

Clarification to the queries of Members of Indian Corrugated Box Manufacturers Association, Mumbai on GST dated 24.07.2017

To	Members of Indian Corrugated Box Manufacturers Association, Mumbai
From	Rohit Kumar Singh, Dipak Tiwary - Karvy Data Management Services Ltd.
Date	July 24, 2017
Subject	Impact of GST on corrugated box industry

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

“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”

If you refer Notification No. 12/2017-Central Tax (Rate) dt. 28.06.2017 SI no. 22 (b), it has been exempted services by way of giving on hire to a goods transport agency, a means of transportation of goods. In the said notification under clause (ze) “Goods transport agency” means any person who provides service in relation to transport of goods by road and issues consignment note, by whatever name called.

In the scenario the said GTA is only hire the vehicle from truck owner or another GTA for giving further services.

Please clarify.

Answer: Let us understand liability of a person to pay tax considering two scenarios:

1. A registered GTA (ABC for ex.) has been assigned with a contract for services in relation to the transportation of goods by road for a registered person (LMN Ltd.) under GST. Further the goods have been transhipped by this GTA (ABC) to another registered GTA (PQR for ex.) while performing the contract and GTA (ABC) has agreed to pay PQR for such transportation.

In the above scenario, an interpretation is being made that the recipient of GTA services provided by PQR would be ABC. Since, ABC is the person who has agreed to pay consideration to PQR. Such services would fall in the ambit of “services provided in relation to the transport of goods by road by a GTA” and the recipient (ABC) will be liable to pay GST under reverse charge mechanism.

2. Where simply a truck has been taken on hire by a registered GTA from an individual truck owner who does not issue a consignment note shall not be treated as a GTA providing such services. Subsequently, GTA who is receiving such services by way of hiring a truck, will not be

liable to pay tax under RCM. This will fall under the bucket of chapter 9966 “services by way of giving on hire to a GTA, a means of transportation of goods”

Similar exemption was there in service tax regime as well in case of mere services being provided by way of hire.