



BILL TO / SHIP TO IN GST

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In the normal course of business, when the supplier receives the order from his customers he will ship the goods from his place directly if he has the stock of the goods which are ordered by the customer. There can be cases where the supplier does not have the stock of the goods ordered or he does not deal with them. In such cases he will procure the goods from a third party and then deliver / supply to his customer or asks the third party to ship the goods directly to the customer. He may go for the latter option if the customer wants the goods on an urgent basis or if they feel the cost of transportation is more or there is a time lag for the goods to reach the customer's place. Such transactions are known as Bill To / Ship To transactions. In such cases, what are the tax implications under GST like place of supply, time of supply, issue of e-waybills etc.,

The law is very clear on such transactions and how the e-waybill has to be issued.

Let's understand Bill To / Ship To with a simple example

XYZ based in Mumbai places an order on ABC in Delhi for the supply of goods. ABC is not having the said goods in stock, ABC in turn places an order on PQR based in Delhi to supply the goods directly to XYZ. XYZ will receive the goods from PQR but the amount is to be paid to ABC.

In the above example, there are two supplies one is between ABC to XYZ and another between ABC and PQR but these two transactions results in a third transaction between PQR and XYZ. Though it is single transaction for purpose, these are three different transactions based on provisions of Schedule 1, clause 3, sub-clause (a), "by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal" it has to be treated a supply without consideration for the transaction between PQR and XYZ.

There are three transactions being impacted due to the Bill To / Ship To transactions and the areas are

- Tax Invoice
- Place of Supply
- E-waybills
- Input Tax Credit
- Returns

Tax Invoice

In the complete Bill To / Ship To flow, two different taxes invoice has to be issued. This is to ensure that the

compliances under GST are met and all the parties who are eligible to claim ITC can avail it.

The relation between ABC and PQR is that of a principal and agent, based on the instructions of ABC, PQR ships the goods to XYZ, it will be treated as supply and tax invoice has to be issued with Bill To as ABC and Ship To as XYZ. This is to enable the movement of goods.

The second tax invoice will be issued ABC to XYZ to complete the commercial transaction and also enable XYZ to claim Input Tax Credit.

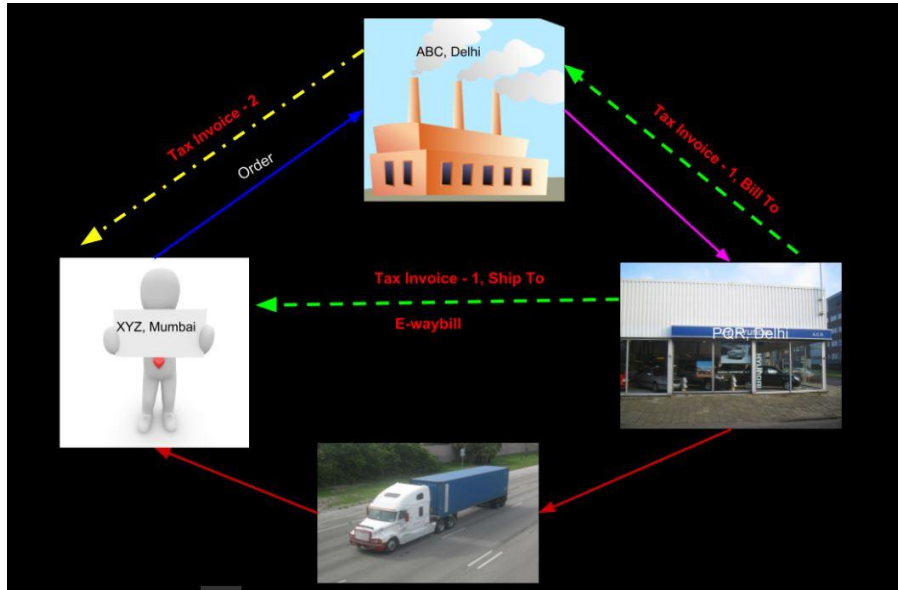
Place of Supply

The place of Supply on this tax Invoice will be determined based on the provisions of Section 10, Sub-section 1, clause (b) of the IGST Act, when it comes to the Bill To and Ship To transactions.

"where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;"

As per the provisions of Section 10, sub-section 1, clause (b) of the IGST Act, the place of supply will be the principal place of business of the principal supplier and not the recipient's place. In this case, the place of supply supplier is ABC of Delhi, so the place of supply will be Delhi for the tax invoice issued by PQR for delivery of goods to XYZ even though XYZ is located in Maharashtra.

For the second tax invoice, which is raised by ABC on XYZ will have the place of supply as Maharashtra.



E-waybill

There are two tax invoices being issued, then is it required to issue to two different E-waybills? In the first case only, there is movement of goods and in the second case there is no movement of goods. In such a case is it required to issue an e-waybill if the transaction value is more than Rs 50,000 and if it is an interstate transaction? It is not required as there is no movement of goods as per Rule 138 of the CGST Rules 2017.

In this case, ABC need not issue e-waybill, it has to issue only a tax invoice for enabling its customer XYZ to claim Input Tax Credit.

Now the next question is who will issue the e-way bill for the movement of goods between PQR to XYZ? In this case can PQR issue the same or ABC can issue it? To address this, the department has issued a press released on 23rd April 2018. It states the following

Information to be furnished prior to commencement of movement of goods and generation of e-way bill. - (1) Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees -
 (i) in relation to a supply; or
 (ii) for reasons other than supply; or
 (iii) due to inward supply from an unregistered person

If PQR is issuing the e-waybills, then the following has to be filled in the e-waybill by PQR only

Sl. No	Fields in E-waybill form	Process
1	Bill From	PQR details are to be entered here
2	Dispatch From	Location from where the goods are being shipped, it can be any of the following locations of PQR a) Principal Place b) Additional Place
3	Bill To	ABC's address has to be entered here
4	Ship To	XYZ's address has to be entered here
5	Tax Invoice Details	Details of Tax invoice – 1 has to be entered here

If ABC is issuing the e-waybills, then the following has to be filled in the e-waybill by ABC only

Sl. No	Fields in E-waybill form	Process
1	Bill From	ABC details are to be entered here
2	Dispatch From	Location from where the goods are being shipped, it can be any of the following locations of PQR a) Principal Place b) Additional Place
3	Bill To	XYZ's address has to be entered here
4	Ship To	XYZ's address has to be entered here
5	Tax Invoice Details	Details of Tax invoice – 2 has to be entered here

Input Tax Credit

As per the provisions of GST input tax credit is available seamlessly across the supply chain cycle. In case of Bill To and Ship To cases who are eligible to take input tax credit and on basis of which tax invoice the input tax can be claimed? This is the most common question which many are having in their minds.

As per provisions of Section 16, sub-section 2 of the CGST Act 2017, Input Tax Credit will be eligible to be claimed only when

(a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other taxpaying documents as may be prescribed;

(b) he has received the goods or services or both.

Explanation - For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

The above two are the basic provisions for the availing input tax credit apart from the other provisions.

As we have two tax Invoices in case of Bill To Ship To transactions, now the question will be who will claim the Input Tax Credit based on two different invoices.

The first tax invoice is issued by PQR to XYZ for the movement of material, as the material is technically belonging to XYZ, can ABC claim ITC on basis on the tax invoice it has received? The tax invoice has Bill To as XYZ and Ship To as XYZ?

On the basis of Tax Invoice 1, ABC will claim the credit even though it has not received the goods based on the provisions of the CGST Act and its explanation.

XYZ will be eligible to claim the credit only on the basis of the Tax Invoice issued by ABC. In the erstwhile tax regimes, it was not required but under GST it is required and this means a change in the business process for XYZ and ABC under GST.

Returns

Return filing is also very important under GST and basis on this only the matching and compliance will be done in GST which are yet to be notified. Matching is being differed but it is recommended to match the Input Tax Credit claimed with the GSTR - 2A data. This will ensure that there will be no reversal of ITC when matching starts and also give statistical data for decision making from whom to purchase the goods or services or both. In case if your supplier of goods or services or both has not filed his return then the data will not be shown in GSTR -2A.

In Bill To / Ship To transactions, XYZ is the buyer and while data entry is being done in the system the Tax Invoice number of ABC should be entered while preparing the Goods Receipt Note or Material Receipt Note or by whatever name it is called, even though the material / goods are

shipped by PQR. If the tax invoice issued by PQR is entered the matching will not take place and as per the provisions of the GST whenever notified.

The input tax credit claim has to be added in the GSTR – 3B of ABC based on the invoice of PQR and for XYZ based on the tax invoice of ABC.

The tax invoices have the reported in GSTR -1 by PQR and ABC accordingly in the B2B supplies if the supplies are to B2B and B2C if the supplies are to non-registered taxpayers.

The above is the process for Bill To / Ship To under GST to be followed while transacting in the day to day business. The above area mentioned ensures that scope for compliances are minimized and at the same time take benefit of the law to expand the business across India, as GST is dubbed to be One Nation, One Tax and One Market.