

# **SOME ISSUES IN LOGISTICS INDUSTRIES`**



*By*

***A. R. Krishnan***

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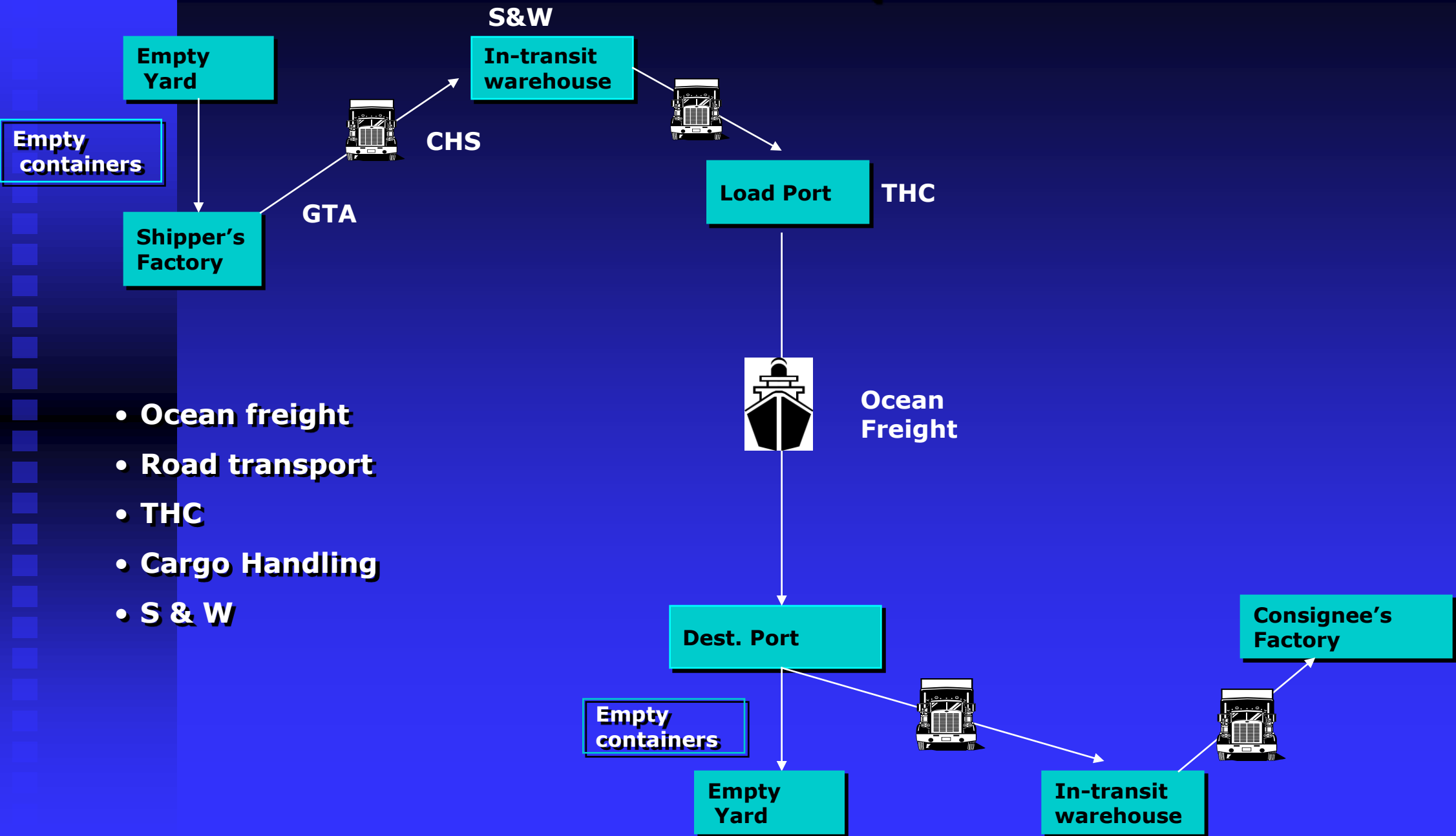
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# Multimodal transportation



- Ocean freight
- Road transport
- THC
- Cargo Handling
- S & W

# Export Freight

Component	Pre-GST Regime	GST Regime Tax payable @
Ocean Freight	Not Liable	5 <sup>1</sup> %
THC	Liable under BSS	5% or 18% 
IHC	Liable under BSS	5% or 18% 

**One Single Contract – Composite contract**

**Principal Supply** 

<sup>1</sup> 5%- subject to no input tax on inputs whether common or exclusively for ocean freight

# Freight Forwarder's position better




## ➤ *Pre-GST scenario Freight Forwarders - taxability*

- pays tax on THC & IHC under BSS
- Ocean Freight for exports not liable for tax
- Difference between freight collected from shipper and freight paid to vessel – profit on freight
  - Department's contention – FF Acting as agent hence difference liable under BAS
  - Assessee's Contention – Supply on a principal to principal basis hence difference not liable for service tax
- *Circular No. 197/7/2016-ST dated 12.08.2016 On Freight Forwarding; Greenwich Meridian Logistics (I) Pvt. Ltd. (2016) 43 STR 215 (Tri-Mum)*

***But department still***



## ➤ **GST Scenario – Maybe better**

- Inputs subjected @5% GST & output also subjected to 5% GST.
- Will department say acting as Agent – pay 18% on Agency component and 5% on freight component ? Mixed supply or composite supply 

**Only issue bill of lading / Multimodal Document**

# CREDIT OF CENVAT /INPUT TAX

## *Pre-GST regime*

- Assessee's stand - Cenvat credit on THC (Inputs) directly attributable to THC (output) – Hence fully allowable. Balance common cenvat credit subjected to Rule 6(3) reversal
- Departments Stand – entire Cenvat credit to be subjected to Rule 6(3) reversal – hence to the extent of ocean freight exempted turnover reversal

## *GST Regime*

No issue **may arise** since entire output is now subjected to tax

But again credit of input tax on goods

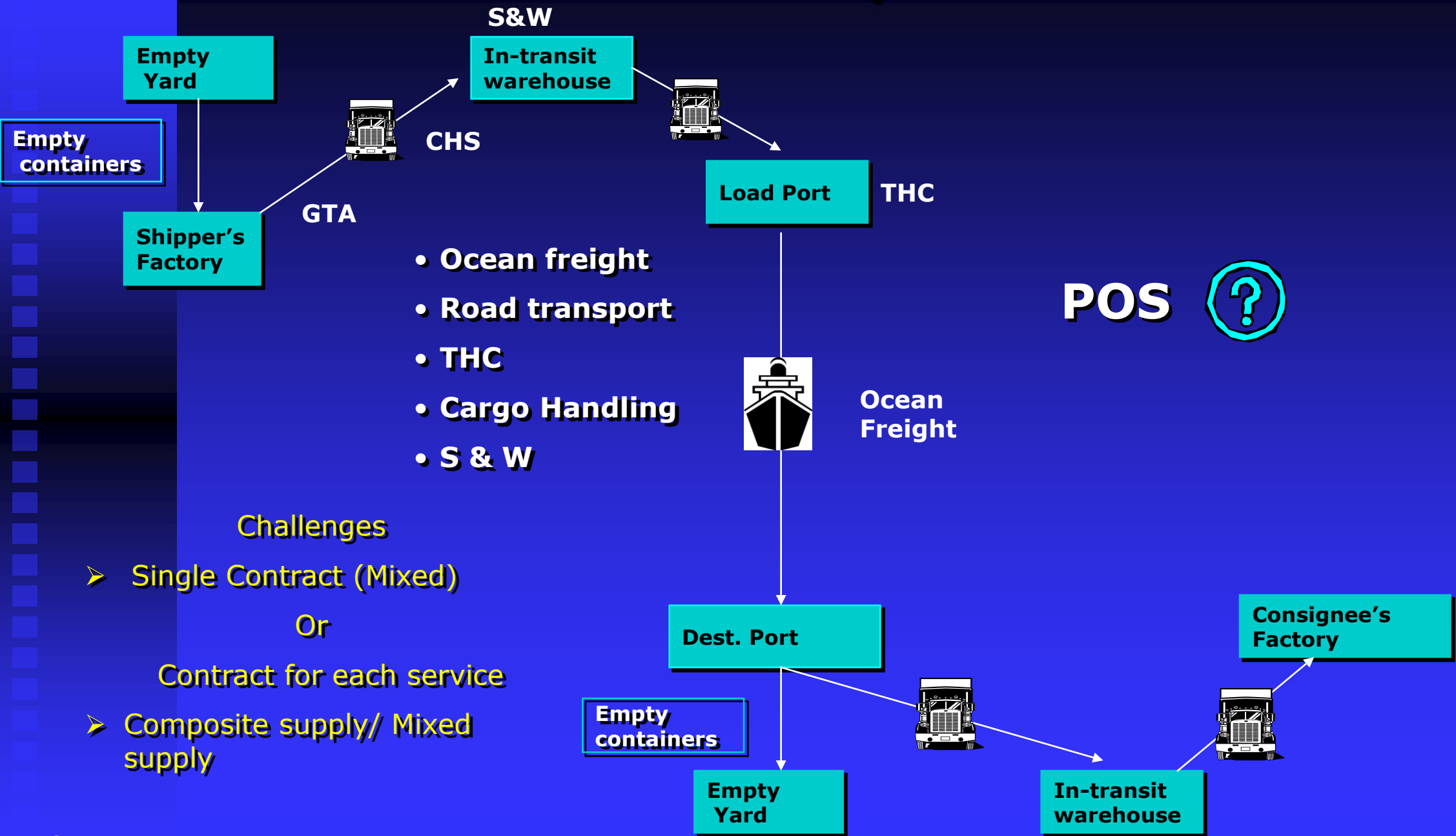


## Import Freight

- Where consignee pays freight – tax to be paid under RCM @5% of ocean freight
- Where consignee abroad pays the freight
  - Importer in India liable to pay tax under RCM on freight @5%
  - If value of freight unavailable 10% of CIF value of imported Goods
- Freight deemed to be 10% of CIF value

***But IGST on imported goods also payable on CIF value***

# Multimodal transportation



## Challenges

➤ Single Contract (Mixed)

Or

Contract for each service

➤ Composite supply// Mixed supply



