



CBIC issues FAQs for services provided by way of transportation & logistics

CBIC issues FAQs regarding services by way of Transport and Logistics, inter-alia clarifies various issues under GST; Explains that a single truck owner-operator plying truck mostly between States, carrying the goods booked for truck by an agent or renting it to a major player, who provides GTA service is not required to take registration; Explains the treatment of intermediary and ancillary services such as, loading/unloading, packing/unpacking, transshipment and temporary warehousing, provided in the course of transport of goods by road; Further clarifies the availability of ITC as well as clears air on disposal of old/scrap material sold for consideration on which no ITC has been taken place; Explains the term “continuous journey” and “stopover” and treatment of such journey under GST, acceptance of electronic ticket receipt as a tax invoice for the purpose of GST, and GST treatment for Airlines industry: CBIC FAQs

FAQ: TRANSPORT & LOGISTICS

Question 1: I am a single truck owner-operator and I ply my truck mostly between States, carrying the goods booked for my truck by an agent; aggregate value of service which I provided exceeded twenty lakh rupees during last year. Am I supposed to take registration?

Answer: You are not liable to registration, as services provided by way of transportation of goods by road are exempt. Notification number 12/2017-Central Tax (Rate), dated 28th June, 2017 refers.

Question 2: I own a single truck and I rent it to a major player, who provides GTA service; should I take a registration? Does my monthly rental/lease income attract GST?

Answer: Registration is not required since services by way of giving on hire, a means of transportation of goods to a GTA are exempt from tax vide entry no. 22 of Notification number 12/2017-Central Tax (Rate) dated 28th June, 2017.

Question 3: In my truck, I only carry fruits and vegetables, in relation to whose transportation service GST is exempt; should I take registration?

Answer: Services by way of transportation of goods by road other than by a GTA or a courier agency are exempt from tax under entry no. 18 of notification No. 12/2017-Central Tax (Rate) dated the 28th June, 2017 and thus you are not liable for registration.

Question 4: I am a truck supplier/broker. My job is to get orders for truck owners. I quote the rate for transportation to GTA on behalf of truck owners and I get a small amount as commission out of the truck hire fixed with the GTA. This brokerage is paid by the truck owners. As the services provided by way of transportation of goods by road are exempt from tax, am I liable to registration?

Answer: You are liable to registration if the aggregate amount of commission received by you in a financial year exceeds Rs. 20 lakhs (Rs. 10 lakhs in special category States except J & K).

Question 5: As a transporter, am I required to maintain any records of my services of transportation?

Answer: Yes, in terms of section 35(2) of the CGST Act, 2017 you are required to maintain records of the consigner, consignee and other relevant details of the goods. Further, in terms of rule 56 of the CGST Rules, 2017 you are required to maintain records of goods transported, delivered and goods stored in transit by you along with the GSTIN of the registered consigner and consignee for each of your branches.

Question 6: Are intermediary and ancillary services, such as, loading/unloading, packing/unpacking, transshipment and temporary warehousing, provided in relation to

transportation of goods by road to be treated as part of the GTA service, being a composite supply, or these services are to be treated as separate supplies.

Answer: The GTA provides service to a person in relation to transportation of goods by road in a goods carriage, which is a composite service. The composite service may include various intermediary and ancillary services, such as, loading/unloading, packing/unpacking, transshipment and temporary warehousing, which are provided in the course of transport of goods by road. These services are not provided as independent services but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services.

In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by the GTA, such service would form part of the GTA service and would not be treated as a separate supply. In fact, any service provided along with the GTA service that is part of the composite service of GTA shall be taxed along with GTA service and not as separate supplies.

However, if such incidental services are provided as separate services and charged separately, whether in the same invoice or separate invoices, they shall be treated as separate supplies.

Question 7: As per Notification number 05/2017-Central Tax dated 19th June, 2017, the persons who are only engaged in making supplies of taxable goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services or both under sub-section (3) of section 9 of the CGST Act, 2017 are exempted from obtaining registration under the said Act. Please clarify whether a GTA providing service in relation to transportation of goods by road under reverse charge mechanism (RCM) can avail of the benefit of this exemption.

Answer: Yes, a GTA providing service in relation to transportation of goods by road under RCM can avail of the benefit of this exemption.

Question 8: Can a GTA obtain registration for one vertical (Rail, Cargo, Renting, Warehousing etc.) for which tax needs to be paid while not obtaining registration for another vertical (GTA under RCM) on which there is no tax liability.

Answer: No, because the business entity is not engaged exclusively in the supply of services liable to tax under reverse charge mechanism.

Question 9: In transport industry, old vehicles, old tyres, scrap material etc, on which no input tax credit (ITC) has been taken, are disposed of after completion of their useful life. As a truck owner disposing of these goods, am I required to pay GST considering that no ITC has been taken at the time of their initial purchases? Would levy of tax in such cases not amount to double taxation, as tax has already been paid at the time of initial purchases?

Answer: Under section 7 of the CGST Act, 2017 supply includes all forms of supply of goods such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. Sale or disposal of old vehicles, old tyres and scrap material for a consideration would therefore attract GST regardless of whether ITC has been availed or not.

Question 10: Please clarify whether input tax credit is available to the recipient of service, when the GST paid by him is at a concessional rate of 5% under RCM.

Answer: Yes, input tax credit is available in such cases.

Question 11: When a GTA hires a truck (with driver) from another GST registered entity for the purpose of providing goods transport service to a registered recipient, whether tax credit is available to the GTA on the GST paid by him to the owner of the truck registered under GST.

Answer: Services by way of giving on hire to a GTA, a means of transportation of goods are exempt from GST under Notification number 12/2017-Central Tax (Rate) dated 28th June 2017. When the tax is not payable, the question of taking any tax credit does not arise.

Question 12: In terms of section 12(9) of the IGST Act, 2017 the place of supply of passenger transportation service to a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey.

In section 2 (3) of the IGST Act, 2017, the term “continuous journey” has been defined to mean a journey for which a single or more than one ticket or invoice is issued at the same time, either by a single supplier of service or through an agent acting on behalf of more than one supplier of service, and which involves no stopover between any of the legs of the journey for which one or more separate tickets or invoices are issued.

Do all stopovers cause a break in continuous journey? Does the definition of “continuous journey” include instances whereby the stopover is for any period of time?

Answer: The term “stopover” has been explained in section 2(3) of the IGST Act, 2017 to mean a place where a passenger can disembark either to transfer to another conveyance or break his journey for a certain period in order to resume it at a later point of time. However, all stopovers do not cause a break in continuous journey. Thus a travel on Delhi-London-New York on a single ticket with a halt at London will be covered by the definition of continuous journey. However, the return journey of New York-London-Delhi will be treated as a separate journey and will be outside the scope of a continuous journey.

Question 13: How GST is to be charged on a multi-leg international journey, say Delhi-Dubai-Boston-Dubai-Delhi? Is GST chargeable for the entire journey and discharged at Delhi, or the GST is to be charged for Delhi-Dubai sector alone and discharged at Delhi, or GST is to be charged up to the farthest point of return, i.e. Delhi-Dubai-Boston at Delhi?

Answer: In this case if a single ticket or invoice has been issued for the Delhi-Dubai-Boston then it is a continuous journey even if there is a stopover at Dubai and the tax (CGST + SGST) would be charged at Delhi. The return journey of Boston-Dubai-Delhi would not be a continuous journey. The return journey not being a continuous journey and its place of supply being outside India, the said journey, would be liable to tax if the location of the supplier is in India.

Question 14: Is the electronic ticket receipt acceptable as a tax invoice for the purpose of GST? Is there any requirement for the Airlines to issue a proper tax invoice?

Answer: Yes, the electronic ticket in the global standard format (and without further modifications) is acceptable as a tax compliant invoice for GST purposes, regardless of the value of the transaction. Rule 54 (4) of the CGST Rules, 2017 refers. However, for B2B supplies, a tax invoice may be provided to enable the registered business customer to claim input tax credits.

Question 15: Is there any requirement for electronic ticket receipts issued to be signed or digitally signed for GST purposes?

Answer: No. In terms of Rule 54 (4) of the CGST Rules, 2017 in the case of passenger transportation service, a tax invoice shall include ticket in any form, whether or not serially numbered, and whether or not containing the address of the recipient of service but containing other information as mentioned under Rule 46 of the Rules *ibid*. As the electronic tickets issued by the Airlines are in the global standard format, such electronic ticket receipts are not required to be signed or digitally signed.

Question 16: Whether the Airlines are required to issue invoice to the customers transaction-wise, (i.e. Airway Bill-wise, Ticket Journey-wise) or a consolidated invoice, capturing the details of all individual invoices for a particular entity, can be issued on a monthly or fortnightly basis?

Answer: A single invoice incorporating the details of all the supplies for a particular entity can be issued subject to provisions of section 31 of the CGST Act, 2017. In such a case the ticket issued by the Airlines would not take the character of an invoice.

Question 17: Would GST be applicable on air travel undertaken on or after 1st July 2017 on tickets issued prior to 1st July 2017 on which service tax was collected and discharged.

Answer: As service tax has already been collected and discharged by the Airlines on tickets issued prior to 1st July, 2017, there shall be no GST on such tickets even though the travel date is on or after 1st July 2017.

Question 18: Does the GST treatment on fees for ancillary services in relation to air transport follow that of the underlying air transport service?

Answer: Yes, ancillary services are part of the service of transporting a passenger by air and do not constitute a separate supply of service. In this respect, ancillary services include

services that are incidental to the transport of passengers by air (e.g., excess baggage charges, date change charges, un-accompanied minor fees, preferred seat charges, cancellation fees etc.).

Consequently, ancillary services shall be treated within the same category of service as 'transport of passengers by air' and shall attract the same rate of GST as applicable to the transport of passengers by air.

Question 19: Will Airlines be entitled to input tax credits under the GST transitional rules if the liability to pay service tax arises, due to resolution of litigation or disputes, after implementation of GST?

Answer: Yes, Section 142 6 (a) of the CGST Act, 2017 provides that every proceeding of appeal, review or reference relating to a claim for CENVAT credit initiated whether before, on or after the appointed day under the existing law shall be disposed of in accordance with the provisions of the existing law, and any amount of credit found to be admissible to the claimant shall be refunded to him in cash, notwithstanding anything to the contrary contained under the provisions of the existing law other than the provisions of section 11B (2) of the Central Excise Act, 1944.

Note: Reference to CGST Act, 2017 / CGST Rules, 2017 includes reference to SGST Act, 2017 / SGST Rules, 2017 and UTGST Act, 2017 / UTGST Rules, 2017 also.
