Food Corporation of India -
Frequently Asked Questions

Last updated on 22\textsuperscript{nd} June 2017
Q 1. What does GST stand for?

GST stands for “Goods and Services Tax”. Simply put, GST may be defined as a tax on goods and services, which is leviable on every taxable supply of goods and / or services.

Q 2. Why dual GST and what’s IGST, CGST and SGST?

India is a federal country where under the Constitution, both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

GST would have below components –

► Central GST (CGST) levied and collected by the Centre; and

► State GST (SGST) levied and collected by the States. In case of Union territories, the SGST would be replaced by Union Territory GST (UTGST).

► Integrated GST (IGST) would be applicable on all inter-state supplies of goods and services (including imports).

► Compensation Cess on specified goods such as Motor vehicles.

Further, CGST and SGST would be applicable on intra-state supplies of goods or services in India (generally supplies of goods made within the state).

IGST rate would typically be equal to the sum of CGST and SGST rates for any given product.

Q 3. What are the taxes that will get merged into GST?

GST would consolidate into a single tax which would help to overcome the limitations of current tax structure and create efficiencies in tax administration. It will consolidate various Indirect tax levies such as:

► Central Excise Duty
► Service tax
► VAT
► CST
► Entry Tax
► Octroi
► LBT
► Countervailing Duty
► Special Additional Customs Duty
► Surcharges and
► Cess
Q 4. **What are the taxes that will continue post GST?**

The taxes mentioned as hereunder will continue after GST:
- Basic Customs Duty
- Export Duties
- Stamp Duties
- Electricity Duties
- Taxes on professions, trades, callings and employments
- RD Cess (State may decide to subsume the same as well)
- ID Cess (State may decide to subsume the same as well)

Q 5. **What is the taxable event under GST?**

Taxable event under GST is supply of goods or services or both.

Existing taxable event such as Sale and provision of service, etc. would not be relevant under GST.

Further, inter-state stock transfers within the same organization will also qualify as supply and attract levy of GST, if the goods/services are taxable.

Q 6. **What is meant by Taxable Supply?**

Taxable Supply means a supply of goods or services or both which is leviable to tax under the GST Act which shall include, inter-alia, all forms of supply of goods/services for a consideration in the course or furtherance of business.

Q 7. **Who is liable to pay GST?**

The following persons are liable to pay GST:
- Supplier of Taxable goods/services;
- Recipient of Notified category of taxable services; and
- Recipient of Taxable goods/services from Unregistered Dealer(s)

Q 8. **Who is required to obtain GST Registration?**

Every person who is engaged in providing taxable supply and is having aggregate turnover (in a financial year exceeding the threshold limit of twenty lakh rupees (Ten lakhs in case of special category states) shall be required to obtain registration.

Further, inter-alia the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:
- Persons making any inter-State taxable supply;
- Persons who are required to pay tax under reverse charge; and
- Persons who are required to deduct tax.

Q 9. **What is Aggregate Turnover?**
Aggregate Turnover includes the aggregate value of following of a person having the same PAN:

► All taxable supplies;
► All exempt supplies;
► Exports of goods and/or service; and
► All inter-state supplies.

Further, Aggregate turnover shall include all supplies made by the Taxable person, whether on his own account or made on behalf of all his principals.

However, Aggregate turnover shall not include value of supplies on which tax is levied on reverse charge basis, and value of inward supplies.

**Q 10. What is meant by Reverse Charge Mechanism?**

It means that the liability to pay tax is on the recipient of supply of goods and services instead of the supplier of such goods or services.

**Q 11. Which are the supplies covered under Reverse Charge Mechanism?**

► Receipt of Notified category of taxable services; and
► Receipt of Taxable goods/services from Unregistered Dealer(s)

**Q 12. What are the major notified services covered under Reverse charge Mechanism?**

An indicative list of services covered under reverse charge is mentioned as hereunder:

<table>
<thead>
<tr>
<th>#</th>
<th>Services</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Services in respect to transportation of goods by road by a goods transport agency excluding for Agricultural produce and Food grains including flour, pulses, rice</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>Legal Services from Individual advocate or firm of advocates</td>
<td>18%</td>
</tr>
<tr>
<td>3</td>
<td>Any services by Government or local authority to FCI except exempted or following: (1) Renting of immovable property, and (2) Below services- (i) Services of speed post, express parcel post, life insurance and agency services provided by Department of Post; (ii) Services in relation to an aircraft or a vessel, whether inside or outside the precincts of a port or an airport; (iii) Transport of goods or passengers</td>
<td>As per respective service</td>
</tr>
<tr>
<td>4</td>
<td>Services by an arbitral tribunal to FCI</td>
<td>18%</td>
</tr>
</tbody>
</table>
Q 13. What is the relevance of Place of Supply of Goods and Services under GST?

Place of Supply can be referred to as the location where the consumption of goods is taking place. In other words, place of supply is used to determine the place i.e. the taxable jurisdiction where the tax should reach.

Also, place of supply plays a crucial role in determining which category of tax is to be levied on a transaction, i.e.,
- CGST & SGST/UTGST (Intra-state supply); or
- IGST (Inter-State Supply).

Q 14. How to determine, whether CGST/ SGST would apply on a supply or IGST?

The main criteria for determining whether, CGST & SGST is applicable on a supply or IGST is applicable, is
- Location of Supplier; and
- Place of Supply.

► Levy of CGST/ SGST

A Supplier shall be liable to levy CGST/ SGST on a supply in case both the Location of Supplier and Place of Supply are in the same State.

► Levy of IGST

A Supplier shall be liable to levy IGST on a supply in case the Location of Supplier and Place of Supply are in different States.

Further, IGST shall also be levied in case of following supplies:
- On Imports under Reverse charge;
- On Supplies made to or by a SEZ unit/ developer;
- Stock Transfer from one unit to another located in different states.

Q 15. What shall be the Place of supply in case of supply of Goods?
► Supply of goods involving movement of goods from one location to another

Place of supply shall be the location of goods at the time at which the movement of goods terminates for delivery.

**Example:** FCI supplies office equipment from Haryana to Maharashtra, wherein the goods were physically moved to Maharashtra. Place of supply in such case shall be Maharashtra.

► Supply of goods involving no movement of goods

Place of supply shall be the location of such goods at the time of the delivery to the recipient.

**Example:** FCI supplies food grains from Haryana to Maharashtra to Mr. A. However, instead of delivery of goods being made by FCI, the same were directly collected by Mr. A from the godown of FCI. In such a case movement of goods has not been taken place, accordingly, place of supply shall be location of goods viz. Haryana.

► Delivery of goods by supplier to a recipient or any other person, on the direction of a third person

In such a case, it would be deemed that the third person has received the goods and the place of supply shall be the principal place of business of the third person.

**Example:** FCI, Haryana enters into a contract to supply Office Equipment to its customer in Maharashtra. However, the customer directs FCI to supply the goods to its unit at Haryana. In such a case, the place of supply shall be the location of customer, i.e., Maharashtra (rather than Haryana) and IGST would be levied on such a transaction.

► Installation or assembly of goods at site

Place of supply shall be the location of such installation or assembly.

**Example:** Installation of weigh-Bridge by a supplier located at Delhi to FCI's depot located at Andhra Pradesh. The Place of supply shall be the location of installation of weigh bridge, i.e., at Andhra Pradesh.

Q 16. **What shall be the Place of supply in case of supply of Services?**

The Place of supply in case of major services are mentioned as **Annexure A**.

Q 17. **What is the relevance of Time of Supply under GST?**

► The time of supply is used to ascertain the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made.
Accordingly, in case the Time of supply of any transaction is in the month of August, FCI shall be required to report the same in the return for the month of August and pay the applicable tax accordingly.

Further, the CGST/SGST Act provides separate time of supply for goods and services.

Q 18. What are the different types of transactions for time of supply in case of supply of Goods?

The provisions of Time of supply may vary with the transactions in case of supply of goods.

The provisions for time of supply in case of goods under different categories have been mentioned as hereunder:

► In case of Outward supply of Goods, including Food Grain

The Time of supply shall be earliest of the following:

► Invoice/ Bill of Supply Date;

► Last date on which invoice/ Bill of Supply is required to be issued (i.e., At the time of or before removal of goods); and

► Payment date.

► In case of Purchase of Taxable Goods from unregistered dealers attracting GST under Reverse charge Mechanism

The Time of supply shall be earliest of the following:

► Date of receipt of goods by FCI;

► Payment date;

► Date immediately following 30 days from the date of issue of invoice.

Q 19. What are the different types of transactions for time of supply in case of supply of Services?

The provisions of Time of supply may vary with the transactions in case of supply of services.

The provisions for time of supply in case of services under different categories have been mentioned as hereunder:

► In case of Outward supply of Services

The Time of supply shall be earliest of the following:

► Invoice Date;

► 30 days from the date of supply of service; and

► Payment date.

► In case of Procurement of Taxable Services from unregistered dealers or notified services liable for Reverse charge

The Time of supply shall be earlier of the following:
► Payment date;
► Date immediately following 60 days from the date of issue of invoice.

Q 20. How to determine whether tax would apply on a transaction or not?

Other Key Points:
► Indicate Place of supply in tax invoice/ Bill of Supply;
► Indicate GSTIN of customer, if it is a registered person.

Q 21. Whether GST would be applicable on food grains and pulses?
Based on the current GST rate list issued by the GST Council, Food grains and Pulses would not attract levy of GST.

The procedure outlined in the GST Law would need to be still adhered to and reporting of supplies of food grains and pulses would need to be made in the GST Return.

**Q 22. Which other transactions may attract levy of GST for FCI?**

The following transactions will attract levy of GST:

- Supply of any goods attracting GST such as gunny bags, tender document, office equipment, scrap etc.
- Supply of services attracting GST such as Rental Charges of warehouse, Weighing Charges etc.
- Procurement of taxable goods from unregistered dealers attracting GST under reverse charge mechanism
- Procurement of taxable services from unregistered dealers attracting GST under reverse charge mechanism
- Procurement of notified services such as advocate services attracting GST under reverse charge mechanism

**Q 23. Whether handling charges will be subject to levy of GST for food grains handling, Gunny handling etc.?**

Handling services would be treated as supply of service under GST. Basis draft list of exempted services as available in public domain, handling services for agriculture produce and rice will be exempted under GST. However the same is expected to be taxable in respect to gunny.

**Q 24. Whether GST is payable on storage of food grains & other commodities?**

Storage service would be treated as supply of service under GST. Basis draft list of exempted services as available in public domain, storage services for agriculture produce and rice will be exempted under GST. However the same is expected to be taxable in respect to other commodities.

**Q 25. Whether transportation of food grains/gunny by Rail & Road is taxable under GST?**

Services of transportation by rail and road would be treated as supply of service under GST. Basis draft list of exempted services as available in public domain, transportation services for agriculture produce and food grains (including pulses, rice) by road and rail will be exempted under GST. However the same is expected to be taxable in respect to gunny.

**Q 26. Would GST be applicable on Stock transfer in case of Goods?**

Currently, FCI is not liable to levy tax on stock transfers made against Form-F.

IGST shall be levied on stock transfer of goods, other than food-grains made in case of transfer from one unit to another located under different states.
Example: FCI transferred office equipment amounting to INR 1,00,000 from Haryana unit to Punjab unit on 11th August 2017. In such a case, FCI shall be required to comply with the following:

► Levy IGST at the specified rates on such transfer in Haryana unit and pay the same before the submission of GSTR-3 for the month of August 2017; and

► Claim credit of IGST paid in Punjab unit on the basis of invoice received from Haryana unit.

Further, in regard to stock transfer of Food Grains, the afore-mentioned provisions shall apply for the same, subject to NIL GST liability on such transfer as Food grains are exempt under the GST law.

Q 27. What are the documents to be issued in case of supply of Food grains, being NIL rated under GST?

The following documents are to be issued by FCI for outward supply of food grains:
► Bill of supply to be issued for supplying food grains, at the time of or before removal of such food grains;
► E-Way bill to be generated where value of supply of goods exceeds INR 50,000. (The final provisions of E-waybills are yet to be notified by the Government of India.)

Q 28. What shall be the reporting requirements in case of supply of Food grains, being NIL rated under GST?

FCI shall be required to comply with the following:
► No transaction level reporting required;

► However need to mention separately the total amount of following:
  ▶ Inter-state supplies made to registered person
  ▶ Inter-state supplies made to un-registered person
  ▶ Intra-state supplies made to registered person
  ▶ Intra-state supplies made to un-registered person

Q 29. What shall be the Documents to be issued in case of supply of taxable goods/services?

The following documents are to be issued by FCI for outward supply of taxable goods/services:
► Tax invoice to be issued for taxable supply of goods and/or services as per the time of supply provisions;
► E-Way bill to be generated where value of supply of goods exceeds INR 50,000. (The final provisions of E-waybills are yet to be notified by the Government of India.)

Q 30. What shall be the reporting requirements in case of supply of taxable goods/services?

FCI shall be required to submit Invoice level transaction to be reported rate-wise mentioning the following:
► GSTIN/UIN of registered person,
► Place of supply,
► Invoice date,
Q 31. What shall be the requirements in case of procurement of services/goods, other than food grains from unregistered vendors?

In case the procurement from unregistered vendors, FCI shall be required to discharge the GST liability under reverse charge mechanism.

Also, FCI shall be required to issue Self-addressed Invoice on receipt of such goods/services as well as issue a payment voucher for such procurements leading to additional compliance burden.

Additionally, FCI is required to report the Invoice level transactions monthly GSTR-2 return as well.

Q 32. What shall be the requirements in case of procurement of notified goods/services liable for reverse charge?

In such case, FCI shall be required to discharge the GST liability under reverse charge mechanism by issuance of payment voucher while making the payment to vendors under such procurements.

Additionally, FCI is required to report the Invoice level transactions monthly GSTR-2 return as well.

Q 33. What shall be the requirements in case of advances received by FCI for supply of Food Grains being exempt under GST?

In case advance is received by FCI against future supply of Food Grains, there is no additional requirement under GST law.

Q 34. What shall be the requirements in case of advances received by FCI for supply of taxable products like office equipment under GST?

In case advance is received by FCI against future supply of office equipment’s, FCI shall be required to pay GST liability on receipt of such advances and issue an advance receipt voucher for the same to the Customer.

However, in case the supply is rescinded at a later date, FCI would need to issue a refund voucher while refunding the advances.
Annexure A: List of major services being procured and their applicable Place of Supply considering FCI being a registered person

<table>
<thead>
<tr>
<th>S No</th>
<th>Input service/ Input</th>
<th>Place of Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Services by way of transportation of goods</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>2</td>
<td>Sponsorship Service</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>3</td>
<td>Legal Consultancy services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>4</td>
<td>Transportation of goods by a vessel from a place outside India up to the customs station of clearance in India (Service Provider is outside India)</td>
<td>Location of Destination of Goods</td>
</tr>
<tr>
<td>5</td>
<td>Services provided by independent directors of a company to company</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>6</td>
<td>Services provided by Government or local authority</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>7</td>
<td>Rent a cab service</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>8</td>
<td>Manpower Services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>9</td>
<td>Security services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>10</td>
<td>Works Contract services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>11</td>
<td>Loading, Unloading &amp; packing services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>12</td>
<td>Storage and warehousing services</td>
<td>Location of Warehouse</td>
</tr>
<tr>
<td>13</td>
<td>Transportation of goods by rail</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>14</td>
<td>Milling services in respect to conversion of Paddy into Rice</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>15</td>
<td>Commission Agent Service</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>16</td>
<td>Construction services</td>
<td>Location where service are actually performed</td>
</tr>
<tr>
<td>17</td>
<td>Information technology services (Assuming, procured within India)</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>18</td>
<td>Renting of immovable property</td>
<td>Location of Immovable property</td>
</tr>
<tr>
<td>19</td>
<td>Consultancy services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>20</td>
<td>Repair and maintenance services</td>
<td>Location of Service receiver</td>
</tr>
<tr>
<td>21</td>
<td>Telecommunication services</td>
<td>Location where the telecommunication line is installed</td>
</tr>
<tr>
<td>22</td>
<td>Recruitment agency services</td>
<td>Location of Service receiver</td>
</tr>
</tbody>
</table>

**Our Scope Limitations**
We have relied upon the explanations provided, the documentary evidences shared and data provided by the management of FCI for the purpose of our report.

Our comments are based on our understanding of transactions/operations of FCI and subject to confirmation from FCI. Any variation in the facts could significantly alter our comments given in this memorandum.

The comments are basis the CGST, IGST and UTGST bills received Hon’ble President’s assent on 13 April 2017 and draft rules released in public domain.

The comments stated in this presentation are restricted to potential implications under the GST law proposed to be introduced in India. The document does not cover implications under any other tax or legislation or regulation in India.

The comments in this memorandum are purely a matter of interpretation and not binding on any regulatory or tax authorities. Therefore, there can be no assurance that the regulatory or tax authorities will not take a position contrary to our comments.

The discussions and interpretations set forth in this memorandum are based on the existing GST laws and regulations prevailing as on the date of this memorandum. If there is a change, including a change having a retrospective effect, in the statutory laws and regulations, the discussions and comments expressed in this memorandum would necessarily have to be re-evaluated in light of such changes. We have no responsibility to update this memorandum for events or circumstances occurring after this date, unless specifically agreed between the parties.
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