M/s. Erode Manjal Vanigarkal Matrum Kidangu Urimaiyalargal Sangam

Authority for Advance Ruling — Tamil Nadu

Order No. 6 /AAR/2018 dated 30.08.2018 (the listing reference reads TN/0… Dated **30.08.2018**

Q Questions Before the Authority

- Whether service by the commission agents to the agriculturists for their sale or purchase of their produce, not involving the agents as either a recipient of goods or as a supplier of goods, is liable to tax or not.
- Applicability of the exemption notified in Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017 (as stated in the application particulars).

F Facts

The applicant is a society registered under the Tamil Nadu Societies Registration Act, 1975, with 357 members who act as commission agents for turmeric at the Erode Marketing Committee yard. The agents store the farmers' produce in their own or rented godowns, and sales are conducted by tender under the Committee's norms. The buyer pays the agent by cheque, and the agent deducts a commission of 3 to 5 per cent based on storage period before passing the balance to the farmer. The applicant contended that its service to the agriculturist is exempt under Heading 9986 of Notification No. 11/2017-CT (Rate).

H Ruling

Tax liability of commission agent services to agriculturists for sale or purchase of turmeric through the Regulated Market Committee	**Heading 9986; NIL rate of CGST under Sl. No. 24(i)(i)(g) of Notification No. 11/2017-CT (Rate) dated 28.06.2017 as amended; NIL rate of SGST under Sl. No. 24(i)(i)(g) of G.O.(Ms) No. 72 dated 29.06.2017 (No. II(2)/CTR/532(d-14)/2017) as amended**	Ruling is based on the applicant's submissions that it acts only as commission agent for turmeric, charges the agriculturist, and does not identify the buyers. Commission must be within Erode Marketing Committee norms.

The authority held that the services of the commission agent for the sale or purchase of turmeric through the regulated market are support services to agriculture under Heading 9986. Those services fall within Sl. No. 24(i)(g) of the notification and attract a **NIL** rate of CGST and a **NIL** rate of SGST. The ruling is expressly tied to the applicant's stated facts as a commission agent in the Erode APMC market.

R Reasoning

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

The authority found that the applicant's activities match the definition of 'commission agent' in Section 2(7) of the Tamil Nadu Agricultural Produce Marketing (Regulation) Act, 1987, and that trading must take place in licensed market areas under Section 7(8) of that Act. Since the notification does not define 'commission agent', the authority referred to the general definition of 'agent' in Section 2(5) of the CGST Act, which covers commission agents carrying on the business of supply or receipt of services on behalf of another. Clause 24(14) of the Erode Marketing Committee By-laws, which caps commission and covers godown accommodation, handling and weighment, was relied on to show that the charges are support services. On that basis the authority classified the service under Heading 9986 and applied the NIL rate under Sl. No. 24(i)(i)(g) of the Central notification and the corresponding State notification.

P Provisions Relied On

- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, Sl. No. 24, Heading 9986, item (i)(g)
- Explanation 4(vii) and (viii) to Notification No. 11/2017-CT (Rate) (definitions of 'agricultural produce' and 'Agricultural Produc…
- Section 2(5) of the CGST Act, 2017 (definition of 'agent')
- Section 2(7) of the Tamil Nadu Agricultural Produce Marketing (Regulation) Act, 1987 (definition of 'commission agent')
- Section 7(8) of the Tamil Nadu Agricultural Produce Marketing (Regulation) Act, 1987
- Clauses 24(14) and 24(15) of the Erode Marketing Committee By-laws
- G.O.(Ms) No. 72 dated 29.06.2017, No. II(2)/CTR/532(d-14)/2017 (Tamil Nadu SGST notification), Sl. No. 24(i)(i)(g)

! For the Practitioner

This ruling is useful for commission agents in APMC-regulated turmeric or similar agricultural markets in Tamil Nadu who charge farmers a commission for sale or purchase through a licensed market committee. It supports a NIL rate under the Heading 9986 entry on the stated facts. It does not decide cases where the agent takes title to the goods, identifies or deals with buyers on its own account, operates outside a regulated market, or charges fees for services that are not incidental to sale or purchase. Practitioners should check the full order's reasoning against their own facts before relying on it.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> tn.6_aar_2018-emvmkus.pdf

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