

F.No.332/37/2010-TRU  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise and Customs  
Tax Research Unit

North Block, New Delhi  
26<sup>th</sup> May, 2011

To

Chief Commissioners of Central Excise and Service Tax (All),  
Director General (Service Tax),  
Director General (Central Excise Intelligence),  
Director General (Audit),  
Commissioners of Service Tax (All),  
Commissioners of Central Excise and Service Tax (All).

Madam/Sir,

Subject: - processing for or on behalf of client, in relation to agriculture – causing sale or purchase of agricultural produce -- reg.

1. Representations have been received that client processing of tobacco involving threshing and drying of tobacco leaves and client processing of raw cashew involving roasting/drying, shelling and peeling of raw cashew to recover kernel, are considered by the field formations as not falling within the meaning of the expression "in relation to agriculture" appearing in notification 14/2004-ST (as amended) dated 10<sup>th</sup> September, 2004, resulting in avoidable disputes and litigation.
2. These representations have been examined. In the cases represented, the agricultural produce namely tobacco or raw cashew, which are subject to client processing retains their essential characteristics at the output stage and therefore the processes undertaken on or behalf of client should be considered as covered by the expression 'in relation to agriculture'. Client processing which falls under business auxiliary service undertaken on the primary agricultural produce namely tobacco or raw cashew, does not result in any change in their essential character of tobacco or cashew. In the light of the above principle (i) process of threshing and drying of tobacco leaves and thereafter packing the same and (ii) processing of raw cashew and recovering kernel, undertaken for, or on behalf of, the clients by processing units are covered by the expression "... processing of goods for, or on behalf of, the client.....and provided in relation to agriculture,..." appearing in the said notification.
3. Also where the commission agents stationed abroad provide business auxiliary service to promote the export of rice, said business auxiliary service is covered by notification 13/2003-ST(as amended) because, the word 'rice' is mentioned under the explanation to the term 'agricultural produce', in the inclusive portion along with other items like cereals, pulses, etc.
4. Trade Notice/Public Notice may be issued to the field formations accordingly.
5. Please acknowledge the receipt of this circular. Hindi version to follow.

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Under Secretary, TRU  
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