THE WEST BENGAL AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
14, Beliaghata Road, Kolkata – 700015
(Constituted under Section 96 of the West Bengal Goods and Services Tax Act, 2017)

Members present:

Yogesh Sugdeo Chitte
Joint Commissioner, CGST & CX

Jaydip Kumar Chakrabarti
Additional Commissioner, SGST

Preamble

a) A person within the ambit of Section 100 (1) of the Central Goods and Services Tax Act, 2017 or West Bengal Goods and Services Tax Act, 2017 (hereinafter collectively called 'the GST Act'), if aggrieved by this Ruling, may appeal against it before the West Bengal Appellate Authority for Advance Ruling, constituted under Section 99 of the West Bengal Goods and Services Tax Act, 2017, within a period of thirty days from the date of communication of this Ruling, or within such further time as mentioned in the proviso to Section 100 (2) of the GST Act.

b) Every such appeal shall be filed in accordance with Section 100 (3) of the GST Act and the Rules prescribed thereunder, and the Regulations prescribed by the West Bengal Authority for Advance Ruling Regulations, 2018.

Name of the applicant	**Darjeeling Flour Mills Private Limited**
Address	1, Darjeeling Flour Mills Private Limited, Champasari Main Road, Champasari Mallaguri, Darjeeling, West Bengal, 734003
GSTIN	19AADCD0483C1ZY
Case Number	WBAAR 09 of 2026-27
ARN	AD1905260146043
Date of application	June 05, 2026
Jurisdictional authority (State)	Siliguri Charge
Jurisdictional authority (Centre)	Siliguri-Darjeeling Division, Siliguri Commissionerate
Order number and date	17/WBAAR/2026-27 Dated 01.10.2026

Applicant's representative heard	Mr. Sandip Choraria, Adv. Ms. Payel Agarwal, CA Mr. Rajkumar Banerjee, Adv.

1.1 At the outset, we would like to make it clear that the provisions of the Central Goods and Services Tax Act, 2017 (the CGST Act, for short) and the West Bengal Goods and Services Tax Act, 2017 (the WBGST Act, for short) have the same provisions in like manner except for certain provisions. Therefore, unless a specific mention is made of such dissimilar provisions, a reference to the CGST Act would also refer to the corresponding provisions in the WBGST Act. Further, for the purposes of these proceedings, the expression "GST Act" means both the CGST Act and the WBGST Act.

1.2 The applicant, Darjeeling Flour Mills Private Limited, is a private limited company registered under the Goods and Services Tax law and is engaged, inter alia, in the business of providing job work services in the nature of crushing and processing of food grains supplied and owned by the Food & Supplies Department, Government of West Bengal. The applicant has entered into an agreement with the District Controller of Food and Supplies, Kalimpong, Government of West Bengal, for carrying out the aforesaid milling activity. Under the arrangement, whole and unpolished food grains are supplied by the State Government authority to the applicant, which crushes and processes the same into flour, fortifies the flour with vitamins and packs the finished flour as required by the State Government. The Foods & Supplies Department then distributes the fortified flour through the Public Distribution System (PDS). The applicant receives consideration comprising cash consideration for crushing, fortification, packing, transportation and handling, as well as non-cash consideration in the form of permission to retain the bran and refractors/by-products generated during the milling process and the gunny bags used for transportation of the food grains. The applicant has sought an advance ruling on whether the aforesaid composite supply of milling of food grains into flour to the Food & Supplies Department, Government of West Bengal, for distribution under the Public Distribution System, is eligible for exemption under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 and, if not, the applicable rate of GST on such milling service.

1.3 The applicant has made this application under sub-section (1) of section 97 of the GST Act and the rules made thereunder, seeking an advance ruling in respect of the following question:

1. Whether the instant composite supply of service by way of milling of food grains

into Flour to Foods & Supplies Department, Govt. of West Bengal for distribution of such flour under Public Distribution System is eligible for exemption under entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017?

2. What shall be the rate of GST on such milling, if it does not fall in said entry No. 3A?

1.4 The aforesaid question on which the advance ruling is sought are found to be covered under clause (a) & (b) of sub-section (2) of section 97 of the GST Act, 2017.

1.5 The applicant states that the question raised in the application has neither been decided by nor is pending before any authority under any provision of the GST Act.

1.6 The officer concerned from the Revenue has raised no objection to the admission of the application.

1.7 The application is, therefore, admitted.

2. Submission of the Applicant

2.1 The Applicant, M/s Darjeeling Flour Mills Private Limited, submits that it is a private limited company within the meaning of the Companies Act, 2013 and was incorporated under the provisions of the Companies Act, 1956. The Applicant is a registered person under the GST law and is engaged in the business of selling flour (Atta) and providing job work services in the nature of crushing food grains supplied and owned by the Food & Supplies Department, Government of West Bengal. The Applicant's registered place of business is at 1, Champasari Main Road, Champasari Mallaguri, Darjeeling, West Bengal, 734003.

2.2 The Applicant submits that it entered into an agreement dated 27.09.2018 with the District Controller of Food and Supplies, Kalimpong, Government of West Bengal, for carrying out the aforesaid milling/job work activity. The said agreement has been renewed from time to time, the latest renewal being in February, 2025. Under the said arrangement, the Applicant undertakes the activity of crushing and processing food grains supplied and owned by the Food & Supplies Department, Government of West Bengal, into flour for distribution through the Public Distribution System (PDS).

2.3 The Applicant submits that the Public Distribution System was established for

distribution of food and other essential commodities to the economically weaker sections of society at subsidised rates. Major commodities including staple food grains, sugar and other essential commodities are distributed through a network of fair price shops and the distribution is managed by the State Government. The basic objective of the Public Distribution System is to serve families falling within the below poverty line category. The Essential Commodities Act, 1955 was enacted in the interest of the general public for regulating production, supply, distribution and trade and commerce in certain commodities, and the production, supply and distribution of essential commodities are controlled under Section 3 of the said Act.

2.4 The Applicant further submits that the West Bengal Public Distribution System (Maintenance and Control) Order, 2013 has been issued in exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955 and extends to the whole of West Bengal except the areas where the West Bengal Urban Public Distribution System (Maintenance and Control) Order, 2013 is in force. The Applicant has annexed a copy of the West Bengal Public Distribution System (Maintenance and Control) Order, 2013 as Annexure "P-1". The West Bengal Urban Public Distribution System (Maintenance and Control) Order, 2013 has also been issued in exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955 read with Government of India, Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution Order No. G.S.R. 630(E) dated 31.08.2001 and extends to the urban areas of West Bengal. A copy thereof has been annexed as Annexure "P-2".

2.5 The Applicant submits that the West Bengal Public Distribution System (Empanelment of Flour Mill and Milling of Fortified Atta/Wholemeal Atta) Guidelines, 2017 have been framed in pursuance of Clauses 36 and 37 of the West Bengal Public Distribution System (Maintenance and Control) Order, 2013 and Clauses 33 and 34 of the West Bengal Urban Public Distribution System (Maintenance and Control) Order, 2013. The Applicant states that an agreement between the State Government and the owners of flour mills is made in accordance with the provisions of the said Guidelines. Paragraph 3 of the Guidelines deals with empanelment of flour mills, whereas Paragraph 6 deals with renewal of empanelment. Paragraph 4(2) provides that an empanelled flour mill shall not indulge in private milling for commercial purposes except with the prior consent of the State Government.

2.6 The Applicant draws attention to Paragraph 20 of the West Bengal Public Distribution System (Empanelment of Flour Mill and Milling of Fortified Atta/Wholemeal Atta) Guidelines, 2017, which provides for maintenance of registers and furnishing of returns.

In terms of Paragraph 20(1), a separate register is required to be maintained by the owner of the flour mill to keep records of wheat received, milled and fortified atta/wholemeal atta delivered. Further, under Paragraph 20(2), every owner of a flour mill is required to furnish a fortnightly return to the District Controller (Food and Supplies) containing an abstract of the aforesaid account and a monthly return in the prescribed format. The Applicant has annexed a copy of the said Guidelines as Annexure "P-3".

2.7 The Applicant submits that the activity undertaken by it is directly connected with the Public Distribution System. The Public Distribution System is an activity in relation to the function of safeguarding the interests of weaker sections of society, entrusted to a Municipality under Article 243W read with the Twelfth Schedule of the Constitution. In this connection, the Applicant refers to Paragraph 2(f) of the West Bengal Urban Public Distribution System (Maintenance and Control) Order, 2013, which defines a "Below Poverty Line family" as a family identified as such by the concerned authority under the Government of West Bengal and to whom BPL Ration Cards have been issued for distribution of public distribution commodities under the BPL Scheme along with other specified items of daily use under the Public Distribution System.

2.8 The Applicant submits that the actual process of job work undertaken by it may be summarised as follows. The State Government, through the Foods & Supplies Department, sends whole and unpolished food grains to the Applicant for crushing and processing into flour. The Applicant crushes and processes the food grains and returns the flour after fortifying the crushed grain with vitamins. The flour is packed in the manner required by the State Government, with the packing material being supplied by the Applicant. The resultant flour is thereafter distributed through the Public Distribution System by the State Government, through the Foods & Supplies Department.

2.9 The Applicant further submits that, in the process of crushing 100 kilograms of wheat, approximately 95 kilograms of flour is produced and by-products in the form of 4 kilograms of Bran and 1 kilogram of Refractor are generated. For the crushing activity, the Applicant receives cash consideration of Rs.136.48/-. In addition to the cash consideration, the Applicant is permitted to retain 4 kilograms of Bran and 1 kilogram of Refractor generated during the milling process, which are sold in the open market. The Applicant also realises Rs.43/- by selling the gunny bags used by the State Government for sending the whole and unpolished food grains from the mandi to the Applicant. Thus, the Applicant receives non-cash consideration of Rs.124/-.

2.10 The Applicant submits that the details of the cash and non-cash consideration for crushing 100 kilograms of wheat and obtaining 95 kilograms of Atta are as follows:

	Flour Millers to be paid for crushing of 100 kg of Wheat	**Cost for 95 Kg Atta (in Rs.)**
A	Crushing Charges	90.78
B	Fortification, Costs-	10
C	Packing Charges	50
D	Transportation & Handling Charges	28.7
E	Consideration from sale of Bran (4" Rs.20/Kg (Non-Cash)	80
F	Consideration from sale of Refractors (1" Rs.1/kg)(Non-Cash)	1
G	Total (A+ B+C+D+E+F)	260.48
H	Less: Non-Cash Consideration,	
I	Less: Cost of 2 Gunny Bags	-43
J	Less: receipt from Sale of Bran and Refractor	-81
K	Net Total (Cash Consideration)	136.48

The Applicant submits that the total value of the composite supply, taking into account the aforesaid components, is Rs.260.48, whereas the net cash consideration payable is Rs.136.48 after reduction of the non-cash consideration and the value attributable to the gunny bags and Bran/Refractor.

2.11 The Applicant submits that Notification No. 2/2018-Central Tax (Rate) dated 25.01.2018, issued by the Government of India, Ministry of Finance, Department of Revenue, in exercise of powers conferred by Section 11(1) of the Central Goods and Services Tax Act, 2017, made further amendments to Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 by inserting Serial No. 3A. The Applicant submits that the relevant entry specifically provides exemption to a composite supply of goods and services where the value of supply of goods constitutes not more than 25 per cent of the value of

the said composite supply, when provided to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity in relation to functions entrusted to a Panchayat under Article 243G or a Municipality under Article 243W of the Constitution.

2.12 The relevant portion of Serial No. 3A of Notification No. 12/2017-Central Tax (Rate), as reproduced by the Applicant, is as follows:

Sl. No.	**Chapter, Section, Heading, Group or Service Code (Tariff)**	**Description of Services**	**Rate (percent.)**	**Condition**
3A	Chapter 99	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.	Nil	Nil

2.13 The Applicant is of the opinion that the services provided by it, being services in the nature of crushing/milling of food grains supplied and owned by the Foods & Supplies Department, Government of West Bengal, are exempt from GST under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. According to the Applicant, the said entry exempts a composite supply of goods and services where the value of supply of goods does not exceed 25 per cent of the value of the composite supply, provided to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity in relation to a function entrusted to a Panchayat under

Article 243G or to a Municipality under Article 243W of the Constitution.

2.14 The Applicant submits that the flour is packed using packing material supplied by the Applicant. Therefore, according to the Applicant, the transaction constitutes a bundled supply of the service of crushing the food grains along with the supply of packing materials. The two supplies are made in conjunction with each other in the ordinary course of business since the food grain cannot be transported and supplied in the required manner without proper packing. The Applicant accordingly submits that the transaction constitutes a composite supply of goods and services in which the service of crushing the food grains is the principal supply and the provision of packing materials is ancillary thereto.

2.15 The Applicant submits that the primary condition prescribed under Serial No. 3A is that the value of supply of goods in the composite supply should not constitute more than 25 per cent of the value of the said composite supply. In the instant case, the Applicant considers the value of supply of goods to comprise the Fortification Charges and Packing Charges. Accordingly, the Applicant has calculated the value of supply of goods as follows:

Value of Supply of Goods = Fortification Charges + Packing Charges
= Rs. (10 + 50)
= Rs. 60

The Applicant states that the Value of Composite Supply = Rs. 260.48.
Accordingly:
Value of supply of goods vis-à-vis value of composite supply = (60 / 260.48) × 100 = 23.03%
Thus, according to the Applicant, the value of supply of goods constitutes 23.03% of the value of the composite supply, which is below the prescribed ceiling of 25 per cent under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate), as amended.

2.16 The Applicant further submits that distribution through the Public Distribution System is covered under Entry No. 28 of the Eleventh Schedule to the Constitution of India. According to the Applicant, it is therefore an activity in relation to a function entrusted to a Panchayat under Article 243G of the Constitution or in relation to a function entrusted to a Municipality under Article 243W of the Constitution. Consequently, the activity undertaken by the Applicant for the Foods & Supplies Department for milling food grains into flour intended for distribution through the PDS is, according to the Applicant, an activity falling within the scope of Serial No. 3A.

2.17 The Applicant places reliance upon Circular No. 153/09/2021-GST issued by the Government of India, Ministry of Finance, Department of Revenue, North Block, New Delhi, which specifically clarified the applicability of GST on milling of wheat into flour or paddy into rice for distribution by State Governments under the Public Distribution System. The Applicant submits that the Circular specifically recognises that Public Distribution figures at Entry No. 28 of the Eleventh Schedule to the Constitution, which lists activities that may be entrusted to a Panchayat under Article 243G of the Constitution.

2.18 The Applicant submits that, as clarified in paragraph 3.1 of the aforesaid Circular, Serial No. 3A of Notification No. 12/2017-Central Tax (Rate) applies to composite supplies of milling of wheat and fortification thereof by the miller, or milling of paddy into rice, provided that the value of goods supplied in such composite supply, including goods used for fortification, packing material etc., does not exceed 25 per cent of the value of the composite supply. The Circular further clarifies that determination of whether the value of goods is up to 25 percent is a matter of fact and requires ascertainment on a case-to-case basis. The Applicant submits that in its case, as demonstrated above, the value of the goods is only 23.03% of the composite supply and therefore satisfies the prescribed condition.

2.19 The Applicant submits that the aforesaid Circular further clarifies the taxability in a situation where the exemption under Serial No. 3A is not available because the value of goods supplied in the composite supply exceeds 25 percent. Paragraph 3.2 of the Circular provides that where the supply of service by way of milling of wheat into flour or paddy into rice is not eligible for exemption under Serial No. 3A on the ground that the value of goods supplied in such composite supply exceeds 25 per cent, the applicable GST rate would be 5 per cent where such composite supply is provided to a registered person, being a job work service covered under Entry No. 26 of Notification No. 11/2017-Central Tax (Rate).

2.20 The Applicant argues that the facts of the present case squarely satisfy the conditions prescribed under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate). The supply is a composite supply involving milling of food grains and supply of packing/fortification materials; the recipient is the Foods & Supplies Department, Government of West Bengal; the resultant flour is distributed through the Public Distribution System; the PDS activity is covered by Entry No. 28 of the Eleventh Schedule to the Constitution; and the value of goods involved in the composite supply, as calculated by the Applicant, is Rs.60 against the total value of the composite supply of Rs.260.48,

constituting only 23.03 per cent. The Applicant therefore submits that all the prescribed conditions for exemption are fulfilled.

2.21 In view of the facts stated above, the provisions of Notification No. 12/2017-Central Tax (Rate), the constitutional provisions relating to the Public Distribution System and the clarification issued by the Government of India vide Circular No. 153/09/2021-GST, the Applicant submits that the instant composite supply of service by way of milling of food grains into flour to the Foods & Supplies Department, Government of West Bengal, for distribution of such flour under the Public Distribution System is eligible for exemption under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.

2.22 Without prejudice to the above submission, the Applicant alternatively submits that even if, without admitting, the aforesaid exemption is held to be unavailable, the activity undertaken by the Applicant is in the nature of job work in relation to food and food products falling under Chapters 1 to 22 of the First Schedule to the Customs Tariff Act, 1975. Accordingly, the Applicant submits that such job work service is taxable at the rate of 5% (CGST + SGST) under Notification No. 11/2017-Central Tax (Rate).

2.23 The Applicant therefore prays that the Authority may be pleased to hold that the instant composite supply of service by way of milling of food grains into flour to the Foods & Supplies Department, Government of West Bengal, for distribution of such flour under the Public Distribution System is eligible for exemption under Serial No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. Alternatively, and without prejudice to the principal claim, the Applicant submits that if the exemption is held not to be available, the said milling/job work service is liable to GST at the rate of 5% (CGST + SGST).

3. Submission of the Revenue

3.1 The concerned officer from the Revenue submits that the Applicant has sought an advance ruling in respect of the composite supply of service by way of milling of food grains into flour to the Food & Supplies Department, Government of West Bengal, for distribution of such flour under the Public Distribution System, and the applicable rate of GST in respect of such supply. The Revenue submits that the questions raised by the Applicant are covered under the scope of Section 97(2)(a) and Section 97(2)(b) of the GST Acts, relating to classification of goods or services and applicability of an exemption notification, respectively.

3.2 The Revenue further submits that the issue raised in the instant application has already been considered and decided by this Authority in WBAAR 06 of 2023. According

to the Revenue, the facts and grounds involved in the present matter are similar in nature to those considered in the said ruling and, therefore, the view taken by the Authority in WBAAR 06 of 2023 is applicable to the present case as well.

3.3 The Revenue submits that, for determining the value of the composite supply, the consideration received by the supplier is required to be taken into account, including the consideration in money as well as any non-cash consideration, as discussed in WBAAR 06 of 2023. The Revenue accordingly relies upon the valuation principles considered in the said ruling for determining the value of the composite supply of milling of food grains into flour.

3.4 In respect of the first question, the Revenue submits that the composite supply of services by way of milling of food grains into flour to the Food & Supplies Department, Government of West Bengal, for distribution of such flour under the Public Distribution System is eligible for exemption under Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended. The Revenue submits that the essential condition for availing the benefit of the said entry is satisfied in the present case since the value of goods involved in the composite supply does not exceed 25% of the value of the supply.

3.5 The Revenue accordingly submits that the instant composite supply of milling of food grains into flour, made to the Food & Supplies Department, Government of West Bengal, for distribution of the resultant flour under the Public Distribution System, qualifies for exemption under Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, as the value of the goods involved in the composite supply does not exceed 25% of the total value of the supply.

3.6 In view of the above, the Revenue is of the opinion that the first question raised by the Applicant may be answered in the affirmative and the composite supply of milling of food grains into flour for the Food & Supplies Department, Government of West Bengal, for distribution under the Public Distribution System may be held eligible for exemption under Entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended. Consequently, the question regarding the applicable rate of GST in the event that the supply does not fall under the said exemption entry does not arise for consideration.

4. Observations & Findings of the Authority

4.1 We have gone through the records of the issue as well as submissions made by the authorized representatives of the applicant during personal hearing. We have also considered the submission made by the concerned revenue officer.

4.2 As per the facts submitted before us, the applicant is engaged in the business of providing services of job work in the nature of crushing food grains supplied and owned by the Food & Supplies Department, Government of West Bengal. The applicant entered into an agreement dated September 27, 2018 with the District Controller of Food and Supplies, Darjeeling. The said agreement has been renewed from time to time, the latest renewal being done in the month of February, 2025. The applicant also entered into the same kind of agreement with the District Controller of Food and Supplies, Kalimpong.

As per the agreements, the Food & Supplies Department of the Government of West Bengal sends the whole, unpolished food grain to the applicant for crushing and processing into flour. After crushing the whole grains and fortifying the crushed grain with the vitamin the applicant returns the flour packed in the manner as the State Government requires. The packing material is supplied by the applicant. This flour is disturbed through the Public Distribution System (in short PDS) by the State Government.

By crushing 100 kilograms of whole wheat, 95 kilograms of flour is produced along with four kilograms of bran and one kilogram of refractor. While the flour is handed over to the Food & Supplies Department, the applicant retains the entire quantity of bran and refractor according to the agreement. The Government pays the applicant Rs.136.48 by cash for crushing the aforesaid quantity of grains. This figure is arrived at as per the following calculation as provided in the communication vide Memo No. 2979(3)- (FS)/ Sectt/Food/4P-02/2016 dated 08.12.2020 issued by Food & Supplies Department of Government of West Bengal:

Flour Millers to be paid for crushing of 100 kg of Wheat		**Cost for of 95 Kg Atta (in Rs.)**
A	Crushing Charges	90.78
B	Fortification, Costs-	10
C	Packing Charges	50
D	Transportation & Handling Charges	28.7
E	Consideration from sale of 4 Kg. of Bran @ Rs.20/Kg (Non-Cash)	80

F	Consideration from sale of 1 Kg. of Refractors @ Re.1/kg (Non-Cash)	1
G	Total (A+ B+C+D+E+F)	260.48
H	Less: Non-Cash Consideration,	
I	Less: Cost of 2 Gunny Bags	-43
J	Less: receipt from Sale of Bran and Refractor	-81
K	Net Total (Cash Consideration)	136.48

4.3 Under these circumstances, the applicant has placed the following questions before this authority:

1) Whether the instant composite supply of service by way of milling of food grains into Flour to Foods & Supplies Department, Govt. of West Bengal for distribution of such flour under Public Distribution System is eligible for exemption under entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017?

2) What shall be the rate of GST on such milling, if it does not fall in the said entry no. 3A?

4.4 The applicant has referred to serial no. 3A of Notification No. 12/2017 – Central Tax (Rate) dated 28.06.2017, as amended from time to time. The relevant portion is reproduced as under:

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
(1)	**(2)**	**(3)**	**(4)**	**(5)**
3A	Chapter 99	Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to the Central Government, State Government or Union territory or local	Nil	Nil

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		authority 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.		

The applicant argues that after crushing the grain, the flour which is produced is packed in packing material supplied by the applicant. The applicant is, therefore, making a bundled supply of the service of crushing of the grains along with supply of packing materials. They are supplied in conjunction with each other in the ordinary course of business as food grain cannot be transported without proper packing. It is, therefore, a composite supply of goods and services where service of crushing food grains is the principal supply and providing packing materials is ancillary to it.

According to the applicant, the service is being provided to the Government of West Bengal and the supply is by way of an activity in relation to distribution through Public Distribution System (PDS) which is covered by entry no. 28 of the Eleventh Schedule to Article 243G of the Constitution.

The applicant also refers to Circular no. 153/09/2021-GST dated 17.06.2021 issued by TRU wherein it is stated in Paragraph 3.1 that

> *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.*

Reference has also been made to Memo No. 2979(3)- (FS)/ Sectt/ Food/4P-02/ 2016 dated 08.12.2020 issued by Food & Supplies Department of Government of West Bengal. In this memo the estimated consideration to be paid by the

Government to the millers for crushing wheat into fortified atta for PDS has been declare at Rs. 260.48. Out of this amount, non-cash consideration is Rs. 124.00 and cash consideration is Rs. 136.48.

The applicant argues that in respect of the composite supply made by him to Government of West Bengal, the value of supply of goods stands at Rs. 60.00 (Rs. 50.00 for packing charges + Rs. 10.00 for fortification costs) while the total value of the supply is declared at Rs. 260.48 by the Government. Hence the value of supply of goods vis-à-vis value of composite supply comes to 23.03% which is much less than 25% capping as fixed under serial no. 3A *ibid*. According to the applicant's authorised representative, all the conditions imposed under serial no. 3A are fulfilled in the composite supply referred to in the application for advance ruling.

4.5 The Concerned Officer from Revenue has referred to the ruling pronounced by this Authority in case no. WBAAR 06 of 2023 and subscribing to the findings of the Authority, the Concerned Officer reiterates the stand taken in that case

> *value of supply shall be the consideration in money as well as non-cash consideration, as discussed. This composite supply of services by way of milling of food grains into flour (atta) to Food & Supplies Department, Govt. of West Bengal for distribution of such flour under Public Distribution System is eligible for exemption under entry serial no. 3A of the Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, since the value of goods involved in such composite supply does not exceed 25% of the value of supply.*

4.6 Having admitted the point that the applicant is providing the supply to the Government of West Bengal represented by the Food & Supplies Department, we will divide our discussions into three segments. They are:

A) Whether the referred supply is a composite supply?

B) What is the value of the supply here and what is the value of supply of goods and whether it constitutes less than 25% of the total value of supply?

C) Whether the supply is by way of 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?

4.7 According to the submissions made by the applicant's authorised representative and

the documents placed before us, the Government of West Bengal is implementing the scheme for providing Fortified Atta/ Wholemeal Atta to the Antyodaya Anna Yojana (in short AAY) and Priority Household (in short PHH) beneficiaries under National Food Security Act (in short NFSA), 2013 through PDS in public interest. Under this scheme some flour mills are empanelled for the purpose of crushing of wheat into whole-meal atta.

In this process the empanelled flour mills, as per the agreement signed with the Government, crush the given quantity of wheat allocated by the concerned government department. The flour mills not only crush the wheat, but also fortify it by premixing of micro-nutrients into it containing 60 grams of Iron, 1.5 grams of Folic Acid and 3.3 micron Vitamin 'A' each per metric ton of crushed atta. They have to package it in poly pouches having thickness not less than 40 microns for delivery to the Government. As per Section 2(30) of the CGST Act, 2017 "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

In the present case, the applicant is bound by contractual agreement to crush allocated wheat to produce atta from it and hand it over to the Government of West Bengal in packages after fortifying the produced atta with certain specified ingredients. The supply itself in its very nature and form is a composite supply. Milling of wheat is a taxable supply of service and fortification of the produced atta and packaging it in containers is another taxable supply which is bundled with the milling service. The supplies are bundled and made in conjunction with each other in the course of supply of fortified atta after milling of wheat.

So in our considered view, the supply referred to in the application is a composite supply. Here milling service is the principal supply and other supplies are ancillary supplies bundled with the principal supply.

4.8 Section 15(1) of the CGST Act, 2017 has defined the value of taxable supply as under:

The value of a supply of goods or services or both shall be the transaction value,

which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

In the present case reference has been made to memo no. 2979(3)- (FS)/ Sectt/ Food/4P-02/ 2016 dated 08.12.2020 issued by Food & Supplies Department of Government of West Bengal for the purpose of determination of the value of supply under question.

The details breakup of the value of supply as agreed upon by the applicant being supplier and Government of West Bengal being recipient are noted in Paragraph 4.2. It is evident that both the supplier and the recipient has agreed on a total price of Rs. 260.48 for the supply under consideration and it is the price payable by the Government of West Bengal to the applicant. It is decided that the applicant will retain two gunny bags in which wheat has been sent to him and its value has been determined by the Government at Rs. 43.00 for two gunny bags. The applicant is also entitled to retain the bran and refractor generated in the course of milling of wheat in the ratio of 4:1 i.e. 4 kilograms of bran and 1 kilogram of refractor generated during the crushing of 100 kilograms of wheat. The price of such bran and refractor has been determined at Rs. 81.00 for the entire quantity. The price for the retained goods has been specified as 'non-cash consideration' in the memo *ibid* and has been deducted from the total price payable by the Government.

Here we subscribe to the view adopted by the West Bengal Appellate Authority for Advance Ruling in Appeal Case No. 02/WBAAAR/APPEAL/2022 in respect of M/s Shiv Flour Mill. The Appellate Authority observed as under:

> *"The WBAAR did not consider the valuation of Rs.124/- per 100 kg wheat being supply consideration of gunny bags, refractor and bran. It erred in its opinion that the non-cash consideration will be the actual sum received from open market on supply of gunny bags, refractor and bran. The WBAAR failed to appreciate that the valuation of the composite supply is the agreed upon price between the flour millers and the Food & Supplies Department. This agreed upon price includes the notional value of Rs.124/- of two gunny bags and 5 kg by-products (1 kg refractor and 5 kg bran) which are retained by the miller, irrespective of actual disposal price of those gunny bags and by-products in future. The supply value of milling*

of wheat in the instant case cannot be dependent on actual receipts by the miller in future from third parties in disposal of the retained goods. It is clear from Memo No. 2979(3)-FS/Sect./Food/4P-02/2016 dated 08.12.2020 read with Memo No. 569(3)-FS/Sect./Food/4P-02/2016/2021 dated 18.02.2022 that the total supply price is Rs.260.48 for milling services to produce 95 kg fortified atta from 100 kg wheat."

The value of supply of goods in the transaction referred to in the application is the combined value of fortification costs and packing charges. By virtue of the contract with the Government the applicant is liable to fortify the produced atta by premixing of micro-nutrients into it containing 60 grams of Iron, 1.5 grams of Folic Acid and 3.3 micron Vitamin A each per metric ton of crushed atta. So fortification costs are against supply of goods by the applicant. On the other hand, the applicant, while delivering the fortified atta to the Government appointed distributors, will have to package it in poly pouches of 1 kilogram having thickness not less than 40 microns. Thus, packing charges are the ones for supply of packing materials. So the value of goods in the present supply amounts to Rs. 60.00. If we consider this value of goods (Rs. 60.00 in this case) in proportion to the total value of supply (Rs. 260.48 in this case), the value of goods comes to 23.03% of the total value of supply. So, we are of the opinion that the total value of supply under question is Rs. 260.48 and the value of goods is Rs. 60.00. The value of goods constitutes less than 25% of the total value of supply.

4.9 Now the question is whether the referred supply is by way of 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. Entry no. 28 of the Eleventh Schedule appended to Article 243G of the Constitution of India as available in the official website of Legislative Department, Ministry of Law and Justice, Government of India (https://legislative.gov.in) refers to 'Public distribution system'. If we carefully follow the description of serial no. 3A of Notification No. 12/2017 – Central Tax (Rate) dated 28.06.2017, as amended, from time to time, it refers to a supply 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. The phrase 'by way of any activity' has in fact widened the scope of this entry. For example, it not only refers to Public Distribution System (in short PDS), it also refers to activities which are related to PDS directly or indirectly. From the documents placed before us it appears that the atta produced by the applicant will reach the beneficiaries through the PDS. Hence, the supply can be regarded as one 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.

Also, to determine whether or not the value of goods in the composite supply exceeds 25%, we would rely on para 3.1 of Circular No. 153/09/2021-GST dated the 17th June, 2021, wherein it has been clarified that-

'…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 clearly stipulates that-
'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'.

Hence, we find that Circular No. 153/09/2021-GST dated 17th June, 2021 provides that the ascertainment of the value of goods in the composite supply of milling of wheat and fortification needs to be determined on a case-to-case basis.

In our considered view, the applicant's supply as referred to in the application fulfills all the conditions imposed in serial no. 3A of Notification No. 12/2017 – Central Tax (Rate) dated 28.06.2017, as amended, read with the Circular No. 153/09/2021-GST dated 17.06.2021. Thus, till the conditions as discussed hereinabove are fulfilled in the subject composite supply by the applicant, they are eligible for exemption under the Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended. But in the cases where the condition of the said notification is not fulfilled i.e. the value of goods exceeds the threshold limit of 25% of the value of composite supply, the applicable rate of GST will be 5% [CGST @ 2.5% and SGST @ 2.5%] of the total value of consideration and thus this benefit of exemption must be ascertained on a case-to-case basis.

This Authority has previously addressed the same issue on numerous occasions. The Authority pronounced rulings in the same line as discussed above. Reference can be made to the rulings pronounced in the cases of Aakash Food Products Pvt. Ltd. (05/WBAAR/2022-23), Sri Durga Food Products Pvt. Ltd. (06/WBAAR/2022-23), Jai Loknath Flour Mills Private Limited (24/WBAAR/2022-23), Somnath Flour Mills Private Limited (25/WBAAR/2022-23), Vikash Agrotech Food Pvt. Ltd. (04/WBAAR/2023-24) and Shree Krishna Roller & Flour Mills (21/WBAAR/2024-25) by this Authority. We have already referred to the observations of the West Bengal Appellate Authority for Advance Ruling in case no. 02/WBAAAR/APPEAL/2022 in respect of M/s Shiv Flour Mill.

In view of the foregoing, we rule as under:

RULING

Question 1: Whether the instant composite supply of service by way of milling of food grains into Flour to Foods & Supplies Department, Govt. of West Bengal for distribution of such flour under Public Distribution System is eligible for exemption under entry No. 3A of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017?

Answer: The answer is in the affirmative till the value of goods does not exceed the threshold limit of 25% as discussed *supra*.

Question 2: What shall be the rate of GST on such milling, if it does not fall in the said entry no. 3A?

Answer: If the value of goods exceeds the threshold limit of 25% of the value of composite supply, it will fail to qualify for entry no. 3A and the applicable rate of GST will be 5% [CGST @ 2.5% and SGST @ 2.5%] of the total value of consideration vide serial no. 26(i)(f) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2027, as amended.

Sd/-
(YOGESH SUGDEO CHITTE)
Member
West Bengal Authority for
Advance Ruling

Sd/-
(JAYDIP KUMAR CHAKRABARTI)
Member
West Bengal Authority for
Advance Ruling

Place: Kolkata
Date: 1st October, 2026

To,
Darjeeling Flour Mills Private Limited,
1, Darjeeling Flour Mills Private Limited,
Champasari Main Road, Champasari Mallaguri,
Darjeeling, West Bengal, 734003

Copy to:

(1) The Principal Chief Commissioner, CGST & CX, 180, Shantipally, R.B.Connector, Kolkata - 700107

(2) The Commissioner of State Tax, West Bengal, 14, Beliaghata Road, Kolkata - 700015

(3) The Commissioner, CGST & CX, Siliguri Commissionerate, GST Bhawan, C.R. Building, Haren Mukherjee Road, Hakimpara, Siliguri, West Bengal, 734001

(4) The Charge Officer, Commercial Taxes, Siliguri Charge, Paribahan Nagar, Matigara, Siliguri, Dist.- Darjeeling, Pin- 734010

(5) Office Copy