



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

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

Q.1. The condition for sending goods on job work after availing ITC has been laid in CGST Act that " prior intimation is to be given to the department & subject to conditions that might be imposed", now whether there is any prescribed format expected for the same, does this intimation has to be given only once in a year for a job worker, what are the conditions that may be stipulated! We fail to understand that while details of goods sent & received are to be mentioned in the returns, which will be able to track, whether goods are returned within 1 year, why the need for such a provision. In the return form details are sought for "inputs" returned by job worker, instead of the goods processed and returned, which appears to be erroneous, unless we have misinterpreted it. Generally the job worker processes the inputs and returns processed goods, some inputs that may be left over unused are also returned.

Answer: Sec. 143 of CGST Act 2017 lays down procedure for job work. A registered person (principal) may send inputs & capital goods to a job worker to perform treatment on the goods, without payment of tax under intimation and subject to certain conditions as may be prescribed by the Government. Such inputs & capital goods sent for job work without payment of tax has to be brought back into the premises of the principal within a period of 1 year & 3 years respectively from the date inputs & capital goods were sent from the premises of the principal.

The Principal has to inform its jurisdictional officer on the description of inputs & capital goods required to be sent for job work along with the nature of processing to be carried out by the job worker before the goods are moved for job work. Prescribed format of such intimation to be placed with the jurisdictional officer is expected to be notified by the Government very soon.

Nature of the inputs & capital goods may not be incidental on every such occasion before it's sent out for job work nor will be the same type of processing that would be performed by the job worker. Hence, an interpretation can be made here that intimation has to be placed with the jurisdictional officer on every such instance of removal of goods for job work and not on

annual basis. However, more clarity on the job work procedure is awaited and should be notified by the Government sooner than later.

Goods sent out for job work should be accompanied with delivery challan serially numbered in triplicate instead of tax invoice with marking as “original for consignee” “duplicate for transporter” & “triplicate for consignee”. Details of serial no. of such challan issued has to be disclosed by the principal in Form GSTR-1. Department will not be in a position to track movement of goods on the basis of data provided in the monthly returns. Hence, details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be disclosed in FORM GST ITC-04 on quarterly basis on or before the twenty-fifth day of the month succeeding the said quarter. This will enable the Department to track if the inputs & capital goods sent out for job work has been brought back into the premises within the stipulated timeframe (i.e. within 1 year for inputs & 3 years for capital goods) In case the timeline is not met, such transaction shall be treated as supply on the very day goods were sent out for job work and applicable tax along with interest has to be paid by the principal on such supplies.

Principal has to maintain proper records of inputs & capital goods sent out for the job work and receipt of processed goods in its premises.

In the job work procedure specified in sec. 143 of CGST Act 2017, explanation has been provided that *“For the purpose of job work, input includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or the job worker”* Hence, an interpretation is made that goods processed after the job work and sent back to the principals location shall be treated as inputs to be disclosed in FORM GST ITC-04.

Q2. At present our industry is supplying goods to "exporters" & "deemed exporters", without charging VAT against Form 12 or Form H, also without charging Excise against CT3 Form.

The GST Act talks of supplying goods to SEZ or directly for export (not to exporters as we are doing) either at Zero Rate & claiming refund of ITC paid or by availing ITC on inputs & services & charging IGST and claiming refund of IGST. Now what will be the status of our supplies made to deemed exporters, where goods are not being exported by us or supplied to SEZ.

Answer: Section 16 of IGST Act 2017 describes “zero rated supply” as:

- (a) Export of goods & services or both outside India
- (b) Supply of goods & services or both to a SEZ Developer or SEZ Unit.

A registered person making zero rate supply is eligible to claim refund of input tax credit he has paid on inputs & capital goods utilised for such outward zero rated supplies. To claim refund of ITC, the registered person has two options:

- (a) Supply goods & services under bond or legal undertaking without payment of integrated tax and claim refund of unutilised input tax credit.

- (b) Supply goods & services on payment of integrated tax and claim refund of such tax paid on goods & services supplied.

Provision of supplies made by a supplier to an exporter against Form H & deemed export supplies to EOU/STPI against Form CT-3 has been dispensed under the GST regime. Any taxable supply made to an exporter, EOU & STPI Units shall attract levy of tax under GST. Such exporters, EOU & STPI Units will be in a position to avail input tax credit or claim refund of ITC on account of outward supplies being made either as export or supply to a SEZ Developer / Unit in India.

Government may notify certain supplies of goods as ‘deemed export’ which do not leave India and the payment is realised either in Indian rupees or freely convertible foreign currency. It is unlikely that this would be mapped as ‘zero rated supplies’

Q3. In our industry, the rate on inputs & finished goods are @ 12%, the rate on Capital Goods is 18%, now for new units, the ITC on account of Capital Goods remain accumulated for years, do the rules envisage refund of such accumulated ITC or simply allows carry forward, year after year?

Answer: Section 54 of CGST Act 2017 narrates provision for refund of tax. Refund of any unutilised input tax credit shall be allowed only in following two scenarios:

- (a) Where ITC is accumulated on account of zero rated supplies (i.e. supplies on account of export or supplies made to SEZ Unit / Developer)
- (b) Where ITC is accumulated on account of inverted tax structure (i.e. rate of tax on inputs being higher than rate of tax on outward supplies, except NIL rated and exempt supplies)

There is no such refund provision as of now under GST regime for input tax credit getting accumulated on account of inward supply of capital goods for newly set up units wherein there is nil outward supply of taxable goods or services in the initial periods. The only option left with is to carry forward the ITC availed until taxable outward supplies are generated.

An important point to note here is whether the capital goods procured and capitalised by a registered person in his books of accounts is intended to be utilised for outward taxable supplies or exempt supplies. Government might have considered this scenario which could have restricted to incorporate the refund situation arising on account of capital goods for newly set up units.

We may expect clarity from Government on this by way of notification.

Q4. In FORM TRANS 1, there is no separate provision for availing credit on goods & services on which duty has been paid by supplier prior to 30/06/17 & the goods are received by recipient after 01/07/17 and booked in accounts within 30 days of appointed date. Can one also take ITC on Capital Goods billed before but received afterwards?

Answer: In a situation where duties and taxes have been paid by a supplier on or before 30.06.2017 for goods supplied under previous tax regime and received by the recipient post the appointed day (referred to as GST implantation date), taxes & duties liability shall be discharged by the supplier in his respective returns under previous tax regime.

As far as the recipient of goods is concerned, who is considered to be a registered person under GST here shall be entitled to take credit of duties and taxes so paid in respect of **inputs and inputs services** received by him on after the appointed day, provided that the tax invoice or any other tax payment document is recorded in the books of accounts of such person within 30 days from the appointed day. Section 140 (5) of CGST Act 2017 stipulates this provision.

Declaration to carry forward such tax credit is to be made in Form GST TRAN-1 itself which is applicable in case of goods held in stock as on the appointed day within 90 days from the appointed day.

It is important to note that provision to carry forward tax credit in case of **capital goods** supplied under previous tax regime and received by the recipient under the GST regime has not been specified under Section 140 (5) of CGST Act 2017. Government has used the words “inputs and inputs services” only.

This exclusion may be inadvertent from the Government point of view and a clarification is much awaited from the Government on this part. Until then, it is advisable not to carry forward tax credit on account of capital goods supplied under previous tax regime and received under GST regime.

Q5. What will be the GST Tax treatment of goods exported by members to Nepal & Bhutan?

Answer: Export of Goods means taking goods out of India to a place outside India as per IGST Act 2017 whereas Export of Services means supply of services by a supplier located in India to a recipient located outside India, place of supply being outside India and the payment is received by the supplier of such service in a convertible foreign exchange.

Supply of goods to Nepal & Bhutan will be considered as export under GST regime since the goods are being taken outside India. Under the IGST Act 2017, realisation currency against export of goods has not been mandated. However, as per para 2.52 of Indian Foreign Trade Policy (FTP) 2015-2020 which stipulates provision for exports proceeds to be realised in freely convertible foreign currency. Relaxation has been provided in the FTP for realisation of export proceeds from countries - Nepal & Bhutan in Indian Rupees.

In a nutshell, supply of goods to Nepal & Bhutan shall be treated as export under GST regime irrespective of realisation of export proceeds being in foreign currency or India Rupees.

Supplier at his discretion may export with payment of IGST or without payment of IGST under bond / LUT.

However in case of export of services to Nepal & Bhutan, realisation of export proceeds has to be mandatorily in foreign currency to qualify the transaction as 'export of services' under the GST regime.

Q6. Our members in North East are enjoying Area Based Tax Holiday from VAT & Excise by way of remission etc., will they continue to get the same in GST & modalities there on, can they take transitional credit on inputs & capital goods, will they be required to charge GST on supplies made & avail ITC on goods & services received? There is no clarity on this issue.

Answer: With implementation of GST, area based tax exemption benefit enjoyed by north eastern states under previous tax regime has been done away with. Given the fact that a promise made by Government to units under previous tax regime to allow tax benefit for a specified period cannot just be taken away with implementation of GST, The Department of Industrial Policy and Promotion (DIPP) is working to build a framework based on the development needs of these states. Government of India is set to introduce pay-first-get-refund-later policy in these states, wherein units have to pay CGST / IGST on outward taxable supply and claim refund on a later stage. This will come by way of notification. While the respective State Governments have to take a call on the benefit to be provided towards levy of SGST.

Till such benefits are notified by the Government of India and by respective State Governments, units in north eastern states will have to pay GST on their taxable outward supplies.

Such Units are eligible to carry forward input tax credit on goods held in stock as on the appointed day as per transitional provisions mentioned in section 140 CGST Act 2017.

Q7. It is clear that in case of goods supplied & returned by recipient after some days, we can raise credit note & adjust the output tax liability, provided the recipient also reverses the ITC availed. At times, the customer, on receiving the truck, check the material & returns the same without un loading or accepting the invoice, in such a situation, how do we reverse the output tax liability?

Answer: We may elaborate the scenario under two categories:

1. Supplier and receiver of goods have entered into a contract which specifies that ownership of goods supplied shall be deemed to be transferred to the receiver once the consignment leave the premises of the supplier (ex-works) – When the consignment reaches the customer location the ownership of the material has already been transferred to the receiver. In case the goods are rejected on the ground of being defective say, even without unloading the same, receiver of the goods has to accept the Invoice and issue a debit note thereafter for the consignment.

2. Supplier and receiver of goods have entered into a contract which specifies that ownership of goods supplied shall be transferred to the receiver once the consignment reaches the premises of the supplier and is accepted by the receiver once the goods are unloaded post the inspection of the material – Until the unloading of goods happens post inspection and acceptance of the material, ownership of goods supplied remains with the supplier and in case the goods are returned by the receiver without accepting the same, supplier has to cancel the Tax Invoice so raised and adjust the tax liability in subsequent months return.

Q8. Is stock transfer permitted between two units in the same state, having same GSTIN as Unit 1 & Unit 2, without payment of GST, where the thirteenth digit of the GSTIN is 1 for Unit 1 & 2 for Unit 2 with same PAN No & State Code?

Answer: GSTIN No. of two or more units in same state is said to be identical if the entire 15 digit GSTIN No. is same for all units. This is possible only when the registered person has added other unit's business location within a State as an additional place of business while initiating registration of its principal place of business within that State.

Where thirteenth digit of the GSTIN No. is different as 1 for Unit-I and 2 for Unit-II with same PAN No. within same State, both the Units shall be treated as distinct person as per Section 25(4) of CGST Act 2017. Intra-State or Inter-State supplies of goods & services or both between distinct persons when made in course of business with or without consideration shall attract levy of tax.

However, Intra-State supply of goods & services between units under same GSTIN No. shall not attract levy of tax.

Q9. Advance received by us from registered or unregistered customer is taxable, what will be the case where advance has been paid to an unregistered supplier?

Answer: Provision to determine time of supply in case where a registered person is required to pay tax on reverse charge basis has been specified in Section 12(3) of CGST Act 2017. Time of supply shall be earliest of the following dates:

1. The date of receipt of goods;
2. The date of payment as entered in the books of accounts of the recipient of goods or date on which the payment is debited in his bank account whichever is earlier;
3. The date immediately following thirty days from the date of issue of invoice

Hence in your case, where advance payment has been made by a registered person to an unregistered dealer towards inward supply of goods on a later stage, tax has to be paid under reverse charge by the registered person soon he makes the advance payment.

Q10. Advance paid to foreign suppliers for raw materials / capital goods whether we have to pay GST on that on reverse charge? If yes how to adjust the same as Customs will be charging IGST on total Invoice Value at the time of clearance from the port.

Answer: As per Section 5(1) of IGST Act 2017, a registered person shall pay tax on goods imported into India in accordance with the provisions of Customs tariff Act 1975 on such value as may be determined under the said Act at the point when custom duties are levied on the said goods.

Referring to the above levy of tax clause mentioned in IGST Act 2017, interpretation is being made here that IGST on import of goods is to be paid only when goods are actually imported into India and not on advance payment to the supplier outside India. IGST shall be levied on the amount derived at (base value of goods + customs duty)

Q11. We are manufacturing mainly Cartons, boxes and cases made of Corrugated Board (48191010, 48191090), Made of non-corrugated board or paper (48192020, 48192090), other accessories made of Corrugated Board (48195010), others made of non-corrugated board (49195090), Recovered (waste and scrap) paper or paper board (47079000), Corrugated Board (48081000).

Here we want to get clarification that goods falling under 49192020, 48192090, 48195010, 48195090 - what will be GST rate - 12% or 18%.

If 18% then if we send Components made of corrugated Board along with boxes in set as these are integral part of boxes but are sent in unassembled condition separately but rates are per set - whether we can clear the same in 12% rate in set.

Answer: Information on rates will be provided later.

In case of supply of corrugated box along with any other component not covered above and is taxed @18%, has been elaborated below:

1. A supplier of corrugated box supplying any other component along with the consignment (which is generally taxed @ 18% under GST, had it been supplied separately) as an integral part of the corrugated box, is dependent on each other and supplied in conjunction with each other, the entire consignment should be termed as a composite supply wherein supply of corrugated box being a principal supply. In this case, rate of tax shall be levied @ 12% on the consignment (corrugated box + other component) (i.e. rate applicable on supply of principal goods (here it is corrugated box).
2. However, where the supplier has an option to supply the component and the corrugated box separately and both the goods are neither dependent on each other nor are naturally bundled but still is being supplied together for a single price, such supplies shall be termed as mixed supply. In this case, rate of tax shall be levied @ 18% on the consignment (corrugated Box + other component) (i.e. rate applicable on supply of goods attracting highest rate of tax (here it is other component).

Q12. Outward Freight charges: GTA will charge us agreed freight and we have to pay GST on reverse charge @ 5%.

- a) Confirmation that we can take credit of this GST@ 5%?
- b) When we further sell our goods to customers and charge them freight charges, should the treatment be:
 - Add freight value as charges after sales value without GST
 - Add freight value and charge 5% GST; would this GST be payable by us or reverse charge?
 - Add freight value and charge 12% GST being the rate of our principal product; Reverse charge or paid by us?
- c) How to treat freight re-imburement if there is a difference in the amount charged by GTA to us and what is reimbursed by customer?
- d) For freight bills received from transporters for GTA services given before 30th June, Service tax becomes payable when we make the payment to the transporters. If this payment is made after 1st July:
 - Would we be liable for GST or service tax payments?
 - If GST, can we take credit for the same since the liability arose after July 1st?
 - In this case can we claim GST credit for both inward and outward freight?
 - Would hereto exempted units also be able to take GST credit? Earlier such units were not taking credit as they were exempted from excise and could not offset the credit.

Answer: Let us understand the levy of GST on GTA services - A registered person who pays or is liable to pay freight for transportation of goods by road located in the taxable territory shall be liable to pay GST under reverse charge.

To summarise this, any supplier or receiver of goods (outward or inward supplies) located in a taxable territory who pays freight directly to the Goods Transport Agency (GTA) shall be liable to pay GST under reverse charge @ 5%.

Availability of ITC - No input tax credit of GST paid under reverse charge by a registered person (both for inward & outward supplies) shall be available to the registered person. (Refer rate schedule of GST for services wherein rate @5% has been specified for GTA services with NIL ITC)

Supply of goods to customer with freight charges – Where a registered person supplies goods charging freight along with the assessable value of the goods shall be treated as composite supply of goods wherein goods being the principal supply and GST shall be levied at the rate applicable on such goods. Section 8(a) of CGST Act 2017 narrates provisions for levy of tax on composite supplies.

Logic applied here is since freight charges in course of supply of goods to a customer being an integral part of the supply and is dependent on each other, adding to the cost of goods, hence is treated as a composite supply.

Reimbursement of freight from customer: Again we have to see the reimbursement of freight being charged to the customer is in relevance to which product that has been supplied. Rate applicable to the goods supplied will be levied on the freight charges billed in form of reimbursement here as well.

GST paid by a registered person under reverse charge on GTA services should not be mapped with the GST paid on composite supply of goods with freight charges to its customer.

Service Tax on freight bills received before 30.06.17 and payment made to the transporter post 30.06.2017 – Point of taxation in service tax under reverse charge is the date on which payment is made to the supplier of service. Hence, in your case where point of taxation is arising after the appointed date (i.e. post implementation of GST), GST has to be paid as per applicable rate (i.e. @ 5%)

No input tax credit is available to the registered person paying GST under reverse charge on GTA services.

Q13. Inward Freight: If we make payments direct to transporters, GST will be paid by us on reverse charge. If the supplier adds freight charges in his invoice, do we pay GST Reverse charge on this amount as well?

Answer: As mentioned earlier, a registered person who pays or is liable to pay freight for transportation of goods by road located in the taxable territory directly to the GTA service provider shall be liable to pay GST under reverse charge. In your case, wherein supplier is charging freight along with the assessable value of the goods supplied in the invoice, the receiver of the goods is not required to pay GST under reverse charge since payment to the GTA service provider is not being made directly by the recipient of the goods.

Q14. Advance Payments made by us: Is GST Applicable on unregistered dealers or both registered and unregistered dealers?

Answer: Where a registered person receives advance from an unregistered person or registered person towards outward supply of goods on a later stage, GST has to be paid by the supplier registered person on the advance amount so received, the event being an earliest one. Refer section 12(2) of CGST Act 2017.

Where a registered person pays advance to an unregistered person towards inward supply of goods on a later stage, GST has to be paid under reverse charge on such advance payment by the registered person. Refer section 12(3) of CGST Act 2017.

Where a registered person pays advance to a registered person towards inward supply of goods on a later stage, GST has to be paid on such advance payment by the registered person

supplying the goods. Here both the supplier & receiver of the goods are registered, hence the liability to pay tax would be on the supplier of goods receiving the advance payment.

Q15. Advances received by us: Is GST Applicable on unregistered dealers or both registered and unregistered dealers?

Answer: Refer answer to the question no. 14 above.

Q16. Invoice numbering:

- a) Should we continue our old numbering series or start a new numbering series?
- b) If there are two units with the same GST number, can we have the same numbering series or separate for each unit?

Answer: Discretion is with the supplier of goods & services whether he wishes to continue with the old series or wants to start with a fresh one. So long as the provision of invoicing rules mentioned in CGST Rules 2017 is complied with (i.e. a consecutive serial number containing only alphabets or numerals or special characters, and any combination thereof, unique for a financial year), old invoice series may be continued.

Two units with same GSTIN No. may have the same invoice numbering series. However, it is recommended to give distinct unique code to the invoice series of these units to identify unit wise billing.

Q17. Stock Transfers:

- a) Any GST applicable on stock transfers between two units having same GST No and in same state.
- b) Unit 1 & Unit 2 have the same GST No and are in the same state. If Unit 1 supplies to Unit 2 without GST and Unit 2 sells the same products to customer, do we have to show a value addition at Unit 2?

Answer: Refer answer to question no. 8 above.

Q18. Transition credit for stocks in area based excise exempted units:

- a) Can we claim full value of excise paid on stock lying with us if we have invoices from supplier showing excise duty paid?
- b) Can we take proportionate excise duty credit for partly used reels?

Answer: As per section 140 (3) of CGST Act 2017, a registered person who was engaged in manufacture of exempted goods under the previous law shall be entitled to carry forward

credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock as on the appointed day subject to:

- Such inputs are used or intended to be used for making taxable outward supplies under GST Act;
- The registered is eligible to take ITC on such inputs;
- The registered is in possession of a tax invoice which were not issued earlier than 12 months immediately preceding the appointed day.

Q19. Authorised Signatories: Under excise and VAT we had to register employees as authorised signatories with the departments. Do we have to register authorised signatories for signing on invoices, DNs & CNs under GST?

Answer: While initiating registration or migrating for registration under GST, Government has provided a tab specifically for adding authorised signatories of the registered person which may be one or more. Forms, Returns and other applications to be submitted on the GST portal has to be authenticated by the DSC of the authorised signatories (compulsory in case of a Company) or by EVC in other cases.

As far as signing of Tax Invoice is concerned, any signatory authorised by the Board of Directors of a company may sign the Invoice not mandatorily the person who has been added while initiating registration.

Q20. Inward Freight & Outward Freight Paid By Us:

a) It is seen that we have to pay 5% Tax. The query is we can take it as ITC or not on both Inward & Outward Freight. If it is not that means, our freight costs will go up by 5%.

Answer: No input tax credit of GST paid under reverse charge by a registered person (both for inward & outward supplies) shall be available to the registered person. (Refer rate schedule of GST for services wherein rate @5% has been specified for GTA services with NIL ITC)

Q21. Rent Paid By Us:

a.) If GST is charged on it can we claim it as ITC?

Answer: GST paid on input services such as rent paid on commercial property used in course of business shall be available to the registered person as input tax credit.

Q22. Rejected or Excess Material Supplied:

a) If we return the goods without unloading in our factory then is it possible or we have to take it in and then raise Debit Note on the supplier.

Answer: Refer answer to question no. 7

Q23. Excise Exempted States like Himachal or Uttarakhand:

a) Has any clarification come regarding the refund of CGST Component [Excise Duty]?

Answer: Refer answer to question no. 6

Q24. Many times we give advance along with P O to Paper Mills for executing a particular specification order. Afterwards the order gets cancelled due to any reason and then amount is refunded. In such cases is it necessary for the party receiving advance should pay GST on the advance amount.

Answer: The advance payment scenario can be elaborated under two categories:

1. Advance payment by a registered person to a registered supplier of goods - Where a registered person pays advance to a registered supplier (in your case is a paper mill) towards inward supply of goods along with a purchase order, the registered supplier has to pay GST on receipt of such advance amount and shall issue a receipt voucher accordingly mentioning the advance amount and tax collected. In case the order gets cancelled on a later stage, the supplier (paper mill) shall refund the advance along with the tax component and shall issue a refund voucher.
Both the advance receipt voucher and refund voucher has to be disclosed by both supplier and receiver of goods in their respective GSTR-1 & GSTR-2 returns giving effect to the adjustment of tax component.
2. Advance payment by a registered person to an unregistered supplier of goods - Where a registered person pays advance to an unregistered supplier (in your case is a paper mill) towards inward supply of goods along with a purchase order, the registered person who has paid the advance has to pay GST on such advance amount under reverse charge and shall issue a payment voucher accordingly mentioning tax paid under reverse charge. In case the order gets cancelled on a later stage, the supplier (paper mill) shall refund the advance amount and the registered is supposed to adjust the tax liability in its subsequent months return under GST.