

Dr. Kalyan B. Goswami
Executive Director



Ref. NSAI/2017/057

09.06.2017

Dr. Hasmukh Adhia
Secretary (Revenue)
Department of Revenue
New Delhi



Dear Sir,

Sub: Request for certain clarifications and provisions in the GST Act and Rules, Circulars thereof.

Ref: NSAI letter to Secretary (Revenue) dated 1st May 2017.

Greetings from NSAI!!

At the outset, we express our gratitude for keeping "seeds for sowing purpose" under nil-rated goods and thereby exempting the same from GST in continuation of the provisions in the existing VAT and Excise Acts. The National Commission on Agriculture recommended to exempt all seeds used for sowing purposes from the levy of taxes, which add to the cost of the seed and introduce an element of disparity in the sale price of the seed from place to place so as to encourage quality seed usage by the farmers. **Because of this recommendation, seeds have always been exempted from octroi, sales tax, excise duty, market cess etc throughout the country.**

However, we would respectfully like to bring to your kind notice the following issues with regard to seed industry:

I. Zero-rating the "seeds for sowing purpose"

We request that zero-rating the "seeds for sowing purpose" would allow us to claim input tax credit or refund of GST incurred by us on procurement of goods and services so that such tax on the inputs does not increase our overall cost of product and would consequently lead us to passing on the benefits of reduced taxes to farmers by lowering the prices so as to encourage the farmers to use quality seeds for doubling their incomes as per the vision of the Hon'ble Prime Minister.

Alternately, towards achieving the same goal of reducing the costs of seed production, the exemption from reverse-charge mechanism under GST for seed industry may be considered.

As per sub-section (3) or (4) of section 9 of CGST Act & SGST Act and sub-section (3) or (4) of section 5 of IGST Act, there is liability on the recipient to pay GST under reverse-charge mechanism. Many of the vendors who service the seed sector in the rural India are from tiny and small scale sector who are falling below GST threshold annual revenues. Therefore they may not be charging GST on their supplies of transportation, logistics, seed process,

warehouse and other services to the seed sector. The said provision entails not only additional tax cost to seeds industry but also leads to burden of increased compliance by raising invoice for such inward supplies, determining the tax applicability (classification, rate of tax and place of supply).

It is a humble request that as outward supplies of seeds companies being exempt from GST, compliance with the tax liability under reverse charge mechanism could be cumbersome for the industry.

II. Exemption from including the farms as additional place of business in the registration

Under GST the taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form. As per Sec 2(85) of CGST Act a "Place of business is a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both"

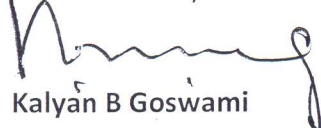
The seed production takes place in lakhs of farms located in several seed producing States where the seed companies undertake seed production under specific contractual arrangements with the farmers every year. The location of the farms may change year to year. Under the above provision, each farm becomes a place of business. Other businesses like cotton ginning, rice milling, wheat flour mills, sugar mills etc., may also buy the agriculture produce from the farmers directly particularly when they have contractual production arrangements. For seed industry and other industries who get the farm produce from the farms to their processing units, a specific exemption may be granted so that it is not included in the definition of the place of business. We may be permitted to use e-way bills of our nearest processing plant to transfer the farm produce of a seed producing farmer inward into the units.

In view of the above, NSAI would humbly request you to advise the GST council to kindly consider the above-mentioned issues for making necessary changes in the Rules, Guidelines or Circulars form the GST provisions.

Thanking you in anticipation of getting your support and guidance.

Thanking you

Yours Sincerely



Kalyan B Goswami

Copy: Shri Naveen Kumar, Chairman, Goods and Service Tax Network, New Delhi