



Hyderabad

CIRCUIT

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Web: cmahyderabadchapter.in

E-mail: hyderabad@icmai.in

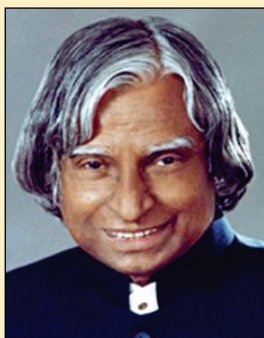
Ph: 040-27635937 | Telefax: 040-27607893

From the Edit Room

In the process of sale of manufactured products, consignment sale is one of the important methods followed. Keeping this importance in view, we have covered, through an Article the applicable issues which are to be taken care under the GST Law by the Principal & Agent under Consignment mode of Business. Further, to avoid and reduce trade disputes with the governmental authorities, Advance Ruling mechanisms under the Taxation laws play a very important and useful role. AAR of different states from time to time gives Advance Rulings under GST law on the applications filed with them. Some of the important such Rulings which give very useful tips under GST are also covered in this issue of the Circuit.

All the professional Accountants need to note the important changes and issues relating to allowing online application for refunds under GST, online issue of RCMCs by DGFT, Rules notified under NFRA, revision in the Appeal Forms for filing appeals to ITAT, improved features in respect of the E-Way Bill generated from the GST portal, Companies Amendment Ordinance Bill 2018 which is effective from 2nd Nov, 2018 and new procedure announced by SEBI for public issue by listed companies etc., being important developments of the month.

CMA R.Satyanarayana



Teaching is a very noble profession that shapes the character, caliber, and future of an individual. If the people remember me as a good teacher, that will be the biggest honour for me.

- A. P. J. Abdul Kalam

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Member CMA Sudha Rani V e.mail: sudhacma@gmail.com	

email: hyderabad@icmai.in

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Month (2018-19)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	1	0	1	1	2	0	1	0	0	0	0	0	6
CEP Hours	2	0	1	4	2	0	10	0	0	0	0	0	19

Practitioners' Forum Sub-Committee

Month (2018-19)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	1	2	3	2	2	2	0	3	0	0	0	0	15
CEP Hours	1	3	5	4	3	2	0	3	0	0	0	0	21





Performance Track

PRACTITIONERS' FORUM SUB-COMMITTEE

PRACTITIONERS' FORUM SUB-COMMITTEE PROGRAMMES

S.No	Date	Programme	By	CEP Hours
1	10.11.2018	International Accounting Day	Speaker CA Arjun Vijay Golar	1
2	17.11.2018	Blockchain for Cost Accountants	Speaker Shri Raghavender Reddy. K Founder - Director Dakshah Ebiz Counsulting Pvt Ltd	1
3	20.11.2018	GST Impact on Insurance Banking Sector	Speaker Shri CMA B.Mallikarjuna Gupta Founder : India –GST.in	1

OTHER PROGRAMMES

S.No	Date	Programme	By
1	12.11.2018	Career Counselling at Telangana State Welfare Residential Junior College for Boys, Ibrahimpatnam.	CMA Dr. Chandra Sekhar Rajanala Chairman
2.	14.11.2018	Career Counselling at Telangana State Welfare Residential Junior College for Girls, Gowlidoddi, R.R.Dist.	CMA Dr. Chandra Sekhar Rajanala Chairman
3	16.11.2018	Career Counselling at Sri Sai Vignan Bharati Junior College for Girls, Padma Rao Nagar, Sec-bad.	CMA N.S.V. Krishna Rao, Practising Cost Accountant
4	18.11.2018	Career Counselling at Telangana Tribal Welfare Residential Junior College for Girls, Bhadrachalam.	CMA Dr. Chandra Sekhar Rajanala Chairman Mr. Ravinder Reddy, Faculty
5	18.11.2018	Career Counselling at Telangana Tribal Welfare Residential Junior College for Girls, Khammam	CMA Dr. Chandra Sekhar Rajanala Chairman
06	24.11.2018	Career Counselling at Badruka Junior College for Girls, Domalguda, Hyderabad.	CMA N.S.V. Krishna Rao Practising Cost Accountant

CMA UPDATE

CMA R. SATYANARAYANA,

M.Com, FCMA

Email: yadav.satyanarayana@gmail.com



GENERAL

- **Police verification for issue of Passport:** The Centre plans to merge the process with Crime and Criminal Tracking Network and Systems Project (CCTNS), a project first conceptualized by the UPA government in 2009; this will eliminate the need of doing the physical police verification for getting a new passport. With the implementation of CCTNS, the manual process of Police verification for New Passport could be simplified with just a few clicks. Also, the old process which resulted in bribing the local police officers when they come to verify the address and identity will come at a halt and for details refer to www.mha.gov.in
- **MSMEs:** 59 minute loan portal to enable easy access to credit for MSMEs. Mandatory 25 percent procurement from MSMEs by CPSEs Govt. to issue Ordinance for simplifying procedures for minor offences under Companies Act. The Prime Minister, Shri Narendra Modi, launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector. As part of this programme, the Prime Minister unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country.
- **Procurement from MSMEs:** Central Govt. and PSU minimum procure limit from MSME increased to 25% from existing 20% and out this 3 percent earmarked for women owned MSME vide Notification No. S.O. 5670(E) dated: 9th November, 2018.
- **Cross Border Merger in Asia Pacific:** The Ministry of Corporate Affairs and Central Bank of India have rolled out rules to permit cross-border inbound and outbound mergers between Indian companies and foreign companies. This is expected to boost foreign investment in India and for details refer to www.mca.gov.in
- **Transport related documents in electronic mode:** One of the major amendments was made by Ministry of Road Transport and Highways in the Motor Vehicles Rules in Nov 2018. Now Citizens can produce transport related documents like Driving Licence etc in physical or electronic form.

GST

- **GST Refund:** The taxpayers can now file online application to claim refund on account of Assessment/Provisional Assessment/ Appeal/ any other Order on GST Portal. (refer Section 54(1) of CGST Act 2017)
- **Exemption to TDS under GST:** CBIC exempt supply of Goods and Services from PSU to PSU from applicability of provisions relating to TDS vide Notification No. 61/2018 – Central Tax Dated 5th November, 2018 vide CBITC Notification No.61/2018-Central Tax dated 5th Nov.2018 and for details refer to www.cbitc.gov.in

RBI

- **PML maintenance of records:** Under the revised rule every reporting entity (banking company, financial institution, intermediary or a person carrying on a designated business or profession) is required to file the electronic copy of the client's KYC records with the Central KYC Records Registry shall within Ten days after the commencement of an account-based relationship with a client and for details refer to Notification issued by the ministry of Finance GOI dated 31st

Oct, 2018 and for details refer to www.mf.gov.in

INCOMETAX

- **Taxability of service charges collected by Hotels:** The CBDT has issued an important directive dated 19th November 2018 On the issue of treatment of service charge taken from customers by the hotels/restaurants under the Income-tax Act, 1961 and for details refer to www.incometaxindia.gov.in

DGFT

- **Online issue of RCMC:** All those EPCs which are still issuing RCMCs in the manual mode have to complete the exercise to shift to online mode positively by 31st December, 2018. Those who fail to comply with this timeline shall cease to act as the Registering Authority for RCMCs under Para 2.55 [b] of FTP, 2015-20 vide Trade Notice No.37/2018-19 dated 2nd Nov, 2018 and for details refer to www.dgft.gov.in
- **Validity period of EPCG extended:** The validity period of EPCG Authorizations extended to 24 months vide Public Notice No. 47/2015-20 dated 16th Nov, 2018 of DGFT.

SEBI

- **Streamlining Public Issue:** SEBI has issued circular streamlining the process for public issue of Equity shares and convertibles and for details refer to SEBI's Circular No. SEBI/HO/CFD/DIL2/CIR/P/2018/138 November 1, 2018.
- **Delay in submission of Financial Results by Listed companies:** SEBI issued circular on disclosure of reason for delay in submission of financial results by listed companies within one working day of the due date of submission of the results vide CIR/CFD/CMD-1/142/2018 dated 19th Nov, 2018 and refer for details on www.sebi.gov.in
- **Raising Funds:** SEBI has issued a circular stating that all listed companies would be required to mandatorily raise funds by way of Debt securities wef 1st April,2019 and for details refer to www.sebi.gov.in

COMPANIES ACT

- **President Assent received:** Honourable President of India has given his assent to Companies (Amendment) Ordinance, 2018 with effect from 02nd November 2018. Companies (Amendment) Ordinance, 2018 amends 31 Provisions of Companies Act, 2013. The twin objectives of the Ordinance are promotion of Ease of Doing Business along with better corporate compliance and for details refer to www.mca.gov.in
- **Simplifying procedure for MSMEs:** PM unveils 12 key initiatives 59 minute loan portal to enable easy access to credit for MSMEs Mandatory 25 percent procurement from MSMEs by CPSEs Ordinance for simplifying procedures for minor offences under Companies Act. The Prime Minister, Shri Narendra Modi, launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector. As part of this programme, the Prime Minister unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country. Further the Ordinance includes simplified procedure for Minor offences under the Companies Act 2013 and for details refer to www.mca.gov.in
- **Business Responsibility Reporting:** The Secretary, Corporate Affairs has constituted a Committee for finalizing the Business Responsibility Reporting (BRR) Format for Listed and unlisted companies based on the BRR Framework of the updated NVGs under the Chairmanship of Mr. Gyaneshwar Kumar Singh, Joint Secretary, Ministry of Corporate Affairs with the 7 Members and for details refer to www.mca.gov.in

Principal and Agent Relationship under GST:

CMA.Sudha Rani V.

B.Com.,LL.B., FCMA
sudhacma@gmail.com
M: 9676547773



This article deals with the transactions between the Principal and agent where there is supply (i)with consideration and (ii) even if made without consideration.

Meaning and scope of supply as specified u/s 7 of CGST Act includes

- all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- import of services for a consideration whether or not in the course or furtherance of business;
- the activities specified in Schedule I, made or agreed to be made without a consideration.
- the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Supply between agent and principal for consideration gets covered under the clause (a) and liable to GST unless it is exempted by the notification.

Transaction of supply of goods between agent and principal without consideration gets covered under Entry 3 of Schedule I which is provided hereunder:

- Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
- Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

From the above entry it is to be noted that supply of services between the principal and agent without consideration is not covered. "Consideration" is required for supply of services between principal and agent.

Definitions:

The terms "Agent" and "Principal" are defined under section 2(5) and Section 2(88) of CGST Act which are extracted hereunder:

"agent" means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another;

"principal" means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both;

"Supplier" which is defined under section 2(105) of CGST Act includes an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

"Recipient", which is defined under section 2(93) of CGST Act, means where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in

relation to the goods or services or both supplied.

Therefore, agent gets covered under supplier and recipient definitions.

"output tax" which is defined under section 2(82) includes tax chargeable under CGST Act on taxable supply of goods or services or both made by taxable person or by his agent also.

Principal-Agency Relationship:

CBIC issued Circular no.57/31/2018-GST dated 04.09.2018 clarified the scope of principal-agent relationship in the context of schedule – I of the CGST Act.

In the said circular it is clarified that key elements for determining relationship under GST would be whether the invoice for the further supply of goods on behalf of the principal is being issued by the agent or not? Where the invoice for further supply is being issued by the agent in his name then, any provision of goods from the principal to the agent would fall within the fold of the said entry. However, it may be noted that in cases where the invoice is issued by the agent to the customer in the name of the principal, such agent shall not fall within the ambit of Schedule I of the CGST Act. Similarly, where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent then further provision of the said goods by the agent to the principal would be covered by the said entry. In other words, the crucial point is whether or not the agent has the authority to pass or receive the title of the goods on behalf of the principal.

Compulsory Registration:

Agent is mandatorily needs to get registered under GST law when he supplies the goods and/or services on behalf of other taxable persons whether as an agent or otherwise. Threshold limit of Rs.20lakh to get registered under GST law is not applicable to agents when the supply of goods and /or services on behalf of other taxable persons.

Principal also is required to add a place, where he is engaged in business through an agent, as place of business.

Valuation:

Valuation of transactions between principal and agent is covered under Rule 29 of CGST Rules, 2017.

Value of transaction where goods are supplied.

- Open market value of the goods being supplied, or

At the option of the supplier, be 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient.

Illustration: Mr.X supplies bags to his agent.

If open market value of the bag is Rs.1000/- per bag then the value of transaction between Mr.X and his agent would be Rs.1,000/- per bag.

Or

Agent sells the bag of like kind and quality at the price of Rs.1,050/- then the value of transaction would be 90% of 1,050/- viz: Rs.945/-

- where the value of a supply is not determinable under clause (a), the same shall be determined by the application of rule 30 or rule 31 in that order.

Clause (a) of Rule 29, transactions of valuation of goods are covered and if the value is not determinable under clause(a) then in such cases rule 30 or rule 31 in the same order need to be considered.

Under Rule 30 the value of supply shall be 110% of the cost of production or manufacture or the cost of acquisition of such goods



Transaction Value is the value of supply of services between agency and principal. If the value is not determinable then rule 30 or rule 31 is required to be applied. Under Rule 30 the value of supply of service is cost of provision of such service.

Under Rule 31 the value of supply shall be determined using reasonable means consistent with the principles and general provisions of section 15 and the provisions of this chapter.

In case of supply of services, the supplier may opt for this rule, ignoring the rule 30.

Valuation for Travel Agent:

The value of the supply of services in relation to booking of tickets for travel by air provided by an air travel agent shall be deemed to be an amount calculated at the rate of 5% of the basic fare in the case of domestic bookings, and at the rate of 10% of the basic fare in the case of international bookings of passage for travel by air.

Explanation.- For the purposes of this sub-rule, the expression "basic fare" means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

Input Tax Credit:

An agent may claim Input Tax Credit charged on any goods or services or both which are used or intended to be used for business purpose.

Exemptions:

Entry no.54 of Notification No.54/2017 dated 28.06.2017 provides the exemption to the services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.

Clause 2(d) of the above mentioned notification defines "agricultural produce" which means any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products, on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market.

Accounts and Records:

Every agent shall maintain accounts depicting the,-

- particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- details of accounts furnished to every principal; and
- tax paid on receipts or on supply of goods or services effected on behalf of every principal.

Liability:

Agent and his principal shall, jointly and severally, be liable to pay the tax payable on taxable goods supplied or received by an agent on behalf of his principal.

Conclusion: Commission agents were liable to service tax under Finance Act on the commission received. But transfer of goods from principal to agent was not liable to VAT. Under GST, transfer of goods from principal to agent without consideration also amounts to supply and liable to GST if the supplies are taxable supplies.

VAT & CST

J.V. RAO

High Court Advocate &
Tax Consultant

Email: jvr Rao@yahoo.co.in



- Input Tax Credit:** Value Added Tax-Change of Law-Penalty-Commissioner-wrong claim of -Transitional provision-Tax credit of stock as on March 31, 2006- Claim of tax credit for stock for which dealer not entitled or excess claim of tax credit-Commissioner has discretion not only to not impose penalty but also to choose quantum of penalty up to maximum of 200 percent. Of wrongly claimed tax credit- Gujarat Value Added Tax Act, 2003 (1 of 2005), s. 12 (7) - State of Gujarat vs. Jain Marbo India Pvt. Ltd. (2018) 58 GSTR 373 (Guj)
- Detention of goods:** Goods and services tax -Condition precedent-opportunity to be granted to concerned person to be heard -Duty of officer to pass speaking order stating why objections rejected- Assessee submitting representation that goods and bag contained receipts stolen -Order of detention stating that assessee neither appeared nor submitted any objection -Not sustainable -Proceedings set aside with direction to give a fair opportunity of hearing to assessee -Direction for release of goods in terms of Rules-Rajasthan Goods and Services Tax Act (9 of 2017), ss. 129(4), (5), 130 - Central Goods and Services Tax Act, 2017, r. 140 - Sakeel Vs. State Tax Officer. (2018) 58 GSTR 72 (Raj)
- Reassessment:** Entry Tax -Limitation -Proceedings initiated by notice after expiry of two Years from period for which reassessment proposed -Beyond time-limit and liable to be quashed -Bihar Tax on Entry of Goods into Local Areas for Consumption, Use or Sale Therein Act (16 of 1993) - Bihar Value Added Tax Act (27 of 2005), s. 28 (1) - Constitution of India, art. 226 - R.P.S. ENT UDYOG vs. State of Bihar (Patna). (2018) 58 GSTR 105 (Patna).
- Evasion of Tax:** - Goods and Services Tax -Transport of goods-E-waybill -Detention -Transport of goods by respondent dealer from Ernakulam, after power coating, to business premises at Wayanad- Goods detained for failure to follow specification with respect to uploading of e-waybills as per Rule 138 - Direction by single judge for payment of Rs. 10,000 by petitioner and furnishing of simple bonds for amounts covered by detention orders-Writ appeal -Direction modified to release goods on execution of simple bond for value of goods and furnishing of security in form of bank guarantee equivalent to amount of applicable tax and penalty - Central Goods and Services Tax Act (12 of 2017) - Central Goods and Services Tax Rules, 2017, r. 138 - Assistant State Tax Officer Vs. Alfa Aluminium and another. (2018) 58 GSTR 354 (Ker)
- Rate of Tax:** - Value Added Tax-Entries in Schedule-Bingo Chips sold by dealer-Potato chips are processed vegetables-Taxable under entry 107, Part B, First Schedule at 4 percent. - Not under entry 69 at 12.5 percent -Tamil Nadu Value Added Tax (32 of 2006), Sch. I, Part B, entry 107, Part C, entry 69- Chamadhi Trades Vs. Commercial Tax Officer. (2018) 58 GSTR 120 (Mad)

FINANCE CLIPS

CMA R. SATYANARAYANA

M.Com, FCMA

Email: yadav.satyanarayana@gmail.com



- **Empanelment:** MCA has invited applications from CAs for Official liquidator as Auditors in Companies under liquidation and for details refer to www.mca.gov.in
- **Appearance through Video Conference:** Government allows appearance via Video Conference in CA Misconduct cases vide MCA Notification dated 28th Oct 2018 and for details refer to www.mca.gov.in
- **Delayed payments to MSMEs:** The Central Government hereby directs that all companies who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed forty five days from the date of acceptance or the date of deemed acceptance of the goods or services as per the provisions of the Act, shall submit a half yearly return to the Ministry of Corporate Affairs stating the following:(a) The amount of payments due; and (b) The reasons of the delay vide Notification dated 2nd Nov, 2018 and for details refer to www.mmsme.gov.in
- **NFRA Rules Notified:** MCA has notified National Financial Reporting Authority Rules 2018 on 13th Nov, 2018 and for details refer to www.mca.gov.in
- **Multiple Choice Questions in the CA Exam:** ICAI has released sample Multiple Choice Question Papers which are effective from May 2019 new pattern exam and for details refer to www.icai.org
- **Rules for investigation of CAs:** MCA notified amendment to rules for investigation of CA vide Notification dated 29th Nov, 2018 and for details refer to www.mca.gov.in
- **Show cause Notice to 1775 NGOs under FCRA:** The Ministry of Home Affairs has issued Show Cause Notice (Non-submission of mandatory Annual Returns from 2011-12 to 2016-17)- Annual Report/accounts for some of the financial years between 2011-12 to 2016-17 have not been found uploaded on the FCRA portal online by the Associations registered under The Foreign Contribution (Regulation) Act, 2010. The said Associations are directed to explain within a period of 15 days from the date of issue of Show Cause Notice as to why appropriate action under sections 13 & 14 of The Act may not be initiated against them and for details refer to No. 11/21022/58(069)/2018-FCRA(MU) dated 16th Nov, 2018 on www.mh.gov.in
- **Professional Misconduct of CAs:** Supreme Court held that A Chartered Accountant can be held guilty of professional misconduct even when he is acting as an individual in commercial dealings and is not acting as a CA nor discharging any function in relation to his practice as a Chartered Accountant. Under the CA Act, any action which brings disrepute to the profession or the Institute is misconduct whether or not related to professional work vide decision given in the case of Council of ICAI Vs Gurvinder Singh.
- **Draft Guidance Note on Audit of Banks:** ICAI has issued 3 Exposure Draft of the Guidance Note on Audit of Banks 2019 which includes Guidance on Statutory Central Audit of Banks, Guidance on Foreign Exchange Transactions and Integrated Treasury and Guidance on Bank Branch Audit other than Foreign Exchange Transactions and called for suggestions and comments of all stakeholders latest by 15th Dec, 2018 and for details refer to www.icai.org
- **Registered Valuers:** Chartered Accountants need not to be a Graduate to become Registered Valuer vide ICAI Press Release and the details can be accessed on www.icai.org
- **Standards on Internal Audit:** ICAI has issued draft standards on Internal Audit (SIA) 320-Internal Audit Evidence & Internal Audit (SIA) 330-Internal Audit Documentation and called for comments & suggestions of all stakeholders and for details refer to www.icai.org
- **GST Practitioner's Exam:** Taxmann.com introduced first online 'Exams' module. It is an online platform to prepare for the GST Practitioners' Exam by undertaking real-exam like mock tests. The Exam Module offers mock tests strictly as per the syllabi of GST Practitioners' Exam prescribed by National Academy of Customs, Indirect Taxes and Narcotics (NACIN), Ministry of Finance, Government of India and for details refer to www.taxmann.com
- **ITAT Appeals:** The CBDT has amended the Income Tax Rules and prescribed new Form Nos. 36 and 36A for filing an appeal and cross-objection, respectively, to the ITAT. The new Forms are available for download in word format and pdf format and the same can be accessed on www.incometaxindia.gov.in



TRANSPORTATION COSTING

CMA R. SATYANARAYANA

M.Com, FCMA

Email: yadav.satyanarayana@gmail.com



What is Transportation costing?

Cost is the amount of resources consumed in producing a product or service. Transportation costing comes under costing of services. Basically transportation means moving personnel/& goods from one place to the other by air, ship, road or rail or even a combination of these. We may be hearing the word Logistics. Logistics is a broader term which covers not only transportation of goods but it may cover one or more other activities like warehousing, inventory management, courier service, home picking of the packets of goods and delivery at door of the addressee. Logistic management is effectively adopted by business units like Amazon.com, flipcart.com, eBay.com etc.,

Features of Transportation system:

The special feature of Transportation industry is it is capital & Labour intensive. Huge investment is required in the vehicles used for transportation like purchase of Buses, Heavy Commercial vehicles, railway wagons, aeroplanes & ships etc., and staff to man like drivers, pilots & other support staff. Further major part of the Transportation business is depending upon agents and freight forwarders. Presently India has about 7-8% of the world's logistic business of \$ 5000 billion. In India 60% of the goods movement is by road and balance 40% of the goods movement is through other means like Rail, Air or ship. Further about 75% of the road transporters in India have not more than 5 trucks with them there by there is heavy competition for road transport business through under cutting of prices charged.

Operating costing:

- (i) In transportation costing we adopt the principles of operating costing to ascertain the cost of providing/operating/rendering

services by this industry to finally ascertain costs incurred per passenger or per ton transported. Generally, we compute costs using composite unit in transport costing like per tonne km or passenger km as the costs vary with the distance, number of people travelling and at times weight transported. Costs are accumulated per a period may be daily or weekly or monthly etc.,

- (ii) Operating costs are classified as fixed costs – Road tax, Insurance, driver's wages, conductor's wages, depreciation (if time based), interest on capital, garage rent, office & administration expenses. Variable costs- Petrol, diesel, lubricating oil, Repairs & Maintenance & Depreciation (if based on operations like estimated Kms of run). Costs do not include detention charges, demurrage charges, penalties etc., which are avoidable and they are directly charged to P&L account.

(iii) Effective Cost units

- (a) **Effective KM** = Distance covered one way x No. of trips per day x No. of days operated. This would mainly help in computing the costs of fuels like diesel/petrol or other oils consumed beside finding Effective cost units.

- (b) **Effective cost units** may be – Effective passenger Kms (in case of Passenger

Transportation) & Effective tonne Kms (in case of goods transportation)

Example: Effective cost units (In case of passenger transportation)

= Effective Kms x Seating capacity x Seating occupancy percentage each trip

Cost Expressions = Total costs collected/Effective Cost units

We can estimate the operating costs in advance: For this purpose we shall discuss the issues involved in the case of a Heavy Commercial Vehicle (HCV)

Generally in the case of Heavy Commercial Vehicles the concepts of Life Cycle Costing (LCC) is applied. The concepts of LCC are applicable to find estimated operating cost of operating for a period or a trip etc. LCC concepts are applied where the operating costs during the life time of the vehicle is more than the cost of Acquisition.

LCC = Acquisition cost + Operating cost
– Disposal costs

- (a) **Acquisition costs:** They include cost incurred for truck/trailor like cost of chassis, body building costs, registration costs for registration of vehicle, Insurance, taxes etc.,
- (b) **Operating costs:** (i) Vehicle running costs like costs for diesel, lubricating oil, tyres cost, drivers & other staff salaries (ii) Vehicle maintenance costs like costs for engine oil, transmission oil, coolant, inspection costs, wheel alignment, repairs & maintenance costs
- (c) **Disposal costs:** Revenue realized on disposal of Truck/trailor net of Environmental costs if any.

Pricing of transport services:

The primary purpose of costing is to fix the prices and charges to be levied on the user of service. The pricing though generally depends on many factors and sometimes different prices to different customers and prices lower than the total cost could be decided by the transport companies. Though cost is a fact, but price is a policy hence charges and prices would differ from customer to customer. To quote a few practices in the Transportation Industry the following are worth mentioning.

- (i) **Airline industry:** Airline tickets are available at much discounted prices if advance reservations are made much before the date of journey and thus adopt differential pricing. The differential pricing by Airline industry is based on Marginal costing principle and Break Even Point (BEP) concepts
- (ii) **Rail Transportation:** Presently the powers for fixing Rail fares and freight rates are with the Ministry of Railways (Rate Branch) and covered by Railway Act 1989.
- (a) **Passenger fares:** Passenger fares are decided more or less on the basis of political compulsions rather than on cost concepts. Our sleeper class fares & general sleeper class fares are under priced. Monthly season tickets and quarterly season tickets for suburban services are probably the cheapest

in the world. Though some of the upper class services are priced on the higher side.

- (b) **Goods transportation:** Over the years Indian Railways have reduced classification of the total number of commodities of over 4000+. Presently it has been classified into 16 different classes for the purpose of charging of freight. In the entire cycle of freight fixation the following activities are common irrespective of whatever may be the class of the commodity.

-Goods Tariff, part I (Vol.II) -
Through Distance table

-Junction distance table -
Freight rate table

The following are the stages involved in fixing the freight to be levied on commodities offered for transportation to Indian Railways.

-When a customer comes to book his consignment the freight booking section checks up **Goods Tariff-Part I (Vol.II)** which is the book of classification in order to verify the class of the commodity. Let us say the commodity class is 140.

-The freight section will next calculate the distance from the originating to the destination station using the **Through Distance Table & the Junction distance table**. Let us say the distance comes to 763 Kms.

-Finally they consult **the freight rate table** and check up the freight rate per tonne for class rate 140 at the distance slab of 760 - 770 Kms distance which is in this case is Rs 648.10/tonne.

If the total weight of the consignment comes to say 4000 tonnes the total freight is worked out as Rs 648.10 x 4000 = Rs 25,92,400/-

General: All the above has been discussed from the point of provider of transportation services. But in respect of the user of transportation services are the charges spent for availing the service i.e. fares paid in respect of passenger and freight paid in respect of goods transportation plus incidental expenses like transit insurance of the goods etc.,



GST Advance Rulings and Appeal Orders against Advance Rulings Update

- Ambati Chinna Gangaiah agcpower@icai.org, Cell: +919391142969



Advance Rulings in GST in Other States

	Taranjeet Singh Tuteja & Brothers	STC/ AAR OS /2018 Raipur (Chhattisgarh)	comprises of two or more supplies (i.e. transportation, supply of packing material & incentives) and one of which is principal supply i.e. custom milling of paddy, it shall treated as composite supply as per section 2(30) of Chhattisgarh GST Act 2017 and as per the provision of section 8(a) of Chhattisgarh GST Act 2017. Accordingly the tax liability on a composite supply shall be decided as a supply of such principal supply under Notification no. 31/2017-CT(R) notification no.11/2017-CT (Rate) dated 28-06-2017 serial No. 26. (c), vide state notification no.F-10-82/2017/CT/V(146) dated 13.10.2017 i.e. 5% (2.5% CGST & 2.5% SGST)
	Indian Institute of Management	KAR ADRG 25 / 2018 DT 25.10.18 (Karnataka)	1. In respect of question (a), "Whether the long duration post graduate diploma/ degree granting programmes offered by the Indian Institute of Management, Bengaluru other than specifically mentioned in Sl.No.67 of Notification No.12/ 2017 – Central Tax (Rate) dated 28 th June 2017 as amended by Notification No.2 / 2018 dated 25 th January 2018 are exempted from the GST output liability on education as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force in the light of enactment of the Indian Institute of Management Act, 2017?", the answer is "No". In respect of question (b), "Whether supply of online educational journals or periodicals to the Indian Institute of Management, Bengaluru is exempted from reverse charge liability of GST under Sl. No.66 of Notification No.12 / 2017 – Central Tax (Rate) dated 28 th June 2017 as amended by Notification No. 2/2018 dated 25 th Jan. 2018 being education provided as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force in the light of enactment of the Indian Institute of Management Act, 2017?", the answer is "No".
	Premier Vigilance & Security Pvt Ltd	Case No.23/18 20/WBAAR/ 2018-19 dated 02/11/2018 (West Bengal)	Toll charges paid are not to be excluded from the value of supply under Rule 33. GST shall, therefore, be payable at the applicable rate on the entire value of the supply, including toll charges paid. The Applicant is not acting as a 'pure agent' of the Bank while paying toll charges, which are the cost of the service provided to the Banks so that his vehicles can access roads/bridges to provide security services to the recipient.

Appeal Orders against Advance Ruling given under GST Act in other States

1	Mega Flex Plastics Ltd (West Bengal)	06/ WBAAAR / Appeal /2018 dated 25.10.2018	item Polypropylene Leno Bags (PP Leno Bags) manufactured by the respondent, be classified under Tariff Heading 39232990.
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1	T M Motors Pvt Ltd Vs Commissioner GST & C.E. Alwar	Service Tax Appeal ST/ 53009/2015-CU(DB) dt 22.06.18 (Delhi)	Incentive on account of sales/target incentive on sale of vehicles and incentive on sale of spare parts for promoting and marketing the products of MUL, the contention is that these incentives are in the form of trade discount. The assessee respondent is the authorized dealer of a car manufactured by MUL and are getting certain incentives in respect of sale target set out by the manufacturer. These targets are as per the circular issued by MUL. Hence these cannot be treated as business auxiliary service.
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59TH NATIONAL COST CONVENTION & SAFA EVENTS - 2019

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CMA BHAVAN, Street No. 5,
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Ph. 040-27635937, Telefax: 040-27607893
Web: cmahyderabadchapter.in
Email: hyderabad@icmai.in

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