



Clarification to the queries of Members of Indian Corrugated Box Manufacturers Association, Mumbai on GST dated 07.07.2017

To	Members of Indian Corrugated Box Manufacturers Association, Mumbai
From	Rohit Kumar Singh, Dipak Tiwary - Karvy Data Management Services Ltd.
Date	July 10, 2017
Subject	Impact of GST on corrugated box industry

Query 1: S.No. 9 - Under Description of Services as S.No. (iii) speaks of GTA Services (defining GTA as any person....issuing C.Note by whatever name called), the CGST Rate is 2.5% subject to the condition that ITC on Goods & Services used in supplying the services has not been taken as per Explanation 4 (iv), hence the rate of 2.5% CGST on GTA will be applicable only if the GTA has not availed ITC. (Total GST 5%)

S.No. 9, Under Description of Services as S.No. (v) Specifies that all other GTA Services other than those covered in S.No. 9, will attract 9% CGST, this should imply that, if the GTA has availed ITC then CGST 9% will be applicable. (Total GST 18%)

It seems that restriction of ITC is on GTA (supplier) & not on recipient paying GST on reverse charges & that too for deciding the rate of GST, if ITC claimed by GTA then 18% GST, if not claimed by GTA then 5% GST. Therefore in our interest a declaration should be taken from GTA on C.Note that they have not availed ITC on goods & services (the explanation given for goods also includes Capital Goods)

2) CGST Notification No. 13 - 28.06.17, S.No. 1 notifies that GST will be payable on Reverse Charge Basis by the specified receivers (there is no restriction or even mention of ITC here), the explanation at the bottom states that person liable to pay freight will be considered as the person who receives this service.

3) CGST Notification No. 12 - 28.06.17, S.No. 18 exempts the service of transportation of goods by roads except GTA, you are right local matador, truck etc. owned by individuals & not issuing C.Note should be exempt. However, the same exemption was also allowed under Service Tax but we were compelled to pay service tax due to audit pressure. In any case, credit should be available to us.

Please correct me, if you feel that we are not eligible to ITC on GTA, if I have missed some point!

Answer: Referring to the GST rate schedule on services notified by the Government, wherein services of goods transport agency (GTA) in relation to the transportation of goods has been defined @5% with "No ITC" an interpretation was made that the registered person liable to pay tax under reverse charge on GTA services would not be in a position to avail ITC here.

However, on having an analytical review of the notification no. 11/2017 dated 28.06.2017, clarity may be derived that the restriction of "NIL ITC" is imposed on the supplier of GTA services and not on the registered recipient who is liable to pay tax under reverse charge.

Thus in a scenario where a registered GTA service provider supplying services to an unregistered individual / HUF (who have been kept out of the purview of persons liable to pay tax under reverse charge) shall levy GST on the freight charges and while discharging such liability to the Government will not utilise ITC paid on goods or services used for outward supply of such GTA services.

In your case, where the GTA is not liable to pay tax under GST, scenario of utilisation of ITC doesn't arise. Under such circumstances, there won't be any requirement by the registered recipient of GTA services to have declaration from the GTA on non-availment of ITC on his part.

An important point to note here is that the registered person liable to pay tax under GST on receipt of GTA services will be @ 5% only and not @ 9% since the "Services of goods transport agency (GTA) in relation to transportation of goods" has been notified as 5% under GST. GST rate of 9% is applicable in case of "other goods transport services" other than services of "GTA". Hence in your case, GST will have to be paid on receipt of GTA services under reverse charge @5% with full ITC.

GST paid under reverse charge towards GTA services availed by a registered person for inward supplies (inward freight) will easily be available as ITC by default since such freight charges will qualify as input services.

Where GST is paid by a registered person under reverse charge on receipt of GTA services towards outward supplies of goods to its customer (outward freight), ITC shall be available to the supplier to the extent of freight charges paid "up to the place of removal of goods" i.e. up to the place where the ownership of the goods is getting transferred to the customer. Reason being such freight charges paid up to the place of removal of goods by the supplier shall add to the cost of the goods which is treated as an inward supply.

Query 2: 1. Main Heading of HSN code 4819 has following description-

Cartons, Boxes, Cases, Bags and other Packing containers, of Paper, Paper Board, cellulose wadding or Webs of cellulose fibres, box files, Letter trays and similar articles of Paper or Paper Board of a kind used in offices, shops and the like.

2. Notification no 1/2017 central Tax (Rate) dated 28-6-2017 specifies the rates under CGST Act

3. Under the above notification Schedule II is for 6 % GST rate

4. Sl. no.122 of Schedule II mentions-4819 chapter-cartons, boxes and cases of corrugated Paper or Paper Board

5. Under Schedule II nowhere else Chapter 4819 is mentioned.

6. Schedule III is meant for 9% CGST rate which also does not mention 4819 under any serial no nor other schedules I, IV, V, Or VI.

7. Under Schedule III –Sl. no 453 mentions-ANY Chapter-Goods which are not specified in Schedule I, II , IV , V , Or VI will fall here.

In my understanding All other Goods falling under 4819 except stated in sl no 122 of Schedule II will fall under Sl. No 453 Of Schedule III of 9 percent.

In the meantime i have also talk with Printers Association who are mainly manufacturing Non-corrugated Cartons and Boxes under 481920, they have instructed their members to clear under total GST rate of 18% duty (9 % under CGST).

Previously also under Excise era Our Corrugated Board Boxes were under 6% Excise rate by special notification no 12/2012 CE and all other items of Chapter 4819 wrt under 12.5% Excise rate.

I request you to kindly re-examine your expert advice on the matter before we can communicate the same to our members. In interim period we have advised as per instructions followed by Printers Association.

Answer: HSN classification comprises of Sections further bifurcated into Chapters, then into Headings and finally into Sub-headings. Sections and chapters are arranged in order of a product's degree of manufacture or in terms of its technological complexity.

Sections represent a broader class of goods, and chapters represent a particular class of goods. Each chapter is further divided into various headings depending upon different types of goods belonging to the same class. Each heading contains products, which are ultimately assigned an HSN code.

Rate schedule for goods under GST provides rates for goods falling under chapter 48 with heading 4819 @ 12% for class of goods - Cartons, boxes and cases of corrugated paper or paper board.

With heading 19 falling under chapter 48, which has not been further sub-classified under the rate schedule, an interpretation is being made that heading 4819 shall have coverage over all goods which are further classified as sub-headings (481910, 481920 etc.).

Non-corrugated boxes (481920) belongs to the class of goods under heading 4819 in line with other types of goods (482910, 481950) of the same class. Hence, we classified non-corrugated boxes (481920) to be in line with other goods falling under broad heading 4819 which is taxed @ 12% as per GST rate schedule.

However, to have clarity on applicable rate of tax on categories of goods falling under sub-heading 481920 of heading 4829 and chapter 48 it is advised to seek the option of advance ruling from authorities to have confirmation on the same.