

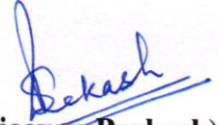
**INDIAN COUNCIL OF AGRICULTURAL RESEARCH
KRISHI BHAVAN: NEW DELHI**

F.No. FIN/9/7/2007-CDN (A&A)

Dated the 4th January, 2019

ENDORSEMENT

The Ministry of Finance, Department of Expenditure, has issued D.O. letter F.No.354/130/2018-TRU dated 19th April, 2018 regarding exemption/ concessional rate of GST on processed food products, agricultural machinery, food processing machinery, and agricultural R&D. As approved by the Competent Authority, this D.O. letter F.No.354/130/2018-TRU dated 19th April, 2018 of Ministry of Finance, Deptt. Of Revenue has been posted on the ICAR Web-Site www.icar.org.in for necessary action, information, guidance and compliance.



(Sanjeevan Prakash)
Deputy Director Finance

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9. Incharge, ARIC, Directorate of Knowledge Management Units (DKMU), KAB-I Pusa, New Delhi-12 for placing the above mentioned OM in the ICAR Web-Site.
10. Secretary (Staff Side), CJSC, NRC on Meat, Hyderabad.
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DO F. No.354/130/2018- TRU

19th April, 2018

Dear Mr. Mohapatra,

Kindly refer to your letter dated 2nd April 2018, regarding exemption/ concessional rate of GST on processed food products, agriculture machinery, food processing machinery, and agricultural R&D.

2. I have had the issue examined. As per Article 279 A (4) of the Constitution, the GST rate structure is fixed based on the recommendations of the GST Council. The Council has recommended GST rate on goods, keeping in view the pre GST tax incidence. The GST rates, in general on the agriculture items (aquatic, dairy and crops), processed food items and agriculture machinery, are provided in Annexure A.

2.1 It may be seen that fresh agriculture produce are generally exempt from GST. Further as recommended by the GST Council, the general GST rate on processed food items has been reduced from the earlier 18% to 12%. While machinery, automobiles and industrial equipment, in general attract GST rate at 28% /18%, agricultural, horticultural or forestry machinery attract a lower GST rate of 5% or 12%.

2.2 Thus, many of the inputs, implements and machinery for agriculture already attract a GST rate of 12%. Any further reduction would result in tax inversion and even if refund of unutilized input tax credit is allowed in GST, too low a rate will put domestic goods at a disadvantage vis-a-vis imports, and thus would not be advisable.

2.3 Further, for the benefit of farmers, services pertaining to agriculture are already exempted under GST. List of such services, exempted under GST is given in Annexure-B.

2.4 It may be seen that services provided by ICAR and agricultural universities and research institutions by way of dissemination of findings of R&D activities are exempt. If there are any R&D services which ICAR or research institutions supply to business entities (such as seed and agrochemical companies), the same are taxable. GST is an indirect tax and the incidence is borne by the business entity which is eligible to take input tax credit of the same.

2.5 Further, it is a conscious policy of the Government to minimize exemptions under GST. Exemptions break input tax credit chain, distort the tax structure and lead to erosion