

GST on Logistics sector

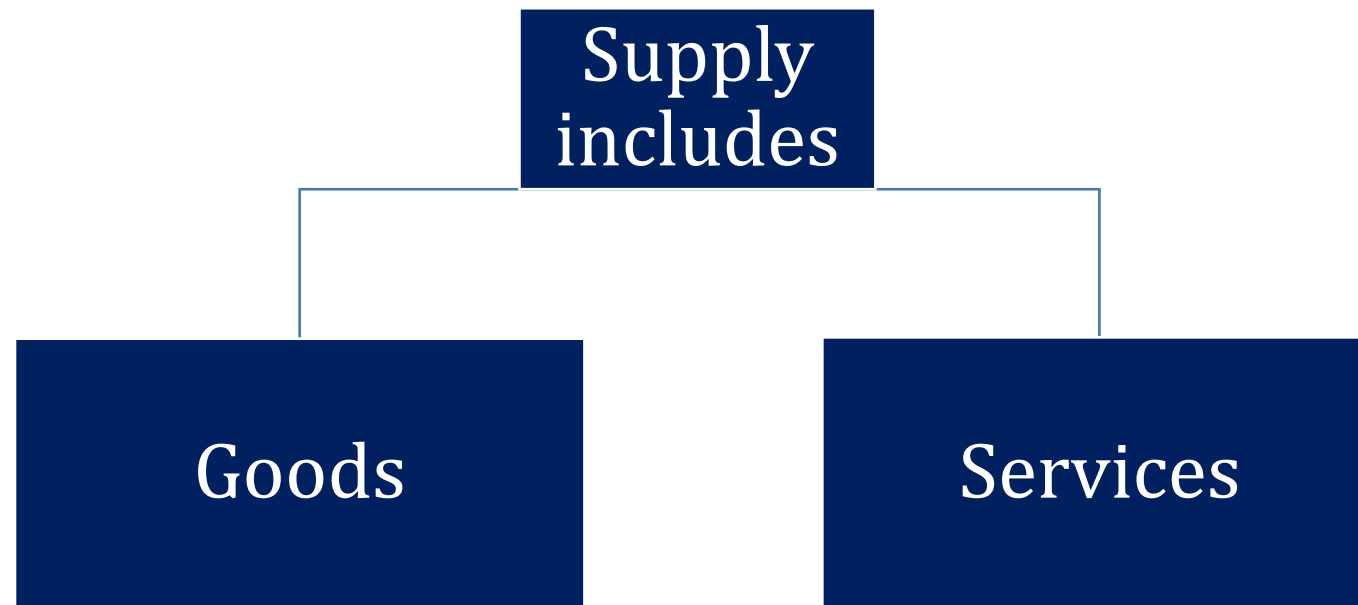
-CA Ravi Kumar Somani



Logistics Sector - Overview

- Consolidation of warehouses – Hub & spoke model;
- End to end outsourced logistics – 3PL;
- Investment in technology over asset creation;
- Erosion of large un-organized players but Large investments, FDI's & stiff competition expected from organized players;
- Strategic Warehousing – Customer centric;
- Aviation Fuel, Petrol, Diesel - Fuel costs outside the ambit of GST;

- **The activities should be made or agreed to be made for a consideration**
- **In the course or furtherance of business.**



Such as

Sale

Transfer

Barter

Exchange

License

Lease

Rental

❑ Schedule I (Supply even if without any consideration)

-Supply of goods/ services/ both between related person/ distinct persons, made in course and furtherance of business.

Logistics Sector - various services

- Goods Transportation Agency services – Wide import;
- Goods Transportation Operator services – No consignment note;
- Leasing of vehicles – Periodic fixed charges;
- Distribution services – Intra city movement from one place to another;
- Shifting of Goods – Trip basis billing
- Storage & Warehousing - External or Internal warehousing;
- Leasing/ Renting of space – Billing based on the space;
- Loading/ unloading of goods – Ancillary billing to transportation or separately charged;

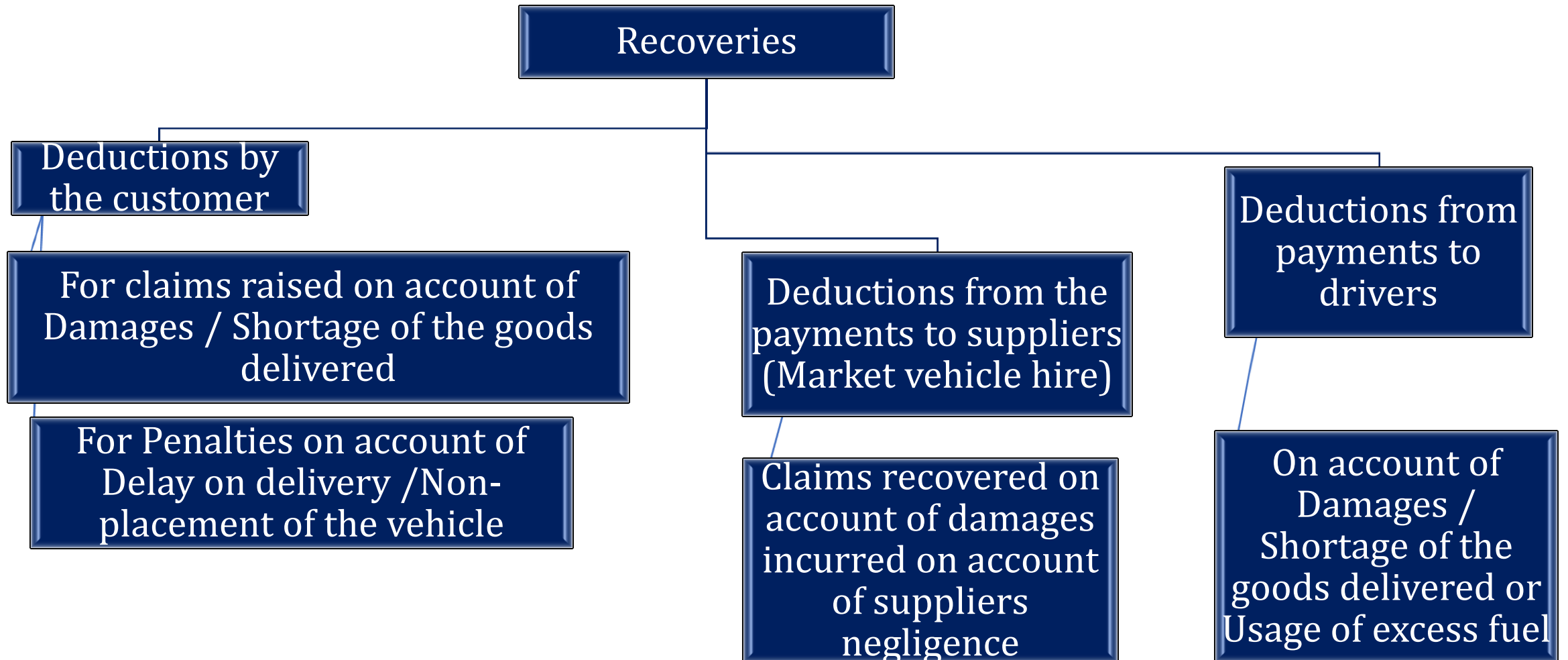
Logistics Sector - various services

- Material/ Cargo Handling – Ancillary to transportation/ warehousing;
- Equipment leasing charges – Internal warehousing;
- Supply Chain Management – 3PL logistics includes admin, accounting and other support;
- Courier Agency – Time sensitive + Door to door delivery + Person accompanies;
- Clearing and forwarding agents – Freight forwarders all inclusive, CHA agents etc.
- Management Fee, Additional services, insurance charges etc.
- Inter-branch billing between HO & Branches.

Other Transactions

- Recoveries of transportation from employees – covered in CTC;
- Insurance claim upon damage of goods in transit – Transfer of vehicle/ without transfer of vehicle;
- Levy for GTA under RCM is on 'recipient' – Freight charges levied on the vendor invoices;
- Penalties/ debits recovered from/ by the transporters;

GST on recoveries



Sale of Trucks

(A) If it was purchased in GST regime

(i) If ITC is availed- *Higher* of the following is considered as the amount of GST to be discharged

- Amount of ITC for Balance Useful Life, considering the useful life as 5yrs. as per Rule 44(6) CGST Rules
- Tax on Transaction Value as per Section 15 CGST act, 2017.

(ii) If ITC is not availed- GST to be discharged on difference of the Sale value and the written down value as per income tax asset.

(B) If capital goods are purchased in Pre GST regime and no credit was availed- GST to be discharged on the Sale value.

Sale of Trucks

Option 1 (Notification no. 37/2017 CT (Rate), dated 13-Oct-17) :

Conditions:

- i. The truck is covered under Chapter heading 87,
- ii. It was purchased prior to 1st Jul'17 and sold before 1st Jul'2020, and
- iii. The credit of Excise or VAT wasn't availed

Taxable value = Sale value

GST Rate = 65% (Rate applicable for such product)

Tax payable = (Taxable value*GST rate)

Sale of Trucks

Option 2 (Notification no. 08/2018 central tax (Rate), dated 25-Jan-18) :

Conditions:

- i. The truck is covered under Chapter heading 87,
- ii. The credit of Excise or VAT or GST wasn't availed

Taxable value = Sale value – WDV as per income tax act

GST Rate = Rate as per the notifications (12% or 18%)

Tax payable = (Taxable value*GST rate)

Note: This option is available for the vehicles purchased under GST regime also, if the credit is not availed.

COMPOSITE SUPPLY

Composite Supply is a term defined to mean a “*supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied together in conjunction with each other in the ordinary course of business, one of which is a principal supply.*”

**Taxable
supply of two
or more
goods and /
or services**

+

**Naturally
bundled in
the ordinary
course of
business**

+

**One amongst
such supplies
should be a
principal
supply**

=

**Composite Supply
wherein the entire
supply is taxed at the
rate applicable to
the principal supply
identified**

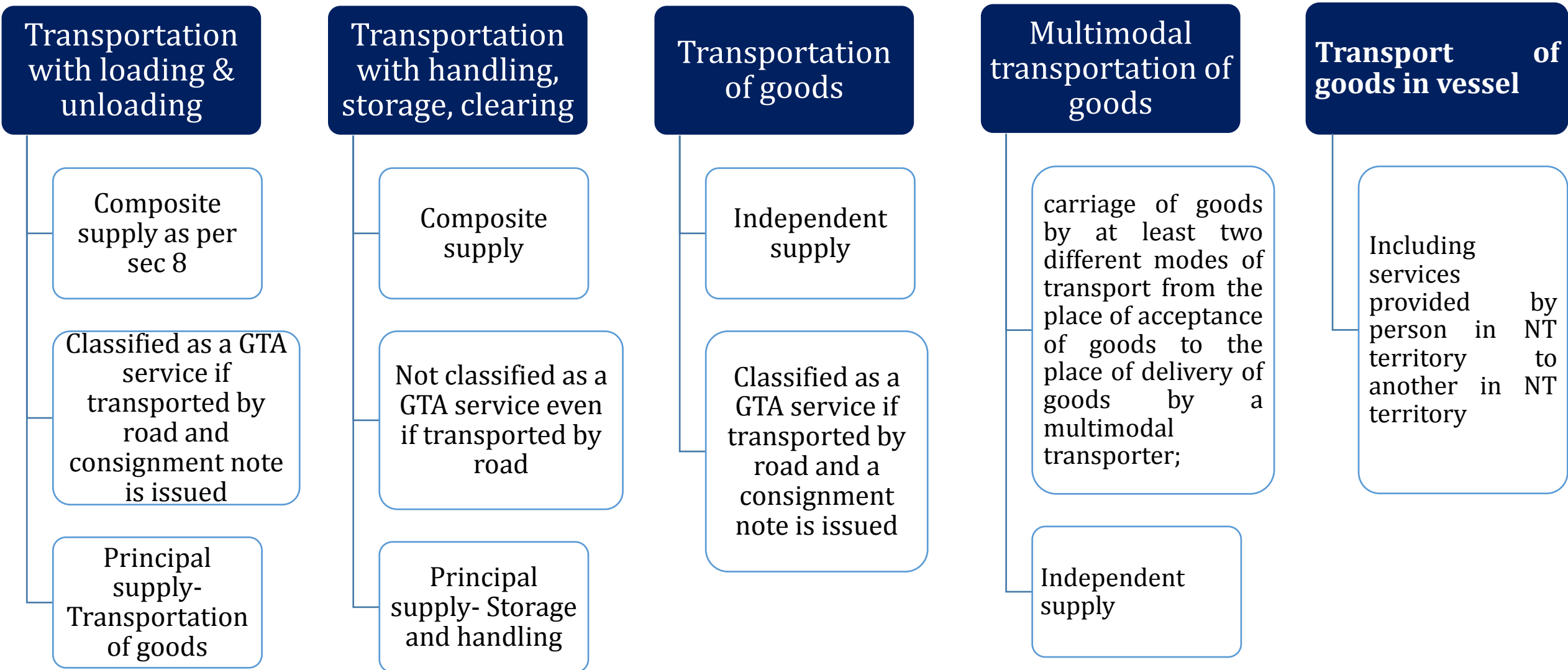
The tax rate applicable to the principal supply would be applicable to all the ancillary supplies

Composite/ Mixed Supply

- Transportation + temporary warehousing, management fee etc.
- Implication of GST on Detention charges;
- Packers & Movers services;
- Fixed rentals + GTA services;
- Supply chain management services;
- Ocean/ Air Freight + allied charges
- Transportation of Goods vis-à-vis Courier;

“courier agency” means any person engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles.

LEVY



RATE

Rail

- 5%
- Condition- ITC not eligible – on goods

Transport in containers by rail by any person other than Indian Railways.

- 12%

Transport of goods through vessel

- 5%
- Condition- ITC on goods other than ships, vessels including bulk carriers and tankers is not taken

Services of goods transport agency (GTA) in relation to transportation of goods (including used household goods for personal use).

- 5% No ITC
- 12% Transporter to opt paying 12%

Multimodal transportation of goods.

- 12%
- Applicable to person entering contract with customer

Goods transport other than above

- 18%

Rental services of transport vehicles with or without operator

- 18%

Multi-modal Transportation

(a) “multimodal transportation” means carriage of goods, by at least two different modes of transport from the place of acceptance of goods to the place of delivery of goods by a multimodal transporter;

(b) “mode of transport” means carriage of goods by road, air, rail, inland waterways or sea;

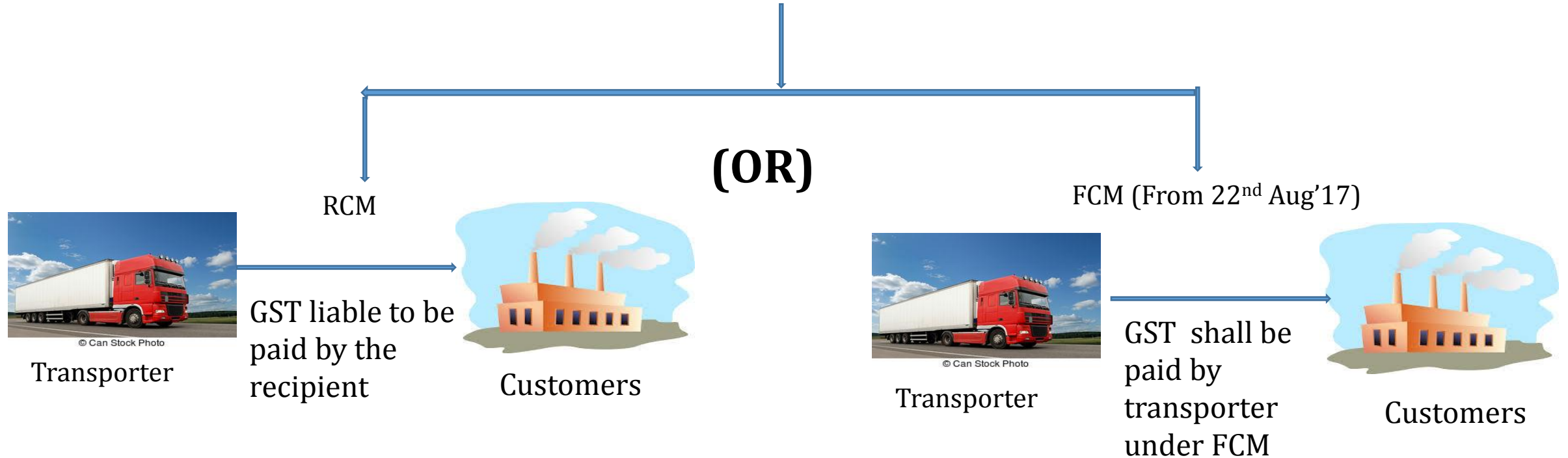
(c) “multimodal transporter” means a person who,-

(A) enters into a contract under which he undertakes to perform multimodal transportation against freight; and

acts as principal, and not as an agent either of the consignor, or consignee or of the carrier participating in the multimodal transportation and who assumes responsibility for the performance of the said contract.

Will the entry relating to multimodal transporter override the exemption notification for export ocean freight, if more than one modes of transport is involved?

RCM & FCM for GTA



- Specified persons – Factory, society, co-operative society, any registered person, body corporate, firm, CTP. Not applicable to a Department or Establishment of the Central Government or State Government or Union territory; or local authority; or Governmental agencies, which has taken registration for the purpose of TDS under Section 51 and not for making a taxable supply of goods or services.

Reverse Charge Mechanism

- The transporter can opt for reverse charge mechanism or pay the tax on forward charge basis;
- Can the transporter shift from payment of RCM to FCM and vice-versa?
- Can FCM & RCM be continued under the same regn based on customers requirement;
- Can FCM & RCM be opted for different registrations;
- Any intimation/ declaration required to be submitted;
- Can the option be switched in the middle of the FY;
- GST under reverse charge on Ocean Freight;
- Implication of GST on mathadi labour charges etc.

EXEMPTIONS

Services by way of transportation of goods-

by road except the services of—

- (i) a goods transportation agency; (taxable)
- (ii) a courier agency; (taxable)

by inland waterways.

Services by way of transportation of goods **by an aircraft from a place outside India upto the customs station of clearance in India**

Services by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India-Amounts to export ocean freight

Exemption is available from 25.01.18 to 30.09.19

Services by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India.

Exemption is available from 25.01.18 to 30.09.19

Contd.

Services by way of transportation by **rail or a vessel** from one place in India to another of the following goods:

- relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
- defence or military equipments;
- newspaper or magazines registered with the Registrar of Newspapers;
- railway equipments or materials;
- agricultural produce - *means any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products, on which either no further processing is done or such processing is done **as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market;***
- milk, salt and food grain including flours, pulses and rice; and
- organic manure

Contd.

Services by way of transportation by **road** from one place in India to another of the following goods:

- relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
- defence or military equipments;
- **goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees;**
- **goods, where consideration charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred and fifty;**
- newspaper or magazines registered with the Registrar of Newspapers;
- railway equipments or materials;
- agricultural produce
- milk, salt and food grain including flours, pulses and rice; and
- organic manure

Contd.

Services provided by a goods transport agency, by way of transport of goods in a goods carriage, to, -

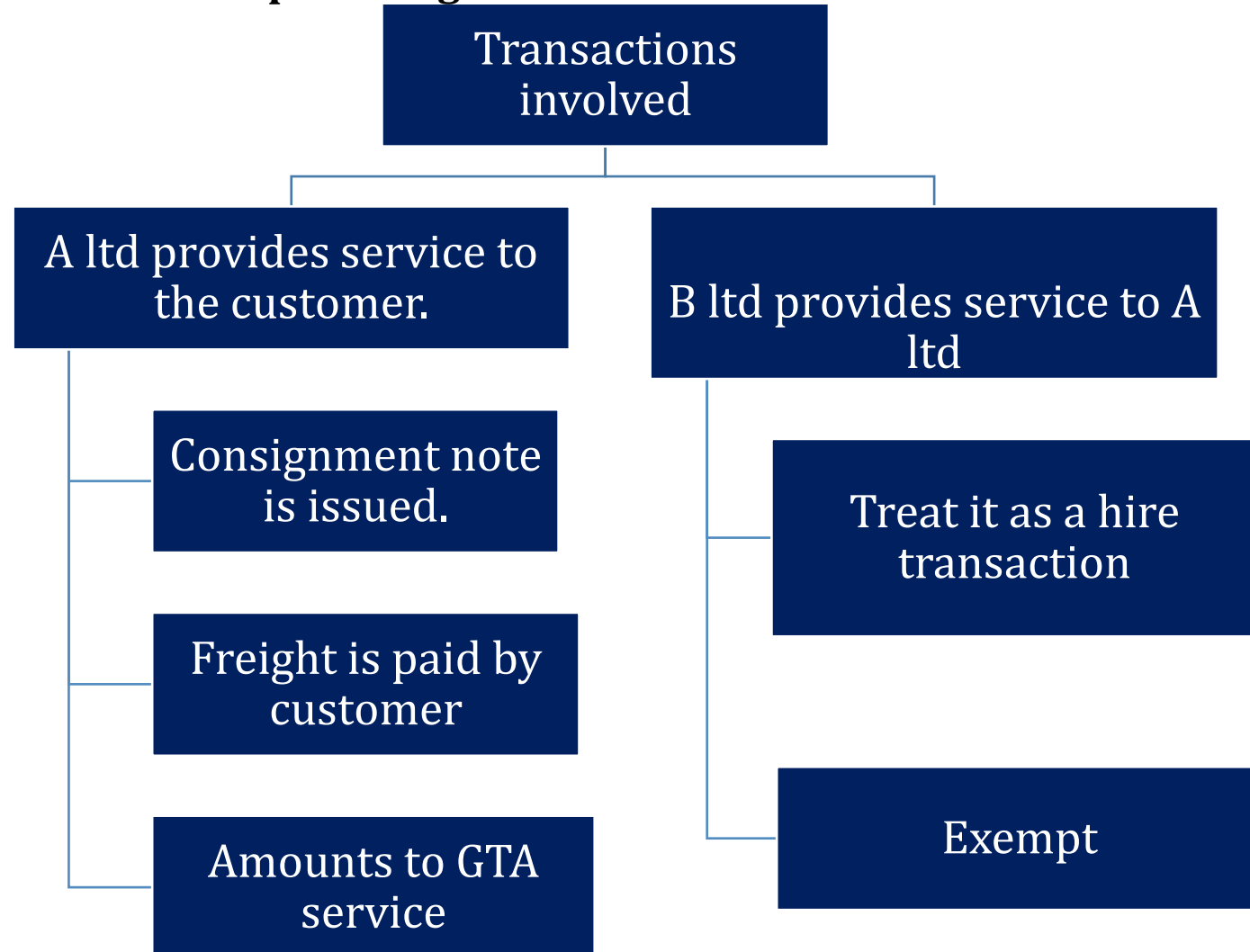
- a Department or Establishment of the Central Government or State Government or Union territory; or
- local authority; or
- Governmental agencies,
- which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for the purpose of deducting tax under Section 51 and not for making a taxable supply of goods or services.

Exemptions

- Services provided by a goods transport agency to an unregistered person, including an unregistered casual taxable person
- Services by way of giving on hire to a goods transport agency, a means of transportation of goods.
- Packers & Movers - Transportation of household goods not exempted – No EWB – Covered under RCM and exempt for individuals/ HUF;
- Exemption for storage and warehousing of rice;

Exemptions

- A ltd is a GTA, due to lack of capacity for provision of service A ltd appoints B ltd (also a GTA) on behalf of the customer to transport the goods of the customer



REGISTRATION

- Is a GTA liable to get registered if the services are payable under RCM?
 - As per Notification No. 5/2017- Central Tax dated 19/06/2017, a person who is engaged in making only supplies of taxable goods/services on which reverse charge applies is exempted from obtaining registration under GST
- Should the transporter take registration in every state?
- If one branch X is opting for RCM payment, should the other branches that provide support services to branch X pay under FCM and take registration?- Yes
- If a conveyance unloads the goods in state X, where he has no registration, and re-loads goods for transportation to state Y. Is he required to take registration in state X?

REGISTRATION

- Registration requirement for storage of goods in the transporters warehouse
- Multiple registrations issue - Billing from one location service from other – minimal registrations for billing
- Can separate GST registration be obtained for different business verticals - Warehousing, transportation etc.

Valuation

❑ Value of supply of goods and/or services shall be the **'Transaction Value',(TV)** where supplier and recipient of supply are **unrelated** and Price is the **sole consideration** for the supply. (consideration doesn't include deposit)

❑ Related persons include Employer and Employee.

❑ The value of supply shall include:

Any **taxes, duties, cesses, fees and charges**

Amount incurred by Recipient

Charges by Supplier to Recipient being:

- **Incidental expenses** (e.g.: packing, commission)
- **Charges for anything done by the Supplier**
- **Interest/ late fee/penalty** for delayed payment of consideration
- **Subsidies directly linked to price**

Valuation

The value of the supply shall not include any discount that is given:

- ☐ **Before/ at the time of supply**

- If such discount is duly recorded in the invoice

- ☐ **After the supply: If**

- Agreement establishing discount entered into before/ at the time of supply
- Discount specifically linked to relevant invoices
- ITC reversed by the recipient to the extent of discount

- ☐ Valuation for transactions with distinct persons to be at OMV or in case of ITC fully eligible @ the value declared in the invoice.

Time of Supply in case of SERVICES

As per Section 13(2) of CGST ACT, time of supply of services shall be **earlier of invoice/ payment, i.e., -**

Actual **date of issue of invoice** by the supplier

Due date for issue of invoice by the supplier [Section 28*]:

- Before/ after the supply of service, but within 30 days
- **Notified categories of supplies:** Any other prescribed document shall be deemed to be the tax invoice

Date on which **payment is entered in the books of supplier**

Date on which **payment is credited** to the supplier's bank a/c

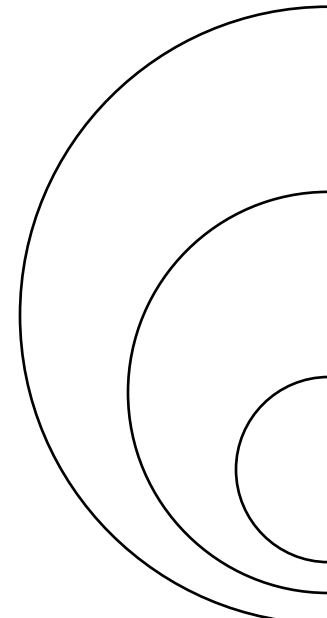
**Where payment is received in advance, the Supplier shall issue a receipt voucher, and NOT a tax invoice*

Time of Supply – Continuous Supply of Services.

Section 2(31) “continuous supply of services” means a supply of services which is:

- provided, or agreed to be provided, continuously or on recurrent basis,
- under a contract, for a period exceeding three months with periodic payment obligations
- and includes supply of such service as the Central or a State Government may, whether or not subject to any condition, by notification, specify;

Section 28(5) prescribes due date for issue of invoice in case of continuous supply of services:



Where the due date of payment is ascertainable from the contract:	• Within 30 days of recipient becoming liable for payment
Where the due date of payment is not ascertainable from the contract, time of supply shall be earliest of-	• Within 30 days of receipt of each payment
Where the payment is linked to the completion of an event:	• Within 30 days of completion of event

POS provisions under GST

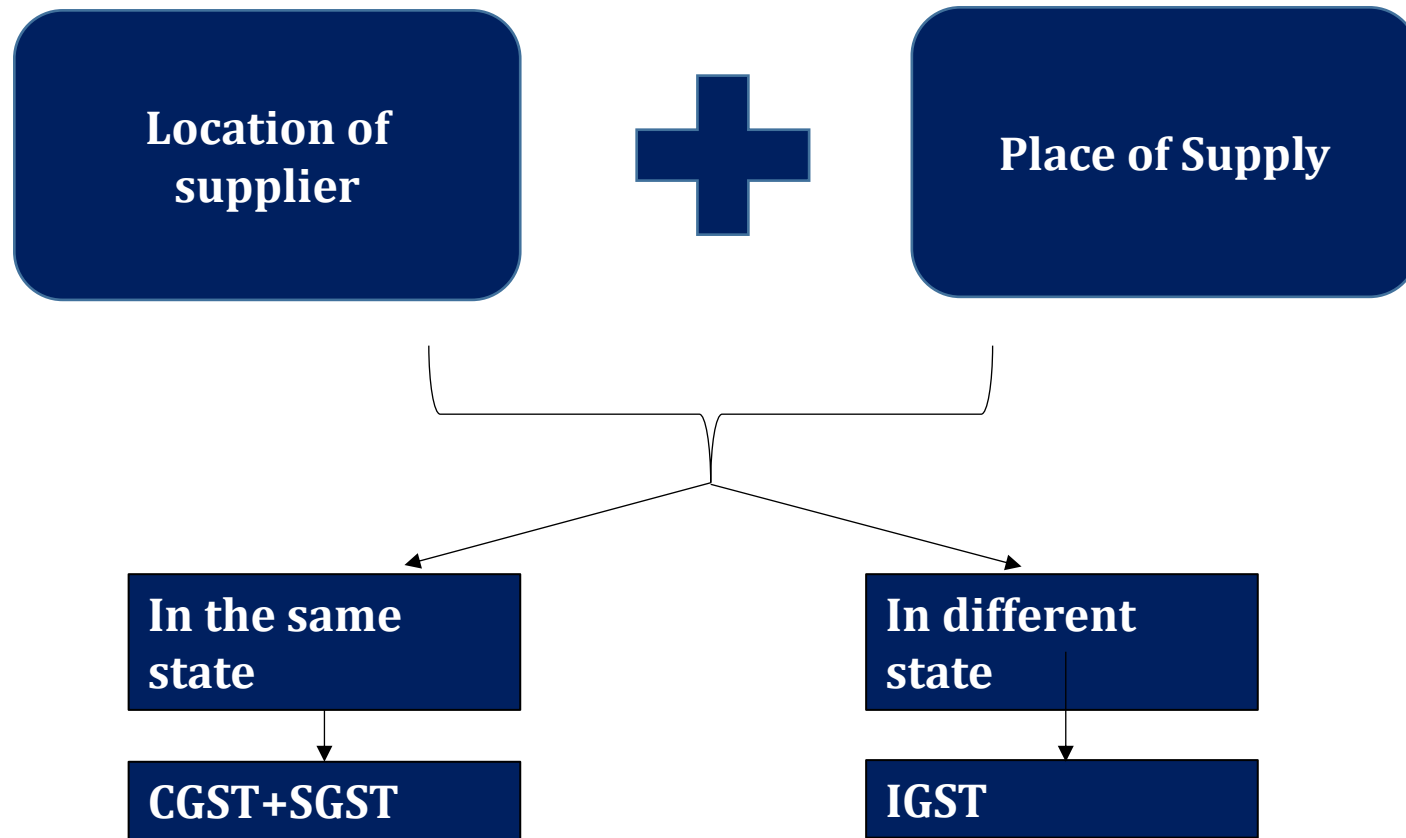
	Scenario	Particulars	Provision under GST
Where the location of supplier and recipient is in India	I	Transportation services including mail or courier	Sec 12(8)- place of supply of services to- (a) a registered person, shall be the location of such person. (b) a person other than a registered person, shall be the location at which such goods are handed over for their transportation. Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods.".
	II	Other allied services- where provided separately	Sec- 12(2)- General section (a) made to registered person shall be the location such person (b) Made to any person other than a registered person shall be,- (i) the location of the recipient where the address on record exists; and (ii) the location of the supplier of services in other cases.

POS provisions under GST

	Scenario	Particulars	Provision under GST
Where location of supplier or location of recipient is outside India	I	Transportation services other than mail or courier	Place of Destination of Goods
		Courier, mail services	Performance based
	II	General services etc.	Sec 13(2) General section a) POS is the location of the recipient of services. b) If the location of recipient is not available , POS is the location of the supplier
	III	Any intermediary or hiring means of transport for 1 month (except aircrafts and vessels)	POS is the location of the supplier

Note:- If the destination of goods is outside India and if the recipient and supplier are located in India, IGST has to be charged.

Determining the type of tax



- For services, if the supply is made from the registered place of business, then the location of Supplier as per Sec 2(71)(a) of CGST act, 2017, is the **location of such registered place of business**.
- As per Sec 2(85) of CGST act, 2017, the place of business includes, "*a place from where the business is ordinarily carried on.*"

Location of supplier (LOS)

Provisions under GST

- For services, if the supply is made from the registered place of business, then the location of Supplier as per Sec 2(71)(a) of CGST act,2017, is the **location of such registered place of business.**
- As per Sec2(85) of CGST act,2017, the place of business includes, *“a place from where the business is ordinarily carried on.”*

What is location of supplier when the service is provided from multiple states(*registered under GST*) as given below?

- Indent is raised by the customer to State A
- Consignment note is issued from State B
- Vehicle with which services are provided belongs to State C
- Invoice for the service provided is raised from State B

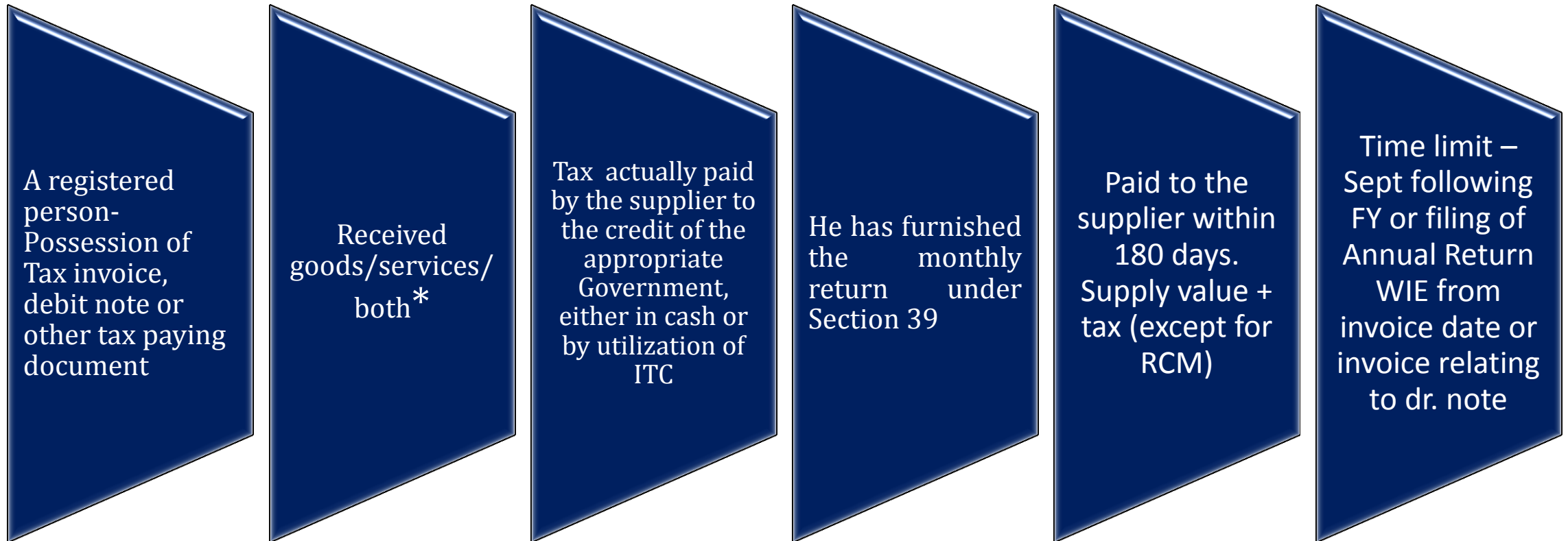
There is no specific provision to ascertain the location of supplier in the above situation.

Agreement, Consignment note, Invoice..etc are executed from the billing state. Incase of the existing agreements, an addendum depicting the changes required would be sufficient.

Place of Supply

- Billing mechanism – whether centralised or decentralised;
- Distinction between renting and warehousing and impact of place of supply;
- Expedition charges levied from the freight forwarder outside India;
- Billing to the holding company outside India – GST implication;

Conditions for Availment of ITC

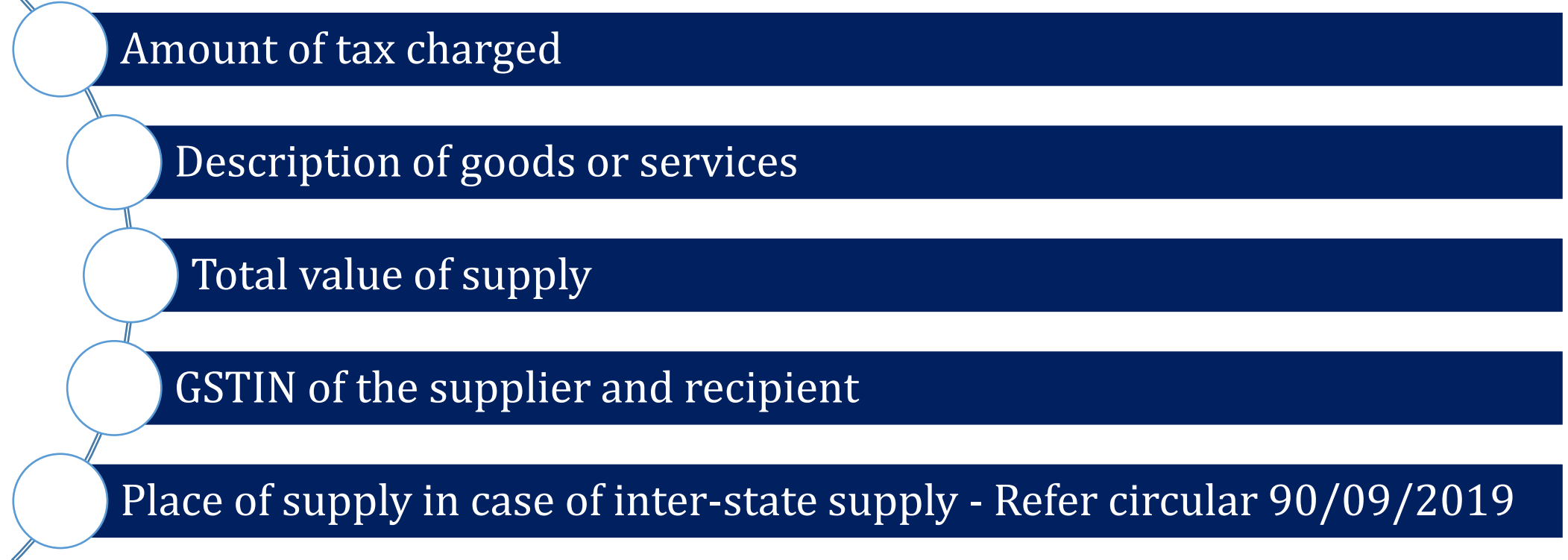


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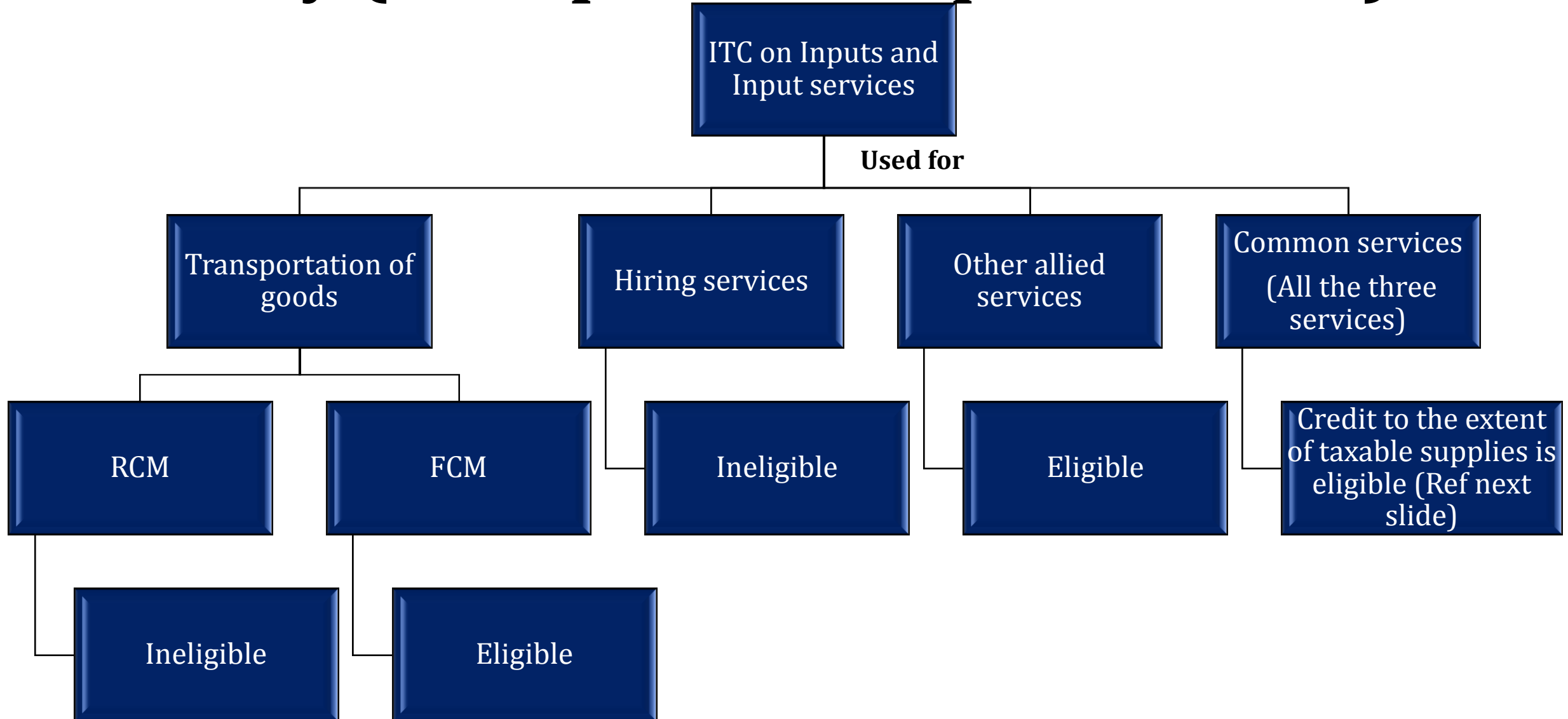
- Credit only upon receipt of the last lot/ instalment in case of goods received in lots/ instalments.
- Goods deemed to be received by a taxable person when the supplier delivers the goods to the recipient/ any other person, on the direction provided by the taxable person to the supplier.

Particulars required on a tax invoice for availing credit

- Notification No. 39/2018-CT has specified the following mandatory particulars in a tax invoice that are required for availing ITC



Eligibility of credit - Relating to logistics industry (On inputs and input services)

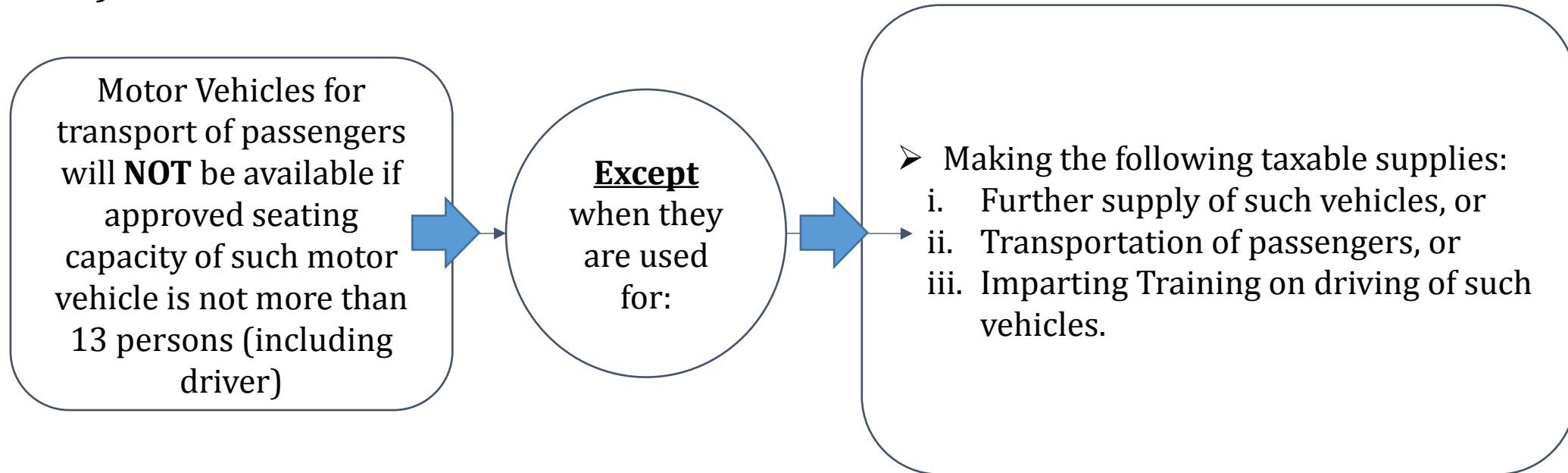


List of major direct expenses for logistics industry

Nature of expenses	Taxability	Eligibility
Purchase of Trucks	Taxable	Eligible
Truck hire charges	Exempted	NA
Incidental, halting and handling charges (Loading and unloading charges)	Taxable	Eligible
Operating expenses such as ✓ Purchase of tyres and spares ✓ Repairs and maintenance to vehicles		
Vehicle insurance	Taxable	Eligible
Wages paid to drivers (All are unregistered and are on contract basis)	Unregistered supplier – RCM_9(4) (Exempt wef 12 th Oct'17)	Eligible
Diesel and petrol charges	Out of GST	

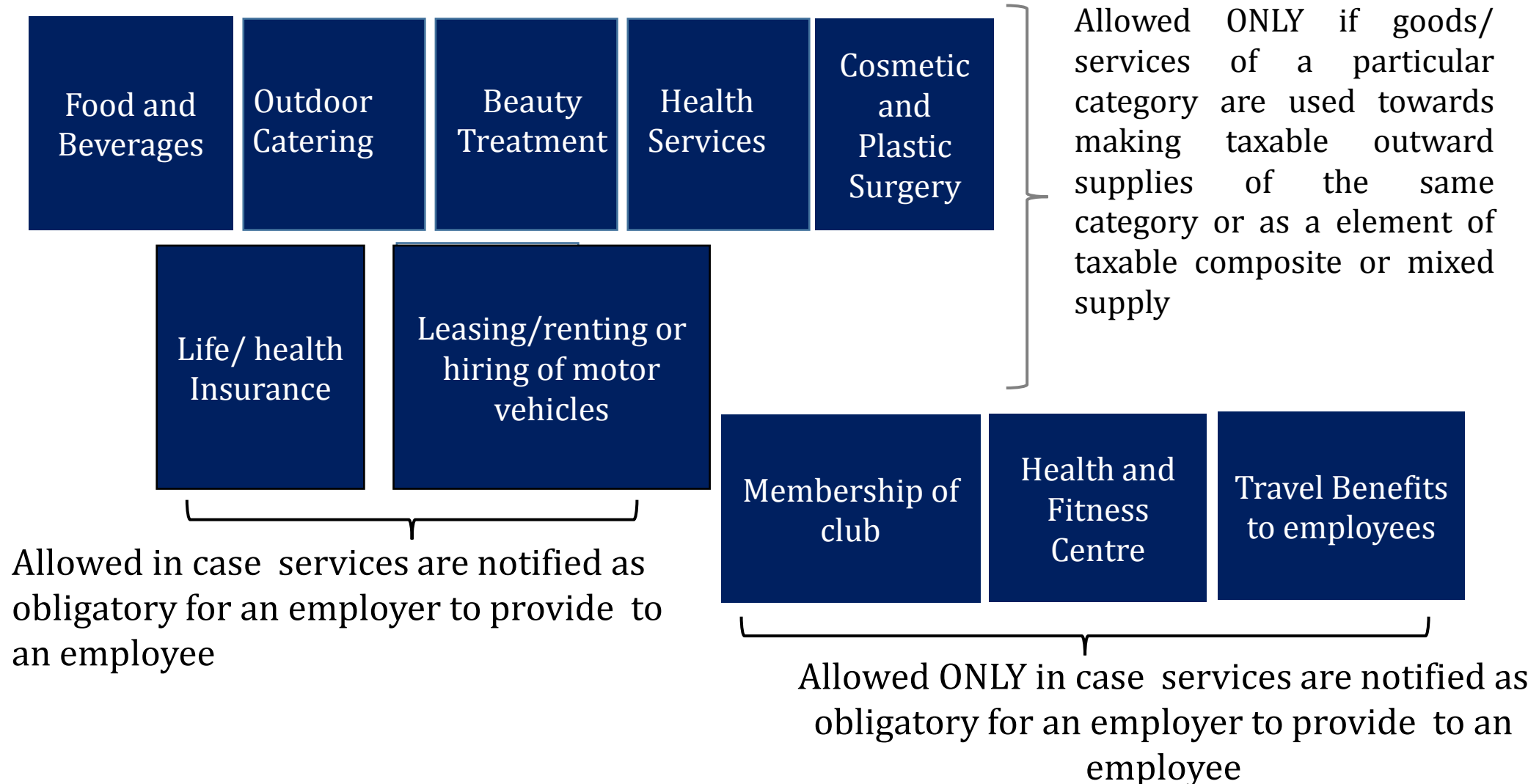
Restriction on ITC

a) *Motor Vehicles*



Restrictions on ITC (contd.)

b) Supply of goods and services being:



Restrictions on ITC (contd.)

c) Construction of Immovable Property (other than plant & machinery)

Works contract services, except where it is an input service for further supply of works contract service

Goods or services received by a taxable person for construction of an immovable property on his own account even when used in course or furtherance of business;

Construction includes re-construction, renovation, addition, repairs etc. to the extent of capitalisation to the immovable property.

ITC not Available

Plant and Machinery

MEANS

apparatus, equipment, machinery fixed to earth by foundation or structural support that are used for making outward supply

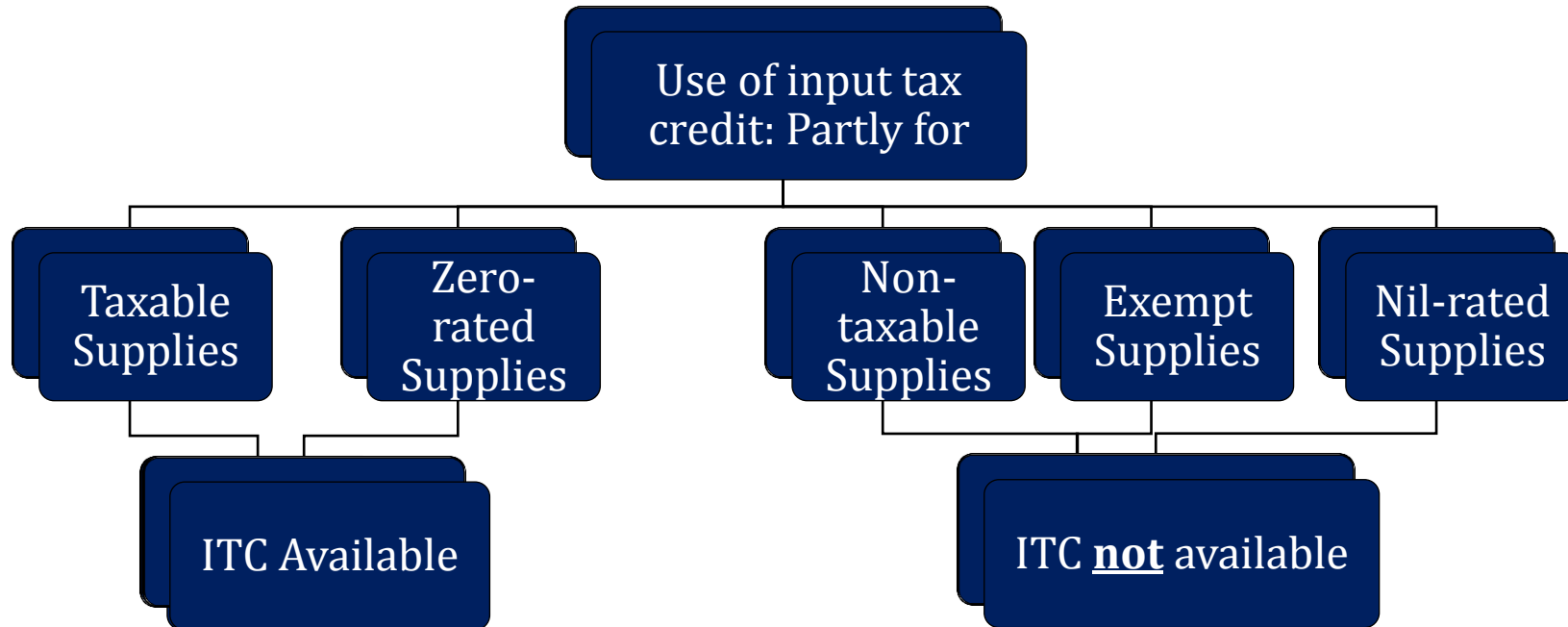
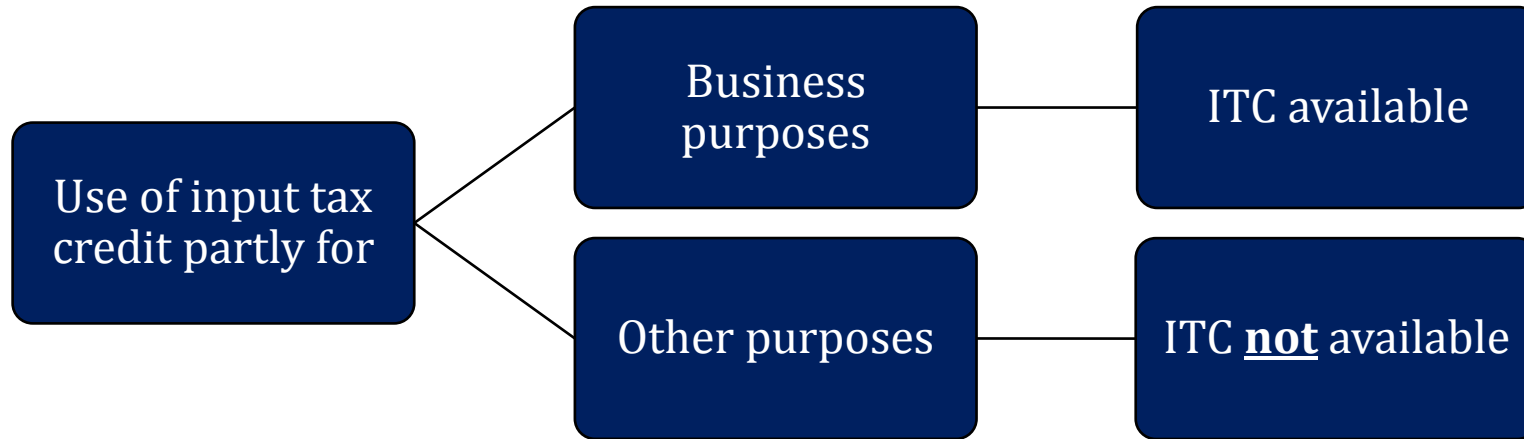
INCLUDES

such foundation and structural supports

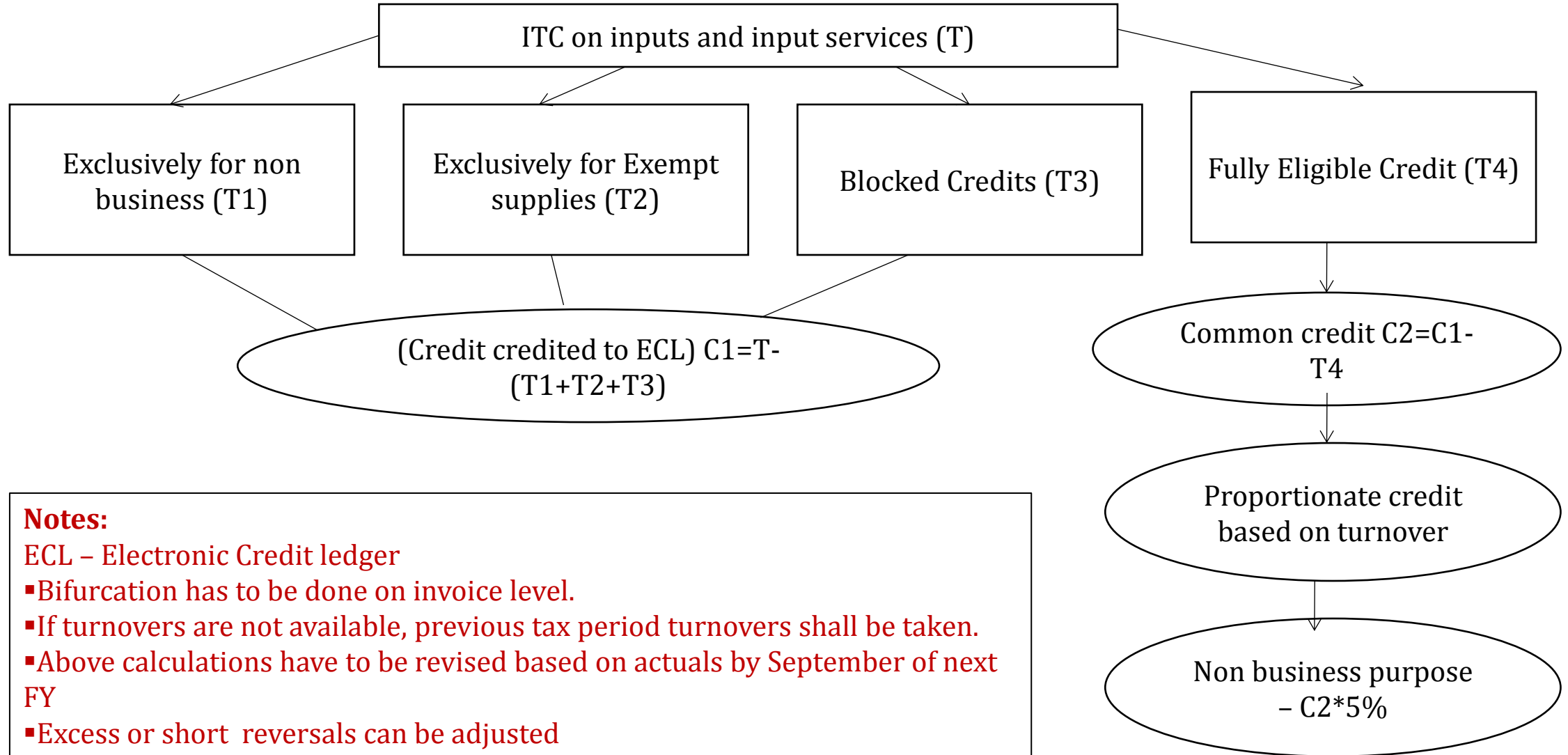
EXCLUDES

land, building or any other civil structures, telecommunication towers and pipelines laid outside the factory premises

Bifurcation of credits



Manner of availing credit



Input Taxes Credit

- ITC in case of construction of large warehouses;
- Proper segregation of expenses between those used for GTA and warehousing and common;
- Vendor providing transportation services to which division also matters - GTA division of WH division
- Transport vendors issuing consignment note or not needs to be seen - At times both issuing CN or the vendor not issuing CN still we are paying GST under RCM;
- Whether transport vendors are reporting the transactions as RCM in their GSTR 1;

Input Taxes Credit

- Various transport expenses must be bifurcated into GTA, hiring, rentals, GTO, shifting, distribution, GTA FCM etc.
- Credit on rental of godown in another state - vendor charging CGST & SGST
- Goods/ services to be purchased in the state in which the RCM billing is minimal in order to reduce the exposure of blockage of credit;
- Expenses on repairs and maintenance of vehicles in transit - ITC blockage;

Points to note – Credit eligibility CG

1. CG used wholly for non – business or exempt supplies – **No ITC**
2. CG used wholly for other than above supplies including 0-rated – **Full ITC**
3. CG earlier covered under 1 subsequently falls under 2 then ITC arrived at after **reducing 5% per quarter**.
4. Other CG i.e. **common CG**, avail full ITC and each month reverse ITC attributable to exempt/non-taxable turnover, by considering useful life of asset as 5 years.
5. Thus unlike for inputs/input services, there is no requirement to re-calculate before Sept. of next FY based on actual turnover.

GST Liability on sale Capital goods

Purchase of Capital Goods for Rs. 5,00,000/- on 01.07.2017.

Case I: Full ITC credit is eligible = Rs.60,000 (Rs. 5,00,000*12%)

Sold the CG on 01.07.2018 for Rs. 1,00,000/-

Pay GST at higher of :

a) ITC = 60,000-(60,000 x 5% per qtr x 4 qtrs) = **Rs. 48,000/-**

b) Transaction value = Rs.1,00,000 x 12% = Rs.12,000/-

Case II:

Capital Goods used for both exempt and taxable

ITC availed = Rs. 10,000/-

Pay GST at higher of :

a) ITC = 10,000-(10,000 x 5% per qtr x 4 qtrs) = Rs.8,000/-

b) Transaction value = Rs.1,00,000 x 12% = **Rs.12,000/-**

E-way bill

Registered person

- E-way bill is required to be raised by every registered person under GST when there is a movement of goods of more than Rs. 50,000 value/ one lakh as the case may be.

Unregistered person

- An unregistered person is also required to generate e-Way bill. However, where a supply is made by an unregistered person to a registered person, the receiver will have to ensure all the compliances are met as if they were the supplier.

Transporter

- Transporters carrying goods by road, air, rail, etc. also need to generate e-Way Bill **if the supplier has not generated an e-Way Bill.**

E-way bill for transporter

- All the transporters are required to get registered as transporter under E-way bill portal. Upon registration, a unique number shall be issued as Transporter ID.
- If the transporter is registered under GST, the GSTIN shall be considered as transporter ID.
- The transporter ID is a unique 15-digit ID number assigned, generated by the e-way bill system, which can be shared with customer (Supplier/Recipient) to complete the Part A of the E-waybill.
- Once transporter Id is entered generated e-way bill will be forwarded to the concerned transporter login account allowing the transporter to enter the vehicle number while goods are getting moved
- Through this login, the transporter can
 - Update the Part-B of the way bill
 - Generate the waybill on behalf of the supplier / recipient
 - Generate the consolidated waybills for the consignment
- The waybill will not be valid, unless the Part-B of the same is filled.

Responsibilities of the Transporter

- Intermediate communication with consignor/ consignee and ensure E-way bill is generated in all cases where required;
- Incase if the waybill has not been generated either by the supplier or the recipient, transporter has to generate the same on the basis of the documents available with him.
- Provide transport document no. prior to the movement of goods for raising Part B in Form EWB – 01;
- If the goods are being transferred from one conveyance to another, in the course of transit, transporter shall update the details of conveyance in the e-way bill.

Responsibilities of the Transporter

- Until a date yet to be notified, the transporters need not generate the E-way bill (as Form EWB-01 or EWB-02) where all the consignments **in the conveyance**:
 - Individually (single Document**) is less than or equal to Rs. 50,000/- **but**
 - In Aggregate (all documents** put together) exceeds Rs. 50,000/-

**Document means Tax Invoice/Delivery challan/Bill of supply

- If a transporter is transporting multiple consignments in a single conveyance, they can use the form GST EWB-02 to produce a consolidated e-way bill, by providing the e-way bill numbers of each consignment.
- If both the consignor and the consignee have not created an e-way bill, then the transporter can do so * by filling out PART A of FORM GST EWB-01 on the basis of the invoice/bill of supply/delivery challan given to them.

Documents prescribed under GST

Tax invoice:

Tax invoice should be issued for all the taxable supplies made.

Bill of supply:

This should be issued by the regular taxable person for the exempted supplies made and for all the supplies made by the person under composition scheme. (Eg: Hiring of trucks to other GTA)

Debit note:

This should be issued for the differential amount if the taxable value or tax amount in the original invoice issued is lesser than the actual amount (Eg. In cases where there is a price revision, but the original invoice was issued with old price).

Credit note:

This should be issued for the differential amount if the taxable value or tax amount in the original invoice issued is higher than the actual amount (Eg. Cash discount..etc).

Receipt voucher:

Shall be issued for the advances received for taxable supplies.

Refund voucher:

Shall be issued if the advances received for which the receipt voucher was issued are refunded to the customers.

Payment voucher:

Shall be issued for the payments made to the vendors, in case if the supplies received are liable to tax under RCM

Contents of documents to be issued under GST

The contents of each of the document discussed in the previous slide are prescribed under Rule 46-45 of the GST rules. The same are summarized in the below table:

Particulars	Tax Invoice	Bill of Supply	Credit note	Debit note	Receipt voucher	Refund voucher	Payment voucher
Name, address and GSTIN of the supplier	✓	✓	✓	✓	✓	✓	✓
Consecutive serial number	✓	✓	✓	✓	✓	✓	✓
Date of its issue	✓	✓	✓	✓	✓	✓	✓
Name, address and GSTIN of the recipient	✓	✓	✓	✓	✓	✓	✓
HSN of Goods/ Services	✓	✓	-	-	-		-
Description of Goods / Services	✓	✓	-	-	✓	✓	✓
Qty incase of goods	✓	-	-	-	-	-	✓
Total value of supply	✓	✓	✓	✓	-	-	-
Taxable value of the supply after discount & Abatement	✓	✓		-	-	-	-
Rate of tax	✓	-	✓	✓	✓	✓	✓
Amt. of tax	✓	-	✓	✓	✓	✓	✓
POS incase of Interstate Supply	✓	-	-		✓	-	✓
Signature of authorized signatory	✓	✓	✓	✓	✓	✓	✓
Whether tax payable on Reverse Charge	✓	-	-	-	-	✓	-
Serial number and date of the corresponding tax invoice	-	-	✓	✓	-	-	-

Records to be maintained by transporter

As per section 35(2) of CGST Act and CGST rules, the transporter is required to maintain the following records:

- Records of the consignor & consignee
- Details of goods transported, delivered and goods stored in transit

THANK YOU



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