

Indian Farmers
Fertiliser
Cooperative
Limited

GST Impact Analysis Report



May, 2017

SPECIFIC POINTS OF IMPACT

List of Abbreviations used

UH	Unit Heads
UFH	Unit Finance Heads
UCH	Unit Commercial Heads
SMAH	State Marketing Accounts Head
MKCO	Marketing Central Office
I&L	Imports & Logistics
CPCO	Commercial & Procurement Central Office
MKD	Marketing Director
MAHO	Marketing Accounts Head Office
TCO	Transportation Central Office

Registration

S.No	Issues	Relevant Provision	Impact/Recommendations
1	<p>Manufacturing facilities of IFFCO are in Uttar Pradesh, Gujarat and Odisha.</p> <p>IFFCO is having warehouses in all over India where IFFCO is storing and making supply of fertilizers. However, presently IFFCO has not got these warehouses added in its VAT registration certificate</p> <p>Corporate office of IFFCO is located in Delhi.</p> <p>Currently, IFFCO is registered under excise, service tax and VAT/CST.</p> <p>Each registration results into filing of multiple returns and separate payment for each tax</p>	<p><u>Section 2(107), CGST Act: Taxable Person</u></p> <p><u>Section 22, CGST Act: Persons liable for Registration</u></p> <p><u>Section 24, CGST Act: Compulsory registration in certain cases</u></p> <p><u>Section 25, CGST Act: Procedure for registration</u></p> <p><u>Section 26, CGST Act: Deemed Registration</u></p> <p>Draft Revised GST Registration Rules</p>	<ul style="list-style-type: none"> All the places of business in a State/ Union territory, whether used for manufacture or sale of goods would be covered by a single GST registration ('GSTIN') in the State/UT. IFFCO is required to add all the warehouses, godowns or any other place of business where IFFCO stores its goods, supplies or receives goods or services or both, as additional place of business in the GST registration certificate of the concerned State. Separate registrations under excise, service tax and VAT/CST within a State will be merged into single registration under GST. There is an option to take separate registration in a State for each business vertical. IFFCO would be able to make payment of taxes for supply of goods and services through a single challan. Separate returns would not be required to be filed for each place of business covered under one GSTIN.
	For Information	MKCO, UH	
	For Action	UFH , SMAH	

2	<p>Registration for Punjab and Haryana</p> <p>The State offices of the Punjab and Haryana State are presently located and registered under the VAT/CST legislation at one building in Chandigarh as Chandigarh is the capital for both the States. However, area allocated to the department for Punjab and Haryana are separately earmarked.</p> <p>For the goods sold within Punjab invoices are raised by the Punjab department and for the goods sold within Haryana is raised by the Haryana department.</p>		<ul style="list-style-type: none"> • Under the GST regime IFFCO may take three separate registrations for supplies made from Punjab, Haryana and Chandigarh at the same premises in Chandigarh where IFFCO Punjab and IFFCO Haryana has currently obtained registration under the VAT laws. • It may be appropriate that, like the practice adopted in the current regime, IFFCO shall separately earmark the space allotted in the premises for each State.
	<p>For Information</p>	<p>MKCO, MAHO, SMAH- Punjab & Haryana</p>	

1. Procurement of Goods/Services

S.No	Issues	Relevant Provision	Impact
1	<p>Import of goods</p> <p>IFFCO is importing inputs for use in manufacturing process.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India</p> <p>The Taxation Laws (Amendment) Act, 2017</p> <p>Draft Input Tax Credit Rules</p>	<ul style="list-style-type: none"> • Import of goods would be considered as supply in the course of inter-State trade or commerce, on which IGST would be payable under Customs Tariff Act, 1975. • Apart from IGST, GST Compensation Cess shall also be paid on the imported goods as is leviable under GST (Compensation to States) Cess Act, 2017 on a like article on its supply in India. • Additional Duties of Customs (CVD) and Special Additional Duty (SAD) would be subsumed into GST and IGST would be levied on import of goods which will be creditable to IFFCO. • Basic Customs Duty and Customs Cess shall continue to be levied which will be non-creditable. • IGST would be required to be paid at the time of customs clearance of goods, along with Basic Customs Duty and Cess. • The Taxation Laws (Amendment) Act, 2017 as passed by the Lok Sabha has proposed certain amendments in Section 3 of the Customs Tariff Act, 1975. As per the proposed amendment, IGST on the imported goods shall be chargeable on the sum total of the following: <ul style="list-style-type: none"> • Value of the imported goods determined under Section 14(1) of the Customs Act, 1962; • Basic customs duty chargeable under Section 12 of the Customs

			<p>Act, 1962;</p> <ul style="list-style-type: none"> Any sum chargeable on that article under any law for the time being in force (i.e. Customs cesses). However, the value shall not include IGST and Compensation cess under GST. Place of supply of imported goods shall be the location of the importer. Accordingly, such transactions would be reported in the return of the State where the importer is located.
	For Information	I&L,TCO,UFH,SMAH	
2	<p>Inter-State and intra-State procurement</p> <p>IFFCO is making purchase of goods from within the State and outside the State.</p> <p>CENVAT credit of excise duty paid on inputs (if any) not available to IFFCO (as IFFCO is claiming benefit of exemption under notification No. 12/2012-CE).</p> <p>Under the current tax regime, inter-State purchase of goods is liable to</p>	<p><u>Section 7, IGST Act:</u> Inter-State Supply</p> <p><u>Section 8, IGST Act:</u> Intra State Supply</p> <p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking input tax credit</p> <p>Draft Input Tax Credit Rules</p>	<ul style="list-style-type: none"> IGST would be payable on inter-State supplies and CGST plus SGST/UTGST on intra-State supplies. Under GST, procurements from unregistered dealer would require payment under reverse charge mechanism by IFFCO ITC would be available for tax paid on inter-State as well as intra-State procurement subject to other eligibility requirements. Hence, removal of CST would reduce the cost of inter-State procurements. If the incidence of IGST or CGST plus SGST/ UTGST is more than the cumulative incidence of Excise duties, VAT/ CST and Entry Taxes, the working capital requirement would increase on this count and vice versa. <p>Suggestion/Action Points</p>

	<p>CST of which credit cannot be claimed.</p> <p>Intra-State purchase of goods is liable to VAT of which credit can be claimed.</p>		<ul style="list-style-type: none"> • Decisions of Inter-State vis-a-vis Intra-State procurement can be made on business considerations as the constraint of CST cost would not exist in the GST regime. • Inventory of RM purchased against CST need to be optimized for transition period to avoid CST cost.
	For Information	CCO,UFH,SMAH,UH	
3	<p>Capital Goods</p> <p>IFFCO procures capital goods for use in the manufacturing process.</p> <p>Under the current tax regime, the definition of capital goods is based upon a reference to chapter headings of the First Schedule to the Excise Tariff Act.</p> <p>As per the current Cenvat Credit</p>	<p><u>Section 2(19), CGST Act: Definition of Capital goods</u></p> <p><u>Section 16, CGST Act: Eligibility and conditions for taking input tax credit</u></p> <p>Draft Input Tax Credit Rules</p>	<ul style="list-style-type: none"> • The term ‘Capital goods’ is defined under the GST Act, as goods the value of which is capitalized in the books of accounts of the persons claiming credit and which are used or intended to be used in the course or furtherance of business. • Credit shall not be allowed in respect of tax component of capital goods, if depreciation is claimed under the provisions of Income Tax Act, 1961 on the same. • The ITC on purchase of capital goods would be available in full during the first year itself. • At present, as per Rule 6(4) of the Cenvat Credit Rules, 2004, in case a capital good is used in the manufacture of both dutiable and

	<p>Rules credit of excise duty paid is restricted to 50% in the first year and the balance is available in the next year. However, IFFCO is not eligible to take credit of excise duty paid on capital goods (as IFFCO is claiming benefit of exemption under notification No. 12/2012-CE).</p> <p>Inter-State procurement of capital goods is made on payment of CST. Intra-State purchase of goods is made upon payment of VAT.</p>		<p>exempted goods, then the entire CENVAT credit of the excise duty paid on such capital good is available to the manufacturer. However, in the GST regime ITC on capital goods shall be restricted to the extent attributable to the taxable supplies including zero-rated supplies.</p> <ul style="list-style-type: none"> • If product manufactured by IFFCO becomes exempted under GST, tax paid on any machinery, used for manufacturing both exempted and taxable product, can be availed as credit only to the extent it is used for supplying taxable product.
	For Information	CCO,UFH,UCH	
4	<p>Input Services</p> <p>IFFCO is procuring various input services on payment of service tax.</p> <p>IFFCO is not eligible to take credit of service tax paid on the input services.</p> <p>For certain notified services, IFFCO pays tax under reverse charge basis.</p>	<p><u>Section 7, CGST Act:</u> Meaning and scope of supply</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8 IGST Act:</u> Intra State supply</p> <p><u>Section 12, IGST Act:</u> Place of supply of</p>	<ul style="list-style-type: none"> • The supply of services would attract CGST plus SGST/ UTGST in case of intra-State supplies and IGST in case of inter-State supplies. • ITC would be available on taxes, subject to the restrictions contained in CGST Act. • Certain notified services and any service procured from an unregistered dealer would be under reverse charge mechanism on which IFFCO will discharge tax liability. • Credit of input services shall be restricted to the amount of input tax

		<p>services where the location of supplier of service and location of recipient of service is in India</p> <p><u>Section 17, CGST Act:</u> Apportionment of credits and blocked credits</p> <p>Draft Input Tax Credit Rules</p>	<p>attributable to business use and used for the purpose of making taxable supplies including zero rated supplies.</p>
	For Information	CCO,UFH,UCH, HO-Payment,SMAH	
5	Advance to vendor	<p><u>Section 12 of CGST Act:</u> Time of supply of goods</p> <p><u>Section 13 of CGST Act:</u> Time of supply of services</p> <p><u>Section 16 of CGST Act:</u> Eligibility and conditions for taking input tax credit</p> <p><u>Section 31 of CGST Act:</u> Tax_invoice</p>	<ul style="list-style-type: none"> • Under GST, advance for goods shall also be liable to tax. • In GST regime, vendors will consider advance received as cum-tax amount or will have to additionally pay GST on the amount of advance received. • As per CGST Act, credit can be availed only after receiving goods/services. Hence, IFFCO cannot avail credit of tax paid on advance till the time goods/services are actually received by it. • Vendors may now demand increased amount as advance to cover the outflow of GST payable by them on such advance. This will be an additional cash blockage if advance is paid in respect of goods procured.

	For Information and Compliance	CCO, UCH,UFH,SMAH	
6	<p>Procurement of DAP</p> <p>IFFCO imports Di Ammonium Phosphate ('DAP') from Kisan International Trading FZE, Dubai (hereinafter referred to as 'KIT'), which is a subsidiary of IFFCO.</p> <p>IFFCO HO places orders with KIT. KIT raises invoices on IFFCO HO with shipping address Kandla, India (Gujarat). Payment to KIT is made by IFFCO HO. Thereafter IFFCO HO debit such amount to IFFCO Gujarat State Office.</p> <p>BOE is filed at the Kandla port in the name of IFFCO HO.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India</p> <p>The Taxation Laws (Amendment) Act, 2017</p> <p>Draft Input Tax Credit Rules</p> <p>Draft GST Rules for Determination of Value of Supply</p>	<ul style="list-style-type: none"> In this case, there are following two supplies: (a) between KIT and IFFCO HO and (b) between IFFCO HO and IFFCO Gujarat. <p><u>Supply between KIT and IFFCO HO</u></p> <ul style="list-style-type: none"> Import of DAP into India shall be treated as a supply in the course of inter-State trade or commerce on which IFFCO HO shall be liable to pay IGST. IFFCO HO shall be required to pay IGST (along with applicable BCD and Cess) on the value as determined under the Customs Tariff Act, 1975 at the time of clearance of DAP (determined as per the provisions contained in the Taxation Laws (Amendment) Act, 2017, referred above). One of the conditions for availing input tax credit is receipt of goods by the recipient. In this case IFFCO HO is only constructively receiving the goods (as the same is received by IFFCO Gujarat on behalf of IFFCO HO). Thereafter, IFFCO HO debits the amount to IFFCO Gujarat. Hence, it may be possible for IFFCO HO to take credit of IGST and thereafter utilize for payment of IGST on subsequent supply to IFFCO Gujarat. However, it may be appropriate for IFFCO Gujarat to directly file the BOE in its name (with suitable changes in agreement/PO) so that IFFCO Gujarat can take credit directly on the basis of BOE.

			<p><u>Supply between IFFCO HO and IFFCO Gujarat</u></p> <ul style="list-style-type: none"> • Under the GST legislation IFFCO HO and IFFCO Gujarat, having separate GST registrations, shall be treated as distinct persons. • There will be a second supply of DAP between IFFCO HO and IFFCO Gujarat. IFFCO HO will raise tax invoice for such supply on IFFCO Gujarat charging IGST. • As in this case IFFCO Gujarat will be eligible to take full input tax credit of IGST charged by IFFCO HO, the value declared by IFFCO HO on the invoice shall be taken as the value for discharging IGST liability. • Alternatively, the value can be equivalent to ninety percent of price charged by IFFCO Gujarat for the supply of DAP to his customer not being a related person (this method is optional).
	<p>For Information and Action</p>	<p>I&L</p>	<p>HO Tax Comments: <i>In terms of S.10(1)(b) of the IGST Act, where the goods are delivered by the Supplier to the Recipient on the directions of a third person, it shall be deemed that the third person has received the goods and the place of supply shall be the principal place of business of such person.</i></p> <p>Thus, if the present practice continues, it will be treated as 2 Taxable Supplies- 1st between Foreign Supplier and IFFCO, Delhi attracting IGST and then IFFCO, Delhi and IFFCO, Gujarat again attracting IGST. To avoid multiple transactions and consequent compliances, following is</p>

			<p>suggested for all Import Transactions:</p> <ol style="list-style-type: none"> 1. Master Agreement can be between IFFCO Delhi and the Foreign Supplier. 2. PO should be placed by IFFCO Gujarat (or the concerned State, as the case may be). If that is not feasible, the PO should state that the Supply is meant for a particular State only. 3. Invoice should preferably be in the name of IFFCO Gujarat (or the concerned State). 4. Bill of Entry necessarily should be in the name of concerned state of Import only for it to take seamless credit of IGST paid on Imports. 5. Payment can continue to be from HO/IFFCO Delhi as currently.
7	<p>Procurement of SOP</p> <p>IFFCO imports Sulphate of Potash ('SOP') from Aries Fertilizers Group PTE Ltd., Singapore (hereinafter referred to as 'Aries').</p> <p>IFFCO HO places orders with Aries. Aries raises invoices on IFFCO HO with place of delivery at Kandla Gujarat. Payment is made by IFFCO HO to Aries. Thereafter IFFCO HO</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India</p> <p>The Taxation Laws (Amendment) Act, 2017</p> <p>Draft Input Tax Credit</p>	<ul style="list-style-type: none"> • In this case, it shall be treated that SOP is imported into India by IFFCO Gujarat and import of such SOP shall be treated as a supply in the course of inter-State trade or commerce on which IGST (along with applicable BCD and Cess) shall be paid by IFFCO Gujarat (as BOE is filed in the name of IFFCO Gujarat) on the value as determined under the Customs Tariff Act, 1975 at the time of clearance of SOP (determined as per the provisions contained in the Taxation Laws (Amendment) Act, 2017, referred above). • As the BOE is filed in the name of IFFCO Gujarat, it may be possible for IFFCO Gujarat to take credit of IGST and thereafter utilize for payment of GST on subsequent supply.

	debit such amount to IFFCO Gujarat. BOE is filed at the Kandla port in the name of IFFCO Gujarat. SOP cleared is used by IFFCO Gujarat in further manufacture of fertilizer.	Rules Draft GST Rules for Determination of Value of Supply	
	For Information and Compliance	I&L	HO Tax Comments: Same as above
8	Procurement of sulphuric acid IFFCO HO entered into an agreement with Mitsubishi Delhi for purchase of Sulphuric Acid. Goods are sold on HSS basis. Delivery terms is CFR (cost and freight) BOE filed at Paradeep port in the name of IFFCO HO. Goods cleared transported to Paradeep plant for manufacture of fertilizers. Payment to Mitsubishi Delhi is made by IFFCO HO and IFFCO HO debit	<u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax <u>Section 7, IGST Act:</u> Inter State supply <u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India The Taxation Laws (Amendment) Act, 2017 Draft Input Tax Credit Rules	<ul style="list-style-type: none"> In this case, there are following two supplies: (a) between Mitsubishi Delhi and IFFCO HO and (b) between IFFCO HO and IFFCO Odisha. <u>Supply between Mitsubishi and IFFCO HO</u> The IGST Act does not specifically provide for taxability of high sea sales. In our view, high sea sale is outside the purview of GST. Therefore, GST is not applicable on high sea sale of sulphuric acid by Mitsubishi Delhi to IFFCO. Import of sulphuric acid into India shall be treated as a supply in the course of inter-State trade or commerce on which IFFCO HO shall be liable to pay IGST. IFFCO HO shall be required to pay IGST (along with applicable BCD and Cess) on the value as determined under the Customs Tariff Act, 1975 at the time of clearance of

	<p>this amount to Paradeep Plant. Mitsubishi Delhi raises invoice on IFFCO HO.</p>	<p>Draft GST Rules for Determination of Value of Supply</p>	<p>sulphuric acid (determined as per the provisions contained in the Taxation Laws (Amendment) Act, 2017, referred above).</p> <ul style="list-style-type: none"> • One of the conditions for availing input tax credit is receipt of goods by the recipient. In this case IFFCO HO is only constructively receiving the goods (as the same is received by IFFCO Odisha on behalf of IFFCO HO). Hence, it may be possible for IFFCO HO to take credit of IGST and thereafter utilize for payment of IGST on subsequent supply to IFFCO Odisha. However, it may be appropriate for IFFCO Odisha to directly file the BOE in its name (with suitable changes in agreement/PO) so that IFFCO Odisha can take credit directly on the basis of BOE. <p><u>Supply between IFFCO HO and IFFCO Odisha</u></p> <ul style="list-style-type: none"> • Under the GST legislation IFFCO HO and IFFCO Odisha, having separate GST registrations, shall be treated as distinct persons. • There will be a second supply of sulphuric acid between IFFCO HO and IFFCO Odisha. IFFCO HO will raise tax invoice for such supply on IFFCO Odisha charging IGST. • As in this case IFFCO Odisha will be eligible to take full input tax credit of IGST charged by IFFCO HO, the value declared by IFFCO HO on the invoice shall be taken as the value for discharging IGST liability.
	<p>For Information and Compliance</p>	<p>I&L</p>	<p>HO Tax Comments: Same as above</p>

<p>9</p>	<p>Urea offtake and handling and marketing agreement</p> <p>GOI of India has entered into an Urea Off-Take Agreement with OMIFCO.</p> <p>As per this agreement:</p> <ul style="list-style-type: none"> GOI purchases and off-takes urea on FOB basis at the loading terminal from OMIFCO. GOI (i.e. Department of Fertilizers) arranges for the transportation of urea from the loading terminal. OMIFCO pays IFFCO urea sales fees (under a separate Urea Sales Fee Agreement). Payment for urea to OMIFCO is made by GOI. <p>In pursuance of the above OFF-TAKE agreement, GOI has entered a handling and marketing agreement</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p>The Taxation Laws (Amendment) Act, 2017</p> <p>Draft Input Tax Credit Rules</p> <p>Draft GST Rules for Determination of Value of Supply</p>	<p><u>Nature of supply made under the H&M Agreement</u></p> <ul style="list-style-type: none"> H&M Agreement encapsulate the following supplies: <ul style="list-style-type: none"> Sale and purchase of urea between GOI and IFFCO. Supply of service by GOI by tolerating the act of not lifting urea as per monthly schedule agreed between GOI and OMIFCO (‘Take or Pay’ liability). Designated agent services. <p><u>Supply of urea by GOI to IFFCO</u></p> <ul style="list-style-type: none"> The IGST Act does not specifically provide for taxability of high sea sales. In our view, high sea sale is outside the purview of GST. Therefore, GST is not applicable on high sea sale of urea by GOI to IFFCO. Import of goods has been treated to be an inter-State supply under the IGST Act. Therefore, actual import of urea shall be liable to IGST in the hands of IFFCO. Reduction of lump sum rate, port dues, inventory carrying cost, inland freight, customs duty, insurance, taxes and levies from the pool issue price payable by IFFCO to GOI for purchase of urea shall be treated as discount given from the price payable for urea by GOI to IFFCO. One of the conditions for availing input tax credit is receipt of goods by the recipient. In this case IFFCO HO is only receiving the goods

<p>(‘H&M Agreement’) with IFFCO and KRIBHCO to appoint them as its Fertilizer Marketing Entities (FMEs).</p> <p>As per the H&M Agreement:</p> <ul style="list-style-type: none"> • GOI issues a nomination message for appointing either IFFCO or KRIBHCO as handling and marketing agent for each consignment. • The FMEs handle Urea on the basis of ownership of the material. The ownership of the material gets transferred to FMEs while the vessel is on the high seas based on the nomination letter provided by the GOI. • As soon as the ship sails from the load port, the bill of lading is duly endorsed in favour of FMEs and other shipping documents are delivered to the FMEs to enable 		<p>(as the same is received by IFFCO Gujarat on behalf of IFFCO HO). Thereafter, IFFCO HO debits the amount to IFFCO Gujarat. Hence, it may be possible for IFFCO HO to take credit of IGST paid on import and thereafter utilize for payment of IGST on subsequent supply to IFFCO Gujarat. However, it may be appropriate for IFFCO Gujarat to directly file the BOE in its name (with suitable changes in agreement/PO) so that IFFCO Gujarat can take credit directly on the basis of BOE.</p> <ul style="list-style-type: none"> • There will be a second supply of urea between IFFCO HO and IFFCO Gujarat. IFFCO HO will raise tax invoice for such supply on IFFCO Gujarat charging IGST. • As in this case IFFCO Gujarat will be eligible to take full input tax credit of IGST charged by IFFCO HO, the value declared by IFFCO HO on the invoice shall be taken as the value for discharging IGST liability. <p>For Information and Action: TCO, SMAH, MKCO</p> <p>HO Tax Comments:</p> <p>BE should be filed in the name of IFFCO Gujarat (or the concerned State of Import) only as explained above.</p> <p><u>‘Take or Pay’ liability</u></p> <ul style="list-style-type: none"> • Under the Urea Off-Take Agreement GOI has agreed to lift urea as
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<p>them to take delivery of the cargo at the port(s).</p> <ul style="list-style-type: none"> • With respect to the urea the FMEs discharge the functions of unloading from vessel, handling, bagging, transportation, distribution, marketing, and other allied functions connected with handling of urea upto the distribution network. • FMEs also undertake neem oil coating of urea before dispatching the material from the port. • All demurrage and other ship/port penalties at the discharge port is to the account of FMEs. Similarly, dispatch money earned due to prompt handling of vessel accrues to the FMEs at all ports. • FMEs also perform the activity of Designated Agent of GOI for which GOI pays Rs. 10 per MT to 		<p>per the monthly agreed schedule. As per the H&M Agreement the FMEs are responsible for discharging this obligation of GOI. In case they fail to fulfill this obligation, the FMEs are required to discharge Take or Pay liability.</p> <ul style="list-style-type: none"> • The value in this case shall be Take or Pay liability amount paid by IFFCO as reduced the amount reimbursed by GOI. <p>HO Tax Comments :</p> <p>As discussed with the Law Consultants, the Take or Pay fees of Rs 10 pmt receivable by IFFCO under the Handling and Marketing Agreement is in consideration of IFFCO undertaking to discharge this liability of GOI towards OMIFCO under the UOTA. Such Fees would be covered in the definition of Service u/s 2(102) and IFFCO, Delhi will have to discharge CGST and SGST Liability on it. Place of this Service would be the location of the Service Recipient (DOF in our case)u/s 12(2) of the IGST Act.</p> <p><u>Designated Agent Fee</u></p> <ul style="list-style-type: none"> • Services provided by IFFCO in the capacity of designated agent to GOI will qualify as supply of service. IFFCO shall be required to pay IGST if the supply is inter-State supply or CGST plus SGST/UTGST
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<p>FMEs.</p> <ul style="list-style-type: none"> • FMEs are entitled for receiving following amount from GOI for the handling and marketing activities: <ul style="list-style-type: none"> ○ Lump sum rate (includes expenses connected with the handling and marketing of Urea, excluding ocean freight, port dues, inventory carrying cost, customs duty, cargo insurance, inland freight, take or pay liability charge, Service charges as designated agent and distribution and retailer margin). ○ Port dues (wharfage charges as notified by port authorities) plus applicable service tax. ○ Inventory carrying cost Rs. 32 per MT for 15 days. ○ Inland freight from port to 		<p>if the supply is intra-State supply.</p> <p><u>HO Tax Comments:</u></p> <p>Same as above</p> <p><u>Demurrage charges/dispatch money</u></p> <ul style="list-style-type: none"> • The demurrage charges/dispatch money shall not be treated as consideration for any separate supply. Further, no specific provision has been provided in the GST Act or Rules framed thereunder for treatment of such demurrage charges/dispatch money paid/earned by IFFCO. • IFFCO will not be required to pay GST on the demurrage charges/dispatch money paid/earned by IFFCO treating it as separate supply. <p><u>HO Tax Comments:</u></p> <p>The above view is on the assumption that Service Recipient of Freight/Transportation Service in such cases is the DOF only. Hence, the provisions putting burden of Ocean Freight Service Tax on Reverse charge basis on the Importer in case both Service Provider and Service Recipient are located outside India will not apply here.</p> <p><u>Urea Sales Fee</u></p> <ul style="list-style-type: none"> • OMIFCO pays urea sales fee to IFFCO under Urea Sales Fee
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	<p>various States. Rail freight is paid on actual basis based on Railway Receipt (RR) and road freight as per the freight subsidy policy. The FMEs will be eligible to deduct ad-hoc inland freight at the rate of Rs. 1100 from the amount payable to DOF.</p> <ul style="list-style-type: none"> ○ BCD plus CVD and applicable taxes (excluding amount allowed to be passed on to the farmers in the MRP of urea). ○ Cost of insurance on actual basis. ○ Taxes and levies imposed by GOI. ● FMEs pays to the GOI, the Pool Issue Price minus customs duties, marine insurance, lump sum charges, port dues, ICC, take or 		<p>Agreement in consideration of the efforts of IFFCO in facilitating the sale of urea by OMIFCO to the GOI under the Urea Off-Take Agreement.</p> <ul style="list-style-type: none"> ● Such facilitation services provided by IFFCO to OMIFCO will qualify as intermediary services. The place of provision of such intermediary service shall be the location of service provider (i.e. location of IFFCO HO). ● Such supply will become intra-State supply which will attract levy of CGST and SGST in Delhi. <p>For Information/Action: HO Books</p> <p>HO Tax Comments:</p> <p>Intermediary u/s 2(13) of the IGST Act is <i>any person who arranges or facilitates the supply of Goods or Services between 2 or more persons but does not include a person who supplies such Goods or Services or both on his own account.</i> The Recital to the Urea Sales Fee Agreement states that it is in lieu of efforts of IFFCO/Kribhco for facilitating sale of Urea by OMIFCO to GOI under UOTA. Hence, under 13(8)(b) of IGST Act, place of this Service is location of Supplier i.e. IFFCO , hence chargeable to CGST and SGST in Delhi.</p>
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	<p>pay liability charges, designated agent fees, and Rs. 1,100 on account of adhoc inland freight within 45 days from the date of completion of discharge from the vessel.</p> <ul style="list-style-type: none"> • The final claim of inland freight is settled subsequently. • BOE is filed at Kandla port in the name of IFFCO HO. Payments to GOI is made by IFFCO HO which IFFCO HO subsequently debit to IFFCO Gujarat State Office. • OMIFCO raises invoices with Bill to GOI and Ship to IFFCO HO and port of discharge Kandla (in Gujarat). • Demurrage charges treated as part of freight for purpose of customs duty computation but dispatch money is not considered for this 		
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	purpose.		
10	<p>Procurement of CHA services</p> <p>IFFCO Gujarat (Kandla) has appointed Rishi Kiran for the job of customs and port clearances of liquid cargo. The scope of work <i>inter-alia</i> includes liaisioning with shipping agents, work connected with Kandla Port trust (such as filing of import wharfage application), filing of Bond, Bill of Entry and arranging assessment of the same, obtaining permission from customs for discharging of cargo immediately on arrival of vessel.</p> <p>IFFCO is reimbursing miscellaneous levies of customs like OT charges, EDI charges, etc. on production of documentary evidences.</p> <p>Rishi Kiran is charging service tax on</p>	<p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or exported from India</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p>Draft Input Tax Credit Rules</p>	<ul style="list-style-type: none"> CHA services provided by Rishi Kiran to IFFCO Gujarat would constitute a taxable supply of service under GST. Since both the supplier of service (i.e. Rishi Shipping) and place of supply (i.e. location of IFFCO Gujarat) is in Gujarat, this will constitute intra-State supply which will attract levy of CGST and SGST. Miscellaneous levies of customs namely OT charges, EDI charges, etc. reimbursed by IFFCO Gujarat to Rishi Kiran, which is actually payable by IFFCO Gujarat to the customs, would be excluded from the taxable value of supply made by Rishi Kiran to IFFCO Gujarat. Subject to fulfillment of other conditions, IFFCO Gujarat will be eligible to take credit of CGST and SGST charged by Rishi Kiran.

	the CHA services provided by it (excluding the amount reimbursed on actual basis).		
	For Information	SMAH Gujarat, UFH, Kandla	
11	<p>Barge Jetty (IKBLL)</p> <p>IFFCO pays service charges to IKBLL for use of Barge Jetty and other associated facilities like weighbridge, storage facility for storage of material in the backup area of Barge Jetty (‘Handling Charges’).</p> <p>The Stevedoring Contractor, appointed by IFFCO, unloads IFFCO’s cargo (fertilizer products and solid raw material) from any vessel to barge in the mid sea. These barges are then berthed at IKBLL’s captive Barge Jetty. The cargo is unloaded on the Barge Jetty and taken to Kandla</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p>Draft Input Tax Credit Rules Draft GST Rules for Determination of Value of Supply</p>	<ul style="list-style-type: none"> • This transaction involve two supplies: (a) by IKBLL to IFFCO HO, and (b) by IFFCO HO to IFFCO Gujarat. • Handling charges recovered by IKBLL from IFFCO HO constitute a taxable supply under GST. • Such handling charges is recovered for allowing the use of immovable property of IKBLL (namely Barge Jetty and other associated facilities like weighbridge, storage facility for storage of material). Therefore, the place of supply of such service shall be in Gujarat (i.e. where Barge Jetty is located). Accordingly, IKBLL will charge CGST and SGST from IFFCO HO on such supply. • IFFCO HO may not be in position to take credit of CGST/SGST charged by IKBLL. Therefore, IFFCO may obtain ISD registration in Gujarat and such ISD shall distribute the credit of CGST/SGST charged by IKBLL to IFFCO HO as IGST. • IFFCO HO will further raise invoice for such handling charges on IFFCO Gujarat charging IGST. IFFCO Gujarat will be eligible to

	<p>Plant complex/storage shed in the back up area.</p> <p>Agreement with IKBLL is entered between IFFCO HO and IKBLL is raising invoice on IFFCO HO.</p> <p>IKBLL Charges the service tax on the services provided by the IKBLL to IFFCO HO.</p>		<p>take credit of IGST charged by IFFCO HO.</p> <ul style="list-style-type: none"> • Alternatively, IFFCO can get the agreement with IKBLL amended to be in the name of IFFCO Gujarat in which case IFFCO Gujarat will be in position to take credit of CGST and SGST charged by IKBLL.
	For Information and Action	UFH, Kandla and CFO, IKBLL	Agreement with IKBLL to be directly with IFFCO, Gujarat in place of IFFCO, Delhi to avoid ITC distribution complications through ISD Mechanism.
12	<p>Stevedoring agreement (Rishi Shipping)</p> <p>IFFCO Gujarat has appointed Rishi Shipping as the Stevedoring, Clearing & Forwarding Agent for undertaking handling operations of Imported fertilizers and raw materials shipments arriving at Kandla Port for IFFCO and proper operations for unloading the fertilizer and raw materials from</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules</p>	<ul style="list-style-type: none"> • In this case Rishi Shipping is making supply of multiple services to IFFCO which shall be chargeable to GST. • Location of supplier (i.e. Rishi Shipping) is in Gujarat and the place of supply of such services is also in Gujarat (i.e. location of IFFCO Kandla being the location of registered person receiving the services). Hence, such supplies shall constitute intra-State supplies exigible to CGST and SGST. • Subject to fulfillment of other conditions, IFFCO Gujarat shall be eligible to take credit of CGST and SGST charged by Rishi

	<p>vessels into barges and unloading the material from barges on IKBLL Barge Jetty into hoppers and loading the material into dumpers and transportation to IFFCO Plant premises after weighment at IKBLL weighbridge and unloading the fertilizer/raw material at designated hoppers/vacant land.</p> <p>Separate rates have been agreed for each category of supply namely stevedoring, barge hiring, etc.</p>		Shipping.
	For Information	UFH, Kandla and SMAH, Gujarat	
13	<p>Warehouses on rent from the cooperative societies</p> <p>IFFCO Gujarat takes warehouses on rent from various cooperative societies for storage of fertilizers. Beside this, the cooperative societies also provide handling and transportation services</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p>	<ul style="list-style-type: none"> • In this case the cooperative societies are making supply of two services namely renting services and handling and transportation services to IFFCO which are exigible to GST. • Place of supply of both the services are in Gujarat and hence, will attract levy of CGST and SGST. • Subject to fulfilment of other conditions, IFFCO Gujarat will be eligible for taking credit of CGST and SGST charged by the

	<p>through the handling and transportation contractor approved by IFFCO Gujarat.</p> <p>We understand the contract for handling and transportation is between the cooperative society and the handling and transportation contractor and payment to the handling and transportation contractor is being made by the cooperative society.</p> <p>IFFCO Gujarat is reimbursing such handling and transportation charges along with 15% supervision charges to the cooperative society.</p>	Draft Input Tax Credit Rules	cooperative societies.
	For Information	SMAH, Gujarat	
14	<p>Transportation and handling of fertilizer</p> <p>IFFCO UP has appointed contractor for handling (unloading from wagon,</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p>	<ul style="list-style-type: none"> • In this case the contractor is providing two supplies namely handling services and transportation service. • As per the list of exemptions decided by the GST Council, exemption from levy of GST is not available for transportation

	<p>loading from platform on trucks, unloading from trucks in warehouses, de-stacking and loading in trucks in warehouses) and transportation of fertilizer (by road).</p> <p>Separate charges agreed for transportation and handling services and the understanding of IFFCO has been that these are two independent services.</p> <p>Presently the service of transportation of the fertilisers by road is exempt from payment of service tax.</p> <p>Transporter charges service tax on the handling charges payable by IFFCO UP.</p>	<p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules</p>	<p>services provided by a goods transport agency in respect of chemical fertilizers.</p> <ul style="list-style-type: none"> • In this case the location of supplier is in UP and the place of supply of both the services is also in UP. Hence, both the supplies would attract levy of CGST and SGST. • Subject to fulfillment of other conditions, IFFCO UP will be eligible take credit of CGST and SGST charged by the contractor.
	<p>For Information</p>	<p>SMAH, MAHO</p>	
<p>15</p>	<p>Procurement of Bags</p> <p>IFFCO HO undertakes the tendering process for procuring the bags for</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p>	<ul style="list-style-type: none"> • In this case vendor is supplying bags directly to the Plants of IFFCO. Depending upon the location of supplier and the place of supply, such supply shall be chargeable to IGST or CGST and

	<p>packing of fertilizers.</p> <p>IFFCO HO places the orders with the selected vendors with a direction to deliver the goods at the location mentioned in the purchase order.</p> <p>The vendor raises invoice on the respective Plant where bags are delivered and payment to the vendor is also directly made by the respective Plant only.</p> <p>The vendor charges VAT/CST depending on nature of supply.</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules</p> <p>Draft GST Rules for Determination of Value of Supply</p>	<p>SGST/UTGST.</p> <ul style="list-style-type: none"> The concerned Plant shall be eligible to take credit of GST charged by the supplier. The activity of undertaking the tendering process and issuing purchase order to the vendors shall constitute a supply of service by IFFCO HO to the concerned Plant and shall attract levy of IGST. Subject to fulfillment of other conditions, the concerned Plant of IFFCO shall be eligible to take credit of such IGST paid.
	For Information	UFH,UCH,CCO	HO Tax Comments: On the need for Cross Charge for HO Services, we will take up in detail, separately.
16	<p>Works contract service</p> <p>IFFCO is awarding works contract in respect of construction, repair, etc of its immovable properties.</p> <p>Works contractor is charging service tax and VAT under the abatement/percentage deduction</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Schedule II of the CGST</p>	<ul style="list-style-type: none"> CGST Act defines the works contract as “a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract” Entry No.6 (a) of the schedule II of the CGST Act deems works

	method provided under the respective legislations.	Act	contract as a supply of service. <ul style="list-style-type: none">Hence, works contract services received in relation to construction, repair, etc. of any immovable property by IFFCO shall be deemed as supply of service and shall be chargeable to GST (on both goods and services involved in the contract) at the rate applicable for works contract service.
	For Information	UFH,CCO,UCH,SMA H	HO Tax Comments: UFH may also note that ITC on Works Contract Services Other than Plant & machinery is not available u/s 17(5)(c) of the CGST/SGST Acts
17	Transportation (Staff) IFFCO Gujarat has hired 12 buses (along with bus operators) for transportation of its employees (55 + 1 sitting capacity). Transporter charges the service tax on this transaction under the rent-a-cab scheme. Currently IFFCO Gujarat is not availing CENVAT credit of such service tax paid.	<u>Section 9, CGST Act:</u> Levy and collection of CGST <u>Section 7, IGST Act:</u> Inter State supply <u>Section 8, IGST Act:</u> Intra State supply <u>Section 17, CGST Act:</u> Apportionment of credit and blocked credit Schedule II of the CGST Act	<ul style="list-style-type: none">Hiring of buses for transportation of employees will qualify as supply of service which will attract levy of CGST and SGST.Considering that the supply of hiring of buses will continue to be classified as a supply of rent-a-cab service in the GST regime, because of specific restriction provided under the CGST Act, IFFCO Gujarat may not be eligible for taking credit of such CGST and SGST paid.

	For Information	UFH,HO Payments Cell	HO Tax Comments: Restriction on ITC for Rent a Cab is u/s 17(5)(b)(iii)
18	<p>Purchase of Natural Gas</p> <p>IFFCO purchases natural gas from various suppliers for use in manufacture of urea.</p> <p>For this purpose, IFFCO enter into two types arrangement with the suppliers:</p> <p>Arrangement-1</p> <p>Supplier deliver the natural gas at the delivery point located at supplier's facility on ex-works basis. Property (title) in and risk of loss of the gas delivered passes to IFFCO at the delivery point upon delivery at such point. Further, IFFCO is required to make arrangement for transport of gas from the delivery point to its Plant for which IFFCO separately appoint either to the supplier or to a third party</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules</p>	<p>Arrangement-1</p> <ul style="list-style-type: none"> Here two supplies are involved, one is supply of gas and another is supply of transportation services. Supply of natural gas will continue to attract current levies of VAT/CST. The service of transportation of goods will be a distinct supply which will be liable to GST. Place of supply of such transportation services will be the location of the recipient. IFFCO will be eligible to take credit of such GST paid. <p>Arrangement-2</p> <ul style="list-style-type: none"> It is a single supply i.e. a supply of goods. The transportation service represents the supplier's obligation and is not a separate supply of services. Such supply of natural gas (including transportation charges) will continue to attract current levies of VAT/CST. IFFCO will not be entitled to take credit of such VAT/CST paid.

	<p>transporter. In such case the supplier charges VAT/CST (CST @ 2% against for C) on the value of natural gas and service tax on the transportation charges (if transportation undertaken by the supplier).</p> <p>Arrangement-2</p> <p>Supplier deliver the gas at IFFCO's Plant on FOR basis (risk and title passes at the Plant). In such case supplier charge CST on the price of gas including the transportation charges.</p>		
	For Information	UFH	

2. Supply of Goods/Services

S.No	Issues	Relevant Provision	Impact
1	<p>Renting of Immovable Property</p> <p>IFFCO HO is letting out its</p>	<p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p>	<ul style="list-style-type: none"> • Renting of immovable property service and maintenance services provided by IFFCO HO to Tilda shall constitute taxable supply of services under GST regime.

	<p>immovable property located in Gurgaon to Tilda Hain India Pvt. Ltd ('Tilda').</p> <p>IFFCO HO is also recovering electricity charges separately based on metered units consumed by Tilda and not charging service tax on the same.</p> <p>IFFCO HO is also recovering maintenance charges along with service tax (without abatement) and no VAT/CST.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Schedule II of the CGST Act</p>	<ul style="list-style-type: none"> • Provision of renting of immovable property service and maintenance services shall constitute a composite supply of which renting of immovable property service constitutes the principal supply and hence, the supply shall be taxable as renting of immovable property. • The place of supply of renting of immovable property service is the location at which the immovable property is located. In this case, since the immovable property is located in Haryana, this will qualify as inter-State supply chargeable to IGST.
	<p>For Information</p>	<p>HO Payment cell, RED</p>	
<p>2</p>	<p>Own your wagon scheme</p> <p>IFFCO has purchased railway wagons through the Ministry of Railways or builders approved by them.</p> <p>Railway has entered into an agreement dated 26th June, 2000 for obtaining wagons on lease from IFFCO for 20 years.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u></p>	<ul style="list-style-type: none"> • As per schedule II of the CSGT Act transfer of right to use any goods shall be treated as supply of service. Hence, leasing of wagons by IFFCO to Railway shall constitute a continuous supply of service. • As per section 142(10) of the CGST Act, the goods and services or both supplied on or after the appointed date in pursuance of a contract entered prior to the appointed date shall attract levy of GST. • Depending upon the place of supply, IFFCO shall be required to pay IGST or CGST and SGST/UTGST to the extent such leasing services provided on or after the appointed date.

<p>Currently Railway is paying lease charges at the of one percent per annum of the current cost (i.e. the actual procurement price paid or the last tendered price of similar wagons procured by Railway during the relevant period whichever is less) on quarterly basis.</p> <p>Presently IFFCO is not paying service tax/VAT on the lease charges recovered from Railways.</p> <p>The service tax department has issued show cause notice ('SCN') to IFFCO for payment of service tax on lease rent received from Railways under the taxable category of supply of tangible goods for use services. IFFCO has contested the said SCN on the following grounds.</p> <p>Since possession and control is with Railways, this is not supply of tangible goods for use service.</p>	<p>Intra State supply</p> <p>Schedule II of the CGST Act</p> <p>Schedule of GST rates for services, as approved by the GST Council</p>	
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	Since the agreement was entered prior to the date from when supply of tangible goods for use service was made taxable, no service tax is applicable on lease rent received after introduction of service tax on said services.		
	For Information & Action	UFH-Phulpur, UFH	HO Tax Comments: The earlier plea that we have transferred Right to Use to the Railways, hence out of Declared Services ambit is no longer valid now. All Transfer of Right to Use Goods for any purpose is deemed as a Service under Entry 5(f) of Schedule II and Rate of tax will be as per Sl. No.33 of the GST Services Rate Schedule. Since Contract is with Northern Railway, Delhi, this will be subject to IGST which IFFCO will have to charge.
3	Placement services provided to OMIFCO IFFCO HO has entered into an agreement with OMIFCO for providing placement services to OMIFCO.	<u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax <u>Section 9, CGST Act:</u> Levy and collection of CGST	<ul style="list-style-type: none"> • The provision of the placement services provided by IFFCO HO to OMIFCO would constitute a supply in the GST regime. • The place of supply of such service is outside India and shall constitute as export of service. • Export of services will be treated as supply in the course of inter-

	<p>OMIFCO pays consideration to IFFCO HO for the placement services provided by it.</p> <p>All personnel provided by IFFCO sign employment agreement with OMIFCO and become its employee.</p> <p>OMIFCO pays one time placement fee and on-going employment charges determined in accordance with Schedule-E of the agreement.</p> <p>Fees and all payments under this agreement is made by OMIFCO to IFFCO in US\$.</p>	<p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft GST Rules for Determination of Value of Supply</p>	<p>state trade or commerce.</p> <ul style="list-style-type: none"> Export of services will be considered as a ‘zero rated supply’. IFFCO HO would be eligible to avail ITC on inward supplies used by it in respect of the exported service. IFFCO shall have the following two options in relation to output taxes on exports: <ul style="list-style-type: none"> Export the service under bond or letter of undertaking without payment of IGST and claim refund of unutilized input tax credit. Export the service on payment of IGST and claim refund of IGST paid on service exported.
	For Information & Action	HO Books	
4	<p>Office Space to group companies</p> <p>In various IFFCO Offices, space has been given to Associates/ Subsidiaries without any consideration for the same. Such Associates/ Subsidiaries has obtained registrations at such address.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p>	<ul style="list-style-type: none"> Provision of office space by IFFCO to its associates/subsidiaries shall constitute taxable supply of services under GST regime. IFFCO will have to raise a tax invoice on its associates/subsidiaries and duly charge GST on it. As per the Valuation Rules, if the recipient is a related party and is eligible to avail full credit of tax charged in the invoice, the value declared in invoice shall be deemed to be the open market value of supply for charging GST. Therefore, any amount declared by IFFCO

		<p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules Draft GST Rules for Determination of Value of Supply</p>	<p>on the invoice raised by it shall be deemed as value of service provided by IFFCO and GST shall be chargeable on such value.</p> <ul style="list-style-type: none"> Subject to fulfilment of other conditions, the associates/subsidiaries will be entitled to input tax credit of the GST so paid.
	For Information & Action	<p>HO Books, SMAH, UFH</p>	

3. Ex-works vs. FOR

S.No	Issues	Relevant Provision	Impact
1	<p>Purchase on FOR basis</p> <p>In certain case arrangement with suppliers to purchase goods are on FOR basis.</p>	<p><u>Section 10, IGST Act:</u> Place of supply of goods other than supply of goods imported into, or exported from India</p>	<ul style="list-style-type: none"> FOR purchase is a purchase in which the transfer of title in the goods takes place at customer's premises. It is a single supply i.e. a supply of goods. The transportation service represents the supplier's obligation and is not a separate supply of services. The place of supply for FOR sale shall be the place where movement terminates for delivery i.e. customer's premises.
2	<p>Purchase on ex-works basis</p> <p>In certain case arrangement with suppliers to purchase goods are on ex-works basis.</p>	<p><u>Section 10, IGST Act:</u> Place of supply of goods other than supply of goods imported into, or exported from India <u>Section 5, IGST Act:</u></p>	<ul style="list-style-type: none"> Ex-works supply is a supply in which transfer of title in the goods takes place at the factory gate (supplier's premises) As per relevant provisions of IGST Act, where supply involves movement of goods, whether by the supplier or by the recipient or by any other person, then the place of supply of goods shall be the location of goods at the time at which movement of goods

		<p>Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p> <p>Draft Input Tax Credit Rules</p>	<p>terminates for delivery to the recipient.</p> <ul style="list-style-type: none"> • The said provision further provides that where the supply does not involve movement of goods, whether by the supplier or recipient, the place of supply shall be the location of such goods at the time of delivery to the recipient. • In case of ex-works supply, it can be said that the supply of goods concludes at the factory gate of the supplier and no movement of goods is required for such supply. In such a scenario, even if IFFCO is located outside the State of supplier, the place of supply will be within the State where the goods are located at the time of delivery to IFFCO or the carrier/ transporter engaged by IFFCO (i.e. at the factory gate of supplier). Accordingly, CGST and SGST/UTGST will be payable by on such sales. However, since IFFCO is located outside the State of supplier, IFFCO will not be able to take credit of CGST and SGST/UTGST charged. • An alternate view can also be taken that such supply includes movement of goods by IFFCO, hence place of supply will be the premises of IFFCO at which the movement of goods terminates for delivery. If this view is taken, then if IFFCO is located outside the State, it shall be an inter-State supply and IGST will be chargeable which shall be available as credit to then buyer. • As GST is based upon the principle of ‘seamless flow of credit’, it
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			<p>seems likely that the second interpretation is more reasonable. However, dispute might be raised by the department in the light of aforementioned provisions of the Act.</p>
	For Information	UFH,CCO,UCH	

4. Receipt of advance

S.No	Issues	Relevant Provision	Impact
1	In certain cases, IFFCO is receiving advance for the goods to be supplied to the co-operative societies. The amount so received is adjusted from invoice amount at time of final settlement.	<p><u>Section 2(31), CGST Act:</u> Definition of consideration</p> <p><u>Section 12, CGST Act:</u> Time of Supply of Goods</p> <p><u>Section 28, CGST Act:</u> Tax Invoice</p> <p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking Input Tax credit</p>	<ul style="list-style-type: none"> Collection of advance is considered to be the time of supply of goods, resulting into payment of GST on advances. Supply shall be deemed to have been made to the extent it is covered by the receipt. The liability to pay GST would arise in the tax period in which amount is received in bank or entered in books, whichever is earlier. Since no GST is collected separately on advance receipt, the gross amount has to be adopted to quantify the tax liability treating it as inclusive of GST. IFFCO shall issue a receipt voucher or any other document as prescribed on receipt of such advance payment in the manner prescribed. Subsequently on completion of supply IFFCO shall issue tax invoice. The revised draft invoice rules provide that the receipt voucher should <i>inter-alia</i> contain the following details: <ul style="list-style-type: none"> Name, address and GSTIN of the supplier Serial number Date of issue Description of goods/ services Rate of tax etc.
	For Information & Compliance	MKCO,MAHO,SMAH,UFH	

5. Stock transfer and inter-unit transactions

S.No	Issues	Relevant Provision	Impact
1	<p>Stock Transfer</p> <p>IFFCO is sending fertilizers manufactured in its Plants as well as imported from outside India both within the State as well as outside the State on stock transfer basis. Beside this, IFFCO is also sending other goods (such as inputs) from one location to another on stock transfer basis.</p> <p>Stock transfer of fertilizers imported from outside India, from one State to another does not attract levy of any duty or VAT/CST.</p> <p>VAT/CST is also not applicable on stock transfer of fertilizers manufactured in Plant but excise duty is being paid at the concessional rate of 1% when they are stock transferred.</p>	<p><u>Section 2 (107), CGST Act: Taxable Person</u></p> <p><u>Schedule I: Activities to be treated as Supply even if made without consideration</u></p> <p><u>Section 22, CGST Act: Persons liable for registration</u></p> <p><u>Section 25, CGST Act: Procedure for registration</u></p> <p><u>Draft Determination of Value of Supply Rules</u></p>	<ul style="list-style-type: none"> • Transfer of fertilizer/other inputs to the Plant/warehouse/depot situated in the same State and covered by a single registration, will not constitute a supply and would not attract GST. • Transfer of fertilizers/other inputs to the Plant/warehouse/depot, either situated in the same State or in other State, covered by a separate registration will constitute a supply and would attract GST (even if there is no consideration). • The supplying premises of IFFCO shall be required to raise tax invoice and discharge IGST liability on stock transfer made to the Plant/warehouse/depot located in other States and subject to fulfillment of prescribed conditions such recipient Plant/warehouse/depot shall be eligible to take credit of IGST charged. • As per the Valuation Rules, if the recipient establishment is eligible to avail full credit of tax charged in the invoice, the value declared in invoice shall be deemed to be the open market value of supply for charging GST. • However, if recipient establishment cannot claim full credit of tax charged, value of stock transfer made shall be determined in the following manner:

			<ul style="list-style-type: none"> ○ The open market value of such supply ○ If open market value is not available, then the value of supply of goods or services of like kind and quality ○ If value cannot be determined as per above, value is to be determined based on cost method (Rule 4) or reasonable means method (Rule 5), to be applied sequentially ● Alternatively, in respect of the goods, which are stock transferred, are intended for further supply by the recipient unit, the value at the option of the supplying unit shall be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to its customer not being a related party. ● Open market value of the supply of goods or services is defined as the full value in money, excluding IGST, CGST, SGST, UTGST or any Cess payable, where the supplier and recipient are not related and price is the sole consideration, to obtain such supply at the same time when the supply being valued is made. ● Supply of goods or services of like kind and quality means any other supply of goods or service or both made under similar circumstances that, in respect of characteristics, quality, quantity, functional components, materials and reputation of the goods or service or both first mentioned, is the same as, or closely or
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			substantially resembles, that supply of goods or services or both.
	For Information & Compliance	UH,MKCO,UFH,SMA H	HO Tax Comments: Stock Transfer Pricing Strategy will be separately communicated in view of the different rate structure on Inputs and Outputs of each product, Valuation Rules and the need to get refund of accumulated unutilized ITC.
2	<p>Inter-unit transactions</p> <p>Many operations are being carried on by IFFCO HO for various offices of IFFCO (such as tendering, placing PO, etc.).</p> <p>Presently such operations do not require payment of any tax.</p>	<p><u>Section 25(5), CGST Act:</u> Procedure for registration</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p>	<ul style="list-style-type: none"> • Under the GST regime, the transactions between the two establishments of an entity with different GSTNs will attract the liability for the payment of GST. • To reduce the procedural compliances and outflow due to payment of tax, IFFCO HO shall, to the extent possible, eliminate/reduce the practice of undertaking the business operations on behalf of other offices which can be undertaken by such offices.

	<p>For Information & Compliance</p>	<p>HO Books, SMAH, UFH</p>	<p>HO Tax Comments:</p> <p>This provision is also a beneficial provision since it can be used to transfer accumulated ITC at HO to various States provided the Services at HO are relatable to the States. In the initial 3-4 months, endeavor should be for all States to directly contract and minimize the practice of HO procuring Services for them. For Instance, State Internal Audit can be directly paid by States rather than first HO paying and then raising Invoice on states.</p> <p>Though there is separate ISD provision for distributing ITC on Services taken by HO, the manner of its distribution is cumbersome.</p>
<p>3</p>	<p>Training institute</p> <p>IFFCO maintains a central training institute at Gurgaon.</p> <p>Marketing officers from other States get training in this institute for which no consideration is being charged.</p>	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p><u>Section 9, CGST Act:</u> Levy and collection of CGST</p> <p><u>Section 7, IGST Act:</u> Inter State supply</p> <p><u>Section 8, IGST Act:</u> Intra State supply</p>	<ul style="list-style-type: none"> • Training provided by IFFCO Haryana to the marketing officers of other States in Gurgaon will constitute a supply and would attract GST (even if there is no consideration). • As per the IGST Act the place of supply of services in relation to training, when provided to a registered person, shall be the location of such person. • In this case the place of supply of training services provided by IFFCO Haryana shall be the States where the recipient offices are located and hence, the supply shall constitute to be an inter-State

		<p>Draft Input Tax Credit Rules</p> <p>Draft GST Rules for Determination of Value of Supply</p>	<p>supply chargeable to IGST.</p> <ul style="list-style-type: none"> The supplying premises of IFFCO shall be required to raise tax invoice and discharge IGST liability on such supply made to the offices located in other States and subject to fulfillment of prescribed conditions such other offices shall be eligible to take credit of IGST charged. As per the Valuation Rules, if the recipient establishment is eligible to avail full credit of tax charged in the invoice, any value declared in the invoice shall be deemed to be the value of supply for charging GST. Hence, in this case any value declared by IFFCO Haryana in the invoice raised by them shall be deemed to be the value of supply for charging IGST.
	For Information & Compliance	MKCO,MAHO,SMAH-Haryana	

6. Input Tax Credit

S.No	Issues	Relevant Provision	Impact
1	Input Tax credit on natural gas	<u>Section 16, CGST Act:</u> Eligibility and conditions for taking Input Tax credit Draft Input Tax Credit Rules	<ul style="list-style-type: none"> • GST on natural gas will be levied with effect from the date as notified by the Government on recommendation of the Council. • Natural gas will continue to be governed by present indirect tax legislations. • IFFCO will not be entitled to avail ITC of taxes/duties paid on natural gas.
	For Information	UFH	
2	Transfer of used capital goods	<u>Section 18 (6), CGST Act:</u> Availability of credit in special circumstances	<ul style="list-style-type: none"> • In case of supply of capital goods on which input tax credit has been taken, IFFCO shall pay an amount equal to the ITC taken reduced by the percentage points, to be specified, or the tax on transaction value of such capital goods, whichever is higher.
	For Information	UFH	

7. Vendor/ customer details

S.No	Issues	Relevant Provision	Impact
1	In a B2B transaction under the present service tax regime, it is not necessary to obtain <i>service tax registration details of the customer</i> . Such customer is in a position to take credit based on	<u>Section 16, CGST Act:</u> Eligibility and conditions for input tax credit <u>Section 31, CGST Act:</u> Tax Invoice	<ul style="list-style-type: none"> • The supplier is required to indicate GSTIN of the customer in the invoice. • The supplier is required to upload invoice wise details of the B2B transaction in the return. • The invoice details uploaded by the supplier would be

	<p>the physical copy of invoice.</p> <p>However, in the VAT invoice, the TIN No. of the buyer has to be mentioned.</p>	<p><u>Section 37, CGST Act:</u> Furnishing details of outward supplies</p> <p><u>Section 42, CGST Act:</u> Matching, reversal and reclaim of ITC</p>	<p>automatically reflected in the statement of inward supplies of the customer on the basis of GSTIN. The customer would be able to take credit of GST paid by supplier.</p> <p>Suggestion/ Action Points:</p> <ul style="list-style-type: none"> • GSTIN of the customer should be obtained and captured in the invoice and the system. Correspondingly, the GSTIN of the units which will procure goods/services from vendors should also be clearly communicated to the vendors. • Invoicing to the correct GSTIN of customer would be of extreme importance due to the peculiar nature of POS determination. • It should also initiate to obtain the details of their customers and vendors, so that complete database is readily available under GST regime.
	<p>For Information and Action</p>	<p>UCH,CCO,I&L,MKCo, SMAH,MAHO,HO Payments Cell</p>	

8. Valuation

S. No	Issues	Relevant Provision	Impact
1	Treatment of interest, late fee or penalty charged for delayed payment of any consideration for supply	<p><u>Section 12, CGST Act:</u> Time of Supply of Goods</p> <p><u>Section 15, CGST Act:</u> Value of taxable Supply</p>	<ul style="list-style-type: none"> Any interest, late fee or penalty recovered by the company from its customers for delay payment shall be included in the value of supply. Time of supply in this regard will trigger when the said interest, late fee, etc. has been received by the company.
	For Information and Compliance	MKCO, SMAH, MAHO, UFH	
2	Valuation of goods imported into India	<p><u>Section 5, IGST Act:</u> Levy and collection of Integrated Goods and Services Tax</p> <p>The Taxation Laws (Amendment) Act, 2017</p>	<ul style="list-style-type: none"> IGST on the goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975 on the value determined under the said Act. The Taxation Laws (Amendment) Act, 2017 as passed by the Lok Sabha has proposed certain amendments in Section 3 of the Customs Tariff Act, 1975. As per the proposed amendment, IGST on the imported goods shall be chargeable on the sum total of the following:

			<ul style="list-style-type: none"> • Value of the imported goods determined under Section 14(1) of the Customs Act, 1962; • Basic customs duty chargeable under Section 12 of the Customs Act, 1962; • Any sum chargeable on that article under any law for the time being in force (i.e. Customs cesses) • However, the value shall not include IGST and Compensation cess under GST.
	For Information and Compliance	MKCO,SMAH,I&L,UFH,TCO	
	For Action	TCO,MAHO	<p>HO tax Comments: In addition to above, another Contractual Issue b/w IFFCO and DOF is that Imports of Urea will now attract IGST @ 12% on Value as per Custom tariff Act (i.e the Import Price) instead of the current of CVD 1%. However, unlike CVD the credit of which is not available against VAT liability on Sale , IGST paid at the time of Imports will be allowed to be offset against CGST/SGST liability whenever the Imported Urea is finally supplied. Since subsidy is out of Valuation Net, assuming Urea worth Rs 100 in International Market is imported, the final Selling Price will be around Rs 30. Thus, out of the IGST of Rs 12 paid at the time of Importation, we will be able to recover only 12% of 30 i.e. Rs 3.6 from our buyers/ farmers. This gap of Rs 8.4 will be an additional Cost for the FME's</p> <p>The current Pool Urea Agreement with DOF covers Reimbursement of "Custom Duty, CVD etc. levied by Custom authorities along with applicable taxes at actual after deducting the amount allowed to be passed on to the farmers at MRP" . It</p>

			also states that “Any Statutory Charge levied or increased/decreased from the present level by the GOI will be examined and considered by DOF on Merits. DOF’s decision in this regard will be final and binding on the FME’s”. Similar provisions are enshrined in the Imported Urea Agreement for OMIFCO Urea too. Thus, Clarity should be sought from DOF in this regard to ensure that the unrecovered part of IGST continues to be reimbursed by DOF post GST too
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9. Tax Savings due to GST

S. No	Issues	Relevant Provision	Impact
1	IFFCO pays CST on inter-state purchase of goods, which is not eligible as ITC towards payment of output taxes. Further, CST is calculated on the sum of basic price of goods plus excise duty thereon. Hence there is cascading effect of taxes.	<u>Section 5, IGST Act:</u> Levy and collection of IGST <u>Section 49, CGST Act:</u> Payment of Tax, Interest, Penalty and other amounts	<ul style="list-style-type: none"> • IGST will be payable on inter-state supply of goods. • The company would be able to avail ITC of IGST paid on procurement of goods. The same can be utilized for the payment of IGST, CGST and SGST/UTGST on outward supplies. • The cascading effect shall be removed because IGST would be calculated on the basic price of goods.
	For Action	UFH,HO Books,SMAH,MAHO	HO Tax Comments: Impact on Accounting: GST paid on all Inputs, Capital Goods and Services would have to be separately accounted so that transparent trail of Output Tax Charged, Set off with ITC and Paid is maintained. ICAI’s Guidance on this may be kept track of.

			<p>Taxes on Natural Gas may continue to be accounted as earlier. Further, pros/cons of the Option to avail Depreciation under Income Tax Vs. ITC would be evaluated subsequently based on the need of ITC for each Plant.</p>
2	<p>IFFCO pays VAT on domestic intra-state procurements, on which ITC is generally available.</p> <p>However, in certain cases, credit of VAT paid is not available to the company due to nature of the goods procured such as office equipment etc. Further, cenvat credit of excise duty is also not available on the goods which have no nexus with the manufacturing activity.</p>	<p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking input tax credit</p>	<ul style="list-style-type: none"> • CGST Act allows credit of input tax charged on all goods and services which are used or intended to be used in the course or furtherance of business. • Therefore, the excise and VAT component which was earlier forming part of cost due to restrictions under excise law and VAT law, will now be available as credit if such goods are used in the course or furtherance of business in the GST regime.
3	<p>Opening up of Credit in respect of procurements made at HO</p>	<p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking input tax credit</p>	<ul style="list-style-type: none"> • Presently, on inputs and capital goods procured at the HO, taxes paid become part of cost as there is no output tax liability in respect of such offices. • Under GST regime, activities undertaken by HO will be deemed to be a supply and GST will be charged. Therefore, GST paid on the inputs, capital goods, and input services will be available.

	For Information	CCO,UCH,UFH	HO Tax Comments: In addition to these provisions, one may keep in mind the Anti-Profiteering Provision contained in S.171 of the CGST/SGST Acts which enjoin every Supplier to pass on any reduction in rate of tax or benefit of Input tax credit hitherto not available by way of reduction in prices to the Consumer. These may be used to negotiate with Vendors.
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10.Sales and Purchase Returns

S.No	Issues	Relevant Provision	Impact
1	<p>Sales made by IFFCO may be returned by the customers in the following situations:</p> <ul style="list-style-type: none"> - Excess quantity sold - Quality issue - Incorrect product 	<p><u>Section 34, CGST Act:</u> Credit and Debit Notes</p>	<ul style="list-style-type: none"> • Section 34 provides that where a tax invoice has been issued for supply of any goods and where the goods supplied are returned by the recipient, the registered person, who has supplied such goods, may issue to the recipient a credit note containing such particulars as may be prescribed. • IFFCO will have to issue credit note if any goods supplied by them are returned by the recipient and disclose details of the same in GSTR-1 for the month in which the credit note is raised. • Recipient has to reverse the credit taken earlier, basis which IFFCO will be able to adjust their tax liability.
	For Information & Action	MKCO,MAHO,SMAH	

2	<p>The procurements made by IFFCO may be returned to vendor due to reasons such as:</p> <ul style="list-style-type: none"> - Quality rejections - Improper quantity delivered - Incorrect product 	<p><u>Section 34, CGST Act: Credit and Debit Notes</u></p>	<ul style="list-style-type: none"> • The provisions mentioned above in case of sales return would apply in a similar fashion to purchase returns made by IFFCO. However, credit notes can be reported only by the supplier. In this case, debit note cannot be raised by IFFCO. • IFFCO would have to accept, modify or delete the credit note details that would be auto-populated in its GSTR-2 return. • IFFCO has to reverse the credit taken earlier.
	<p>For Information</p>	<p>CCO,UCH,UFH,SMA H</p>	

11. Other Transactions

S.No	Issues	Relevant Provision	Impact
1	E-way Bill	<u>Draft e-way bill</u>	<ul style="list-style-type: none"> • CBEC has issued draft e-way bill rules which provide for generation of e-way bill in certain situations. E-way bill shall be required for inter-State as well as intra-State movement. • Main provisions of e-way bill rules are as following: <ul style="list-style-type: none"> (A) Requirement to generate e-way bill <ul style="list-style-type: none"> - E-way bill shall be generated if value of consignment to be moved is more than <u>Rs. 50,000/-</u> - E-way bill is required for movement of goods in relation to supply, for reason other than supply and inward supply from unregistered persons.

			<p>(B) <u>Persons required to generate e-way bill</u></p> <ul style="list-style-type: none"> - Registered person who causes movement of goods shall furnish information in Part A of Form GST INS-01 on common portal. Where the goods are supplied by an unregistered supplier to a recipient who is registered, the movement shall said to be caused by such recipient. - Registered person or recipient may generate e-way bill in Form GST INS-1 after furnishing information in Part B of Form GST INS-01 - If e-way bill is not generated as above, transporter shall generate e-way bill based on information provided by registered person - Where the <u>movement is caused by an unregistered person</u>, either in his own conveyance or a hired one or through a transporter, he or transporter may, at their option, generate the e-way bill. <p>(C) Validity of e-way bill shall depend upon the distance to be covered by underlying goods and varies from 1 day to 15 days.</p> <p>(D) An e-way bill can be cancelled within 24 hours of its generation if goods are not transported as such or not transported as per details furnished. However, e-way bill cannot be cancelled if the</p>
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			<p>same has been verified by proper offices in transit.</p> <p>(E) Details of e-way bill generated shall be made available to registered recipient on common portal, who shall communicate his acceptance or rejection within 72 hours as otherwise, it shall be deemed that he has accepted the said details.</p> <p>(F) Upon generation of the e-way bill, a unique e-way bill number (EBN) shall be available on the common portal.</p> <p>(F) The person-in-charge of the conveyance shall carry:</p> <ul style="list-style-type: none"> - Invoice or bill of supply or delivery challan; and - Copy of e-way bill or EBN, either physically or mapped to a RFID (Radio Frequency Identification Device) embedded on to the conveyance. <p>(G) An <u>invoice reference number (IRN)</u> can be obtained by registered person by uploading a tax invoice on common portal and the same can be produced for verification in lieu of tax invoice.</p> <p>(H) Authorized officers can intercept any conveyance and verify e-way bill or e-way bill number in physical form for all inter-State and intra-State movement of goods.</p>
	<p>For Information</p>	<p>CCO,UCH,UFH,SMA H</p>	<p>HO Tax Comments: E way Bill Rules have a lot of grey areas, their implementation is likely to be deferred beyond July 1.</p>

2	Availability of credit only upon payment of GST by supplier	Section 16, CGST Act: Eligibility and conditions for taking input tax credit	<ul style="list-style-type: none"> • One of the conditions for availment of credit is that the tax charged is actually paid to the Government. <p>Suggestions:</p> <ul style="list-style-type: none"> • In order to safeguard itself, IFFCO may take the following steps: <ul style="list-style-type: none"> - Contract to specify that GST will be payable to suppliers only upon uploading of correct returns by them and availability of credit to the company (by 10th of next month). - Bank Guarantees/Security deposits to be taken to safeguard GST Credit amount - In case credits are disallowed to the Company end due to any incorrect furnishing of returns, deposition of GST etc. by supplier, same will be recoverable from them along with appropriate interest and penalty, as applicable. • Service Orders raised on service provider must have clear direction to vendor as to which GSTIN No. to be mentioned on Invoice and uploaded on GST Portal.
	For Information, Action and Compliance	UFH,UCH,UH,MAHO, SMAH,HO FC(Finance Concurrence)	HO Tax Comments: Since the availability of ITC is contingent on correct data uploading by the Vendors, all Procurement Contracts must contain clauses to recover Interest levied on us due to delay in uploading correct

			Invoice details etc. on the GSTN by our Vendors and recovery of Full Tax amount in case of default in payment of tax by the Supplier.
	For Information and Action	HR- Head Office	<p>HO Tax Comments: In terms of GST Law, for any purchase of Services, Input Tax Credit will be available to the concerned IFFCO State only when the Tax Invoice by the Supplier bearing IFFCO State's Registration No, with correct Amount, Amount of Tax is uploaded by the Supplier in its Outward Supply Return. In other words, on any Expense where the Bill is not in name of IFFCO, ITC will not be available to IFFCO. At the same time, in view of the practicalities of some situations/materiality, insistence on this for all types of Petty Expenses will also not be advisable.</p> <p>Suitable modifications may have to be done in Travel/ Other employee Reimbursement policies mandating that the Reimbursements will be done only when the Invoices are in the name of IFFCO States to ensure that this "lost ITC" remains within limits.</p>
3	Whether goods should be purchased from persons not registered under GST or persons who have opted for composition scheme?	<p><u>Section 9, CGST Act:</u> Levy and collection</p> <p><u>Section 31, CGST Act:</u> Tax Invoice</p>	<ul style="list-style-type: none"> • Unregistered persons will not be eligible for ITC of GST paid on its capital goods/input/input services. Therefore, cost of goods purchased from unregistered person are likely to higher than the purchases made from person registered under GST. • Further, in case of purchase of taxable goods from unregistered dealers, the liability to pay tax, issuance of tax invoice and issuance of payment voucher will be upon the recipient. The

			<p>details of the such invoices will have to be uploaded by the recipient in its GSTR-2.</p> <ul style="list-style-type: none"> Similarly, the price of goods/services purchased from composite dealers will be higher. Such dealers will not issue tax invoice but will include the tax amount paid by them under the composition scheme in the price of goods/ services. <p>Suggestions:</p> <ul style="list-style-type: none"> Commercial team to ensure that goods should not be purchased from unregistered persons/ composite dealers to the extent possible.
	<p>For Information and Compliance:</p>	<p>UFH,UCH,UH,MAHO, SMAH,HO FC(Finance Concurrence)</p>	<p>HO Tax Comments:</p> <p>As explained above, in terms of the GST Law, for purchase of Goods and Services from Unregistered Dealers, the liability of payment on GST will be on the Service/goods recipient.(Reverse Charge). Further, Payment Vouchers in respect of them in prescribed format will have to be issued by the Recipient. In other words, the cost of dealing in terms of taxes with a registered person and unregistered person would be the same, however the Compliance burden in term of Payment of taxes, filing of Reverse Charge Returns will be more</p> <p>All concerned in Procurement and Contracting be sensitized to this so that the Bid Comparison is done accordingly. Further in view of the increased compliance</p>

			burden on IFFCO in case of Unregistered Person Supplies, except in critical cases or petty procurement, such purchases should be avoided.
4	Waste of goods generated during process of production of finished goods is sold as scrap by company	Section 9, CGST Act: Levy and collection	<ul style="list-style-type: none"> Under GST, the concept of manufacture is not relevant for determining tax chargeability. Supply of waste against consideration shall attract GST.
	For Information and Compliance	UFH	
5	Purchase of Electricity		<ul style="list-style-type: none"> There is no mention of regarding the applicability of GST on electricity in the Act. However, the entry in Schedule VII of the Constitution which provides for levy of electricity duty has not been amended. It means electricity duty will be payable on electricity. FAQ released on 01 April 2017 provides that electricity has been kept outside the scope of GST. Thus, it seems that GST will not be applicable on supply of electricity. In view of the same, cost of electricity is likely to increase due to following factors: <ol style="list-style-type: none"> No Input Tax Credit of GST paid on Goods/Services used by such industries High Rate of GST on service comparing with present rate of Service Tax
	For Information and Compliance	UFH	HO Tax Comments: The status of Electricity in GST is bit of Grey Area since

			<p>legally it is included in the definition of Goods and has not been excluded under Schedule III like Land. However, in in a reply before a Select Committee of the Rajya Sabha, the Union Government clarified that historically taxes on electricity have been treated differently from taxes on Goods and Services and hence, Electricity has never been considered for inclusion in GST. CBEC's FAQ also confirms this. Hence, the current taxes on it would continue without benefit of ITC on it.</p> <p>Units may also note that Cess on Coal which will be levied under the GST Cess Law would be available for ITC against our Output Tax Liability in terms of S. 2(g) of GST (Compensation to States) Act, 2017.</p>
6	<p>Payment of incentive to the Employees of retailing agencies</p> <p>IFFCO is making payment of incentive to staff of retailing agencies on sale of water soluble fertilizers. Objective of paying such incentive is to motivate the staff of retailing agencies to achieve higher level of sales.</p>	<p><u>Section 9, CGST Act:</u> Levy and collection</p>	<ul style="list-style-type: none"> • Incentive paid to the staff of retailing agencies has no direct relation with the supply made by IFFCO to the retailing agency and would not be regarded as a discount given by IFFCO. • Such incentive shall be treated as consideration for promotional services provided by employees of the retailing agencies to IFFCO. • As such employees of the retailing agencies would not be registered under the GST legislation, IFFCO would be liable for discharging GST liability as the recipient of supply under the

			reverse charge. IFFCO would also be required to issue tax invoice in respect of such supply.
	For Information and Compliance	MKCO,SMAH,MAHO	HO Tax Comments: In terms of the GST Law, for purchase of Goods and Services from Unregistered Dealers, the liability of payment on GST will be on the Service/goods recipient.(Reverse Charge). Further, Payment Vouchers in respect of them in prescribed format will have to be issued by the Recipient. In other words, the cost of dealing in terms of taxes with a registered person and unregistered person would be the same, however the Compliance burden in term of Payment of taxes, filing of Reverse Charge Returns will be more. Some of the post-sale Discounts in the internal Notes are referred as Storage Rebates. Similarly, some Incentives are given to Non employees w.r.t WSF Fertilisers.
			Based on the need of sale Promotions, the incentives may continue , however since those employees are likely to be unregistered, the concerned IFFCO State will have to pay GST on Reverse Charge basis . Terminology like Storage Rebates in Internal Notes should be avoided since this may be interpreted by the Revenue Department as purchase of Storage Service from them and likely implication on us if they are unregistered.
7	Supply of Material on Loan IFFCO is supplying and procuring construction material on loan basis	<u>Section 7, CGST Act:</u> Definition of Supply <u>Section 9, CGST Act:</u> Levy and collection	<ul style="list-style-type: none"> • The definition of supply provided under the CGST Act specifically cover barter transactions. • Both the supply and return of construction material by IFFCO / IKBLL will qualify as the supply of goods which will attract levy

	<p>from its subsidiary company IFFCO Kisan Bazar & Logistics Limited (hereinafter referred to as 'IKBLL'). Subsequently, IKBLL/IFFCO returns the construction material to IKBLL/IFFCO, as the case may be. Both the companies are recording such activity in their books of accounts. IFFCO/IKBLL is treating this arrangement as barter transaction and are not paying any tax on such activity.</p>	<p><u>Section 10, IGST Act:</u> Place of supply of goods</p>	<p>of CGST and SGST (since both IFFCO and IKBLL are located in the same State).</p>
	<p>For Information and Compliance</p>	<p>UFH- Kandla, CFO, IKBLL</p>	
8	<p>Transportation of the fertilisers by rail</p> <p>IFFCO is using the services of Indian Railways for transportation of fertilizers. Indian Railway is currently not charging service tax on the freight amount due to availability of exemption on transportation of</p>	<p><u>List of exemptions for services decided by GST Council</u></p> <p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking input tax credit</p>	<ul style="list-style-type: none"> • Unlike the present regime, exemption on transportation of chemical fertilizers by rail is not available. Therefore, transportation services provided by Indian Railway to IFFCO will attract levy of GST. • Subject to fulfilment of prescribed conditions, IFFCO will be eligible to avail the credit of GST paid.

	fertilizers by rail.		
	For Information	UFH,SMAH	
9	<p>Demurrage charges paid to Indian Railways</p> <p>IFFCO is getting the fertilizers transported through Indian Railway. Due to delay in loading or unloading of the fertilisers within the given time, Indian Railway charges the demurrage charges from IFFCO. Presently no service tax is charged by the Indian railways on this demurrages charges recovered by them.</p>	<p><u>List of exemptions for services decided by GST Council</u></p> <p><u>Section 16, CGST Act: Eligibility and conditions for taking input tax credit</u></p> <p><u>Section 15, CGST Act: Value of taxable supply</u></p>	<ul style="list-style-type: none"> Demurrage charges recovered by Indian Railways will be treated as part of consideration charged for providing transportation services and hence, attract levy of GST. IFFCO will be eligible to take the credit of GST paid on such demurrage charges subject to fulfilment of prescribed conditions.
	For Information	UFH,SMAH	
10	<p>Transportation of fertilizers by Road</p> <p>IFFCO is using the services of goods transportation agency for transportation of fertilisers. Goods transportation agencies are currently not charging service tax on the freight amount due to availability of</p>	<p><u>List of exemptions for services decided by GST Council</u></p> <p><u>Section 16, CGST Act: Eligibility and conditions for taking input tax credit</u></p>	<ul style="list-style-type: none"> Unlike the present regime, exemption on transportation of chemical fertilizers by a goods transport agency is not available. Therefore, transportation services provided by a goods transport agency to IFFCO will attract levy of GST. Subject to fulfilment of prescribed conditions, IFFCO will be eligible to avail the credit of GST paid.

	exemption on transportation of fertilisers by goods transport agency.		
	For Information and Action	UFH,SMAH	HO Tax Comments: SI. No. 76 of the GST Rate Schedule and SI. No. 2 of the Reverse Charge Services may be kept in mind.
11	Freight Subsidy Department of Fertilizers is paying freight subsidy to IFFCO for primary and secondary movement of goods. IFFCO is not paying any tax on the freight subsidy received form the Department of Fertilizers.	<u>Section 15, CGST Act:</u> Value of taxable supply	<ul style="list-style-type: none"> Subsidies received from the Central Government and State Government is to be excluded for determining the value of supply. Freight subsidy received by IFFCO from the Department of fertilizers will not attract levy of GST.
	For Information	UFH,SMAH	
12	FOC material supplied to the contractor IFFCO is awarding works contract at various units. IFFCO is supplying certain goods which are required in the execution of such works contract to the contractors	<u>Section 15, CGST Act:</u> Value of taxable supply	<ul style="list-style-type: none"> We understand that supply of FOC material to the contractor is condition to the contract. Further, the valuation provisions, as contained currently provided in the GST legislation, does not require inclusion of FOC material supplied by the recipient to the works contractor in value of works contract service provided by the contractor. Hence, FOC material supplied by IFCCO to the works contractor

	on free of cost basis ('FOC') basis.		shall not attract levy of GST.
	For Information	UFH,SMAH, HO-Finance Concurrence	HO Tax Comments: IFFCO's liability to supply FOC Material should be clearly documented in the Contract else S.15(2)(b) would apply and the FOC Material Value may be included in the GST Valuation. In case IFFCO is supplying on Chargeable basis, the same shall be chargeable to GST.
13	Issuance of debit note in respect of purchases In respect of purchases made, IFFCO raises debit note on its supplier in following cases: (a) Purchase rate difference (b) On account of quality deviation (c) On account of short receipt of	<u>Section 34, CGST Act:</u> Credit and debit notes	<ul style="list-style-type: none"> • Under GST, there is no requirement to issue debit note while making advance payment to supplier. A receipt voucher is required to be issued for the said purpose. • For issuance of debit note for reasons other than advance payment, relevant provisions are contained in Section 34 of CGST Act. As per the said provision, a registered supplier of goods/service may issue to the recipient a debit note if the taxable

	<p>material</p> <p>(d) Advance payment for supplies</p> <p>Is there any specific provision relating to issuance to debit note in GST?</p>		<p>value or tax charged in the tax invoice is found to be less than the taxable value or tax payable.</p> <ul style="list-style-type: none"> • Here it is pertinent to note that under GST, debit note can be issued only by supplier. • It is pertinent to note that if the vendors of IFFCO want to claim tax adjustments on account of re-negotiation of prices due to reasons such as rate difference, quality deviation, shortages etc., the existing practice of issuing debit note will have to be changed and IFFCO should ask its suppliers to issue credit note. In order to claim the tax adjustment, the credit note will have to be reported by the vendors in their returns and the same should be accepted by IFFCO in the returns filed by it. IFFCO will have to reverse the credit taken earlier, basis which the vendors will be able to adjust their tax liability.
	<p>For Information and Compliance</p>	<p>CCO,UCH,UFH</p>	
<p>14</p>	<p>Issuance of debit/credit note to customers/dealers</p> <p>In respect of sales made, IFFCO issues debit/credit note to its customers/dealers for following reasons:</p> <p>(a) Rate difference of sales price.</p>	<p><u>Section 15, CGST Act:</u> Value of taxable supply</p> <p><u>Section 34, CGST Act:</u> Credit and debit notes</p>	<ul style="list-style-type: none"> • As discussed above, there is no requirement under GST to issue debit/credit note for advances received. • For detailed discussion on the matter, please refer to Sl.no. 5 “Receipt of advance” of specific points of impact. <p>Increase in sale price/interest on delayed payments</p> <ul style="list-style-type: none"> • In case there is an increase in the sale price of the goods on

	<p>(b) Credit note for various types of discounts, say quota discount, cash discount, special discount and contractual discount etc.</p> <p>(c) Receipt of advance</p> <p>(d) Charging interest for delay in receipt of sales proceeds.</p>		<p>account of price variation clause, then IFFCO will have to raise a debit note and pay additional tax on the differential amount.</p> <p>Further, in case IFFCO is recovering and late fees or interest from its customers on account of delay in payments, IFFCO will have to issue a debit note and discharge GST on such amount of late fees or interest.</p> <p>Post-Supply Discounts</p> <ul style="list-style-type: none"> As far as credit notes are issued for passing on the benefit of discount to customer, output tax liability of IFFCO shall be reduced only if: <ul style="list-style-type: none"> (i) Such discount is pre-determined and specifically linked to relevant invoice (ii) Proportionate input tax credit has been reversed by the buyer.
	For Information and Compliance	MKCO, MAHO, SMAH	

12. Anti-profiteering

S.No	Issues	Relevant Provision	Impact
1	Anti-Profiteering measure	<u>Section 171, CGST Act:</u> Anti Profiteering measure	<ul style="list-style-type: none"> According to CGST Act, any benefit of input tax credit or reduction in the price on account of reduction in tax rate of goods/services shall be passed on to the customer.

			<ul style="list-style-type: none"> • For this purpose, the Central Government may constitute an authority or empower any existing authority. <p>Suggestion/Action Points:</p> <ul style="list-style-type: none"> • IFFCO to ensure that the benefit of credit of taxes which were not available under the earlier law, is passed on to the customer by way of reduction in price of commodity. • The same may require revision in selling prices of products.
	<p>For Information and Compliance</p>	<p>MKCO, C&P Cell-HO</p>	