

Concessional GST rates not applicable to activity of manufacture and supply of fortified rice kernels till Sep 30, 2021

In *Rasi Nutri Foods [Order No. 39 AAR/2021 dated October 21, 2021]* Authority for Advance Ruling, Karnataka (“KAAR”) held that *Notification 39/2017 Central Tax (Rate) dated October 18, 2017 (“Concessional Rate Notification”)* read with *G.O.M’s No. 140 dated October 17, 2017*, Department is not applicable to the activity of manufacture and supply of Fortified Rice Kernels (“FRK”) to rice mills designated by Tamil Nadu Civil Supplies Corporation for period up-to September 30, 2021 as it does not amount to food preparation.

The Rasi Nutri Foods (“the Applicant”), engaged in the business of manufacture and supply of nutrition products including FRK, has been awarded the contract for the supply of FRK by the government of Tamil Nadu. In terms of the tender document the Applicant has to supply 164 MTs of RK to make Fortified Rice at the designated rice miller’s locations, for a period of 2 years.

The Applicant has sought an advance ruling on the issue of whether Concessional Rate Notification read with G.O.Ms. No. 140 issued by the Commercial Taxes and Registration Department, would be applicable to the Applicant’s activity of manufacture and supply of FRK 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.

KAAR observed that the product supplied by the Applicant to the rice mills for blending with rice grains is FRK, which per se is not ‘food preparation’ as it cannot be consumed as such or after cooking, rather FRK is ‘goods’ and further observed that FRK is not directly supplied to the economically weaker section, but only after blending with rice grains in designated rice mills.

Held that **FRK cannot be considered as food preparation and the Applicants are not involved in free distribution of FRK to economically weaker sections, therefore, Concessional Rate Notification is not available to the Applicant for the period up-to September 30, 2021.**

Further held that vide *Notification 11/2021 Central Tax (Rate) dated September 30, 2021 (“Amended Notification”)* the Concessional Rate Notification was amended w.e.f October 1, 2021 by including the term ‘FRK (premix)’ supply for ICDS or similar scheme approved by Central Government or State Government in column (3) and also, word food preparation is amended as ‘goods’ in column (4) of the Amended Notification, therefore, **if the Applicant fulfills the condition mentioned in column (4) of the Amended Notification, the Applicant will be eligible for the benefit of Concessional Rate Notification, as amended, from October 1, 2021 onwards.**

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