 Thus, the activity of job work being undertaken by the applicant clearly falls under S.No. 26 (g) of the Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 (as amended) and thus attracts GST @ 5% (CGST 2.5% + SGST 2.5%).

15 In view of the foregoing, we rule as under: -

**RULING**

The activity of manufacturing of Cattle Feed / Poultry Feed by the applicant on job work basis is not "Support services to agriculture, forestry, fishing, animal husbandry". The activity of manufacturing of Cattle Feed / Poultry Feed by the applicant on job work basis falls under heading 9988 and attracts GST @ 5% (CGST 2.5% + SGST 2.5%).

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15. Bhinder  
Navdeep Bhinder  
Member, SGST 19/8/2019

19/8/19  
Parul Garg  
Member, CGST

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To

M/s Gupta Steel Udyog,  
Opposite Gagan Feeds,  
Khanna-141401  
GSTIN : 03AAJFG0841N1ZF

PB/AAR/19/ 353-57

Dated: 21-8-19

Copy to:

1. The Special Secretary, Goods and Service Tax Council, 5<sup>th</sup> floor, Tower-II, Jeevan Bharti Bldg., Connaught Place, New Delhi w.r.t. F. No. 193/Advance Ruling/ GSTC/2017 dated 01.05.2018.
2. The Commissioner of State Taxes, Punjab.
3. The Commissioner, CGST, Ludhiana, GST Bhawan, Rishi Nagar, Ludhiana.
4. The Assistant Commissioner of State Taxes, Ludhiana.
5. The Assistant Commissioner CGST Division, Khanna.

Disposal  
21/8/19  
21-8-19

19/8/19