

THE WEST BENGAL AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX
14, Beliaghata Road, Kolkata – 700015
(Constituted under section 96 of the West Bengal Goods and Services Tax Act, 2017)

Members present:

Shafeeq S, Joint Commissioner, CGST & CX

Jaydip Kumar Chakrabarti, Senior Joint
Commissioner, SGST

Preamble

A person within the ambit of Section 100 (1) of the Central Goods and Services Tax Act, 2017 or West Bengal Goods and Services Tax Act, 2017 (hereinafter collectively called 'the GST Act'), if aggrieved by this Ruling, may appeal against it before the West Bengal Appellate Authority for Advance Ruling, constituted under Section 99 of the West Bengal Goods and Services Tax Act, 2017, within a period of thirty days from the date of communication of this Ruling, or within such further time as mentioned in the proviso to Section 100 (2) of the GST Act.

Every such appeal shall be filed in accordance with Section 100 (3) of the GST Act and the Rules prescribed there under, and the Regulations prescribed by the West Bengal Authority for Advance Ruling Regulations, 2018.

Name Of The Applicant	Food Corporation of India
Address	Calcutta Telecom Training Centre, Calcutta Telecom Training Centre, 1st Cross Road, G.B BLOCK SECTOR III, Bidhan Nagar, North Twenty Four Parganas, West Bengal, 700097
Gstin	19AAACF0365N1ZF
Case Number	WBAAR 32 Of 2025-26
Arn	AD190126000741H
Date Of Application	January 09, 2026
Jurisdictional Authority (State)	Salt Lake Charge
Jurisdictional Authority (Centre)	Park Street Division, Kolkata South Commissionerate
Order Number And Date	35/WBAAR/2025-26 Dated 27.02.2026
Applicant's representative heard	Mr. Santosh Muttangi, AGM

1.1 At the outset, we would like to make it clear that the provisions of the Central Goods and Services Tax Act, 2017 (the CGST Act, for short) and the West Bengal Goods and Services Tax Act, 2017 (the WBGST Act, for short) have the same provisions in like matter except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the WBGST Act. Further to the earlier, henceforth for the purposes of these proceedings, the expression "GST Act" would mean the CGST Act and the WBGST Act both.

1.2 The applicant, Food Corporation of India (hereinafter referred to as "FCI"), is a Public Sector Undertaking established under the Food Corporations Act, 1964 and functioning under the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution, Government of India. FCI is the principal agency of the Government of India entrusted with procurement, storage, movement and distribution of foodgrains under the Public Distribution System and other welfare schemes, with the objective of ensuring food security, maintaining buffer stock and stabilising prices in the market. In the course of discharge of its statutory and sovereign functions, FCI procures various input services including security services for safeguarding its depots, offices and storage facilities across different regions of the country.

1.3 The applicant has made this application under sub section (1) of section 97 of the GST Act and the rules made there under seeking an advance ruling in respect of following question:

Whether the security services provided by the Security Agencies to Food Corporation of India, West Bengal Region, qualify as "pure services" provided to a Government Entity in relation to functions entrusted under Article 243G/243W of the Constitution of India, and are therefore exempt from GST under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 (as amended)?

1.4 The aforesaid question on which the advance ruling is sought for are found to be covered under clause (b) of sub-section (2) of section 97 of the GST Act.

1.5 The applicant states that the question raised in the application has neither been decided by nor are pending before any authority under any provision of the GST Act.

1.6 The officer concerned from the Revenue has raised no objection to the admission of the application.

1.7 The application is, therefore, admitted.

2. Submission of the Applicant

2.1 The Applicant submits that the Food Corporation of India (hereinafter referred to as "FCI") is a statutory corporation established under the Food Corporations Act, 1964 and functions under the Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution, Government of India. FCI is the nodal agency for implementation of national food security policies and is responsible for procurement, storage, movement, distribution and sale of food grains on behalf of the Government of India. The primary objectives of FCI include ensuring remunerative prices to farmers, maintaining buffer stocks for food security, stabilizing market prices and ensuring availability of food grains at reasonable prices to the vulnerable sections of society.

2.2 The Applicant submits that procurement of food grains by FCI is undertaken at Minimum Support Price (MSP) as fixed by the Government of India and the distribution of such food grains is carried out under the National Food Security Act (NFSA) and other welfare schemes. The economic cost of procurement, storage and distribution is reimbursed by the Government of India in the form of food subsidy. Therefore, FCI performs sovereign and welfare functions of the State in furtherance of food security and public distribution system, which are functions relatable to Article 243G and Article 243W of the Constitution of India.

2.3 The Applicant submits that FCI, for carrying out its statutory functions, avails various input services such as loading, unloading and packing of food grains, storage and warehousing services, transportation services, commission agent services, milling services, manpower services, security services, IT services, repair and maintenance services, telecommunication services and other allied services. Certain services such as loading, unloading, packing, storage and transportation of food grains are treated as exempt services. Other services such as security services, manpower services, renting of immovable property and similar services are treated as taxable and GST is paid either under forward charge or reverse charge mechanism.

2.4 The Applicant submits that security services were procured by FCI, West Bengal Region from M/s Bengal Protective Guards for safeguarding depots and offices located across West Bengal and Sikkim. After introduction of GST with effect from 1st July 2017, GST on such security services was discharged by FCI under reverse charge mechanism at 18 percent on the gross amount of security bills.

2.5 The Applicant submits that Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017 exempts pure services (excluding works contract or composite supplies involving supply of goods) provided to the Central Government, State Government, Union Territory, local authority, Governmental authority or Government entity by way of any activity in relation to any function entrusted to a Panchayat under Article 243G or to a Municipality under Article 243W of the Constitution.

2.6 The Applicant submits that FCI qualifies as a Government Entity within the meaning of the said notification, being an entity established by an Act of Parliament and wholly owned and controlled by the Government of India. The functions of FCI are directly connected with Public Distribution System, which is specifically covered under Entry 28 of the Eleventh Schedule relating to Article 243G of the Constitution, namely “Public Distribution System.”

2.7 The Applicant submits that security services provided to FCI are intrinsically connected with discharge of its statutory and constitutional functions. Without adequate security, storage and distribution of food grains cannot be effectively carried out. Protection of buffer stocks, safeguarding of depots and offices and ensuring integrity of public food stocks are essential components of the Public Distribution System. Therefore, the security services are provided in relation to functions entrusted under Article 243G of the Constitution.

2.8 The Applicant further submits that an Advance Ruling pronounced by the Gujarat Authority for Advance Ruling in case no. GUJ/GAAR/R/2020/18 dated 19.05.2020 granted exemption to security services supplied to Gujarat State Civil Supplies Corporation Ltd. on the ground that the services were provided in relation to discharge of Public Distribution System functions under Article 243G of the Constitution. The factual matrix of the present case is analogous, as FCI performs similar statutory functions at the national level.

2.9 The Applicant submits that the Comptroller and Auditor General (C&AG), during transaction audit for FY 2019–20 of FCI, West Bengal Region, raised an audit objection observing that FCI, being a Government entity, is entitled to exemption from GST on procurement of security services under entry no. 3 of Notification No. 12/2017–Central Tax (Rate). The audit objection has created ambiguity regarding the taxability of such services which were earlier treated as taxable.

2.10 The Applicant submits that “pure services” mean supplies where there is no transfer of property in goods and no works contract involved. Security services rendered by the contractor involve deployment of manpower for guarding premises and do not involve supply of goods. Hence, such services satisfy the definition of pure services as envisaged under the exemption notification.

2.11 The Applicant submits that the three essential conditions for availing exemption under entry no. 3 of Notification No. 12/2017–Central Tax (Rate) are fulfilled in the present case, namely:

- I. the services are pure services;
- II. the recipient is a Government entity; and
- III. the services are provided in relation to functions entrusted under Article 243G or 243W of the Constitution.

All three conditions stand satisfied in respect of security services provided to FCI.

2.12 The Applicant submits that presently FCI has been discharging GST on certain input services under forward charge as well as reverse charge mechanism treating such services as taxable. However, in view of the audit observation and the analogous advance ruling cited above, clarity is required as to whether such security services qualify for exemption.

2.13 The Applicant therefore submits that security services provided to FCI, West Bengal Region, being pure services supplied to a Government entity in relation to discharge of Public Distribution System functions under Article 243G of the Constitution, are exempt from GST under Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, as amended.

2.14 In view of the above submissions, the Applicant seeks an advance ruling on whether security services provided to FCI qualify as “pure services” provided to a Government entity in relation to constitutional functions under Article 243G/243W and are consequently exempt from GST under Notification No. 12/2017–Central Tax (Rate).

3.Submission of the Revenue

3.1 The Revenue has submitted, upon examination of the facts of the case, that the Food Corporation of India (FCI) is a statutory corporation established under the Food Corporations Act, 1964 and is engaged in procurement, storage, movement and distribution of food grains for implementation of food security and welfare schemes of the Government of India. For safeguarding its depots and offices, FCI has been availing security services from service providers and has discharged GST under forward charge and subsequently under reverse charge mechanism, as applicable.

3.2 The Revenue has examined the definitions of “Government Entity” and “Governmental

Authority” as provided under Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017, as amended. It has been observed that FCI satisfies the criteria of a “Government Entity” being established by an Act of Parliament and under full ownership and control of the Central Government. However, FCI does not qualify as a “Governmental Authority” since it does not directly perform local-level functions entrusted to Panchayats under Article 243G in relation to serial no. 28 of the Eleventh Schedule.

3.3 The Revenue has further stated that security services are classifiable under SAC 9985 and are taxable at the rate of 18 percent in terms of Sl. No. 23(iii) of Notification No. 11/2017–Central Tax (Rate) dated 28.06.2017. It has been clarified that such services were taxable under forward charge from 01.07.2017 to 31.12.2018 and thereafter under reverse charge mechanism in terms of Sl. No. 14 of Notification No. 13/2017–Central Tax (Rate), as amended.

3.4 The Revenue has examined the applicability of Sl. No. 3 of Notification No. 12/2017–Central Tax (Rate), which exempts pure services provided in relation to functions entrusted under Articles 243G and 243W. It has been observed that exemption was available to Government Entities with effect from 25.01.2018 upon amendment of the notification. However, with effect from 01.01.2022, the expressions “Governmental Authority” and “Government Entity” were omitted from the said entry, and consequently pure services provided to such entities became taxable.

3.5 The Revenue has concluded that:

- I. For the period 01.07.2017 to 24.01.2018, security services supplied to FCI were taxable under forward charge.
- II. For the period from 25.01.2018 to 31.12.2021, security services supplied to FCI, being a Government Entity, were exempt under Sl. No. 3 of Notification No. 12/2017–Central Tax (Rate), as amended.
- III. With effect from 01.01.2022, such services became taxable again and GST is payable at 18 percent under reverse charge mechanism by FCI.

4. Observations & Findings of the Authority

4.1 We have gone through the records of the issue as well as submissions made by the authorized representatives of the applicant during personal hearing. We have also considered the submission made by the officer concerned from the revenue.

4.2 As per the facts submitted before us, the applicant, Food corporation of India (in short FCI) has entered into an agreement with M/S Bengal Protective Guards for providing security personnel for manning the security aspects of the FCI depots and offices at different places in West Bengal and Sikkim.

4.3 The applicant has placed the following question before this authority:

Whether the security services provided by the security agencies to FCI, West Bengal region, qualify as 'pure services' provided to a Government Entity in relation to functions entrusted under Article 243G/ 243W of the Constitution of India and are exempt from GST under Notification No. 12/2017 -Central Tax (Rate) Dated 28.06.2017, as amended?

4.4 The applicant has referred to serial no. 3 of the table in Notification No. 12/2017 -Central Tax (Rate) Dated 28.06.2017, as amended. The applicant believes that the specified criteria for availing exemption as per referred serial number are as under:

- (i) The services provided should be pure services.
- (ii) Service recipient is either Central Government or State Government or Local Authority or Governmental Authority or Government Entity.
- (iii) Such services are provided to the specified recipients to perform functions as mentioned under Article 243G or Article 243W of the Constitution.

The applicant explains that pure service implies any supply for consideration in which no goods element is there during the provision of service. Hence if any person provides only service to any person for a consideration without involvement of supply of goods then the said supply of service can be termed as supply of 'pure service'.

According to the applicant, FCI is a Government entity set up Food Corporation of India Act, 1964 as defined under clause (zf) of Paragraph 2 of Notification No. 12/2017 -Central Tax (Rate) Dated 28.06.2017 and revised clause (zf) *vide* Notification No. 32/2017 -Central Tax (Rate) Dated 13.10.2017. The primary objective of the FCI is procurement, storage and distribution of food grains for the requirement of Public Distribution System. The said service is provided by FCI in relation to discharge of functions covered under serial no. 28 of Article 243G of the Constitution of India. Accordingly the applicant believes that the security services provided to FCI is exempt from GST in line with the provisions of Notification No. 12/2017 *ibid*.

4.5 The Revenue has given his submission in details. The Revenue has distinguished between the concepts of Governmental Authority and Government Entity as provided in Notification 12/2017

Dated 28.06.2017 and opined as under:

'Food Corporation of India (FCI) was established in 1965 under the Food Corporations Act, 1964, an Act of Parliament, with the mandate to ensure food security through procurement, storage, movement and distribution of foodgrains on behalf of the Government of India [under the Ministry of Consumer Affairs, Food and Public Distribution (CA, F&PD)]. The functions performed by FCI, namely procurement at Minimum Support Price, maintenance of buffer stocks, inter-State movement and allocation of foodgrains and price stabilisation, are carried out under complete ownership and administrative control of the Central Government. Accordingly, FCI squarely satisfies the criteria prescribed under clause (zfa) of paragraph 2 of Notification No. 12/2017–Central Tax (Rate) and is clearly classifiable as a Government Entity.

Although the Public Distribution System (PDS) is listed at Sl. No. 28 of the Eleventh Schedule to the Constitution under Article 243G, FCI does not perform the decentralised, local-level functions envisaged under Article 243G or Article 243W, such as beneficiary identification, operation of fair price shops and last-mile distribution, which are constitutionally entrusted to Panchayats, Municipalities and State authorities. Hence, the role of FCI does not specifically entrusted to Panchayats (Article 243G) or Municipalities (Article 243W). Therefore, the FCI does not satisfy the functional requirement prescribed under clause (zf) of paragraph 2 of Notification No. 12/2017–Central Tax (Rate) and cannot be classified as a “Governmental Authority”, notwithstanding its statutory character and Government control’.

The Revenue is of the opinion that The Public Distribution System is covered under Sl. No. 28 of the Eleventh Schedule to the Constitution, which falls under Article 243G. Security services, being services provided without involvement of any goods, qualify as pure services. The primary objective of Food Corporation of India is the procurement, storage and distribution of foodgrains for the purposes of the Public Distribution System. These activities are undertaken by FCI in relation to the discharge of functions covered under Sl. No. 28 (Public Distribution System) of the Eleventh Schedule read with Article 243G of the Constitution. Accordingly, the security services provided to Food Corporation of India for safeguarding its depots, offices and other establishments are connected with the function of Public Distribution System specified at Sl. No. 28 of the Eleventh Schedule under Article 243G of the Constitution.

The Revenue has submitted that with effect from 01.01.2022, the expressions “Governmental Authority” and “Government Entity” were omitted from Sl. No. 3 of Notification No. 12/2017–Central Tax (Rate) vide Notification No. 16/2021–Central Tax (Rate) dated 18.11.2021. Consequently, with

effect from 01.01.2022, pure services (excluding works contract services or other composite supplies involving supply of goods) provided by way of any activity in relation to functions entrusted under Article 243G or Article 243W of the Constitution to a Governmental Authority or a Government Entity became taxable.

Revenue has examined the applicability of Sl. No. 3 of Notification No. 12/2017–Central Tax (Rate), which exempts pure services provided in relation to functions entrusted under Articles 243G and 243W. It has been observed that exemption was available to Government Entities with effect from 25.01.2018 upon amendment of the notification. However, with effect from 01.01.2022, the expressions “Governmental Authority” and “Government Entity” were omitted from the said entry, and consequently pure services provided to such entities became taxable.

The Revenue has concluded that:

- I. For the period 01.07.2017 to 24.01.2018, security services supplied to FCI were taxable under forward charge.
- II. For the period from 25.01.2018 to 31.12.2021, security services supplied to FCI, being a Government Entity, were exempt under Sl. No. 3 of Notification No. 12/2017–Central Tax (Rate), as amended.
- III. With effect from 01.01.2022, such services became taxable again and GST is payable at 18 percent under reverse charge mechanism by FCI.

4.6 Before going into the details of the discussion, we should refer to the following two Articles of the Constitution of India which will act as reference in the latter part of the discussion.

Article 243G: This Article of the Constitution of India reads as under:

Powers, authority and responsibilities of Panchayats — Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to — (a) the preparation of plans for economic development and social justice; (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

The Eleventh Schedule as available in the Constitution of India downloaded from the official website of Legislative Department, Ministry of Law and Justice, Government of India (<https://legislative.gov.in>) contains the following entries in respect of Article 243G:

1. Agriculture, including agricultural extension.

2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

Article 243W: This Article of the Constitution of India reads as under:

Powers, authority and responsibilities of Municipalities, etc. — Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow — (a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to — (i) the preparation of plans for economic development and social justice;

(ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;

(b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

The Twelfth Schedule as available in the Constitution of India downloaded from the official website of Legislative Department, Ministry of Law and Justice, Government of India (<https://legislative.gov.in>) contains the following entries in respect of Article 243W:

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.

4.7 The applicant has referred to Notification No. 12/2017 - Central Tax (Rate) dated 28.06.2017 as amended.

We are reproducing the relevant portion of the table in the above noted notification as amended by Notification No. 16/2021 – Central Tax (Rate) Dated 18.11.2021 and operative with effect from 01.01.2022.

:

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent)	Condition
3	Chapter 99	Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution.	Nil	Nil

4.8 The question placed before us has two limbs. First, whether the security services provided by the security agencies to FCI, West Bengal region, qualify as 'pure services' provided to a Government Entity in relation to functions entrusted under Article 243G/ 243W of the Constitution of India. The second limb is whether such services are exempt from GST under Notification No. 12/2017 –Central Tax (Rate) Dated 28.06.2017, as amended.

According to the facts submitted before us, M/S Bengal Protective Guards (here the service provider) provides security personnel for manning the security aspects of the FCI depots and offices at different places in West Bengal and Sikkim. This activity as such does not involve any supply of goods, whatsoever. It is basically supply of security service in the form of supply of security guards.

The term 'Pure Service' has not been defined in the provisions of the GST Act. This term has reference in serial no. 3 of Notification No. 12/2017-Central Tax (Rate) Dated 28.06.2017, as amended. Pure Services exclude works contract service or other composite supplies involving supply of goods. So supply of services which does not involve any supply of goods can be regarded as pure service.

Supply of security services in the form of supply of manpower does not involve any kind of supply of goods and as such this can be regarded as pure service.

4.9 The next point of discussion is whether FCI is a Government Entity. The term Government Entity has been defined in clause (zfa) of Paragraph 2 of Notification No. 12/2017 Central Tax

(Rate) dated 28.06.2017, as amended. The definition is reproduced hereinunder:

(zfa) "Government Entity" means an authority or a board or any other body including a society, trust, corporation,

(i) set up by an Act of Parliament or State Legislature; or

(ii) established by any Government,

with 90 per cent or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government, Union Territory or a local authority;]

The Food Corporation of India (in short FCI) is a Central Government agency under the Ministry of Consumer Affairs, Food and Public Distribution. It was formed by the enactment of the Food Corporation Act, 1964 (Act 37 of 1964) by the Parliament of India. The corporation was set up in 1965 with its initial headquarters at Chennai. Later this was moved to New Delhi.

In the Preface of the act it is stated that

'It is considered desirable, in the interests of increased agricultural production as well as in the interests of the common consumer, to set up a State Agency for the purpose of undertaking trading in foodgrains in a commercial manner but within the framework of an over-all Government policy. Only by such a measure it will be possible to effectively implement any policy of ensuring that the primary producer obtains the minimum price that may be announced from time to time and to protect the consumer from the vagaries of speculative trade.

2. The setting up of the Food Corporation of India, as provided for in this Bill, will, therefore, be one of the essential and important steps in the implementation of Government's food policy. The Corporation will be the first organised attempt to take up State trading in foodstuffs on an appreciable scale The Agency will also be used to build up gradually buffer stocks.

3. The Corporation will engage itself primarily in the purchase, storage, movement, distribution and sale of foodgrains.'

Going through the provisions of Section 5, 6 and 7 of the Food Corporation Act, 1964, the control of the Central Government over the capital, management and administration of the Corporation can be understood properly. We are reproducing the relevant portions of the provisions.

5. Capital of Corporation.

(1)The original capital of the Corporation shall be such sum not exceeding one hundred crores of rupees as the Central Government may fix.

(2)The Central Government may from time to time increase the capital of the Corporation to such extent and in such manner as that Government may determine.

(3)Such capital may be provided by the Central Government from time to time after due

appropriation made by Parliament by law for the purpose and subject to such terms and conditions as may be determined by that Government.

6. Management.

(1)The general superintendence, direction and management of the affairs and business of the Corporation shall vest in a board of directors which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation under this Act.

(2)The board of directors, in discharging its functions, shall act on business principles having regard to the interests of the producer and consumer and shall be guided by such instructions on questions of policy as may be given to it by the Central Government.

(3)If any doubt arises as to whether a question is or is not a question of policy, the decision of the Central Government thereon shall be final.

7. Board of directors.

(1)The board of directors of the Corporation shall consist of the following, namely:--

(a)a Chairman;

(b)three directors to represent respectively the Ministries of the Central Government dealing with--(i)food,(ii)finance, and(iii)co-operation;

(c)the managing director of the Central Warehousing Corporation established under section 3 of the Warehousing Corporations Act, 1962 (58 of 1962), ex officio;

(d)a managing director;

(e)six other directors.

(2)All the directors of the Corporation other than the director referred to in clause (c) of sub-section (1) shall be appointed by the Central Government.

At this point question may be raised as to whether FCI can be regarded as Governmental Authority. The term Governmental authority has been defined in clause (zf) of Paragraph 2 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017, as amended. The definition as under:

(zf) "Governmental Authority" means an authority or a board or any other body,—

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 90 per cent or more participation by way of equity or control, to carry out any function entrusted to a Municipality under article 243W of the Constitution or to a Panchayat under article 243G of the Constitution;

If we carefully examine the above definition and compare it with the definition of Government Entity, we find that the only difference between the two lies in the scope of functions to be carried out by the referred body. The scope of function of Governmental Authority is restricted to any function entrusted to a Municipality or to a Panchayat under Article 243W and 243G respectively. The scope of function of a Government Entity, on the other hand, is restricted to a function entrusted by the Central Government, State Government, Union Territory or a local authority. Here we must keep in mind that FCI itself does not carry out the functions of PDS directly. That function is entrusted with the fair price shops under the control of the state governments. As we have already discussed in Paragraph 4.8, FCI is meant for maintaining effective support operations for safeguarding the interests of the farmers, carrying out distribution of food grains throughout the country for PDS and for maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security. In our considered view, FCI should be regarded as a Government Entity, not as a Governmental Authority.

4.10 In Paragraph 4.5 we have referred to Article 243G and 243W along with the relevant Schedules. Serial no. 28 of the Eleventh Schedule to Article 243G specifies Public Distribution System (in short PDS) as an activity entrusted to the Panchayats.

The Food Corporation of India (in short FCI) is a Central Government agency under the Ministry of Consumer Affairs, Food and Public Distribution. It was formed by the enactment of Food Corporations Act, 1964 by the Parliament of India. The functions of the Corporation have been stated in Section 13 of the said act. The relevant portions of Section 13 are reproduced as under:

13. Functions of Corporation

(1) Subject to the provisions of this Act, it shall be the primary duty of the Corporation to undertake the purchase, storage, movement transport, distribution and sale of food grains and other foodstuffs.

(2) Subject as aforesaid, the Corporation may also, with the previous approval of the Central Government,--

(a) promote by such means as it thinks fit the production of foodgrains and other foodstuffs;

(b) set up, or assist in the setting up of, rice mills, [flour mills] [See Rice-milling Industry (Regulation) Act, 1958 (Act 21 of 1958), controls and regulates the industry in the interest of general public] and other undertakings for the processing of food grains and other foodstuffs; and

(c) discharge such other functions as may be prescribed or as are supplemental,

incidental or consequential to any of the functions conferred on it under this Act.

The main objectives of the corporation as stated in the official website *dfpd.gov.in* of the Department of Food and Public Distribution of Government of India are as under:

1. To maintain effective support operations for safeguarding the interests of the farmers.
2. To carry out distribution of food grains throughout the country for Public Distribution System (in short PDS).
3. To maintain satisfactory level of operational and buffer stocks of food grains to ensure National Food Security.

So it is evident that the primary function of the FCI is purchase, storage, movement, transport, distribution and sale of food grains and other foodstuffs throughout the country for PDS.

If we carefully look at the description column of serial no. 3 of the table in Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017, as amended, we must appreciate that the scope of the pure services referred to in this serial has been widened by the phrase 'by way of any activity in relation to any function.....'

Not only the specific functions entrusted to a Panchayat or a Municipality under Article 243G and 243W respectively are covered by the said entry, but any activity which is incidental or ancillary to the specific functions are also covered so long as they are in relation to those specific functions.

Security services is essential for safeguarding the food grains and foodstuffs stored for the purpose of PDS in the depots of FCI and the records related to PDS maintained in the offices of FCI. In our considered view, FCI is a Government Entity and security services provided to FCI is a pure service and it is an activity in relation to serial no. 28 of the Eleventh Schedule to Article 243G.

4.11 Now we come to the second limb of the question i.e. whether such security services provided to FCI being a Government Authority are exempt from GST under Notification No. 12/2017 –Central Tax (Rate) Dated 28.06.2017, as amended.

The specific reference is serial no. 3 of the above notification. In order to qualify for Serial no. 3 of the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 as amended, the following three conditions are to be fulfilled simultaneously:

1. The service must be a pure service. It should not be works contract service or other composite supplies involving supply of any goods.
2. The service is to be provided to the Central or State Government or Union Territory or a local authority.
3. The service provided must be done by way of any activity in relation to any function entrusted to a Panchayat or Municipality under article 243G or 243W of the Constitution of India respectively

From our preceding discussion we note the following points:

- Security services provided to the FCI is a pure service. There is no works contract or composite supply of goods is involved in this service. So the first condition as above is fulfilled.
- security services provided to FCI is an activity in relation to serial no. 28 of the Eleventh Schedule to Article 243G. The third condition is also fulfilled.

4.12 Now it is to be discussed whether supply of pure service to FCI, fulfilling two other conditions of serial no. 3 *supra*, can be considered exempt under the serial number because of its status as Government Entity.

As we find from the description of the aforementioned serial number, the recipient of the pure service should be either Central Government or State Government or Union territory or local authority. A Government Entity does not qualify for any of the four categories. So the exemption as provided in serial no. 3 in the table of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017, as amended is not applicable for FCI being a Government Entity.

In view of the foregoing, we rule as under:

RULING

Whether the security services provided by the security agencies to FCI, West Bengal region, qualify as 'pure services' provided to a Government Entity in relation to functions entrusted under Article 243G/ 243W of the Constitution of India and are exempt from GST under Notification No. 12/2017 -Central Tax (Rate) Dated 28.06.2017, as amended?

Answer: The exemption as provided in serial no. 3 in the table of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017, as amended is not applicable for this service provided to FCI being a Government Entity.

Sd/-

(SHAFEEQ S.)

Member

West Bengal Authority for Advance Ruling

Sd/-

(JAYDIP KUMAR CHAKRABARTI)

Member

West Bengal Authority for Advance Ruling

Place: Kolkata

Date: 27th February, 2026

To,

Food Corporation of India

Calcutta Telecom Training Centre, 1st Cross Road, G.B BLOCK SECTOR III, Bidhan Nagar,
North Twenty Four Parganas, West Bengal, 700097

Copy to,

- (1) The Principal Chief Commissioner, CGST & CX, 180, Shantipally, R.B.Connector, Kolkata-700107
- (2) The Commissioner of State Tax, West Bengal, 14, Beliaghata Road, Kolkata-700015
- (3) The Commissioner, CGST & CX, Kolkata South Commissionerate, 180, Shantipally, R.B.Connector, Kolkata - 700107
- (4) The Charge Officer, Salt Lake Charge, 5th Floor, Jalasampad Bhawan, Block DF, Sector-1, Bidhannagar, West Bengal, Kolkata - 700091
- (5) Office Copy