



**OFFICE OF THE CHIEF COMMISSIONER**

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C.No. IV/16/40/2017-CC(HZ)-Tech PF-3

DATE: 21.02.2018

**MINUTES OF THE MEETING OF THE REGIONAL ADVISORY COMMITTEE,  
HYDERABAD ZONE HELD ON 30.01.2018**

Meeting of the Regional Advisory Committee (RAC) of Hyderabad Zone was held on 30.01.2018 at 16.00 hrs in the Conference Hall, 1<sup>st</sup> Floor, GST Bhavan, Hyderabad for the fourth quarter ending December 2017. The meeting was presided over by Shri. Bankey Behari Agrawal, Chief Commissioner of Goods and Service Tax & Customs, Hyderabad Zone, Hyderabad and was attended by the following Members of Regional Advisory Committee :

1. Shri Gowra Srinivas, Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI)
2. Dr.Hanumantha Rao, Federation of Telangana Small Scale Industries Association (FETSIA).
3. Shri M.S.V. Krishna, Medak Small Scale Entrepreneurs Association
4. Shri Tulasi D. Prasad, Air Cargo Agents Association of India (ACAAI)
5. Shri Adil Khan & Shri T. Abhimanyu, Customs Brokers Association
6. Shri Abdul Aleem, Telangana & Andhra Plastics Manufacturers Association

2) Following Departmental Officers were also present:-

1. Shri Anil Kumar Jain, Principal Commissioner, Hyderabad Customs Commissionerate , Hyderabad.
2. Shri Naresh Penumaka, Principal Commissioner, Hyderabad GST Commissionerate , Hyderabad.
3. Shri M. Srinivas, Commissioner, Medchal GST Commissionerate, Hyderabad.
4. Shri A.R.S. Kumar, Commissioner, Ranga Reddy GST Commissionerate, Hyderabad.
5. Shri Sunil Jain, Commissioner, Secunderabad GST Commissionerate, Hyderabad.
6. Shri Dr.D.Purushotham, Commissioner, Audit – II Commissionerate, Hyderabad.
7. Shri. S. Faheem Ahmed, Commissioner, Audit-I Commissionerate, Hyderabad.
8. Shri. Ch. Venkat Reddy, Additional Director General, DGGST, Southern Zonal Unit, Chennai.
9. Shri. K. Bala Kishan Raju, Additional Commissioner, Medchal GST Commissionerate, Hyderabad.
10. Ms. G. Rashmi, Joint Commissioner, Customs Commissionerate, Hyderabad.
11. Shri Raghu Kiran, Joint Commissioner, Medchal GST Commissionerates, Hyderabad.
12. Shri D. Sai Ramesh, Assistant Commissioner, CCO, Hyderabad Zone, Hyderabad.

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13. Shri Ravi Jarpula, Assistant Commissioner, CCO, Hyderabad Zone, Hyderabad.
14. Shri M.V.S.N. Vamsidhar, Superintendent, CCO, Hyderabad zone, Hyderabad.
15. Dr. T.M. Kothandaraman, S.I.O, DGGST, Southern Zonal Unit, Chennai.

3) The Chief Commissioner welcomed all the members/participants of the Regional Advisory Committee (RAC) for the Organized Sector and Small Scale Industries of Hyderabad Zone to the meeting.

Thereupon the following agenda points were taken up for discussion:-

**3.1) Points sponsored by FTAPCCI, Hyderabad.**

**a) M/s.Suryalata Spinning Mills Ltd**

**Point No. 1 :** “Even after SIX months of GST induction, the refunds for exporters are not clearing.”

**Point No. 2 :** “Exports made without payment of IGST is required to file RFD 01A and other supporting documents for claim of Input credits against the said exports. We understood that even the notification & procedure for claims are specified, but the department officials do not have any communication for issue refunds till date.”

**Reply** – For claiming refund of the ITC accumulated on account of exports, in terms of the Circular No.17/17/2017-GST dated 15.11.2017 read with 24/24/2017 dtd: 21.12.2017, the Taxpayer has to submit print out of ARN generated by filing the claim in FORM GST RFD-01A on GSTN portal, to the jurisdictional proper officer, along with all necessary documentary evidence as applicable.

All the field formations have been directed to accord high priority with respect to processing of refund applications and asked to dispose of the claims, as per the guidelines in the said circulars mentioned above. As a large number of claimants are yet to file the ARN and the physical copies of RFD 01A, the applicants were informed by e-mails and SMS to file the refund claim physically to the jurisdictional officers.

**Point No. 3 :** “In case of Inverted Duty cases, the refund shall be claimed through RFD 01 form which was not placed till date in the system, as such panic situation is arising due to blockage of working capital funds.”

**Reply-** Circular No. 24/24/2017 dated 21.12.2017 was issued on Manual filing and processing of refund claims on account of inverted duty structure, deemed exports and excess balance of electronic cash ledger by CBEC (GST policy wing). Further, the relevant functionality was also made operational during the last week of December 2017 on GST portal for claiming refund of ITC accumulated on account of inverted tax structure.

**Point No. 4 :** “IGST paid for procurement of Capital Goods against EPCG licence and claim refund of IGST paid, for which till date not specified any form

and procedure. Clarity is required on this matter to proceed for Capital equipment procurements against EPCG licences. Delay on this matter may lead to implication on Industrial Developments.”

**Reply:-** No such claims have been received in this zone till date. The assessee may be informed to come up with a specific and detailed representation for examination, by the concerned Commissionerate.

**b) M/s. Ananta Rubber LLP**

**Point No. 5 :** “Department has stated that they have started the process of refunds but of no avail. We have uploaded the data as advised by FIEO and also attended the meeting convened by Additional / Chief Commissioner of GST. An amount of around Rs.1.25 crores of GST refund is held up with the government.”

**Reply:-** Refunds are being sanctioned as mentioned in reply to Point 2, above.

**Point No. 6 :** “Anomalies existing in the present system of GST that can be resolved easily by suitable modifications”

**i) Cash Challans while Filing of GSTR 3B:** While generating Cash Challans for making payment of GST, the details of the respective tax for which cash is being paid i.e, IGST, CGST, SGST, and Cess details are to be fed. These details are not functionally attributing the cash to that respective tax but are only secondary information. However, the cash paid into CGST and is not available for SGST for cross utilization. Moreover, the order of the taxes as appearing in the cash challan is different from that of the portal which is causing many inadvertent mistakes.

**Suggestion:** As anyway the cash paid into the cash ledger does not bear the name and character of any tax, it can be made a common pool and offsetting the liabilities will anyway be happening at the filing of the return. This will ease up the process by a great deal.”

**Reply:-** Since, the issue is a policy matter, no comments can be offered.

**ii) INP – 1:** “INP 1 is the form through which dealers obtaining registration can avail the input on the stocks held on the date of obtaining registration and this shall be filed within 30 days from the date of obtaining registration. This facility is not yet made available on the site. Due to this many dealers are forced to pay tax and wait for taking credit until INP 1 is made active, which is creating unwarranted hardship.”

**Reply:-** Facility to claim ITC on stock is by filing ITC-01 (Not INP-01 as mentioned above). This facility was enabled in the common portal and the due date for filing is 31.01.2018 (Notification No. 67/2017-Central tax dated 21.12.2017)

**iii) Composition dealers:** “In case dealers opting out of composition and taking regular scheme, the portion is unnecessarily showing that the filing of returns is pending since July instead of the month for which he became a

regular dealer. Moreover this also preventing from filing the 3B for the months of August or September as is applicable. This shall be rectified at the earliest.”

**Reply:-** Now, the issue has been fixed. Provision to file both monthly/quarterly returns for the interim period has been enabled in the GST portal, as clarified on 27.12.2017, through CBEC-Twitter.

**iv) Filing of return and payment of taxes can be delinked:** “under the previous Vat Structure the filing of return can be done even without payment of taxes and later on the payment of taxes can be made referring the acknowledgement number of the return and without which the return is not effective or interest is levied. However under the GST structure, payment of taxes was made as an integral part of the filing of return. Due to this the last minute rush for filing of returns is mounting up a lot.”

**Reply:-** This is a policy decision. Since payment of taxes by the supplier and eligibility to take ITC by the recipient are linked, filing of return without paying tax is not permitted under GST Law and accordingly the system (GSTN) is designed. However, if the assessee wishes, he can send a detailed representation to Board, with a copy to this office.

### **3.2) Points Sponsored by Federation of Indian Chambers of Commerce and Industry (FICCI)**

#### **Point No. 7 : Technical problems faced by the Dealers in submission of GST TRAN-2 Return**

“As per the Transition Provisional under GST, Traders who do not have Excise or VAT Invoice, there is a scheme to allow credit to them on the duty paid stock. The scheme is operative only for six months from the appointed day. The Traders have to submit the details of such stocks in GST TRAN 2 every month.

After 6 months, GST Tran 2 Return is activated to enable the Traders to submit the details of Stock held by them and details of sales made by them and claim input Tax Credit there on. The Traders/Dealers could submit the Tran 2 Return for July 2017 successfully, but failed to file the Tran 2 return with DSC. **The message displayed is “Save DSC Data”.**

They have sent emails to GST Help Desk for its resolution and they have been allotted Ticket numbers. But, till date the problem is not resolved by the GST Technical Team. This problem is faced by the Dealers since the Tran 2 is activated.

We have received representations from our members in this regard to take up the matter with higher Authorities for its immediate resolution to enable them to take Input Tax Credit. Their grievance is that the Tran 2 return was activated after six months and now due to technical problems they could not file the return and they could not avail the Input Tax Credit and end up paying the Tax. They have also informed us that they are facing technical problems at every level of Data Entry and they have to frequently send emails /make phone calls to GST Help desk for resolution of Problems. Immediately, Technical problems in filing GST Tran 2 returns has to be resolved to enable the Dealers to file the return and avail input Tax Credit.

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**Reply:-** There is no limitation of 6 months to file TRAN-2 as claimed above. As per Rule 117 of CGST Rules, TRAN-2 can be filed, in respect of the stock of the goods declared in TRAN-1 for which there were no tax invoices, on which GST is paid on supply of such stocks during the six tax periods namely July to December 2017.

In case the relevant details of such goods were declared in TRAN-01 and they were supplied on payment of GST before 31.12.2017, then on filing TRAN-02, they would be able to claim the prescribed percentage of ITC (60% of the CGST paid on goods attracting 9% and above & 40% of CGST paid in respect of other goods). Regarding DSC issue, as this is a technical matter, the same may be taken up with GSTN/DG(Systems) for early rectification of the issue by sending an e-mail to [helpdesk@gst.in](mailto:helpdesk@gst.in)

### **3.3) Confederation of Indian Industry (CII)**

#### **Point No. 8 : Speeding up of Trans-shipment approval process**

“Earlier, Import consignments coming through courier mode, with delivery address at Hyderabad, reaching Bangalore hub did not require approval from Hyderabad Commissioner for transshipment to Hyderabad and approval from Bangalore Commissioner was sufficient for the transshipment to move to Hyderabad. With the new changes, it is now mandatory to take approval from Bangalore Commissioner and then Hyderabad Commissioner to transfer the shipment to Hyderabad from Bangalore Hub through online approval.

Concern: Now we have to take approvals from both Bangalore and Hyderabad Commissioners. This addition of extra approval is delaying the delivery compared to the earlier times. We request the authority to speed up the trans-shipment approval process in this regards.”

**Reply :-** Advised to take up the issue directly with Principal Commissioner of Customs in the next CCFC/PTFC meeting to be scheduled in February 2018.

#### **Point No. 9 : Avoiding Way bill generation for all import consignments within state**

“In pre-GST scenario, there was no need for generating way bill for all the import consignment which needs to be delivered within the state of Telangana. In post GST regime, we need to generate way bill for all import consignments irrespective of whether they are delivered within the state or to a different state.

Concern: It is additional work to generate a way bill for within the state import consignments and Customs authorities are already generating “Bill of Entry” for each import consignment which can be utilized as the official document. We can avoid generating way bill for within state import consignments which can save time and effort in raising a request in the portal which is a time taking process.

Option can also be explored to avoid way bill generation all together and use bill of entry as the official document for both within and inter-state delivery of import consignments.”

**Reply :** E-way bill is prescribed as a transit document in respect of goods movement whether the same amounts to supply or otherwise. It may not be possible to do away with E-way bill requirement to imported goods as it was a policy decision.

**Point No. 10 : 24 Hr clearance facility for Import consignments**

Demurrage Charges

“As of now, we do not have 24hr clearance facility for import consignments and these are now cleared only during office hours.

**Concern:** It is becoming difficult to clear all the import consignments within 48 hours with the current office hours and resulting in demurrage charges. If we can have a 24 Hr facility to clear all the import consignments then we can avoid demurrage charges and speed up our deliveries.”

**Reply :-** Advised to take up the issue directly with Principal Commissioner of Customs in the next CCFC/PTFC meeting to be scheduled in February 2018.

**Point No. 11 : Carry forward of Cenvat credit reported in the return of Loan License Manufacturer (“LL”) for the stock of Principal Manufacturer (“PM”).**

“As you may be aware, manufacturing concept in pharmaceuticals industry is unique, where a Principal Manufacturer (PM) of the drugs, who does not have own manufacturing unit, can avail himself of the manufacturing facility owned by another manufacturer namely Loan License Manufacturer (LL).

Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules, 1945, specifically provide for this benefit by way of granting license called Loan license as per Rule 70-A. Further, Rule 9(2) Central Excise Rules 2002 read with notification 36/2001 dated 26<sup>th</sup> June 2001 exempts a Principal manufacturer of the goods[PM] from taking registration at a specified manufacturing premise where the manufacturing is undertaken by another manufacturer [LL] on the behalf of the Principal Manufacturer [PM].

In Pre-GST scenario, under this LL arrangement, PM buys the inputs in their own name and directs the supplier to deliver the goods to the LL which uses such inputs in manufacture of finished goods. Further, the LL, under its own excise registration, removes the finished goods upon payment of applicable excise duty to the location of PM after utilizing cenvat credit availed on the inputs received.

**Concern:** As your may be aware, Pharma industry in the pre-GST regime was impacted by inverted duty structure whereby primary raw material is subject to higher rate of Central Excise duty than finished goods which is subject to abated rate of Central Excise duty.

In view of this situation, there has been substantial accumulation of Cenvat Credit in Credit Ledger / Excise return of LL. Although, the Cenvat Credit balance is accounted in the Cenvat register of the LL, technically the same pertains to the PM, as LL has been undertaking manufacturing activity on behalf of PM.”

**Reply : –** The above issue has already been brought to the notice of the Law Committee in the Report on Guidance Note of this sector submitted in June

2017 and August 2017 by Ranga Reddy Commissionerate. Decision in this regard is awaited.

**Point No. 12 : Allowing utilization of scrips against payment of GST liability**

“Under the erstwhile Central Excise regime, the scrips issued by the government can be used for payment of BCD, CVD and SAD on imports whereas in the GST regime the scrips can be used only for the purpose of making the payment of BCD and not the IGST payable on imports.

Concern: This results in the additional outflow of funds and the blockage of benefits given by the government for export promotion in the form of scrips which has restricted usage. The pharma sector in the country is one of the few sectors which uses these scrips issued to them for export performance for themselves instead of trading the scrips. The reason for this is that they depend on imports for their raw materials. It is requested to extend the facility of discharging of IGST also through scrips, when the goods are imported. For this purpose issue of necessary exemption notification under Customs Act, 1962 may please be considered.”

Reply :- Since the issue is a policy matter, no comment can be offered.

**Point No. 13 : Clarity on mentioning Tax invoice number in Shipping bill**

“Clarity required while filling shipping bill, whether to mention tax invoice or commercial invoice number in the first field.”

Reply :-Reference invited to the guide on IGST refunds in ICES published by DG Systems on 18.01.2018.

**Point No. 14 : Duty deposited for clearance of State Excise products**

“In pre-GST scenario, Industrial alcohol is under State Excise and company used to deposit money for duty payments and get rebate on exports. In the GST regime, industry alcohol is moved under GST and companies have not received the deposited money in pre-GST period into their GST accounts. Clarity required on the transfer of deposited money into GST accounts.”

Reply :- Issue may be taken up with State GST authorities.

**3.4) Points sponsored by Federation of Telangana Small (MSME) Industries Associations**

Point No. 15: “A company in Pashamylaram has got accumulated VAT prior to 1<sup>st</sup> July because the company purchase raw material in the State (paying 5% VAT) and its majority sales are outside the State with 2% CST. The accumulated VAT is reflected in the June 2017 monthly returns. The company could not file the TRAN-1 within the stipulated time i.e. by 27<sup>th</sup> December 2017, because they could not get the “C” forms within the stipulated time from different states. Kindly advise the remedial measures and also the procedure / steps to be taken by the company to get the refund of the accumulated VAT which will be a considerable amount.”

Reply:- Issue may be taken up with State GST authorities.

**Point No. 16:** “Job Work Procedures - In order to get the conversion of raw material into a semi finished product or finished product because of deficit capacities of the plant, a company proposed to send raw material along with DC / challan to another MSME industry, for Job work.

Under section 2 (68) of CGST Act 2017 “The principle would be required to intimate the Jurisdictional Officer ”.

In this connection please clarify:

a) Can the intimation shall be sent by e-mail or by a letter to the Jurisdictional Officer.”

**Reply :-** As per Section 143 of CGST Act, that a registered person may under intimation and subject to such conditions as may be prescribed, send any inputs or capital goods, without payment of tax, to a job worker for job work. Further Rule 45 of CGST Rules prescribes procedure for the same. However, manner in which intimation is to be given is not mentioned. Hence, sending intimation by email is not allowed as of now.

The member was requested to send the proposal separately for examination.

b) Is it enough to send the intimation and send the raw material for job work or the principle has to wait till he get orders from the Jurisdictional Officer.

**Reply :-** Intimation is sufficient. However, the procedure prescribed under Rule 45 of CGST Rules shall be followed.

c) If the Jurisdictional Officer is not available, whom to be intimated.

**Reply :-** Intimation can be filed with the office of JRO/JDO or the concerned Circle/Divisional officers of the state GST authorities.

d) Does the job worker is required GST registration.

**Reply:-** If the turnover of the job worker is more than the threshold limit, the concerned person is required to take registration, as the job work is a supply of taxable service.

e) Suppose, if the company send to the same job worker, number of times, is it required to send intimation for each and every consignment or is it enough if sends one time intimation since the raw material is same and nature of processing is same.

**Reply:-** The tax payer may send such intimation to the jurisdictional officer in the beginning of such job-work and the same will be valid till the particulars mentioned therein do not undergo any change.

**Point No. 17:** Can we issue credit note for services supplied in pre GST and if yes, then the party need to reverse only CGST amount or SGST would also be reversed.

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**Reply:-** As per Section 142(2)(b) where, in pursuance of a contract entered into prior to the appointed day, the price of any goods or services or both is revised downwards on or after the appointed day, the registered person who had removed or provided such goods or services or both may issue to the recipient a credit note, containing such particulars as may be prescribed, within thirty days of such price revision and for the purposes of this Act such credit note shall be deemed to have been issued in respect of an outward supply made under this Act. Accordingly, the party should reverse ITC taken under the CGST/SGST/UTGST/IGST Account.

**Point No. 18:** If a person has not filed GSTR1 for July, then can he file combined data for July to September in quarterly return instead of separately filing July and other 2 months.

**Reply :-** First, he needs to first file GSTR-1 for July 2017 separately and then file GSTR-1 for August and September 2017 by choosing the return period September 2017 - GSTR1.

**Point No. 19:** Can online seller take credit of GST paid on commission and other fees charged by the online portals like Amazon and Flipkart.

**Reply :-** Yes. ITC of taxes paid can be taken, subject to eligibility.

**Point No. 20:** Can supplier issue a single invoice to his client for services he offers in multiple states.

**Reply :-** No. Separate invoices have to be issued for supplies to different registered taxpayers, although belongs to the same group company. In other words, if the place of supply is different for the services rendered based on consumption, separate invoices have to be issued. Otherwise single invoice would suffice (when supply is to different locations within a state, where the recipient has a single registration for all the out-lets of supply).

**Point No. 21 :** There is no mention of credit / debit note details in the GSTR-3B format, we suggest the same shall be included in the GSTR-3B format. This will facilitate to take the available credit at the time of filing GSTR-3B itself, instead of waiting for filing of GSTR-1.

**Reply-** As per the instructions to the Form GSTR-3B in CGST Rules, 2017, Total taxable value of outward taxable supplies (in table 3.1 of GSTR-3B) is to be net of total invoice value, debit and credit notes and advances.

i.e: Value of Taxable Supplies = Value of invoices + value of Debit Notes – value of credit notes + value of advances received for which invoices have not been issued in the same month – value of advances adjusted against invoices.

**Point No. 22 :** After uploading the invoice details, in GSTR-1 the table value as per invoices is correct, and the tax amount is showing correctly. The total invoice value mismatching with taxable value (+) tax amount. We found the

difference in the month of November 2017, is Rs.0.90 (90 paise). Kindly suggest what steps we can take in such type of incidences.

**Reply-** A detailed representation may be sent along with screen shots for examining the matter.

**Point No. 23 :** After uploading invoices in GSTR-1, the portal is taking one day for processing the invoices (upadation process). It takes a long time to rectify the errors, so we suggest that the system should shows the errors / mistakes at the time of uploading only.

**Reply-** Detailed representation may be given with screen shots to resolve the matter. In order to avoid such situation the returns may be filed well in advance.

**Point No. 24 :** When can we expect the filing dates of GSTR-2 and GSTR-3.

**Reply:-** Return Review Committee is formed to review the subject returns. Due dates will be notified in due course.

**Point No. 25 :** Refund claims on the supplies made to SEZ units with payment of duty. One of the pre requisite to file a refund claim, for the supplies made to SEZ units is, that the application shall be accompanied by an evidence regarding the receipt of goods by SEZ unit.

As the earlier ARE-1 document endorsement by customs officials is dispensed, presently GST official at SEZ unit, is refusing to endorse the invoice on the plea, that they have no instructions / notifications in this matter. However the SEZ unit is sending a SEZ-data procurement sheet containing all particulars of DTA supplier, Invoice No., DTA procurement no.& date, details of SEZ unit GST no. of supplier, SEZ unit etc. **This document is obtained from the system after receipt of goods at SEZ unit.**

So can we submit the same as evidence of receipt of goods at SEZ unit along with the refund claim.

**Reply :-** Similar query was raised by the member in the previous RAC held on 23.10.2017 and was replied at para 3.3(a) of the minutes issued on 08.11.2017 and sent to the member by mail. It is once again informed that Joint Development Commissioner, SEZ assured to issue a circular insisting the specified officers to endorse invoices as proof of export of goods into SEZ.

**Point No. 26 :** Representation of the "Cherlapally Industries Association" expressing the difficulties faced by bore well industry is submitted herewith. The Chief Commissioner GST, Telangana State may kindly consider their grievances and make favorable recommendations to the CBEC / GST council on the following points.

- a) Presently, the Rig Manufacturers are procuring Trucks and Air Compressors by paying GST at 28% on Trucks and 18% on Air Compressors for export purpose. On completion of the rig unit

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mounted on Truck along with Air Compressor, they are exporting the same as a Rig unit (Boring Machinery for Earth) duly paying applicable GST at 18%. They have been paying GST at higher side for procuring Trucks at 28% and Air Compressors at 18% which are our primary components/inputs.

In this connection, we request you to represent to the Government for reducing the GST from 28% on Trucks used by the manufacturers of Boring machinery for earth drilling under Chapter No. 84304110.

- b) Before implementation of GST, for Export purpose, the manufacturers of the Boring machinery for earth drilling under Chapter No.84304110 used to procure major bought out items like Trucks and Air Compressors without payment of Duty against submission of Annexure 45 and Form – H to the concerned Authorities.

Now the system is changed, and we are forced to pay 28% GST on the Truck and 18% Air Compressors. Due to payment of GST for goods meant for Export, our Working Capitals has been blocked and our small and medium industry has been facing lot of financial problems. During the time of export, the above manufacturers are paying IGST and submitting their claim for refund after getting all their Export documents. After submission of claim, it is taking lot of time to get back the IGST amount.

In view of the above difficulties an anomaly in the GST, we request you to represent for implementation of the old system i.e., against submission of required documents without payment of Duty.

- c) Because of paucity of Working Capital, MSME units are naturally depending on advances from the customers for Working Capital purpose. Therefore, for domestic sales, they are forced to take advances from their customers. Normally it will take 2 to 3 months' time for delivery of finished goods to the customers. Earlier they used to pay taxes at the time of dispatch only but now, as per GST Rules, they are forced to pay tax on advances and whereas their Customers are willing only to give certain percentage of sale value only as advance without adding the applicable GST. Due to lack of Working Capital resources, those units are rather forced to accept the customers' terms whereby the net advance is reduced to the extent of GST, since they are obliged to pay GST out of the advance received. Due to this, they have been facing severe financial crunch on regular basis.

Hence, we appeal to you represent to the Government for amending the Rules so as to pay GST at the time of sale only and not at the time of receipt of advance amount from the customers.

In the light of the above, we request your good selves to represent the above issues to the Government and if the above issues are considered and implemented, it will go a long way in reducing the Working Capital burden on

the MSME units manufacturing Boring machinery for earth drilling under Chapter No. 84304110.

- Reply :-** (a) Issues with regard to reduction of GST rates are beyond the scope of RAC.  
(b) Since the issue is a policy matter, no comments could be offered.  
(c) The aspect has already been clarified vide Notification No.66/2017-CT dated 15.11.2017.

**Point No. 27 :** Plaster of Paris (POP) or Gypsum Plaster is covered under HSN 2520 with GST rate of 5%. POP is the main raw material used for producing the GRG (Glass Fiber Reinforced Gypsum) boards. These boards are manufactured by Tiny / Cottage industries with nominal capital employing unskilled labour totally by hand without using any machinery. POP is mixed with water and poured on to the glass top table and allowed to dry for a few minutes to get the board. Very little amount of glass fiber or jute is used to give strength to the board. These boards are used in false ceiling works. Similarly some matching components like cornices are also produced. Consequent to the launching of GST, these boards are shown under Chapter 44 Sl. No. 4 (d) taxable at 12%. Unfortunately it is clubbed along with Pole, Piles, Pickets, Railway Sleepers, Boards, Boxes, Casks, Tools, Statuettes, Boat Oars/Peddles, Cutlery, Tableware, Kitchenware etc. made of wood or wood particles or some other materials. All the above items do not have any resemblance with the GRG Boards made of POP.

In view of the above it is requested to recommend to the GST Council to re-look and apply 5% tax in line with their raw material (whether or not by changing the HSN) also based on the fact that these boards are manually manufactured without use of machinery by very small units with a view to help thousands of dependent unskilled labour. In fact originally, Paper faced Gypsum boards manufactured by Multinational / Large scale industries by using high technology and automatic manufacturing machinery lines costing hundreds of crores of Rupees were kept under HSN 6809 at 28% thus maintaining a gap of 16% presumably with a view to give edge to small players.

But in one of the recent meetings, the Council reduced the tax on these items from 28% to 18% which narrows down the gap because of which, the small players will not be able to sustain and hence the GRG boards manufactured by small players deserve to be shifted to a lower tax category i.e, 5%. By this the original gap of 16% becomes 13%.

**Reply :-** The issues with regard to the reduction of GST rates are beyond the scope of RAC.

### **3.5) Points sponsored by Medak Small Scale Entrepreneurs Association**

**Point No. 28 :** Firstly we would like to thank the Honorable Chief Commissioner for advising us to come with relevant details and supporting documents in order to address the issue of our main concern i.e. GST on Job works. During our subsequent efforts to gather all such useful information, we realized that the CGST Act 2017 (No. 12 of 2017) dated 12<sup>th</sup> April 2017 sufficiently addresses the issue. With reference to Sec 2 (68) for definition of job

work and job worker, Sec 19 for taking input tax credit by the principal in respect of inputs sent for job work, Sec 22 for exclusion of job work turnover from the aggregate turnover for registration liability (though not very relevant time being), Sec 141 for transitional provisions relating to job work, Sec 143 for job work procedure between a principal and a job worker(s) registered or not registered and based on the provisions of the these sections, we are of the opinion that the same old procedure that existed before the appointed date is being continued with some additional relaxations for ease of doing business. In case if it is felt by the authorities that our above assumption is correct, we request you to kindly confirm the fact (gist) that a principal can send inputs to a job worker without paying any tax and the job worker can return the inputs to the principal or to others as required by the principal without paying any tax by following certain conditions and CGST Rules, 2017 vide Notification No. 55 / 2017 dated 15-11-2017.

**Reply :-** In the GST era, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax, to a job worker for job work and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year/3 years of their being sent out. However, job worker, if registered for any reason under CGST Act, 2017, has to discharge GST liability on the job-work charges paid by the principal.

**Point No. 29 :** We herewith attach a pamphlet / compilation 'Job-work Under GST' prepared by the National Academy of Customs, Indirect Taxes & Narcotics for your kind perusal. This 3 page document is very clear and easy to understand. Kindly confirm if we (principal and job workers) can use this as 'general guidelines on job work under GST'.

**Reply-** Rule 45 of CGST Rules may be referred, as subject pamphlets are only guiding in nature.

**Point No. 30 :** As per Sec 143, a principal may under intimation and subject to such conditions as may be prescribed, send any inputs without payment of tax to a job worker..... Kindly confirm if an email to the concerned Asst. Commissioner is sufficient and also is it necessary to intimate on all occasions or when the principal sends inputs to any or some of the registered (vendors) job workers, a onetime or once in a financial year intimation with list of such registered vendors, general description of inputs to be sent and general description of operations to be carried out would be sufficient.

**Reply-** The tax payer should send such intimation to the jurisdictional officer in the beginning of such job-work and the same will be valid till the particulars mentioned therein do not undergo any changes. Further Rule 45 of CGST Rules prescribes procedure for the same. However, manner in which intimation is to be given is not mentioned. Hence, sending intimation by email is not allowed as of now.

**Point No. 31:** Whenever waste (scrap) is left out with the job worker after completion of the job work, the principal may recover cost of the same from the job worker along with tax. Naturally the job worker will be eligible to take ITC. In the absence of physical movement along with tax invoice, a suitable

procedure to be followed by the principal and job worker may please be suggested.

**Reply:-** The Principal Manufacturer may raise Invoice on the Job-worker for such scrap and Job-worker may avail ITC on the same. No separate procedure is required there for.

**Point No. 32:** Some of the principals have placed job work orders after the appointed day by indicating 'GST extra payable as applicable' and some of our members have completed job works and raised tax invoices. In our opinion, this is not in line with the procedure as per the Act and hence request for suitable remedy.

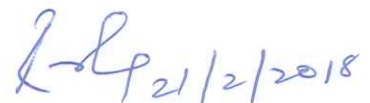
**Reply:-** From the facts mentioned, there is no inconsistency in the provisions of law.

**Point No. 33:** Having discussed about our main issue of concern as above, even though our members have posed lot of day to day issues with respect to compliance, we are not submitting the same now in view of the belief that it will be better if these issues are addressed by the concerned area officers and hence we request you to kindly facilitate such meetings at RC Puram and Patancheru for the benefit of our members.

**Reply:-** The field officers may be approached with prior communication of the issues to clarify the queries raised at their level.

4. The meeting ended with thanks to all the members of the Committee from the Chair.

5. This issues with the approval of the Chief Commissioner of GST & Customs, Hyderabad Zone, Hyderabad.



(Rashmi.G)

Joint Commissioner (CCO)

To

All the RAC Members (by e-mail)

Copy submitted to :

- 1) The Indirect Tax Ombudsman, Chennai, 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai, 600 034 w.r.to letter F.No. ITOM/RAC-Hyderabad/ 2015 dated 08.04.2016.
- 2) The Principal Commissioner of Customs /  
Principal Commissioner / Commissioner of GST, Hyderabad/Medchal/  
Secunderabad/Ranga Reddy/Audit-I/Audit-II /Appeals-I / II,  
Hyderabad.
- 3) The Additional Director General, DGGST, Southern Zonal Unit, Chennai.