

M/s. Indo Prosoya Foods (P) Ltd.

Authority for Advance Ruling — Uttar Pradesh

Order No. 06

Dated **25.05.2018**

Q Questions Before the Authority

- Whether Mahua De-oiled cake/ De-oiled Rice Bran being used as an ingredient of Cattle Feed, Poultry Feed and other animal feeds and is 'Waste generated' during the Solvent Extraction process?
- Whether the applicant is eligible to get entire tax input credit of GST paid on purchase of Mahua Oil Cake/Rice Bran Oil cake used in the manufacture of solvent extracted oil?

F Facts

The applicant purchases Mahua oil cake and Rice Bran to extract oil using a solvent extraction process. The primary product is solvent-extracted oil (taxable under HSN 1515), while Mahua De-oiled cake and De-oiled Rice Bran emerge as by-products. These by-products are supplied/used as ingredients in exempt animal, cattle, and poultry feed. The applicant sought clarity on the nature of these by-products and its entitlement to claim full input tax credit on raw material purchases.

H Ruling

Classification of Mahua De-oiled cake / De-oiled Rice Bran as waste

By-product occurred during the Solvent Extraction process, used as animal feed ingredient

Classified under HSN 2308/2309 and exempt from tax

Eligibility for full input tax credit on raw material purchases

Partially allowed; proportional credit reversal required

ITC reversal mandated under Chapter V of CGST Rules, 2017 for inputs used in exempt supplies

The Authority ruled that Mahua De-oiled cake and De-oiled Rice Bran are **by-products** derived during solvent extraction, used in exempt animal feed. Consequently, full input tax credit on raw materials is not permitted, and the applicant must **proportionately reverse ITC** attributable to exempt supplies under Section 17(2) of the CGST Act, 2017.

R Reasoning

The Authority observed that de-oiled mahua cake and de-oiled rice bran fall under HSN 2308 and 2309, which are exempted from GST under Notification No. 2/2017-Central Tax (Rate) as amended by Notification No. 7/2018-Central Tax (Rate). Because the applicant manufactures both taxable goods (solvent-extracted oil) and exempt goods (de-oiled cakes/bran) from common inputs, Section 17(2) of the CGST Act, 2017 applies. This section restricts credit to the portion attributable to taxable and zero-rated supplies. Accordingly, ITC must be proportionately reversed per the procedure under Chapter V of the CGST Rules, 2017.

P Provisions Relied On

Section 17(2) of the CGST Act, 2017

Chapter V of the CGST Rules, 2017

Notification No. 2/2017-Central Tax (Rate) dated 28.06.2017

Notification No. 7/2018-Central Tax (Rate) dated 25.01.2018

HSN 1515

HSN 2308

HSN 2309

! For the Practitioner

This ruling establishes that manufacturers whose extraction process yields both taxable main products and exempt by-products (such as animal feed ingredients) **cannot claim 100% ITC** on common inputs. Businesses must perform **proportionate ITC reversal** under Section 17(2) of the CGST Act for inputs attributed to exempt by-products.

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 -> up_aar_06_25.05.2018_ipfpl.pdf

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