



GST IMPACT ON MULTIMODAL TRANSPORTER

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The implementation of and adherence to a new law is always a complicated and cumbersome exercise. This was no different in case of the GST law in India. The law brought with it multiple rates for the innumerable and varied HSN codes.

The ordeal of understanding and assessing the rates and provisions applicable, was all the more difficult for the transport industry, owing to the fact that many of them in the industry were involved in providing more than a single mode of transportation services.

Until July 2018, a contract having multiple modes of transportation services attracted multiple rates of GST, i.e. different rates for transport by rail, road, water and air, that also varied depending on the claim of input tax credit.

Burdened by this compliance difficulties, the Society of Indian Automobile Manufacturers (SIAM) had approached the logistics division of the Commerce Ministry raising issues faced by the industry because of non-availability of a separate category of service and rate of GST for multi modal transport. This prompted the Commerce Ministry to pitch for a single GST rate for multimodal transportation of vehicles. In response to this and taking it a notch further the CBIC issued notification No. 13/2018-Central Tax Rate on 26th July, 2018, prescribing a single rate of 6% (CGST) for multimodal transportation of all goods and not just vehicles.

What is multimodal transport?

Multimodal transportation means carriage of goods, by at least two different modes of transport from the place of acceptance of goods to the place of delivery of goods by a multimodal transporter.

Who is a multimodal transporter?

A person who enters into a contract to perform multimodal transportation against freight by road, air, rail, inland waterways or sea, and acts as a principal and not an agent either of the consignor, or consignee. To fall under the definition of multimodal transporter, the said person is required to assume responsibility for the performance of the said contract.

This notification raised a new confusion. As per notification No. 2/2018- Integrated Tax (Rate) dated 25th January 2018, services by way of transportation of goods by an aircraft or a vessel from customs station of clearance in India to a place outside India has been exempted from 25th January, 2018 to 30th September, 2019. With the introduction of a



single rate of tax for multimodal transport there arose a confusion as to the availability of the above exemption.

To resolve this confusion, the GST council in its 31st meeting issued a clarification regarding the applicability of multi-modal transport. The aforementioned clarification clearly states that the scope of entry for multi-modal transport covers only transport of goods from a place in India to another place in India, that is, only domestic multi-modal transport. Hence, the exemption introduced in Notification No. 2/2018- Integrated Tax (Rate) continues to be applicable.

Determination of the type of tax for a multi-modal transporter

Determination of type of tax (i.e. CGST+SGST or IGST) is no different in case of a multi-modal transporter, i.e. if the location of supplier and the place of supply are in the same state, the type of tax would be CGST & SGST, in any other case the type of tax would be IGST.

What would be the place of supply in case of a multimodal transport service?

The determination of place of supply would be as per section 12(8) of IGST Act (where the receiver **and** the supplier are in India) and as per section 13(9) (where the receiver **or** the supplier are outside India)

a. Where the recipient and supplier of service are located in India

As per section 12(8) of IGST Act, the place of supply of services by way of transportation of goods, where the recipient is a registered person, shall be the location of such person.

In cases where the recipient is an unregistered person, the place of supply shall be the location at which the goods are handed over for transportation.

Hence, in case of multimodal transporter services, if customer 'A', who is registered person, hands over the goods to the transporter 'B' at his factory gate, the place of supply would be the location of customer 'A'.

In case a customer is unregistered, say 'C' who is located in Andhra Pradesh, hands over his goods to the transporter at the location of the transporter which is in Telangana, the place of supply would be 'Telangana'.

However, a new proviso to section 12(8) has been inserted in the IGST amendment Act, which provides that, where the destination of goods is out of India, the place of supply shall be the destination of the goods.



Since the entry of multi-modal transporter would not be applicable in cases where the destination of goods is out of India, the newly inserted proviso would not be applicable to a multimodal transporter.

b. Where the recipient or the supplier are located outside India

The place of supply for transportation of goods would be the destination of such goods.

There would be cases where the recipient of service would be located outside India, but would require the **goods to be transported from a place in India to a place in India**.

Assuming a scenario where, customer 'A' who is located outside India, hires a transporter 'B' to transport goods from Delhi to Chennai, and the transporter uses multiple modes of transport like road and rail. This would be a case of multimodal transport and the **place of supply** would be **Chennai**, as it is the destination of the goods.

However, if the ultimate destination of goods is outside India, the place of supply would be such destination and the entry of multimodal transport would not be applicable.

Special thanks to CA Seeram Ashwini for penning this article. For any further queries/comments please write to seeramashwini@hiregnage.com.

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