

GST exigible on Services from Kerala to Karnataka in facilitating Transportation of Goods to Tamil Nadu: The AAR, Karnataka

Fact of the Case

The applicant, Chep India Pvt. Ltd. (CIPL) is an Indian Company and a wholly-owned subsidiary of Brambles Limited, a company listed on the Australian Securities Exchange (ASX) and has its headquarters in Sydney, Australia.

The Applicant is a part of this global organization and its business is primarily renting of re-usable unit-load equipment for shared use by multiple participants within the industrial and retail sector throughout the supply chain, under a business model known as “pooling”. Ownership of the equipment rests with CIPL at all times, CIPL enhances performance for customers by helping them transport goods through their supply chains more efficiently, sustainably, and safely.

The applicant has sought the advance ruling on the issue that whether the pallets, crates, and containers leased by CHEP India Private Limited located and registered in Karnataka to its other GST registration located across India (say CIPL, Kerala) would be considered as lease transaction and accordingly taxable as a supply of services in terms of Section 7 of the Central Goods and Services Tax Act, 2017 and Karnataka Goods and Services Tax Act, 2017. Yet another issue raised was regarding the documents that should accompany the movement of goods from CUPL, Karnataka to CIPL, Kerala.

Decision of the Case

The Coram of members ruled that the pallets, crates, and containers leased by CHEP India Private Limited located and registered in Karnataka to its other GST registration located across India (say CIPL, Kerala) would be considered as lease transaction if the specific goods are sent on lease as per the agreement between the two entities and accordingly taxable as a supply of services in terms of the provisions of the Integrated Goods and Services Tax Act, 2017 read with Section 7 of the Central Goods and Services Tax Act, 2017.

The value declared in the invoice issued by the applicant would be the value on which GST has to be charged in terms of Section 15 of the CGST Act and KGST Act read with relevant Rules. “The documents to be carried for the movement of goods from CIPL, Karnataka to CIPL, Kerala would be a delivery note and e-way bill for the entire value of the goods transported,” the AAR added.

The Karnataka authority of Advance Ruling (AAR) ruled that the GST is exigible on services from Kerala to Karnataka in facilitating the transportation of goods to Tamil Nadu.