

Goods and Services Tax (GST)

Logistics Sector - GTA, CFS & FF business

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Scope of Logistics Sector

- **Transportation of goods**
 - Air Transport Services
 - Ocean Transport Services
 - Road Transport Services
 - Rail Transport Services
 - Courier Services
- **Warehousing of goods**
 - Storage & warehousing solutions including Cold Storage
 - In-transit warehousing
 - Pure renting of space for warehousing

- **Clearance & Handling**
 - Custom House Agent services
 - Terminal Handling
 - Loading/Unloading
 - Documentation charges
 - Weighment charges
 - Ground rent
 - Haulage charges
 - Stuffing charges
 - Lift on/ Lift off charges
 - Terminal access charges
 - Etc.

Flow of Discussion

- **Legal Provisions**
 - Rate Notifications
 - Exemptions Notifications
 - Reverse Charge Notifications
 - Place of Supply (POS) Provisions
 - Composite vs. Mixed supplies
- **Goods Transportation Sector**
 - GTA – whether Consignment Note is mandatory
 - Ocean Transport – RCM on inbound ocean freight
- **CFS Business**
 - Ground Rent – whether Intra-state or Inter-state supply
- **FF Business**
 - Supply of services to Nepal & Bhutan – whether export or exempt
 - Handling services to foreign customers – Export or taxable
- **SEIS**
 - Foreign Trade benefit on terminal handling

Legal Provisions

Rate Notification

HSN	Description	Rate	Conditions
Rail Transport			
9965	Transport of goods by Indian Railways	5%	ITC on goods not available
9965	Transport of goods in containers by other than Indian Railways	12%	NIL
Ocean Transport			
9965	Transport of good in a vessel	5%	Provided that credit of input tax charged on goods (other than on ships, vessels including bulk carriers and tankers) used in supplying the service has not been taken.

Rate Notification

HSN	Description	Rate	Conditions
Road Transport			
9965	Services of goods transport agency (GTA)	5%	Provided that credit of input tax charged on goods and services used in supplying the service has not been taken. or
9965		12%	Provided that the goods transport agency opting to pay GST @ 12% under this entry shall thenceforth be liable to pay GST @12% on all the services of GTA supplied by it
9966	Rental services of transport vehicles with operators (other than passenger vehicles and vessels)	18%	NIL
9973	Leasing or renting of goods (without operator)	Same rate as on the sale of goods	NIL

Rate Notification

HSN	Description	Rate	Conditions
Others			
9965	Goods transport service other than above	18%	
9965	Multimodal transportation of goods “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. Applicable only on domestic transportation. Applicable only when transporter acts as a principal and not as agent of carrier.	12%	
9968	Postal and courier services	18%	

Exemption Notification

HSN	Description	Conditions
Road Transport		
9966 or 9973	Services by way of giving on hire to a GTA, a means of transportation of goods	NIL
9965	Service by way of transportation of goods by road other than by- (i) GTA; and (ii) Courier	NIL
Air Transport		
9965	Transportation of goods by air from customs station of clearance in India to outside India	NIL
9965	Transportation of goods by air from outside India upto the customs station of clearance in India	NIL

Exemption Notification

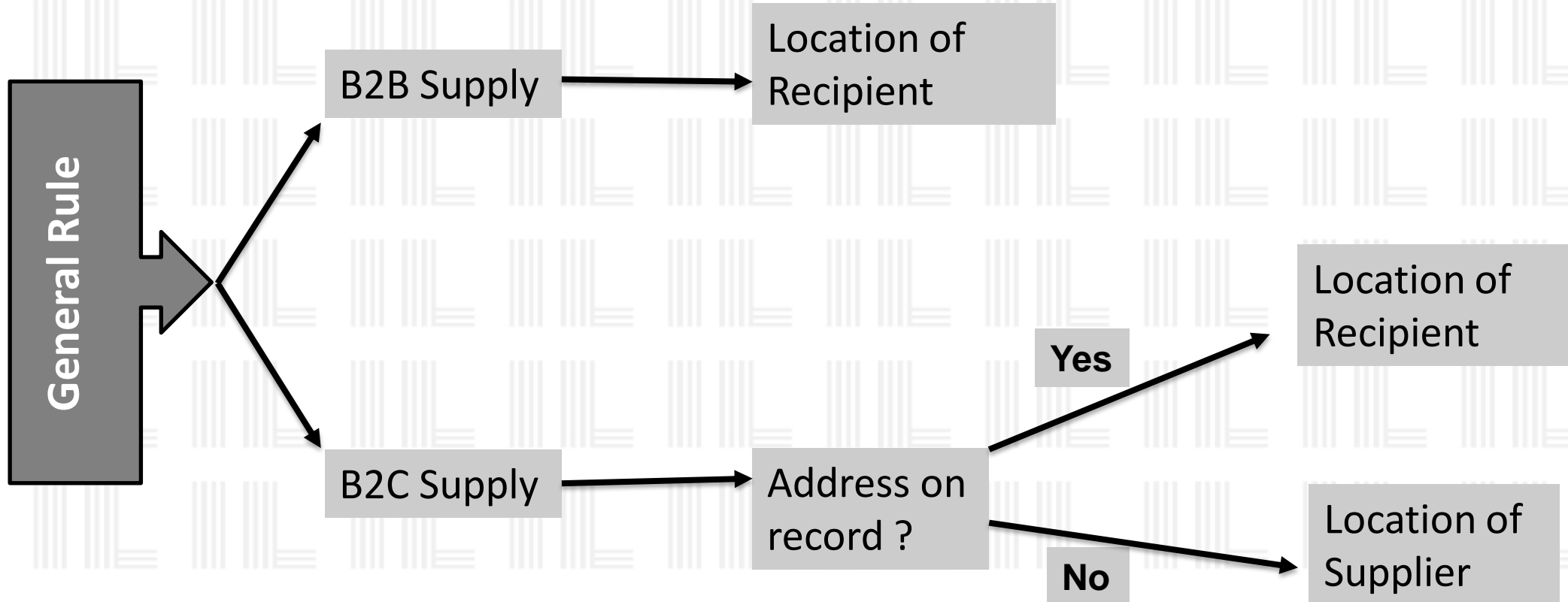
HSN	Description	Conditions
Ocean Transport		
9965	Transportation of goods by a vessel from India to outside India	NIL
Others		
9965	Services by way of transportation of specified goods (agricultural produce) by rail or vessel within India	NIL
9983	Services relating to loading, unloading, packing, storage, or warehousing of agricultural produce	NIL
9965	Services by GTA by way of transport of specified goods (agricultural produce) or upto specified value in goods carriage	NIL
9965	Service by GTA to unregistered person	NIL

Reverse Charge Notification

Description of service	Supplier of service	Recipient of Service
Service by GTA (who has not opted for 12%) to recipient other than unregistered person	GTA	Organized Sector such as registered factory, society, body corporate etc.
Any service supplied by any person who is located in non-taxable territory to any person located in taxable territory	Any person located in a non-taxable territory	Any person located in the taxable territory.
Service supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.	Any person located in a non-taxable territory	Importer as defined in the Customs Act, 1962 located in the taxable territory.

POS- General Rule

(Location of supplier and recipient in India)



POS - Immovable Property

(Location of supplier and recipient in India)

Particulars	Place of Supply
<p>Supply of services</p> <p>(a) directly in relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work; or</p> <p>(a) any service ancillary to the service referred above</p>	<p>Location of immovable property, boat or vessel, or intended to be located</p>

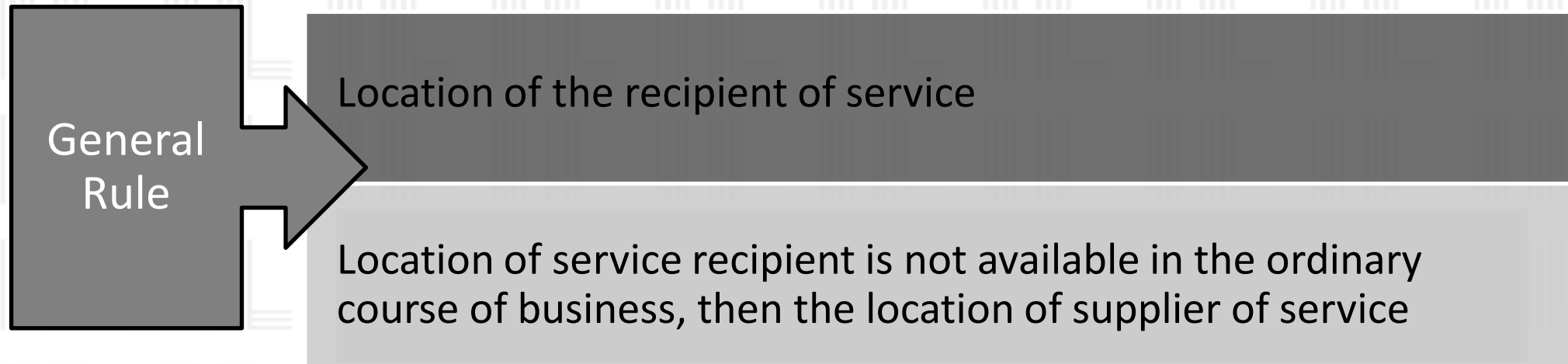
POS - Transportation of Goods

(Location of supplier and recipient in India)

Particulars	Place of Supply
Services by way of – Transportation of goods, including by mail or courier	<ul style="list-style-type: none">➤ to a registered person, shall be the location of such person ➤ to 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 POS shall be destination of such goods (w.e.f. 1st Feb 2019)

POS - General Rule

(Location of supplier/recipient outside India)



POS - Immovable Property

(Location of supplier/recipient outside India)

Particulars	Place of Supply
<p>Supply of services</p> <p>(a) directly in relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work.</p>	<p>Location of immovable property</p>

POS – Handling and Transportation

(Location of supplier/recipient outside India)

Particulars	Place of Supply
Services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services in order to provide the services.	Place where service are actually performed
Transportation of goods, other than by way of mail or courier	Place of destination of goods

Composite vs. Mixed Supply

‘Composite supply’ means 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 in conjunction with each other in the ordinary course of business, one of which is a principal supply.

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.



Composite vs. Mixed Supply

'Mixed supply' means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

A mixed supply comprising of two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

Road Transportation - GTA

Domestic Transportation

Customer	Means of Transportation	Taxability
Indian customer (POS - location of regd. recipient)	By GTA Other than by GTA	Taxable at 5% / 12% Exempt
Foreign customer (POS - destination of goods)	By GTA Other than by GTA	Taxable at 5% / 12% Exempt

International Transportation

Customer	Means of Transportation	Place of Supply	Taxability
Indian customer – Inbound	GTA	Location of regd. recipient	Taxable
Indian customer – Outbound	GTA	Outside India	Taxable (Credit ?)
Foreign customer – Inbound	GTA	India	Taxable
Foreign customer – outbound	GTA	Outside India	Zero rated supply

**Whether a person can negate GST liability
by not issuing Consignment Note ?**



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Who is a GTA ?

‘Good Transport Agency’ means -

- any person who provides service in relation to transportation of goods by road; and
- issues a **consignment note**, by whatever name called.

‘Consignment Note’ is not defined in GST Law. Reference may be made to Service Tax Law.

‘Consignment Note’ means a document-

- issued by a GTA;
- against the receipt of goods for the purpose of transport of goods by road in a goods carriage;
- which is serially numbered; and contains-
 - Name of consignor and consignee;
 - Registration number of goods carriage in which goods are transported;
 - Details of goods transported;
 - Details of the place of origin and destination.

Who is a GTA ?

Carriage by Road Act 2007

Common carriers are required to register with State Transport Department, in order for them to legally engaged in transport business.

Common carrier covers a wide gamut of service providers including transporters, transport agents, brokers, transport contractors, goods booking agents, that is, anybody involved in one way or the other in the business of road transportation of goods.

Common carrier is required to issue a 'goods receipt', which has particulars similar to consignment note.

Carriage by Road Act does not apply to Private Carrier. 'Private Carrier' is distinct from a common carrier as it has the discretion to refuse to sell its services. A private carrier does not make a general offer to carry goods and enters into a contract with other parties to carry goods on mutually agreed terms.

Who is a GTA ?

CBEC Flyer No. 39 dated 1st January 2018

Thus, it can be seen that issuance of a consignment note is the sine-qua-non for a supplier of service to be considered as a Goods Transport Agency. If such a consignment note is not issued by the transporter, the service provider will not come within the ambit of goods transport agency.

It is only the services of such GTA, who assumes agency functions, that is being brought into the GST net. Individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA. As a corollary, the services provided by such individual transporters who do not issue a consignment note will be covered by the entry at s. no. 18 of notification no. 12/2017-Central Tax (Rate), which is exempt from GST.

**Can there be two consignment note for
single transportation ?**



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Two Consignment Notes for single transportation

M/s Liberty Translines – Maharashtra AAR

There cannot be two consignment notes for single transportation. Consignment note is issued by the person who is appointed by consignor or consignee and who takes the responsibility of the goods from consignor or consignee.

Subcontractor to a GTA cannot be a GTA but is a person providing trucks on hire.



Can one legal entity have both RCM and FCM ?



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Single Entity – FCM & RCM both

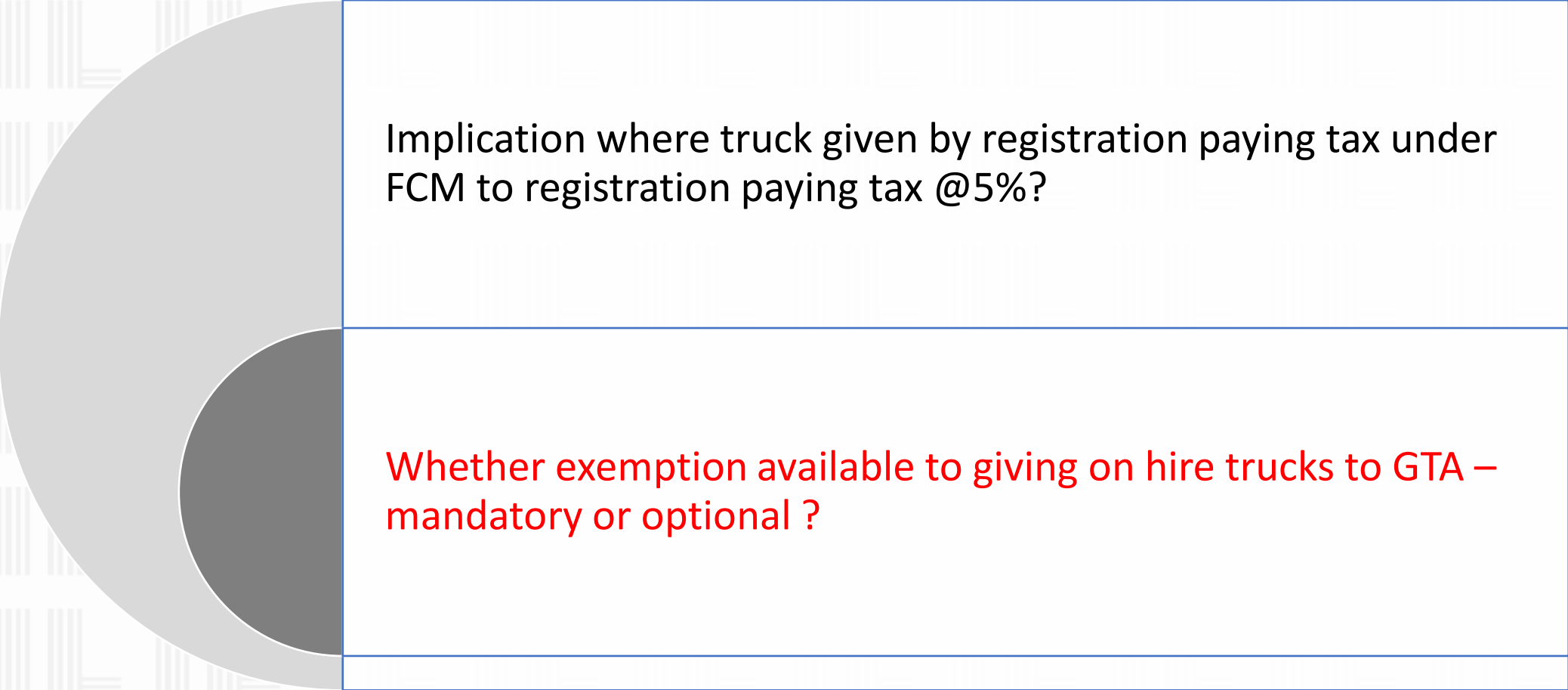
GST is a registration based law. Each registration is considered as separate person.

A legal entity is bound to take separate registration in each state.

A legal entity having more than one place of business in one state, can opt take separate registration for each place of business

S.No	Situation	Allowability
1.	Entity A is doing <ul style="list-style-type: none">• GTA RCM business in Haryana• GTA FCM business in Uttar Pradesh	Allow
2.	Entity B is doing GTA business in Haryana <ul style="list-style-type: none">• GTA RCM business through its Office-1• GTA FCM business through its Office-2	Allow

Single Entity – FCM & RCM both



Implication where truck given by registration paying tax under FCM to registration paying tax @5%?

Whether exemption available to giving on hire trucks to GTA – mandatory or optional ?

Centralized vs. Decentralized Billing?



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Centralized vs. Decentralized Billing

Scenarios –

Scenario (i) – Movement from Delhi to Haryana

Scenario (ii) – Movement from UP to Maharashtra

Scenario (iii) – Movement from Punjab to West Bengal

Location of supplier of service-

(a) Registered place of business from where services are provided;

(b) If services supplied from more than one place of business, the place of business most directly concerned with the service provision.

Sales Office
UP

Head Office
Delhi

Sales Office
Haryana

Centralized vs. Decentralized Billing

Centralized billing-

- (i) Consignment Note will be issued centrally.
- (ii) Truck will have to be purchased at the address of centralized billing. If not, complete credit will be lost.
- (iii) Sometimes, it is not feasible to buy trucks at central location.

Decentralized billing-

- (i) Either choose FCM or RCM uniformly at all locations;
- (ii) If not, ensure FCM and RCM trucks are not used interchangeably.

**Whether change from FCM to RCM
possible & vice-versa ?**



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Change from FCM to RCM

Rate Notification No. 8/2017-IT(R)

Provided that the goods transport agency opting to pay central tax @ 12% under this entry shall, thenceforth, be liable to pay central tax @ 12% on all the services of GTA supplied by it.



Change from RCM to FCM

ITC is available under FCM, whereas ITC was not available under RCM.

All inputs, input services and capital goods procured after changeover will be eligible for ITC.

What happens to stock of inputs lying as on date of changeover and capital goods purchased during RCM regime.



Change from RCM to FCM

Section 18(1)(d) – Provides for ITC when change from exempt supply to taxable supply-

- (i) on stock of goods on the date of changeover;
- (ii) On capital goods exclusively used for exempt supply.

Above applies only on invoices not older than 1 year from date of changeover.

Exempt supply – Notification deems RCM GTA services as exempt supply for reversal of proportionate ITC u/r 42 & 43.



STGU vs. TRUG ?

Effective control and possession.



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Difference between Cargo Handling & GTA?

Difference between Courier & GTA?



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Air & Ocean Transportation



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International Transportation

Types of charges at Port	Rate of tax
Air Freight	
Indian customer - inbound	Exempt
Indian customer - outbound	Exempt
Foreign customer – inbound	Exempt
Foreign customer – outbound	Zero rated
Ocean Freight	
Indian customer – inbound	Taxable at the rate of 5%
Indian customer – outbound	Exempt
Foreign customer – inbound	Taxable at the rate of 5%
Foreign customer – outbound	Zero rated

**Whether credit is required to be reversed
for exempt sea freight?**



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**Whether freight forwarder is liable to pay
GST under Reverse Charge basis on inbound
sea freight ?**

- **FOB**
- **CIF ?**



CFS Business



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ICD / CFS - Meaning

- Inland Container Depots (ICDs) / Container Freight Stations (CFSs) are also called dry ports as they handle all customs formalities related to import and export of goods at these locations.
- Section 2(12) of the Customs Act defines Inland Container Depot (ICD) as 'Customs Port'. For the purposes of customs law, CFS are also designated as ICD's.
- ICD and CFS offer services for containerisation of break-bulk cargo and vice-versa. Most ICDs are connected by rail to the respective gateway port, and this is a key difference between the ICD and CFS. CFS(s) are typically adjoining or are in close proximity to the mother port and often do not have rail connectivity.
- The primary functions of ICD or CFS may be summed up as under:
 - Receipt and dispatch/delivery of cargo.
 - Stuffing and stripping of containers.
 - Transit operations by rail/road to and from serving ports.
 - Customs clearance.
 - Consolidation and desegregation of LCL cargo.
 - Temporary storage of cargo and containers.
 - Maintenance and repair of container units.

CFS - Procedure

Import Procedure

- For getting customs sealed containers from Port to CFS, Import General Manifest (IGM) is filed by the steamer agent/liners/importers. Containers move to CFS under bank guarantee or bond.
- De-stuffing of goods can take place at CFS. Then a BOE is filed at Customs House located at ICD. Assessment, examination, payment of duty, and out of charge issued for goods to be ultimately released.

Export Procedure

- Goods are brought directly to CFS under a Shipping Bill. Export cargo in Less than Container Load (LCL)/ Full Container Load (FCL) is received by the Custodian of CFS for safe custody.
- After stuffing of the goods, container is sealed by the Custom Officer and the same is removed from CFS for export through the desired Port.



**Whether various services provided by
CFS are composite supply / separate
supply / mixed supply ?**



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**Ground Rent charged from
importers/shippers whether liable to
CGST+SGST ?**



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**Validity of rebate charged by the
freight forwarder from CFS?**



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**Tax rate on reserve space given in
CFS for specific use ?**



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**Rate of tax on railway freight charges
from customers ?**



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E-way Bill compliances for CFS ?



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Freight Forwarder



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Freight Forwarder

- **Freight Forwarder** is a multi-function agent/operator who undertakes to handle the movement of goods from point to point on behalf of the cargo owner.
- A freight forwarder, forwarder, or forwarding agent, is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Forwarders contract with a carrier or often multiple carriers to move the goods.
- A forwarder does not move the goods but acts as an expert in the logistics network. The carriers can use a variety of shipping modes, including ships, airplanes, trucks, and railroads, and often use multiple modes for a single shipment. For example, the freight forwarder may arrange to have cargo moved from a plant to an airport by truck, flown to the destination city and then moved from the airport to a customer's building by another truck.

Whether FF should charge the same rate as applied on various services, or business support service rate @ 12% ?



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How to deal with pure agent expenses under GST ?



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Services on goods to and from Nepal & Bhutan ?

E-way Bill of transit cargo to/from Nepal & Bhutan ?



Services to Nepal & Bhutan

- Supply of services to Nepal/ Bhutan does not fetch convertible foreign currency. Consequently, supply of services to Nepal/ Bhutan did not qualify as export of services.
- Circular No. 5/5/2017 dated 11th August 2017 clarifying that supply of service to Nepal / Bhutan can be made without payment of tax. However, the circular clarified that other export benefits would be available only if forex is received.
- Notification No. 42/2017-IT(R) dated 27th October 2017 providing that supply of services to Nepal/ Bhutan with POS in Nepal/ Bhutan shall be exempt from GST.
- Corresponding amendments also made in CGST Rules to provide for ITC on inputs/ input services used in supplying services to Nepal/ Bhutan (Rule 43)



Services on goods in-transit Nepal & Bhutan

Notification No. 9/2017-IT(R) – Exemption on supply of services

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
10B	Chapter 99	Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries).	Nil	Nil



**Cargo Handling Service at
Indian port invoiced to foreign
party ?**



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**Cargo Handling Service at
foreign port invoiced to Indian
party ?**



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**Exemption available to
transportation and handling
services for agricultural produce?**



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Reversal of credit on capital goods ?



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Service Export from India Scheme (SEIS)



SEIS – Service Exports from India Scheme

- **Objective:**
 - Encourage and maximize export of Notified Services from India.
- **Reason**
 - To provide rewards to exporters to offset infrastructural inefficiencies and associated cost.
- **Eligibility**
 - Service providers of Notified Services located in India. Notified services and reward rates are as given in Appendix 3D & Appendix 3E
- **Benefit**
 - Duty scrips at notified rates on net foreign exchange earned (as per Appendix 3D & 3E).
 - These scrips are freely transferable.



SEIS – Service Exports from India Scheme

- **Type of services allowed**

- Supply of service from India to any other country (Cross Border Trade)
- Supply of service from India to service consumers of any other country in India (Consumption abroad)

- **Eligibility Criteria**

- Minimum net free foreign exchange earnings should be as below-
For Individual, Sole Proprietorship: US \$10,000 in the year for rendering of services.
For Others: US \$15,000 in the year for rendering of services.

SEIS – Service Exports from India Scheme

- **Reward Calculation**

- Reward shall be a percentage of Net Foreign Earned.
- Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses/ payment/ remittances of foreign exchange by the IEC holder, relating to service sector in FY.
- Payment in Indian Rupees for service charges earned on specified services, shall be treated as deemed receipt in foreign exchange. The list of such services is as per Appendix-3E.



Late Cut

Application for SEIS to be filed online for a Financial Year within 12 months from the end of FY.

Wherever any application for any fiscal/financial benefits under FTP, complete in all respects is received after expiry of last date for submission of such application, the application may be considered after imposing a late cut in the following manner.

1	Application received after the expiry of last date but within six months from the last date	2%
2	Application received after six months from the prescribed date of submission but not later than one year from the prescribed date	5%
3	Application received after 12 months from the prescribed date of submission but not later than 2 years from the prescribed date	10%



Appendix - 3D

S. No.	Sectors	CPV Prov. Code	Rate from 01.04.2015 to 30.10.2017	Rate from 01.11.2017 to 31.03.2019
1.	Business Services			
C.	Rental/Leasing services without operators			
a.	Relating to ships	83103	5	7
b.	Relating to aircraft	83104	5	7
c.	Relating to other transport equipment	83101 83102 83109	5	7
d.	Relating to other machinery and equipment	83106-83109	5	7

Appendix - 3D

S. No.	Sectors	CPV Prov. Code	Rate from 01.04.2015 to 30.10.2017	Rate from 01.11.2017 to 31.03.2019
9.	Transport Services			
A.	Maritime Transport Services			
b.	Freight transportation	7212	5	7
c.	Rental of vessels with crew	7213	5	7
d.	Maintenance and repair of vessels	8868	5	7
e.	Pushing and towing services	7214	5	7
f.	Supporting services for maritime transport	745	5	7

Appendix - 3D

S. No.	Sectors	CPV Prov. Code	Rate from 01.04.2015 to 30.10.2017	Rate from 01.11.2017 to 31.03.2019
9.	Transport Services			
C.	Road Transport Services			
b.	Freight transportation	7123	5	7
c.	Rental of commercial vehicles with operator	7124	5	7
d.	Maintenance and repair of road transport equipment	6112 8867	5	7
e.	Supporting services for road transport services	744	5	7

Appendix - 3D

S. No.	Sectors	CPV Prov. Code	Rate from 01.04.2015 to 30.10.2017	Rate from 01.11.2017 to 31.03.2019
9.	Transport Services			
D.	Services auxiliary to all modes of transport			
a.	Cargo handling service	741	5	7
b.	Storage and warehouse services	742	5	7
c.	Freight transport agency services	748	5	7

Appendix – 3E

Payments which have been received in foreign exchange or which would have been otherwise received in foreign exchange, but paid in INR, including through its agents in India out of the amount of remittance to the overseas principal, or out of remittances to be sent by the overseas buyer, for services rendered in customs notified area to a foreign liner as listed below would be considered as deemed to be received in foreign exchange and shall be eligible for issuing rewards under SEIS.

Appendix – 3E

S. No.	Sectors	CPV Prov. Code	Rate from 01.04.2015 to 30.10.2017	Rate from 01.11.2017 to 31.03.2019
	Transport Services			
(A)	Maritime Support Services			
c.	Rental of vessels with crew	7213	5	7
d.	Maintenance and repair of vessels	8868	5	7
e.	Pushing and towing services	7214	5	7
f.	Supporting services for maritime transport	745	5	7

Thank You

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