

Clarification to the queries of Members of Indian Corrugated Box Manufacturers Association, Mumbai on GST dated 18.07.2017

To	Members of Indian Corrugated Box Manufacturers Association, Mumbai
From	Rohit Kumar Singh, Dipak Tiwary - Karvy Data Management Services Ltd.
Date	July 18, 2017
Subject	Impact of GST on corrugated box industry

Query 1: From Mr Ramesh, The South India Paper Mills:

This regarding Sec 10(1) of IGST Act 2017.

If the purchase order raised by X company (Buyer) from Delhi to a Y company (Supplier) in Karnataka and instructs Y company to deliver the goods to Z company (Goods receiver) in Karnataka.

Query is –

- 1. Which GST should be charged by Y Company in his Tax invoice? IGST or CGST+SGST?**
- 2. What should be the billing address? Buyer address or Receiving plant address?**
- 3. Whom GSTIN to be mentioned in e-way bill? Z Company or X Company? Because both the address is reflected in the tax invoice.**
- 4. To understand place of supply what principle we should keep in mind?**

Answer: The location of the supplier (his registered place of business) and the place of supply of goods is very important to determine the type of levy of tax under GST.

Location of the supplier means the place of business of the supplier for which registration has been obtained under GST and from where supply of goods is being made. On the other hand, place of supply principally means the location of goods at the time at which it gets delivered to the recipient.

In your case where goods are being supplied by Company-Y, Karnataka State to Company-Z, Karnataka State on direction of Company-X, Delhi State, let us understand the place of supply in this scenario:

- Section 10 (1) (b) of IGST Act, 2017 narrates the provision to determine the place of supply in a scenario where goods are being supplied by a supplier (Company-Y, Karnataka State) to a recipient (Company-Z, Karnataka State) on direction of a third person (Company-X, Delhi State) – In this case it shall be deemed that such supply has been made to a recipient (Company-Z, Karnataka State) has actually been received by the third person (Company-X, Delhi State) on whose direction such supply was made. Hence, the place of supply would be the place of business of the third person (Company-X, Delhi State) and not the location of the recipient (Company-Z, Karnataka State) to whom goods have been delivered.

- This will constitute as inter-state supply of goods between the supplier (Company-Y, Karnataka State) and the recipient (Company-X, Delhi State) and IGST at applicable rate in your case shall be levied instead of (CGST + SGST)
- Billing address and shipping address both needs to be mentioned mandatorily in the invoice by the supplier (Company-Y, Karnataka State) where the billing address will be of (Company-X, Delhi State) and shipping address will be of (Company-Z, Karnataka State)
- Presently e-way bill rules are yet to be notified by the Government of India. Till such time respective State Government may at their discretion continue with their e-way bill provisions. However, post roll out of e-way bill rules under GST, GSTIN No. of the consignee (Company-Z, Karnataka State) should be mentioned in the e-way bill.

Query 2: From Mr Ramesh, The South India Paper Mills:

Case study 1: A company is importing inputs at X Port in India. All customs formalities is handled by our Custom House Agent. All imports material is carried from CFS to A company premises by road through transport.

Here, CHA is hiring truck from truck owner and making payment to truck owner.

CHA himself providing consignment note and bill for transportation charges and A company is paying transportation charges to CHA.

Our Query on Case Study 1:

- Whether CHA has to pay GST under RCM? Because of making payment to truck owner.**
- Or whether CHA will fall under GTA for the above service and has to raise Tax invoice to A Company, and GST on GTA shall be paid by A company under RCM**
- If yes, whether A company is eligible to avail ITC on GST paid on GTA under RCM**

Case study 2: If A Company had a contract with CHA saying that till the imported material reaches our factory premises, all responsibilities assigned to him. That means, Customs clearing, unloading and loading and arranging transportation and billing to us as “freight and forwarding agent” charging GST @ 18% on his total services.

Our Query on Case Study 2:

- Please confirm the rate of GST should charge on his bill as a “freight and forwarding agent”**
- Whether CHA is liable to pay GST on GTA under RCM (because payment is made by CHA to the truck owner)**
- If yes, whether CHA is eligible to avail ITC on GST paid on GTA under RCM.**

Answer to Case Study 1 queries: “Goods Transport Agency” has been defined in notification no. 11/2017-Central Tax (Rate) as a person who provides service in relation to transport of goods by road and issues a consignment note.

In your case, where the CHA is issuing a consignment note with freight charges invoice to Company-A towards providing services for transport of goods shall be treated as a “GTA” providing such services.

Assuming Company-A has paid directly to the GTA for such freight charges, hence, in this case, GST @5% will be paid by Company-A under reverse charge.

Input Tax Credit of GST paid under reverse charge for inward supply of GTA services will be available to Company-A. (check if declaration from CHA is required that he has not claimed ITC)

Where a registered GTA (CHA in your case) has taken an intermediary GTA services from another registered GTA. In this case, the recipient GTA (CHA in your case) will be liable to pay GST under reverse charge.

Answer to Case Study 2 queries: Where CHA has entered into a contract with Company-A for providing end to end services (custom clearance, transportation etc.) on import of goods under service category of “Clearing and forwarding services”

In this case, CHA shall issue a Tax Invoice to Company-A towards “Clearing and forwarding services” and shall levy GST @18% on the taxable value.

Where the CHA has received services from a GTA towards transportation of goods for Company-A, GST @5% under reverse charge shall be paid by CHA and such tax paid under reverse charge will be available as ITC to the CHA.