

**PUNJAB STATE GRAINS PROCUREMENT CORPORATION (PUNGRAIN)
JEEVANDEEP BUILDING, SECTOR- 17, CHANDIGARH**

No. PEG-Service Tax/ 2014/ 279

Dated:10.03.2014

To,

All District Managers,
Pungrain, Punjab

MOST IMPORTANT
TIME BOUND

Sub: Payment of Service Tax on rice-regarding.

- Ref: 1.) This office letter No. PEG-Service Tax 2013/ Dated:24.1.2013.**
2.) This office letter No. PEG-Service Tax 2013/469 Dated: 24.12.2013.
3.) FCI letter no. E.26(4)/Mis-Corres/PEG-08/12/Vol-III/6776 dated 27.02/03.03.2014.

The detailed instructions regarding payment of Service Tax were circulated vide above said references as at Sr. No. 1 & 2. It was directed therein that in order to avail benefit of "Service Tax Voluntary Compliance Encouragement Scheme" the Service Tax on rice for the services of loading, unloading, packaging, storage or warehousing of rice may be paid w.e.f. 1.7.12 to 31.12.2012 with in last date of 31.12.2013. In addition, you were also requested to advise all the Investors/HLCs to pay the Service Tax on their rent/handling charges.

2. The benefit under this scheme was available for the Service Tax to be deposited for the above said period from 01.07.2012 to 31.12.2012 and the Tax for this period was to be deposited before 31.12.2013. It is understood that as per above guidelines all the investors, Handling and Labour Contractors (HLCs), etc. have already been advised by your office to avail this opportunity under the Service Tax Voluntary Compliance Encouragement Scheme However, the confirmation in this regard is yet awaited.

3. DM, Pungrain, Ferozepur and Fazilka, where Pungrain itself is making PMS arrangement in PEG godowns, are yet to confirm whether they have deposited the Service Tax on PMS and Supervision Charges for the above period within the targeted date of 31.12.2013 and in case the same have been deposited, necessary claim may be lodged with the FCI for the reimbursement of the same.

4. The matter of depositing the Service Tax on rice for the period 31.12.2012 onward has been examined by the Headquarters in association with Finance Division and it has now been decided that the said tax may be calculated and paid on rice on all the components i.e. PMS, Supervision Charges, loading, unloading, packing and rent as per guidelines already given by above said references up to 16.02.2014.

5. Now as is clear from the reference cited at Sr. No.3 above (copy enclosed/attached), the GOI has inserted the Entry "40" in a notification no. 35/2012-ServiceTax dated 20.6.2012 namely "service by way of loading, unloading, packing storage or warehousing of RICE". By virtue of the insertion entry "40" "services by way of loading, unloading, packing, storage or warehousing of RICE" has become non-taxable. This notification has been issued by the GOI on 17th Feb, 2014. Therefore, the above taxes as explained in para 4 above for the period from 01.01.2013 to 16.02.2014 will be calculated and paid along with interest in one go to avoid further interest.

6. The methodology for calculation of the Service Tax on Microsoft Excel with formulae formatted is enclosed/attached herewith for your reference. The total Tax payable at district level will be arrived at by working on TABLE- 'A' to TABLE-'D'. Accordingly, the Service Tax on all the above components as applicable may be calculated along with 18% interest and paid immediately without loss of time and avoid further interest.

7. The methodology for calculation of **Monthly Average Rice** stocks held in any depot have already been circulated vide ref No. 1 above. A statement showing month wise Average quantity of Rice held in PEG godowns managed by M/S Origo is attached/enclosed here with and the same data may be used for the respective PEG depot for calculation of tax. For other depots the **Monthly Average Rice quantity** will have to be worked out by respective Investors who have leased out their godowns with services and the same is required to be duly certified by Pungrain staff posted in respective depots.

8. FCI HAS MADE ON ACCOUNT PAYMENT OF RS.50 CRORES TO CWC TO MEET THEIR SERVICE TAX LIABILITIES AND PUNGRAIN ALSO WANT TO AVAIL OF THIS OPPORTUNITY. THEREFORE, YOU ARE REQUESTED TO CALACULATE THE AMOUNT PAYABLE GODOWNWISE, COMPONENT WISE AND DISTRICT AS A WHOLE IN A MANNER AS EXPLAINED AT PARA '6' ABOVE AND INTIMATE THE SAME BY 12.03.2014 SO THAT WE CAN MOVE THE CASE TO FCI FOR ON ACCOUNT PAYMENT TO SAVE THE ELEMENT OF INTEREST AND QUICK REIMBURSEMENT. BUT AFTER THE CALCULATION OF AMOUNT PAYABLE ALONG WITH INTEREST, YOU ARE REQUESTED TO PAY THE SAME OUT OF SUPERVISION CHARGES WE ARE GETTING FROM FCI.

9. For the sake of reiterating the following agencies are to deposit the Service Tax.

9.1. The investors who have leased their godowns on guarantee to FCI/Pungrain under 7 and 10 year Guarantee scheme are to pay the Service tax for storage of all

commodities wheat, rice & paddy with effect from 01.7.2012 till onward. Thereby, the Service Tax is applicable on the full monthly rent being paid to them. The Service Tax is reimbursable only to the Investors who have rented out their godowns on 10 year guarantee and not under 7 year guarantee as the rent is inclusive of service tax.

- 9.2. Though the investors under 7 year guarantee are liable to pay the Service Tax, yet Pungrain cannot absolve from the responsibility as such it has to be ensured that these investors do pay the Service Tax regularly and submit the invoice separately showing the basic rent and service tax
- 9.3. The investors who have leased out their godowns with services are also required to deposit Service Tax on rent as well as PMS charges on rice up to 16.02.2014.
- 9.4. Pungrain is to pay Service Tax for preservation of rice on PMS, Service charges and loading/unloading on rice billed to FCI in respect of 5 godowns in District Ferozepur and Fazilka w.e.f 01.07.2012 to 31.12.2012 without interest if already paid up to 31.12.2013 under "Voluntary Compliance Encouragement Scheme" and with interest if yet payable.
- 9.5. Further Pungrain has to pay Service Tax on full Supervision charges whatever we are getting on full monthly rent regularly from 01.07.2012 onward.
- 9.6. M/S Origo, our PMS contractor is to pay Service Tax on preservation of rice on the PMS charges being claimed from Pungrain w.e.f 01.07.2012 to 16.02.2014.
- 9.7. Handling & Labour Contractors working in PEG godowns are also required to pay the Service Tax on handling of rice w.e.f 01.07.2012 to 16.02.2014. **Since the contract period of almost all the HLCs is expiring on 31.03.2014 as such final payment of their handling charges may be made keeping in view their Service Tax liability.**
- 9.8. The liability of Pungrain to deposit Service Tax will be amount claimed from FCI less reimbursed to the investor/agency for the particular period.
- 9.9. It is important to note that with above Govt. of India notification dated 17.02.2014 the service tax only on PMS and Loading and Unloading charges of rice has been done away. Hence, we are liable to pay service tax only on total rent and supervision charges.

9.10 In all the above cases, if any agency has not paid Service Tax with the specified date of 31.12.2013 under "Voluntary Compliance Encouragement Scheme", they will have to pay the Service Tax along with interest.

10. Further, the Headquarters Finance Branch has observed as under:

"if the godown owner or any of the above agencies does not pay and claim Service Tax from Pungrain even then Pungrain should deposit the Service Tax and claim the same from FCI. In case Pungrain fails to comply the directions of the Service Tax department then they can impose heavy penalties along with interest."


11. In view of the above observations of the Finance Branch, you are requested not to take any chance and keep a strict check on every agency which is not paying Service Tax and take action accordingly. Where Pungrain is paying the Service Tax on behalf of any Agency and getting the reimbursement for the same from FCI, Pungrain should recover loss on account interest if any so as to Pungrain is not put to any financial loss. Under such situation, no reimbursement of Service Tax will be made to the investor/concerned agency on behalf of which Pungrain has already paid the tax out of its own exchequer.

12. After the Service Tax is paid and necessary invoice along with Registration Number as a proof for having deposited the Service Tax is produced by the agency, the same should be claimed immediately from the FCI. Delay in lodging claim with FCI will add to our interest liability. On getting the reimbursement from FCI, the Service Tax may be paid back to investor, Origo, HLC, etc. whosoever has paid the Service Tax.

13. M/S Origo will lodge their claim for reimbursement with the concerned DM, Pungrain after verification by FCI and Pungrain depot officials for the quantum of rice preserved by them in each depot. As soon as the claim is received from M/S Origo, the same should immediately be filed with FCI for reimbursement. On receipt of the claim from FCI, the amount should be paid to M/S Origo immediately.


14. The Service Tax returns should be filed with the Authorities concerned as per legal requirement.

15. You are requested to comply with the above instructions strictly to avoid any penalty from the Service Tax authorities and keep this office informed.


Executive Director, 10/02/14
Pungrain, Chandigarh.

Copy:

1. Director (Finance), Pungrain HQs with the request take follow up action to ensure that the Service Tax is duly paid by each HLC.
2. GM, FCI, RO, Punjab, Chandigarh for information with respect to their office letter F.11(Service Tax)/2012-13/Part-II Dated 23.12.2013 and 27.02/03.03.2014 for information.
3. All RM/ DD (Field), Pungrain, Punjab for information.
4. ADFS (Rice)/JD(Storage), for information. He may kindly look in to the Tax liability of millers who are to pay the Service Tax on packing of rice.
5. Sh. Sandeep Galhotra, President, Punjab State Godowns Owner's Association, Chandigarh for information and with the request to advise all the Investors to pay the Service Tax to avoid any penalty from the Authorities concerned.
6. M/S Origo for information and with the advice to lodge their claim with the respective DM, Pungrain since the quantum of rice handled in each depot/month by their company has to be verified by depot officials of Pungrain and FCI.
7. Superintendent(IT Cell), Pungrain HQs, Chandigarh with the request to place these instructions in our official website.


Executive Director,
Pungrain, Chandigarh. 10/03/14