



केंद्रीय वस्तु एवं सेवाकर एवं सीमा शुल्क, आयुक्त वड़ोदरा-II का कार्यालय,
केंद्रीय उत्पाद शुल्क भवन, सुभानपुरा, एलोरा-पार्क, वड़ोदरा-390023

ट्रेड नोटिस नं : 06/2017/VAD-II

दिनांक : 31.07.2017

**विषय : BOARD'S CIRCULARS/INSTRUCTIONS RELATING TO IGST, ACT 2017 -
REG.**

उपरोक्त विषय पर निदेशक, भारत सरकार, वित्त मंत्रालय, राजस्व विभाग, उत्पाद एवं सीमा शुल्क केंद्रीय बोर्ड, नई दिल्ली द्वारा निम्नलिखित परिपत्र जारी किये गए हैं | इन परिपत्रों की प्रतिलिपि सूचना, मार्गदर्शन एवं कार्यवाही के लिये प्राप्त करें |

क्रमांक	परिपत्र सं. एवं दिनांक	विषय
1.	1/1/2017-IGST dtd. 07.07.2017	Clarification on Inter-state movement of various modes of conveyance, carrying goods or passengers for repairs and maintenance - reg.
2.	1/1/2017-Compensation Cess dtd. 26.07.2017	Clarification regarding applicability of section 16 of the IGST Act, 2017 relating to zero rated supply for the purpose of Compensation Cess on Exports - reg.

सभी सम्बन्धित संगठनो/कार्यालयों से अनुरोध है की वे परिपत्रों की जानकारी अपने सभी सदस्य निर्माताओं एवं व्यापारियों को दें |

आशिर

(आशिर त्यागी)

आयुक्त

वड़ोदरा, दि. 31.07.2017

फा.सं. IV/16-25/Vad-2/T/2016-17

संलग्न : यथोपरी |

प्रतिलिपि :

1. उपायुक्त/सहायक आयुक्त, मण्डल - हलोल-I, हलोल-II, हलोल-III, सावली-देसर, मंजुसर, भरूच-I, भरूच-II, अंकलेश्वर-I, अंकलेश्वर-II, झगडिया, पनोली केंद्रीय वस्तु एवं सेवाकर एवं सीमा शुल्क, वड़ोदरा-II |

2. सभी अनुभाग प्रमुख, मु. केंद्रीय वस्तु एवं सेवाकर एवं सीमा शुल्क, वड़ोदरा-॥ ।
3. सहायक आयुक्त (सिस्टम), आयुक्तालय की वेबसाइट पर अपलोड करने हेतु ।
4. आयुक्तालय में उपलब्ध ट्रेड एसोसिएशन की मेलिंग सूची के अनुसार (सिर्फ ईमेल के द्वारा) ।
5. ऑफिस कॉपी / गार्ड फाइल.

F. No. 354/119/2017 –TRU (Pt)
Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit

North Block, New Delhi
Dated the 7th of July, 2017

To,

The Principal Chief Commissioner/Chief Commissioners/ Principal Commissioner/
Commissioner of Central Tax (All) / Director General of Systems

Subject: Clarification on Inter-state movement of various modes of conveyance, carrying goods or passengers or for repairs and maintenance- regarding.

The issue relating to levy of IGST exemption on inter-state movement of various modes of conveyance, carrying goods or passengers or for repairs and maintenance, between distinct persons as specified in section 25(4) of the Central Goods and Services Tax Act, 2017, carrying goods or passengers or both; or for repairs and maintenance, [except in cases where such movement is for further supply of the same conveyance] has been examined.

2. In the above context, the legal provisions in GST laws are as under:

- a) As per section 24 (1) (i) of the Central Goods and Services Tax Act, 2017, persons making any inter-State taxable supply shall be required to be registered under this Act.
- b) As per section 25(4) of the said Act a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.
- c) Schedule I to the said Act specifies situations where activities are to be treated as supply even if made without consideration which also includes supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business
- d) Section 7 (2) envisages that activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.

3. Against the above background, the issue of inter-state movement of goods like movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the said Act, not involving further supply of such conveyance, including-

- i. Trains,
- ii. Buses,
- iii. Trucks,

- iv. Tankers,
- v. Trailers,
- vi. Vessels,
- vii. Containers,
- viii. Aircrafts,

(a) carrying goods or passengers or both; or (b) for repairs and maintenance, [except in cases where such movement is for further supply of the same conveyance] was discussed in GST Council's meeting held on 11th June, 2017 and the Council recommended that such inter-state movement shall be treated 'neither as a supply of goods or supply of service' and therefore not be leviable to IGST.

4. In view of above, it is hereby clarified that "the inter-state movement of goods like movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the Central Goods and Services Tax Act, 2017, including the ones specified at (i) to (viii) of para 3, may not be treated as supply and consequently IGST will not be payable on such supply.

5. However, applicable CGST/SGST/IGST, as the case may be, shall be leviable on repairs and maintenance done for such conveyance.

(Ruch Bisht.)
Under Secretary (TRU)

Circular No.1 /1/2017-Compensation Cess

F.No.354/136/2017-TRU
Government of India
Ministry of Finance
Department of Revenue
(Tax Research Unit)

New Delhi, Dated 26th July, 2017

To

Principal Chief Commissioners/Principal Directors General,
Chief Commissioners/Directors General,
Principal Commissioners/Commissioners,
All under CBEC.

Madam/Sir,

Subject: Clarification regarding applicability of section 16 of the IGST Act, 2017, relating to zero rated supply for the purpose of Compensation Cess on exports – Regarding.

The issue of zero rating of exports with reference to Compensation Cess has been examined.

2. In this regard section 8 of the Goods and Services tax (Compensation to States) Act, 2017 hereinafter referred to as [GSTC Act, 2017] provides for levy and collection of Compensation Cess and reads as under:

“8. (1) There shall be levied a cess on such intra-State supplies of goods or services or both, as provided for in section 9 of the Central Goods and Services Tax Act, and such inter State supplies of goods or services or both as provided for in section 5 of the Integrated Goods and Services Tax Act, and collected in such manner as may be prescribed, on the recommendations of the Council, for the purposes of providing compensation to the States for loss of revenue arising on account of implementation of the goods and services tax with effect from the date from which the provisions of the Central Goods and Services Tax Act is brought into force, for a period of five years or for such period as may be prescribed on the recommendations of the Council:

(2) The cess shall be levied on such supplies of goods and services as are specified in column (2) of the Schedule, on the basis of value, quantity or on such basis at such rate not exceeding the rate set forth in the corresponding entry in column (4) of the Schedule, as the Central Government may, on the recommendations of the Council, by notification in the Official Gazette, specify.”

3. Accordingly, based on the recommendation of GST Council, the effective rates of Compensation Cess leviable on various supplies, stand notified vide Notification No.1/2017-Compensation Cess (Rate).

4. Further, as per sub-section (5) of section 7 of IGST Act, 2017, supply of goods or services or both, when the supplier is located in India and place of supply is outside India, will be treated as inter-state supply. Therefore, exports being inter-state supplies, they will be liable to Compensation Cess. This however will not be in line with the principle that no taxes be exported, and exports have to be zero rated.

5. Provisions relating to zero rating of exports are

“16. (1) “zero rated supply” means any of the following supplies of goods or services or both, namely: –

(a) export of goods or services or both; or

(b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.

(3) A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely: —

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied,

in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder”.

6. Moreover, the section 11 of the Goods and Services tax (Compensation to States) Act, 2017, provides that:

11. (1) The provisions of the Central Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, as far as may be, mutatis mutandis, apply, in relation to the levy and collection of the cess leviable under section 8 on the intra-State supply of goods and services, as they apply in relation to the levy and collection of central tax on such intra-State supplies under the said Act or the rules made thereunder.

(2) The provisions of the Integrated Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, mutatis mutandis, apply in

relation to the levy and collection of the cess leviable under section 8 on the inter-State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made thereunder:

Provided that the input tax credit in respect of cess on supply of goods and services leviable under section 8, shall be utilised only towards payment of said cess on supply of goods and services leviable under the said section.

7. Therefore, sub-section (2) of section 11 of the Goods and Services tax (Compensation to States) Act, 2017 provides that provisions of Integrated Goods and Services Tax Act, and the rules made thereunder, shall, mutatis mutandis, apply in relation to the levy and collection of the cess leviable under section 8 on the inter-State supply of goods and services, as they apply in relation to the levy and collection of integrated tax on such inter-State supplies under the said Act or the rules made thereunder.

8. In view of the above, it is hereby clarified that provisions of section 16 of the IGST Act, 2017, relating to zero rated supply will apply mutatis mutandis for the purpose of Compensation Cess (wherever applicable), that is to say that:

- a) Exporter will be eligible for refund of Compensation Cess paid on goods exported by him [on similar lines as refund of IGST under section 16(3) (b) of the IGST, 2017]; or
- b) No Compensation Cess will be charged on goods exported by an exporter under bond and he will be eligible for refund of input tax credit of Compensation Cess relating to goods exported [on similar lines as refund of input taxes under section 16(3) (a) of the IGST, 2017].

9. All concerned are requested to acknowledge the receipt of this circular.

10. Trade Notice/Public Notice to be issued. Difficulty if any, in the implementation of the circular should be brought to the notice of the Board. Hindi version would follow.

Yours faithfully,

(Devranjan Mishra)
Technical Officer (TRU)